RNS Number : 1363T
National World PLC
16 March 2023

# National World plc

("National World", "the Group" or "the Company")

**Results for the year ended 31 December 2022**

***FY22 Adjusted EBITDA of £9.7m, ahead of market expectation***
***Digital revenues up 26%***
***Maiden dividend of 0.5 pence per share subject to shareholder approval***

**Highlights**

| | Adjusted results* | | Statutory results | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£m** | **£m** | **£m** | **£m** |
| Revenue | 84.1 | 86.0 | 84.1 | 86.0 |
| EBITDA | 9.7 | 10.1 | 6.8 | 5.7 |
| Operating profit | 9.3 | 9.3 | 5.2 | 2.1 |
| Profit before tax | 9.3 | 8.6 | 5.1 | 1.2 |
| Earnings per share (pence) | 2.9 | 3.7 | 2.0 | 2.8 |

* Adjusted results are before non-recurring items, amortisation of intangible assets and implementation of IFRS 16. Note 17 provides a reconciliation between Statutory and Adjusted results.

**Commenting on the results, Chairman David Montgomery, said**
**"***We are pleased with the progress in transitioning the Group to a fully digitised multi-platform premium content and sales business. We have identified further opportunities to improve efficiency that will underpin future investment in new products, audiences and the enhancement of our heritage assets.*

*"Beyond organic opportunities to grow the business there are a number of investment and acquisition opportunities management is pursuing that would accelerate the Group's progress.*

*"Following an encouraging start to 2023 we look ahead to a year of accelerating change combined with sustained profitability."*

- **Strong balance sheet with significant financial flexibility**, closing cash balance of £27.0 million at 31 December 2022 (2021: £23.0 million).
- **Robust revenue** with a marginal decline of 2% with strong digital revenue growth of 26%, partially offsetting a 7% decline in print revenue.
- **Annualised costs savings** of £4.0 million, £1.0 million ahead of target, with restructuring costs of £3.3 million expensed in the period.
- **Maiden dividend** of 0.5 pence per share subject to shareholder approval.

**Operational highlights:**
- Video enters the forefront of content creation with 250 journalists fully trained. 43% year-on-year growth with 357 million video views in 2022, and doubling of video revenue.
- Over 111 million average monthly page views and 42 million average monthly unique users across over 60 news sites.
- Creation of an expanded exclusively online City World division to 16 sites in early 2023, providing full coverage of the key cities in England and Scotland.
- Launch of the Peopleworld and 3addedminutes websites, and a US version of nationalworld.com creating a global footprint for the business.
- Investment of US$1.25 million in social-first media company, The News Movement, in October 2022 to accelerate development of content for target demographics via growth platforms such as TikTok.
- Digital acquisitions of independent digital football websites owned by publisher ScoopDragon and video-first content innovator, NewsChain completed in December 2022.
- To strengthen the management team John Rowe was appointed as an Executive Director on 24 February 2023. The Board is actively recruiting a new Non-Executive Director and intends to appoint a Senior Independent Director in 2023.

**Current trading and outlook**
The Group has accelerated the implementation of its new operating model to restore sustainable growth.

Continuing strong digital revenue bucked the trend compared with some peers in January and February with a 9% year on year increase matched by audience growth of 9%. This is before the benefit of acquired Scoopdragon and Newschain sites which are expected to add over 10% audience improvement.

Despite total revenue being down 9% year on year, due to economic conditions, we have met our EBITDA target for January and February. Trading is expected to remain challenging for the first half. However, management continues to innovate to address the headwinds faced across the industry, including revenue initiatives, while transitioning to a digital only operational model providing customers with quality and original content across all genres and platforms. The Group maintains its performance expectations for the year.

**Enquiries**


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**Forward looking statements**

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will", or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this announcement and include statements regarding the Directors' current intentions, beliefs or expectations concerning, among other things, the Company's results of operations, financial condition, liquidity, prospects, growth, strategies and the Company's markets. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Save as required by applicable law or regulation, the Company undertakes no obligation to release publicly the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this announcement.

## Chairman's statement

In 2022 the Group has delivered adjusted EBITDA of £9.7 million, digital revenue growth of 26% and continued to invest in the transition to a digital only model.

**Strategy**

National World made its first acquisition, JPIMedia Group, on the first day of 2021 for £10.2 million initial consideration. Many of the heritage assets were unnurtured and in a sector that was impacted by structural change. National World has cherished and reorganised those famous brands, including The Scotsman and the Yorkshire Post, and augmented the asset base with new launches and, just recently, the first online acquisitions.

The original investment has been repaid almost twice over in the past two years with an EBITDA of £10.1 million in 2021 followed by £9.7 million in 2022 despite the headwinds of the latter half year of a downturned economy and cost of living crisis not to mention unprecedented escalating newsprint and energy prices.

The financial result for both years is a considerable achievement but one not based on the traditional cost cutting of the sector. While promoting efficiency through streamlining central services and the greater use of technology, National World has continuously invested in the talent and creativity of its staff to promote more and better quality products.

The Company was quick to recognise that from a limited geographical base it could expand its footprint and compete across all platforms. National online brands, like nationalworld.com and peopleworld.co.uk have been launched alongside metropolitan brands covering all the major UK cities in which we previously had no historic presence.

Video has been a constant focus, both for audience engagement and a service to advertisers. Recruiting and re-training in video journalism has tripled productivity and the audience for video has grown by 43 per cent, with 357 million video views on NW channels in 2022, compared to 249 million video views in 2021.

Distribution of all our content is through a growing number of partnerships. The expansion and ambition of the company is facilitated by the strategy of producing original content rather than replicating the news market and the realisation that a wider content agenda will attract viewers both nationally and internationally. The mantra for the Group's creative workforce is:

***Think Local, Act National, Be Global***

The publishing sector, not just in local news, has been slow to seek radical changes in the face of structural change in the media, preferring for decades to mainly trim costs. For local commercial publishers, in particular, there is a growing imbalance with the national publishers and broadcasters, who maintain some resilience through scale, while the local segment has long lost its one great advantage of classified advertising.

National World is now competing more effectively at a national level and across all platforms as a quality and varied content and sales business targeting customers wherever they might be, not just in specific territories of its heritage brands.

National World representatives are also rallying our industry body, the News Media Association, to wage a vigorous and long overdue campaign to expose unfair competition that threatens local independent journalism.

Most importantly the current economic crisis has inspired National World to accelerate the implementation of its new operating model to restore growth to the sector and provide sustainable revenues. The company is investing in pivoting towards the customer as a first priority, targeting content that has relevance and usefulness to individuals and communities. The ethos is predominantly middle market, family and consumer orientated. Organic projects are under way to deliver a new operating model that will promote individual talent in both editorial and sales assisted by a greater degree of automation.

Instead of a digital first company, National World is taking the leap to being a digital only company. Newspapers will be produced on that basis rather than being the products of multiple industrial processes that should have been abandoned years ago. Ironically the printed newspaper products will achieve greater quality and relevance, in part mirroring characteristics of social media but strictly curated. True to our publishing heritage we will make our small weekly papers exclusively local in all content - banishing the generic content that was a feature of previous and counterproductive cost reduction measures.

National World is working with technology providers to support its implementation of the new operating model. At least one partnership will allow the company to benefit from the IP exploitation should the model be taken up by other publishers. Re-training creative staff as specialist content providers across all platforms is well advanced and 2023 will see at least half of our journalists equipped in video production.

The new operating model also requires a reorganisation of business units away from the rigid geographical divisions in order to nurture portfolios of related brands and also to release the potential of certain heritage brands.

In Yorkshire, Scotland and Northern Ireland these brands are prioritising specialisms in key topics like heritage, arts and culture, business, environment and rural affairs and making this content available on all platforms and supporting key advertisers for the longer term. Other regional daily titles are being relaunched in 2023 to relate more closely to metropolitan markets they serve and organised in formats reflecting online characteristics.

Our new community media division will spearhead the drive towards richer and exclusively local content promoting education and regional commercial development and businesses - leaning towards a levelling up of the media.

As in the previous two years there will be further online launches to augment our footprint and enhance our vertical platforms.

Acquisitions will focus on online content and managerial digital capability as illustrated by the Group's acquisition of independent digital football publisher ScoopDragon and video-first content innovator, NewsChain, which focuses on news, celebrity and football. ScoopDragon currently operates 50 club-based websites. The acquisition of its assets will enable it to scale its operations, while simultaneously extending National World's multi-layered football network.

The acquisition of NewsChain supports National World's goal of meeting increased customer demand for content in a video format. The acquisition includes its sister site, World of Women's Sport, and National World will grow NewsChain's platform through the addition of content resources and gaining access to a wider customer network with strong overlap in areas of interest.

National World has a deep heritage in footballing content through local and regional newsbrands and the recent launch of 3addedminutes.com, using creators within its existing network to develop a unique new voice for football fans. Joining forces with ScoopDragon enables a significant change in reach (increasing the company's page views by over 10%) and content, and forms part of National World's ongoing strategy of scaling audiences in key verticals via organic development and strategic acquisitions.

When acquiring heritage assets, with recent examples of Newry Reporter and Banbridge Chronicle acquired in Northern Ireland in early 2023, these are judged on market position and valuations reflecting the state of the newspaper sector. There is still a case for bolting on brands with a loyal audience that benefit from synergies as they are integrated in our infrastructure.

Innovations spearheaded by National World management can be implemented on a wider scale if the opportunity presents itself.

Having said that the company will manage its significant cash balance carefully and from that resilient position intends to announce a maiden dividend in respect of 2022 results. The Group has a cash balance of £27.0 million at the year-end, an increase of £4.0 million on the prior year.

National World is a young company that continues to nurture historic assets but paramount is the injection of energy and entrepreneurship that will transition the business to growing and sustainable revenues and greater scale.

2023 is the year of a new operating model propelled through careful investment, taking that ambition a step forward while maintaining profitability.

**Trading**

The Group delivered a strong performance despite the challenging macro-economic environment, with revenue of £84.1 million and adjusted EBITDA of £9.7 million. Highlights of the financial performance are:

- **Operating profit of £9.3m, digital revenue up 26%, cash balance of £27.0 million.**
- **Strong performance despite the challenging trading environment** with revenue down 2% to £84.1 million, and adjusted EBITDA of £9.7 million, representing an EBITDA margin of 11.5%.
- **Robust digital revenue growth**, up 26% year-on-year to £16.3 million. There has been volatility in audience numbers because of public sentiment in the face of economic and news events affecting all media, but the revenue impact has been mitigated by stronger yields and increased video advertising (the latter more than doubling year-on-year).
- **Continued growth from National and City World websites.** The ten City World sites are delivering average monthly page views of 24.7 million, a year-on-year improvement of 16%.

- **Investment.** We invested £0.9 million in digital content, development and launches that we anticipate will deliver further growth in 2023 (the annualised investment cost is £1.9 million in 2023).
- **Incremental cost savings of £1.9 million** were delivered in the period with restructuring costs of c£3.3 million. The restructuring and other cost saving actions have generated c£4.0 million of annualised cost savings.
- **Strong balance sheet with significant financial flexibility,** closing cash balance of £27.0 million at 31 December 2022, with outstanding debt of £1.0 million and deferred consideration of £2.5 million.

Management of the cost base and continued focus on growth elements of the business ensured that the Group delivered an adjusted operating profit of £9.3 million and an operating margin of 11.1%. Adjusted operating costs of £74.4 million, before depreciation, are 2% lower than the prior period, despite inflationary pressures including higher newsprint costs. Restructuring initiatives delivered £1.9 million of cost savings in 2022 with restructuring costs of £3.3 million, of which £1.3 million were incurred in the first half.

Adjusted EBITDA reduced to £9.7 million (2021: £10.1 million) with an EBITDA margin of 11.5% (2021: 11.7%). Minimal capital expenditure and tight management of working capital, ensured the Group delivered an operating cash flow of £12.0 million (2021: £11.4 million) before the payment of non-recurring costs of £2.5 million (2021: £3.2 million).

Adjusted financing costs were £0.0 million (2021: £0.7 million) and adjusted profit before tax increased by 8% year-on-year to £9.3 million. Statutory financing costs were £0.1 million (2021: £0.9 million) including IFRS 16 lease finance costs, with the prior year including interest on the £20 million secured loan notes which converted to equity on 7 May 2021.

Statutory profit before tax of £5.1 million, is a £3.9 million improvement on the £1.2 million profit before tax reported in the prior period, due to lower operating costs, reduction in depreciation and amortisation due to restructuring of offices to shared office space and materially lower non-recurring costs which fell from £6.9 million to £3.7 million.

The statutory earnings per share were 2.0 pence per share (2021: 2.8 pence per share) and adjusted earnings per share for the period were 2.9 pence per share (2021: 3.7 pence per share).

**Dividend**
The Group intends to pay a final dividend of 0.5 pence per share. Subject to approval by shareholders at the forthcoming Annual General Meeting, the dividend will be paid on 5 July 2023 to shareholders on the register at 2 June 2023. The maiden dividend reflects the Board's confidence in the ongoing strong cash generation of the business, the future prospects of the Group and its strong balance sheet. The Board continues to adopt a progressive dividend policy.

**Board**
Vijay Vaghela stepped down as Chief Operating Officer on 14 September 2022. Steve Barber resigned as Senior Independent Director on 22 July 2022. I express my thanks for their hard work and determination to establish the Group. We are very pleased to welcome David Lindsay to the Board who was appointed as a Non-Executive Director in September 2022.

**Employees**
On behalf of the Board I would like to thank our colleagues across the Group. There has been a surge of enthusiasm within the business to embrace the new operating model with innovations being suggested at all levels. The dedicated professionalism of colleagues has sustained the company in face of challenging times, economically and in the sector.

**Outlook**
The Group has accelerated the implementation of its new operating model to restore sustainable growth.

Continuing strong digital revenue bucked the trend compared with some peers in January and February with a 9% year on year increase matched by audience growth of 9%. This is before the benefit of acquired Scoopdragon and Newschain sites which are expected to add over 10% audience improvement.

Despite total revenue being down 9% year on year, due to economic conditions, we have met our EBITDA target for January and February. Trading is expected to remain challenging for the first half. However, management continues to innovate to address the headwinds faced across the industry, including revenue initiatives, while transitioning to a digital only operational model providing customers with quality and original content across all genres and platforms. The Group maintains its performance expectations for the year.

I anticipate further progress in transforming the business and progress with acquisitions during 2023.

**David Montgomery**
Executive Chairman
16 March 2023

## Financial review

***Introduction***
This Financial review provides commentary on the Group's statutory and adjusted results for the 52 weeks ended 31 December 2022 (2021: 52 weeks ended 1 January 2022).

On 26 April 2022, the Company rebranded the names of its subsidiary companies 'JPIMedia' to 'National World'. National World plc and its subsidiaries are collectively referred to as the "Group" in this set of financial statements.

***Basis of presentation of results***
Adjusted results are presented to provide additional clarity and understanding of the Group's underlying trading. Adjusted results are before the implementation of IFRS 16, the amortisation of intangible assets and non-recurring items. A reconciliation between Statutory and Adjusted results is shown in Note 17.

***Results for the 52 weeks ended 31 December 2022***
The Group delivered a robust performance in 2022 despite the challenging macro-economic conditions and significant inflationary cost pressures.

| | Adjusted results* | | Statutory results | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | £m | £m | £m | £m |
| Revenue | 84.1 | 86.0 | 84.1 | 86.0 |
| Operating costs | (74.4) | (75.9) | (73.7) | (74.3) |
| Depreciation and amortisation | (0.4) | (0.8) | (1.5) | (2.7) |
| Operating profit pre non-recurring items | 9.3 | 9.3 | 8.9 | 9.0 |
| Non-recurring items | - | - | (3.7) | (6.9) |
| Operating profit | 9.3 | 9.3 | 5.2 | 2.1 |
| Net finance expense | - | (0.7) | (0.1) | (0.9) |
| Profit before tax | 9.3 | 8.6 | 5.1 | 1.2 |
| Tax (charge) / credit | (1.8) | (1.6) | 0.1 | 4.1 |
| **Profit after tax** | **7.5** | **7.0** | **5.2** | **5.3** |
| | | | | |
| **EBITDA** | **9.7** | **10.1** | **6.8** | **5.7** |
| **Earnings per share (pence)** | **2.9** | **3.7** | **2.0** | **2.8** |

* Adjusted results are before non-recurring items, amortisation of intangible assets and implementation of IFRS 16. Note 17 provides a reconciliation between Statutory and Adjusted results.

The Group delivered revenue of £84.1 million and adjusted operating profit of £9.3 million (2021: £86.0 million and £9.3 million respectively) reflecting an operating margin of 11.1% (2021: 10.8%). Adjusted EBITDA was £9.7 million (2021: £10.1 million), reflecting an EBITDA margin of 11.5% (2021: 11.7%).

Statutory operating profit was £5.2 million after non-recurring costs of £3.7 million reversing the net impact of implementing IFRS 16 (£0.1 million credit) and after amortisation of publishing rights and titles and digital assets (£0.5 million). A reconciliation from Statutory to Adjusted operating profit is provided in Note 17.

Non-recurring items of £3.7 million comprise £3.3 million restructuring costs to deliver an annualised £4.0 million of cost savings, £0.1 million property rationalisation costs and £0.3 million of aborted transaction costs.

Adjusted financing costs were £0.0 million (2021: £0.7 million) comprising £0.1 million interest on the £1 million interest only unsecured loan notes, offset by £0.1 million of interest income. The prior period included £0.6 million interest on the convertible secured loan notes prior to conversion to equity in May 2021. Statutory financing costs of £0.1 million (2021: £0.9 million) are £0.1 million higher than adjusted financing costs as this includes the interest for IFRS 16 lease liabilities.

Adjusted profit before tax improved by £0.7 million from a profit before tax of £8.6 million in 2021 to a profit before tax of £9.3 million in 2022 reflecting a consistent operating profit performance and benefiting from lower financing expenses.

Statutory profit before tax was £5.1 million, compared to a prior year Statutory profit before tax of £1.2 million, with lower non-recurring costs and finance expenses in 2022 compared to the prior year.

The Statutory tax credit was £0.1 million, compared to £4.1 million in the prior period when brought forward losses were first recognised as a deferred tax asset, which is explained in Note 6. The adjusted tax charge of £1.8 million (2021: £1.6 million) reflects an effective tax rate of 25% (2021: 23% blended rate), and does not benefit from the brought forward tax losses so as to provide a more meaningful and comparable financial result.
Earnings per share for the period was 2.0 pence per share (2021: 2.8 pence per share). Adjusted earnings per share for the period was 2.9 pence per share (2021: 3.7 pence per share). The fall in earnings per share reflects the full year impact of the shares issued in May 2021 to fund the acquisition of JPIMedia Group, working capital and headroom for investment.

***Revenue***
The table below provides a summary of revenue for the 52 weeks ended 31 December 2022 with comparatives for the 52 weeks ended 1 January 2022.

| | 2022 | 2021 | Change | Change |
|---|---|---|---|---|
| | £m | £m | £m | % |
| **Print Publishing Revenue** | **66.3** | **71.7** | **(5.4)** | **(8%)** |
| *Advertising* | *31.9* | *34.1* | *(2.2)* | *(6%)* |
| *Circulation* | *31.6* | *34.9* | *(3.3)* | *(9%)* |
| *Other* | *2.8* | *2.7* | *0.1* | *4%* |
| **Digital Publishing Revenue** | **16.3** | **12.9** | **3.4** | **26%** |
| *Advertising* | *9.6* | *8.0* | *1.6* | *20%* |
| *Subscriptions* | *1.6* | *1.5* | *0.1* | *7%* |
| *Other* | *5.1* | *3.4* | *1.7* | *50%* |
| **Other Revenue** | **1.5** | **1.4** | **0.1** | **7%** |
| **Total Revenue** | **84.1** | **86.0** | **(1.9)** | **(2%)** |

Revenue for the full year fell by £1.9 million to £84.1 million, a 2% year on year decline in a volatile trading environment. Print revenue fell by 8% which is partially offset by robust growth in digital revenue of 26%.

***Print revenue***

Print revenue comprises all revenue driven by the local newspaper titles, including all digital revenue packages sold with print and COVID-19 related government spend of £1.1 million in the prior year comparative. Print revenue fell by 8% overall, with the second half of the year, down 12%, impacted by the Queen's passing and poorer economic conditions impacting both print advertising and circulation revenues.

Advertising revenue fell by 6% year on year. Performance deteriorated in the second half, with revenue down 14% on the prior year due to a more uncertain trading environment.

Circulation revenue fell by 9% year on year with a decline of 8% in the first half and a decline of 11% in the second half. Average monthly circulation volumes in the period were 1.8 million for the daily newspapers and 0.8 million for the weekly newspapers representing an annual decline of 18% and 16% respectively. The impact of falling volumes was partially mitigated by cover price increases.

The Group continues to have a strong print subscriber base with print subscription revenue of £3.0 million (reported within circulation revenue), a decline of 5% year on year which is lower than the overall circulation revenue decline of 9%.

Other revenue, which includes syndication, leaflets, waste sales and business services agreement revenue, grew by 4%.

***Digital revenue***
Digital revenue comprises all revenue sold programmatically, digital-led direct sales, subscriptions, syndication and revenue generated from the Google and Facebook content initiatives.

Digital revenue increased by 26% year on year, with growth of 42% in the first half, reducing to 14% in the second half against tougher comparatives.

Digital advertising revenue grew by 20% year on year, with revenue growth of 2% in the second half. Advertising revenue is predominantly driven by audience and the Group had average monthly Unique Users (UUs) and Page Views (PVs) of over 42 million and 111 million respectively (2021: 37 million UUs, and 110 million PVs). The audience performance has been volatile during the period due to Google algorithm changes and macroeconomic uncertainty impacting the second half. In December 2022, unique users and page views were 40 million and 110 million respectively.

Subscription revenue growth of 7% to £1.6 million is driven by cover price increases. At the end of 2022, the Group had over 17,000 subscribers (December 2021: 20,000) to its digital news sites and apps.

Other digital revenue grew by 50% and includes revenue of £2.8 million from the Google/Facebook content initiatives (2021: £1.2 million).

***Other revenue***
Other revenue reflects grants from the BBC for local democracy reporters and from Facebook for the funding of 56 journalists.

***Operating Costs***
Operating costs during the 52 week period to 31 December 2022 are £78.9 million on a statutory basis and £74.8 million on an adjusted basis.

| | Adjusted results | | Statutory results | |
|---|---|---|---|---|
| | 2022 £m | 2021 £m | 2022 £m | 2021 £m |
| Labour | 41.6 | 43.5 | 41.6 | 43.5 |
| Newsprint and production costs | 12.5 | 12.1 | 12.5 | 12.1 |
| Depreciation and amortisation | 0.4 | 0.8 | 1.5 | 2.7 |
| Other | 20.3 | 20.3 | 19.6 | 18.7 |
| **Total operating costs before non-recurring costs** | **74.8** | **76.7** | **75.2** | **77.0** |
| Non-recurring items | - | - | 3.7 | 6.9 |
| **Total operating costs** | **74.8** | **76.7** | **78.9** | **83.9** |

Adjusted operating costs are before:
- the implementation of IFRS 16 (increase in other costs of £0.7 million and a reduction in depreciation of £0.6 million);
- the amortisation of intangible assets of £0.5 million; and
- non-recurring costs of £3.7 million.

During the period, the Group initiated a restructuring programme to drive efficiencies and tightly manage all operating costs in line with revenue performance. Incremental cost savings of £1.9 million were achieved in 2022 from restructuring plans delivered predominately in the second half of the year. This delivered annualised cost savings of £4.0 million, £1.0 million ahead of the cost saving target disclosed in the Interim Report.

***Labour costs***
The Group employed an average of 1,167 employees during the period with 1,099 employees as at 31 December 2022 (2021: 1,261 employed during the period, and 1,216 employees at 1 January 2022). The prior period labour costs are net of a furlough credit of £0.5 million received in the first quarter of 2021. All staff were recalled from furlough on 1 April 2021.

***Newsprint and production costs***
Newsprint and production costs continue to be tightly managed with price increases in the year being partially mitigated by reduced print volumes, lower pagination and portfolio changes. Newsprint prices increased by c67% year on year. Prices are expected to stabilise in 2023, with tight management of the portfolio and returns to continue.

***Depreciation and amortisation***

Adjusted depreciation relates to the tangible fixed assets, largely IT and property related items, with a charge of £0.4 million for the period (2021: £0.8 million). Statutory depreciation and amortisation is £1.2 million lower and includes amortisation of intangible assets of £0.4 million, amortisation of Digital Publishing assets of £0.1 million and depreciation of Right of use assets (ROUA) of £0.6 million.

***Other***
Other costs comprise property, IT, digital product and engineering, administration and other operating costs. Adjusted costs of £20.3 million are £0.7 million higher than Statutory other costs as they are before IFRS 16 costs.

***Non-recurring costs***
During the period non-recurring costs of £3.7 million (2021: £6.9 million) have been expensed, comprising:

| | 2022<br>£m | 2021<br>£m |
|---|---|---|
| Restructuring and redundancy costs | 3.3 | 3.6 |
| Onerous IT contracts | - | 0.7 |
| Property rationalisation | 0.1 | 1.8 |
| Aborted transaction costs | 0.3 | - |
| Acquisition and loan note costs | - | 0.8 |
| **Total Non-recurring costs** | **3.7** | **6.9** |

Non-recurring costs include:

- £3.3 million restructuring and redundancy costs have delivered annualised savings of £4.0 million. £2.4 million of the restructuring costs have been paid in the period with the remaining £1.2 million payable in 2023;
- No onerous IT contract charges were expensed in the period;
- £0.1 million property rationalisation cost relates to an ROUA impairment following the early exit from leased properties as the business continues to adopt a flexible working policy;
- £0.3 million aborted transaction costs were incurred in the period on professional advisory fees; and
- The prior period included £1.3 million of acquisition and loan note costs (of which £0.8 million has been expensed to non-recurring items and £0.5 million directly attributed to the new share issue has been charged to share premium).

***Financing charges***
Net finance expenses on a statutory and adjusted basis are:

| | Adjusted results | | Statutory results | |
|---|---|---|---|---|
| | 2022<br>£m | 2021<br>£m | 2022<br>£m | 2021<br>£m |
| Interest income | (0.2) | - | (0.2) | - |
| Interest expense from leasing arrangements | - | - | 0.1 | 0.2 |
| Interest on unsecured loan notes | 0.2 | 0.1 | 0.2 | 0.1 |
| Interest on convertible secured loan notes | - | 0.6 | - | 0.6 |
| **Net finance expense** | **0.0** | **0.7** | **0.1** | **0.9** |

Net adjusted financing costs include interest expense of £0.2 million on the interest only unsecured loan notes (2021: £0.1 million), and £0.2 million interest income earned from cash held on deposit with Barclays Bank, since July 2022, attracting interest at the BOE base rate less 5 basis points (2021: £nil).

The £1.0 million interest only unsecured loan notes will continue to accrue interest at 15% per annum. Interest is payable in June and December each year until maturity in December 2023.

In 2021, interest of £0.6 million was accrued on the £20.0 million convertible secured loan notes until the conversion to equity on 7 May 2021. No further interest is due on these loan notes.

Statutory finance expense includes £0.1 million interest charge on IFRS 16 lease liabilities (2021: £0.2 million).

***Profit before tax***
Statutory profit before tax of £5.1 million, is after £3.7 million on non-recurring costs, which is £3.9 million higher than the 2021 Statutory profit before tax of £1.2 million. 2022 benefited from lower non-recurring costs and finance expenses compared to the prior year.

Adjusted profit before tax of £9.3 million is before non-recurring items, the implementation of IFRS 16 and amortisation of intangible assets (2021: £8.6 million).

***Statutory tax credit and effective tax rate***
The statutory tax rate for the period is 19% (2021: 19%). A statutory tax credit of £0.1 million (2.2% effective rate) is recognised in the period, which primarily relates to the net recognition of brought forward losses.

The net deferred tax asset of £4.2 million, includes recognition of £4.7 million of tax losses (gross brought forward losses of £18.8 million calculated using a corporate tax rate of 25%), as the Group expects the losses will be utilised over the next three years. £2.2 million of tax losses remain unrecognised at the period-end, as there is uncertainty regarding the timing of when these amounts will be recovered.

The adjusted profit before tax is £9.3 million, and the adjusted tax rate is 19% with a £1.8 million adjusted tax charge in the period (2021: £8.6 million profit before tax, £1.6 million tax charge, 19% adjusted tax rate). The adjusted tax charge does not benefit from the brought forward tax losses so as to provide a more meaningful and comparable financial result.

***EBITDA***
Statutory EBITDA for 2022 is £6.8 million (2021: £5.7 million), while adjusted EBITDA is £9.7 million for the period (2021: £10.1 million). The higher adjusted EBITDA, compared to statutory EBITDA, reflects the restructuring driven operating cost savings of £3.3 million in the period.

***Earnings per share***
Statutory earnings per share for the period were 2.0 pence per share (2021: 2.8 pence per share).

Adjusted earnings per share for the period were 2.9 pence per share (2021: 3.7 pence per share).

***Reconciliation of statutory to adjusted operating profits***
To ensure that the financial statements provide appropriate insight into the underlying performance of the Group, additional disclosure has been made on the financial impact of a number of significant accounting and operational items and therefore adjusted results are presented.

The adjustments include the cost of restructuring and organisational change, acquisition and capital raise costs, amortisation of intangible assets and the impact of implementing IFRS 16. Management believe that it is appropriate to additionally present the Alternative Performance Measures used by management in operating the business, as this presents a more meaningful and comparable financial result.

The adjusted results provide supplementary analysis of the 'underlying' trading of the Group. The table below presents a reconciliation between statutory and adjusted results:

| | 2022<br>£m | 2021<br>£m |
|---|---|---|
| **Statutory operating profit** | **5.2** | **2.1** |
| Operating cost charge for IFRS 16 leases | (0.7) | (1.6) |
| Depreciation on right of use assets | 0.6 | 1.4 |
| Amortisation of intangible assets | 0.5 | 0.5 |
| Non-recurring items | 3.7 | 6.9 |
| **Adjusted operating profit** | **9.3** | **9.3** |

The reconciling items are:
- the implementation of IFRS 16 resulted in a lower charge for other overheads for leasing costs, increase in depreciation of ROUA and a finance charge for the IFRS 16 lease liabilities. To ensure there is no distortion to underlying EBITDA, the IFRS 16 entries have been reversed so the full cost of IFRS 16 leases is included in other costs. Without this change EBITDA would be enhanced by £0.7 million (2021: £1.6 million);
- the amortisation of intangible assets relates to publishing rights and titles (£0.4 million) and digital assets (£0.1 million), which is consistent with the prior year (2021: £0.4 million and £0.1 million respectively); and
- £3.7 million of non-recurring items (2021: £6.9 million).

## Balance sheet

| | As at<br>31 December 2022<br>£m | As at<br>1 January 2022<br>£m |
|---|---|---|
| Non-current assets | 16.9 | 16.5 |
| Current assets | 38.4 | 36.0 |
| **Total assets** | **55.3** | **52.5** |
| | | |
| Current liabilities | (20.5) | (18.7) |
| Non-current liabilities | (0.8) | (5.0) |
| **Total liabilities** | (21.3) | (23.7) |
| | | |
| **Net assets** | **34.0** | **28.8** |

Net assets increased by £5.2 million from £28.8 million to £34.0 million reflecting the statutory profit after tax for the period.

*Non- current assets*
Investments have increased by £1.1 million reflecting the 3% stake in social-first media company The News Movement made on 27th October 2022.

Right of Use Assets have reduced by £0.7 million reflecting depreciation and impairment charges in the period.

The net deferred tax asset has increased to £4.2 million, as brought forward tax losses were utilised in the period against the taxable profit offset by additional brought forward tax losses recognised in the period. Gross brought forward losses of £18.6 million (1 January 2022: £19.7 million) are recognised as a deferred tax asset at the period-end, calculated using a corporate tax rate of 25%. £2.2 million of tax losses remain unrecognised (1 January 2022: £6.5 million).

*Current assets*
Cash and cash equivalents of £27.0 million increased by £4.0 million in the period. Strong operating cash flow in the period, £9.5 million of cash generated from operating activities offset by £2.6 million utilised for deferred consideration (£2.5 million) for the 2021 acquisition of the JPIMedia Group, investment in The News Movement (£1.1 million), capital expenditure (£0.4 million), interest (£0.1 million) and capital payments on IFRS 16 leases (£1.1 million).

Trade and other receivables reduction of £1.6 million is due to revenue declines and improved debt collection.

*Current liabilities*
Trade and other payables of £15.9 million (2021: £13.7 million) increased by £2.2 million in the period predominantly driven by higher year-end restructuring accruals and Cloud migration accruals.

Right of Use lease liabilities have reduced by £0.7 million as payments were made on leases.

Current provisions fell by £0.7 million to £0.6 million as payments in the period of £1.3 million were partially offset by

£0.2 million transfer from long term to current provisions and a £0.3 million charge in the period for dilapidations on a vacated property.

The £1.0 million interest only unsecured loan notes are reclassified as current liabilities at period end, reflecting the liability falling due in December 2023.

*Non current liabilities*
The £1.0 million interest only unsecured loan notes has been reclassified as current liabilities at period end, reflecting the liability falling due in December 2023.

Right of Use lease liabilities have reduced by £0.4 million to £0.3 million as the majority property leases expiring are replaced by serviced office space on short term contracts.

On 31 March 2022 the first tranche of £2.5 million deferred consideration payment was made to JPIMedia Limited relating to the acquisition of JPIMedia Group. The remaining £2.5 million deferred consideration payable previously classified as a non-current liability at 1 January 2022 is now classified in current liabilities.

Non-current provisions fell by £0.3 million to £0.5 million as liabilities moved to current provisions and there were no charges in the period.

## Cash flow

| | Adjusted FY 2022 £m | Statutory FY 2022 £m |
|---|---|---|
| **Operating profit for the period** | **9.3** | **5.2** |
| Amortisation of intangible assets | - | 0.5 |
| ROUA and tangible assets depreciation expense | 0.4 | 1.0 |
| ROUA impairment | - | 0.1 |
| Aborted transaction costs | (0.4) | - |
| Restructuring costs paid | (2.5) | - |
| Net increase in provisions | - | (1.0) |
| ***Changes in working capital:*** | | |
| Decrease in receivables | 1.6 | 1.6 |
| Decrease in payables | (0.1) | 2.1 |
| **Net cash inflow from operating activities** | **8.3** | **9.5** |
| **Investing activities** | | |
| Acquisition of subsidiaries | (2.6) | (2.6) |
| Investment in The News Movement | (1.1) | (1.1) |
| Interest earned | 0.2 | 0.2 |
| Acquisition of digital assets | (0.2) | (0.2) |
| Purchases of tangible assets | (0.4) | (0.4) |
| **Net cash outflow from investing activities** | **(4.1)** | **(4.1)** |
| **Financing activities** | | |
| Interest paid | (0.2) | (0.2) |
| Interest element of lease rental payments | - | (0.1) |
| Principal repayment of leases | - | (1.1) |
| **Net cash generated from financing activities** | **(0.2)** | **(1.4)** |
| Net increase in cash and cash equivalents | 4.0 | 4.0 |
| Cash and cash equivalents at the beginning of the period | 23.0 | 23.0 |
| **Cash and cash equivalents at the end of the period** | **27.0** | **27.0** |

The conversion of adjusted operating profit of £9.3 million into cash is 112% (£10.4 million comprising cash inflow from operating activities before restructuring costs, and after purchases of tangible assets).

Robust operating cash generation, the benefit of restructuring and low capital expenditure ensured the Group maintains a substantial cash balance and retains financial flexibility. As at 31 December 2022, the Company held £27.0 million (2021: £23.0 million) of cash.

During the period the first tranche of the £2.5 million of deferred consideration was paid in relation to the JPIMedia Group acquisition, which is reflected in the Acquisition of subsidiaries line in the Cash flow presented above.

## Capital Expenditure

During the year, the Group incurred limited capital expenditure of £0.4 million on IT equipment, predominantly laptops. For 2023, capital expenditure is expected to be c£1.0 million as certain systems and IT equipment is replaced as it approaches the end of its useful life. Beyond 2023, capital expenditure is expected to be limited to c£1.0 million per annum.

IFRS 16 lease commitments going forward are expected to be minimal as the Group continues to rationalise its property portfolio by moving to more flexible short term serviced accommodation. The rationalisation of the property portfolio continued in the period, with a further small reduction in office space as the Group adopted flexible working. A £0.4 million property rationalisation provision is held at the year-end (Note 13).

## Dividends

The Board is committed to provide strong returns to shareholders through a combination of share price growth and income. To ensure the Group maintains financial flexibility and an appropriate level of financial headroom for investment and working capital, dividend payments will be aligned to the free cash generation of the business. The free cash generation for the purposes of assessing the dividend will be the net cash flow generated by the Group before the repayment of debt, dividend payments and other capital returns to shareholders.

The Group intends to pay a final dividend of 0.5 pence per share. Subject to approval by shareholders at the forthcoming Annual General Meeting, the dividend will be paid on 5 July 2023 to shareholders on the register at 2 June 2023. The maiden dividend reflects the Board's confidence in the ongoing strong cash generation of the business, the future prospects of the Group and its strong balance sheet. The Board continues to adopt a progressive dividend policy.

### Current trading and outlook

The Group has accelerated the implementation of its new operating model to restore sustainable growth.

Continuing strong digital revenue bucked the trend compared with some peers in January and February with a 9% year on year increase matched by audience growth of 9%. This is before the benefit of acquired Scoopdragon and Newschain sites which are expected to add over 10% audience improvement.

Despite total revenue being down 9% year on year, due to economic conditions, we have met our EBITDA target for January and February. Trading is expected to remain challenging for the first half. However, management continues to innovate to address the headwinds faced across the industry, including revenue initiatives, while transitioning to a digital only operational model providing customers with quality and original content across all genres and platforms. The Group maintains its performance expectations for the year.

### Position of Company's Business

As at 31 December 2022 the Company's Statement of Financial Position shows net assets totalling £28.6 million (2021: £21.6 million), including a strong cash balance of £22.0 million (2021: £15.5 million). The Company has liabilities of £1.0 million interest only unsecured loan notes and the deferred consideration of £2.5 million payable in March 2023.

The Board Executives have a good history of running businesses that have been compliant with all relevant laws and regulations and there have been no instances of non-compliance in respect of environmental matters.
At the period-end, the Company had two Executive Directors and four Non-Executive Directors (2021: three Executive Directors and four Non-Executive Directors).

The Company endeavours to ensure that its employment practices consider the necessary diversity requirements and compliance with all employment laws. The Board has experience in dealing with such issues and sufficient training and qualifications to ensure they meet such requirements.

The government of the United Kingdom has issued guidelines setting out appropriate procedures for companies to follow to ensure that they are compliant with the UK Bribery Act 2010. The Company has conducted a review into its operational procedures to consider the impact of the UK Bribery Act 2010 and the Board has adopted an anti-corruption and anti-bribery policy.

**Principal Risks and Uncertainties**

The principal risks and uncertainties are set out in note 19.

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Preliminary Audited Results announcement alongside the financial statements in accordance with applicable law and regulations. This responsibility statement has been prepared in connection with the Company's full Annual Report for the 52 weeks ended 31 December 2022, and certain disclosures are not included within this Preliminary Audited Results announcement.

The Directors confirm to the best of their knowledge:

- the consolidated financial statements, which have been prepared in accordance with United Kingdom adopted international accounting standards and the applicable legal requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the Preliminary Audited Results announcement includes a fair review of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that it faces.

The report of the Directors was approved by the Board on 16 March 2023 and signed on its behalf by:

**David Montgomery**
Executive Chairman
16 March 2023

## Consolidated Income Statement

For the 52 weeks ended 31 December 2022

| | Note | 52 weeks ended 31 December 2022 £m | 52 weeks ended 1 January 2022 £m |
|---|---|---|---|
| Revenue | 3 | 84.1 | 86.0 |
| Cost of sales | | (63.5) | (64.1) |
| **Gross profit** | | **20.6** | **21.9** |
| Operating expenses before non-recurring items | | (11.7) | (12.9) |
| Non-recurring items: | 4 | | |
| Restructuring and redundancy | | (3.3) | (3.6) |
| Onerous IT contracts | | - | (0.7) |
| ROUA impairment | | (0.1) | (0.9) |
| Property rationalisation | | - | (0.9) |
| Aborted transaction costs | | (0.3) | - |
| Acquisition, loan note issue and share re-listing | | - | (0.8) |
| **Total operating expenses** | | **(15.4)** | **(19.8)** |
| **Operating profit** | | **5.2** | **2.1** |

| | | | |
|---|---|---|---|
| Operating profit | | 5.2 | 2.1 |
| **Financing** | | | |
| Finance costs | 5 | (0.3) | (0.9) |
| Interest income | | 0.2 | |
| **Net finance expense** | | **(0.1)** | **(0.9)** |
| **Profit before tax** | | **5.1** | **1.2** |
| Tax credit | 6 | 0.1 | 4.1 |
| **Profit after tax** | | **5.2** | **5.3** |
| | | | |
| **Earnings per share** | 7 | | |
| Earnings per share - basic | | 2.0p | 2.8p |
| Earnings per share - diluted | | 1.9p | 2.6p |

Note 7 includes the calculation of adjusted earnings per share and Note 17 presents the reconciliation between the statutory and adjusted results.

## Consolidated Statement of Financial Position

As at 31 December 2022

| | Note | As at 31 December 2022 £m | As at 1 January 2022 £m |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 8 | 5.2 | 5.2 |
| Intangible assets | 9 | 5.1 | 5.3 |
| Tangible assets | 10 | 0.9 | 0.8 |
| Investments | | 1.1 | - |
| Right of use assets | 11 | 0.4 | 1.1 |
| Deferred tax | | 4.2 | 4.1 |
| | | 16.9 | 16.5 |
| **Current assets** | | | |
| Inventory | | 0.1 | 0.1 |
| Trade and other receivables | | 11.3 | 12.9 |
| Cash and cash equivalents | | 27.0 | 23.0 |
| | | 38.4 | 36.0 |
| **Total assets** | | 55.3 | 52.5 |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | (15.9) | (13.7) |
| Borrowings | | (1.0) | - |
| Lease liabilities | 11 | (0.5) | (1.2) |
| Deferred consideration | 15 | (2.5) | (2.5) |
| Provisions | 13 | (0.6) | (1.3) |
| | | (20.5) | (18.7) |
| **Non-current liabilities** | | | |
| Borrowings | | - | (1.0) |
| Lease liabilities | 11 | (0.3) | (0.7) |
| Deferred consideration | 15 | - | (2.5) |
| Provisions | 13 | (0.5) | (0.8) |
| | | (0.8) | (5.0) |
| **Total liabilities** | | (21.3) | (23.7) |
| | | | |
| **Net assets** | | **34.0** | **28.8** |
| | | | |
| **Equity** | | | |
| Share capital | 14 | 0.3 | 0.3 |
| Share premium | 14 | 24.6 | 24.6 |
| Retained earnings | 14 | 9.1 | 3.9 |
| **Total equity** | | **34.0** | **28.8** |

## Consolidated Cash Flow Statement

For the 52 weeks ended 31 December 2022

| | Note | 52 weeks ended 31 December 2022 £m | 52 weeks ended 1 January 2022 £m |
|---|---|---|---|
| Cash flow from operating activities | | | |
| Cash generated from operations | 16 | 9.5 | 8.2 |
| **Net cash inflow from operating activities** | | **9.5** | **8.2** |
| | | | |
| **Investing activities** | | | |
| Acquisition of subsidiaries | 15 | (2.6) | (2.2) |
| Cash acquired in subsidiaries | | - | 0.5 |

| | | | |
|---|---|---|---|
| Subsidiary acquisition costs | | - | (0.5) |
| Investment in The News Movement | | (1.1) | - |
| Interest earned | | 0.2 | - |
| Acquisition of Intangible assets | | (0.2) | - |
| Purchase of Tangible assets | 10 | (0.4) | (0.2) |
| Repayment of outstanding inter-company balance payable to JPIMedia Limited | | - | (4.7) |
| **Net cash outflow from investing activities** | | **(4.1)** | **(7.1)** |
| **Financing activities** | | | |
| Net Interest paid | 5 | (0.2) | (0.1) |
| Capital repayments of lease payments | 11 | (1.1) | (1.6) |
| Interest element of lease rental payments | 5,11 | (0.1) | (0.2) |
| Debt, prospectus and share issue costs | | - | (1.5) |
| Issue of debt | | - | 12.6 |
| **Net cash generated/(utilised) from financing activities** | | **(1.4)** | **9.2** |
| Net increase in cash and cash equivalents | | 4.0 | 10.3 |
| Cash and cash equivalents at the beginning of the period | | 23.0 | 12.7 |
| **Cash and cash equivalents at the end of the period** | | **27.0** | **23.0** |

## Notes to the Consolidated Financial Statements

For the 52 weeks ended 31 December 2022

### 1. General information

The financial information in the Annual Results Announcement, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity and the related notes ('Consolidated Financial Information') in the Preliminary announcement is derived from but does not represent the full statutory accounts of National World plc.

The statutory accounts for the 52 weeks ended 1 January 2022 have been filed with Companies House and those for the 52 weeks ended 31 December 2022 will be filed following the Annual General Meeting on 24 May 2023.

The auditors' reports on the statutory accounts for the 52 weeks ended 1 January 2022 and for the 52 weeks ended 31 December 2022 were unqualified, do not include reference to any matters to which the auditors drew attention by way of emphasis of matter without qualifying the reports and do not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Whilst the financial information included in this Annual Results Announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. This Annual Results Announcement constitutes a dissemination announcement in accordance with Section 6.3 of the Disclosure and Transparency Rules (DTR). The Annual Report for the 52 weeks ended 31 December 2022 will be available on the Company's website at www.nationalworldplc.com.

National World plc ('the Company') is a public limited company listed on the London Stock Exchange in England and Wales. The Company is domiciled in England and its registered office is No 1 Leeds 4th Floor, 26 Whitehall Road, Leeds, England, LS12 1BE, United Kingdom. The principal activities of the Group are to provide news and information services in the United Kingdom through a portfolio of multimedia publications and websites.

The consolidated Financial Statements of the Company and its subsidiaries (together referred to as the 'Group') for the 52 weeks ended 31 December 2022 were approved by the Directors on 16 March 2023.

### 2. Accounting policies

**Basis of preparation**

These consolidated financial statements have been prepared in accordance with United Kingdom adopted international accounting standards and the applicable legal requirements of the Companies Act 2006. The consolidated Financial Statements were authorised for issue by the Board of Directors on 16 March 2023.

These Financial Statements are presented in British pounds, which is the functional currency of all entities in the Group. All financial information has been rounded to the nearest hundred thousand except when otherwise indicated.

These Financial Statements have been prepared under the historical cost basis.

The consolidated financial statements have been prepared on a going concern basis.

**Going concern basis**

The Directors have assessed the Group's prospects, both as a going concern and its long-term viability, at the time of the approval of National World plc's Annual Report for the 52 weeks ended 31 December 2022. The Directors consider it appropriate to adopt the going concern basis of accounting in the preparation of the Group's annual consolidated financial accounts. The assessment was based on review of the three year projections for the business which were considered by the Board when approving the budget for 2023. Management believe that a longer term assessment is not appropriate given the ongoing structural challenges facing print media and the changing landscape for digital. Key considerations in the assessment were:

- decline in newspapers revenue;
- the ongoing impact of the macroeconomic conditions on revenue;
- management's ongoing mitigating actions in place to manage costs and cash flow;

- capital expenditure requirements, including the ongoing maintenance capital expenditure requirements; and
- investment in digital resource and development.

Sensitivity analysis was applied to the projections to determine the potential impact should the principal risks and uncertainties occur, individually or in combination. The Board also assessed the likely effectiveness of any proposed mitigating actions.

Whilst the Group strategy is to grow through acquisition and organic development, no acquisitions have been assumed in the projections as there is no certainty that acquisitions will be concluded. Prior to proceeding with any acquisition, the three-year projections will be updated to ensure there is no adverse impact on the Group prospects or going concern resulting from an acquisition.

The review concluded that the Group maintained significant financial flexibility with cash of £27.0 million as at 31 December 2022 and the Directors are satisfied that the Group will be able to operate with sufficient financial flexibility and headroom for the foreseeable future. The Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment.

**Changes in accounting policies and disclosures**
The standards that became applicable for the year did not materially impact the Group's accounting policies and did not require retrospective adjustments.

**Segments**
The performance of the Group is presented as a single reporting segment as this is the basis of internal reports regularly reviewed by the Board and chief operating decision makers (Executive Directors) to allocate resources and to assess performance. The Group's operations are located in the UK and the Group is not subject to significant seasonality.

**Alternative performance measures**
The Company presents the results on a statutory and adjusted basis. The Company believes that the adjusted basis will provide investors with useful supplemental information about the financial performance of the Group, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key performance indicators used by management in operating the Group and making decisions. Although management believes the adjusted basis is important in evaluating the Group, they are not intended to be considered in isolation or as a substitute for, or as superior to, financial information on a statutory basis. The alternative performance measures are not recognised measures under IFRS and do not have standardised meanings prescribed by IFRS and may be different to those used by other companies, limiting the usefulness for comparison purposes. Note 17 sets out the reconciliation between the statutory and adjusted results. An adjusted cash flow and reconciliation to statutory cash flow is presented in Note 18.

**Key sources of estimation uncertainty**
***Impairment of publishing titles***
The Group is required to test, whether intangible and tangible assets have suffered any impairment based on the recoverable amount of its CGUs, when there are indicators for impairment. Determining whether the regional business is impaired requires an estimation of the value in use of the CGU to which these assets are allocated. Key sources of estimation uncertainty in the value in use calculation include the estimation of future cash flows of the CGU affected by expected changes in underlying revenues and direct costs as well as corporate and central cost allocations through the forecast period, the long-term growth rates and a suitable discount rate to apply to the aforementioned cash flows in order to calculate the net present value. The discount rate selected for the regional business CGU was 19.0%, using the Capital Asset Pricing Method ("CAPM") with a long-term decline rate in perpetuity of 1.0%.

**Valuation judgements**
***Acquisition of Not a Newspaper Limited***
On 24 December 2022 National World Publishing Limited acquired Not a Newspaper Limited. The acquisition has been treated as a business combination under IFRS 3, refer to Note 15.

***Intangible Assets***
The acquisition of Not a Newspaper Limited and the Scoopdragon assets by National World Publishing Limited was completed in December 2022, and the intangible assets are recognised at the acquired fair value. A value in use calculation determined the fair value of the acquisitions using an income approach based valuation method. The income approach is suitable for assets which generate the majority of their value from their income-generating capacity. It operates under the premise that the value of that asset can be accurately derived from the value of the future net cash flows which will be generated by it over time, discounted back to their present value at an appropriate discount rate.

**3. Revenue**
The analysis of the Group's contracted revenue from continuing operations is as follows:

| | **2022 £m** | **2021 £m** |
|---|---|---|
| Print publishing | 66.3 | 71.7 |
| Digital publishing | 16.3 | 12.9 |
| Other | 1.5 | 1.4 |
| **Total revenue** | **84.1** | **86.0** |

**4. Profit for the period**
Profit for the period includes the following items:

| | **Note** | **2022 £m** | **2021 £m** |
|---|---|---|---|
| Operating profit for continuing operations is shown after charging/(crediting): | | | |
| Depreciation of tangible fixed assets | 10 | 0.4 | 0.8 |

| | | | |
|---|---|---|---|
| Amortisation of intangible assets | 9 | 0.5 | 0.5 |
| Depreciation of right of use assets | 11 | 0.6 | 1.4 |
| Staff costs | | 41.6 | 43.5 |
| Cost of inventory recognised as expense | | 4.8 | 3.4 |
| | | | |
| **Non-recurring costs:** | | | |
| Acquisition, loan note issue and share re-listing | a | - | 0.8 |
| Aborted transaction costs | b | 0.3 | - |
| Restructuring | c | 3.3 | 3.6 |
| Property rationalisation | d | 0.1 | 1.8 |
| Onerous contracts | e | - | 0.7 |

a) **Acquisition, loan note issue and share re-listing costs**
In the prior period, total acquisition, loan note issue and share re-listing costs of £1.3 million were incurred, of which £0.5 million of costs incurred were directly attributed to the new share issue and have been charged to share premium in the period (Note 14). The remaining £0.8 million cost were expensed as non-recurring costs in the prior period.

b) **Aborted transaction costs**
£0.3 million of professional advisory fees were incurred in the period.

c) **Restructuring costs**
Restructuring costs of £3.3 million have been incurred in 2022 for the delivery of annualised cost savings of £4.0 million (2021: £3.6 million non-recurring cost for the delivery of annualised cost savings of £5.1 million (net of National World management costs)).

d) **Property rationalisation**
In the period the decision was made to vacate the Preston leased office, resulting in an additional impairment of the ROU assets of £0.1 million. There is no assumed increase in the dilapidation provisions for this office. The prior year charge of £1.8 million comprised £0.9 million onerous property provision and £0.9 million ROU asset impairment with respect of a number of office locations, which the group vacated as the business adopted a flexible working policy.

e) **Onerous contracts**
There is no non-recurring onerous contract expense in the period. In the prior year, the provision of £0.7 million was created for the remaining cost obligations over the unexpired contract term of an existing contract associated with moving technology infrastructure to the Cloud (Note 13).

## 5. Finance costs

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| Interest on convertible secured loan notes | | - | 0.6 |
| Interest on interest only unsecured loan notes | | 0.2 | 0.1 |
| Interest on lease liabilities | 11 | 0.1 | 0.2 |
| **Total finance costs** | | **0.3** | **0.9** |

## 6. Tax

The difference between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax of 19% to the profit before tax is as follows:

| | 2022 £m | 2021 £m |
|---|---|---|
| Profit | 5.1 | 1.2 |
| Tax at the UK corporation tax rate of 19% | 1.0 | 0.2 |
| Effects of: | | |
| Expenses not allowable | - | 0.1 |
| Deferred tax asset recognised for tax losses | (0.9) | (4.4) |
| Effect of increase in deferred tax rate to 25% | (0.2) | 0.1 |
| Adjustment relating to acquired balance | - | (0.1) |
| **Total tax credit for the period** | **(0.1)** | **(4.1)** |
| **Effective tax rate - credit** | **2%** | **355%** |

The Group had £26.1 million of tax losses carried forward, from prior periods, of which £5.1 million has been utilised in the period against taxable profits and £18.8 million is recognised as a deferred tax asset at the period-end. The remaining tax losses of £2.2 million have not been recognised as a deferred tax asset due to uncertainty over the timing of future profits and gains (2021: £6.4 million).

Gross brought forward losses of £18.8 million are recognised as a deferred tax asset at the period-end (2021: £19.7 million), calculated using the corporation tax rate of 25% which is effective from 1 April 2023 after which the majority of losses are expected to be utilised.

## 7. Earnings per share

Basic earnings per share is calculated by dividing profit for the period attributable to equity holders of the parent by the weighted average number of ordinary shares during the period and diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all potentially dilutive ordinary shares.

| | 2022 £m | 2021 £m |
|---|---|---|
| Weighted average number of ordinary shares for basic earnings per share | 259 | 189 |
| Effect of dilutive ordinary shares in respect of potential share awards under the value creation plan | 16 | 16 |
| **Weighted average number of ordinary shares for diluted earnings per share** | **275** | **205** |

| | | |
|---|---|---|
| diluted earnings per share | [illegible] | [illegible] |

| | Pence | Pence |
|---|---|---|
| **Statutory earnings per share** | | |
| Earnings per share - basic | 2.0 | 2.8 |
| Earnings per share - diluted | 1.9 | 2.6 |
| | | |
| **Adjusted earnings per share** | | |
| Earnings per share - basic | 2.9 | 3.7 |
| Earnings per share - diluted | 2.7 | 3.4 |

**8. Goodwill**

| | 2022 £m | 2021 £m |
|---|---|---|
| Opening balance | 5.2 | - |
| Acquisition of subsidiaries | - | 5.2 |
| **Carrying value at the end of the period** | **5.2** | **5.2** |

Goodwill relates to the acquisition of JPIMedia Publishing Limited and its subsidiaries (JPIMedia Group) in the prior period.

**9. Intangible assets**

| | Note | Publishing titles Regional £m | Digital intangible assets £m | Total £m |
|---|---|---|---|---|
| Opening balance | | 4.9 | 0.4 | 5.3 |
| Acquisitions | | - | 0.3 | 0.3 |
| Amortisation charge for the period | 4 | (0.4) | (0.1) | (0.5) |
| **Carrying value at the end of the period** | | **4.5** | **0.6** | **5.1** |

Current year acquisitions relate to the Newschain share purchase acquisition (Note 15) and the Scoopdragon intangible asset acquisition consisting of 50 football and sports websites and 120 domain names.

The opening balance relates to acquired JPIMedia Group intangible assets, consisting of regional publishing titles with an acquisition value of £5.3 million and software and digital development assets of £0.5 million.

Intangible assets are amortised over their useful economic life and the carrying value of the titles is reviewed when there are indicators that an impairment has occurred.

**Impairment assessment**
The impairment review in respect of the regional publishing business cash-generating unit (CGU) concluded that no impairment charge was required.

The Group tests the carrying value of the CGU held within the Group for impairment annually or more frequently if there are indications that the carrying value is less than the recoverable amount. If an impairment charge is required, this is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU but subject to not reducing any asset below its recoverable amount.

The Group has one identifiable CGU, the regional publishing business, which includes intangible publishing titles, digital intangible assets, goodwill, property, plant and equipment. Within the single CGU there is an interdependency of revenue and costs within a matrix management structure, single wholesale and distribution agreements, substantial packaged advertising sales across all titles and websites and dependence on central support infrastructure.

The value in use calculation at 31 December 2022 was prepared using consistent methodologies to that applied in prior periods. With regard to the methodologies applied in the valuation, the intangible assets of the Group were assessed using an income approach based method. The income approach is suitable for assets which generate the majority of their value from their income-generating capacity. It operates under the premise that the value of that asset can be accurately derived from the value of the future net cash flows which will be generated by it over time, discounted back to their present value at an appropriate discount rate.

The Directors consider that the publishing titles, with a carrying value as at 31 December 2022, have finite lives of 2 to 12 years. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are:
- expected changes in underlying revenues and direct costs during the period;
- growth / decline rates; and
- discount rate.

The key assumptions underpinning the Value in Use model are:

| | 2022 | 2021 |
|---|---|---|
| Discount rate (pre-tax WACC) | 19% | 15% |
| Long-term decline rate | 1% | 1% |

The Group prepares discounted cash flow forecasts using:
- the Board-approved budget for 2023, and projections to 2025 which reflects management's current experience and future expectations of the markets in which the CGU operates and is based on information known at the balance sheet date. This is then forecast into perpetuity beyond 2025. Changes in underlying revenue and direct costs are based on past practices and expectations of future changes in the market by reference to the Group's own experience and, where appropriate, publicly available market estimates. These include changes in demand

for newspapers, cover prices, digital subscriptions, print and digital advertising rates as well as movements in newsprint and production costs and inflation;
- capital expenditure cash flows to reflect the cycle of capital expenditure;
- net cash inflows for future years are extrapolated beyond 2025 based on the Board's view of the estimated annual long-term performance. A long-term decline rate of 1% (2021: 1% decline) reflecting the market's view of the long-term decline of the newspaper industry; and
- management estimates of discount rates that reflect current market assessments of the time value of money, the risks specific to the CGUs and the risks that the regional media industry is facing.

The discount rate reflects the weighted average cost of capital of the Group. The current post-tax and equivalent pre-tax discount rate used is 14.3% and 19.0% respectively (2021: post-tax WACC 12.2% and pre-tax WACC 15.0%).

The impairment review is highly sensitive to reasonably possible changes in key assumptions used in the value in use calculations. A combination of reasonably possible changes in key assumptions, such as digital growth being slower than forecast or the decline in print revenue being greater, could lead to an impairment. Based on the existing modelling:
- a decrease in print revenue of 5% would reduce the headroom by £3.0 million. No impairment would be triggered from this sensitivity;
- an increase in the long-term decline rate of 1.0% (which has the effect of increasing the decline from 1% to 2% beyond 2024), would reduce the headroom by £1.5 million. No impairment would be triggered from this sensitivity; and
- an increase in the discount rate of 1% from 19.0% to 20.0% would reduce the headroom by £1.0 million. No impairment would be triggered from this sensitivity.

**10. Tangible assets**

| | Note | Office Equipment £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| Opening balance 31 December 2020 | | - | - |
| Acquired on 2 January 2021 | | 1.4 | 1.4 |
| Additions | | 0.2 | 0.2 |
| Disposals | | (0.3) | (0.3) |
| Balance at 1 January 2022 | | 1.3 | 1.3 |
| Additions | | 0.5 | 0.5 |
| Disposals | | (0.1) | (0.1) |
| **At 31 December 2022** | | **1.7** | **1.7** |
| | | | |
| **Accumulated impairment losses and depreciation** | | | |
| Opening balance 1 January 2021 | | - | - |
| Depreciation for the period | | (0.8) | (0.8) |
| Disposals | | 0.3 | 0.3 |
| Balance at 1 January 2022 | | (0.5) | (0.5) |
| Depreciation for the period | 4 | (0.4) | (0.4) |
| Disposals | | 0.1 | 0.1 |
| **At 31 December 2022** | | (0.8) | (0.8) |
| | | | |
| **Carrying value at 31 December 2022** | | **0.9** | **0.9** |
| **Carrying Value at 1 January 2022** | | **0.8** | **0.8** |

The assets are depreciated over their useful lives.

**11. Leases**

Right of use assets and their associated lease liabilities arose on the acquisition of JPIMedia Group. The Group leases office buildings and motor vehicles for use in its business operations. Leases of offices generally have terms between 2 and 10 years, with longer period leases having a break clause after year 5. Motor vehicles generally have a term of 4 years and are principally utilised by the sales, editorial and IT departments. With the exception of short term leases and leases of low value underlying assets, each lease is reflected on the balance sheet as a right of use asset and a corresponding lease liability.

**Carrying value of right of use assets**

The carrying amounts of right of use assets recognised and the movement during the period are set out below:

| | Note | Property £m | Motor Vehicles £m | Total £m |
|---|---|---|---|---|
| Carrying amount at 1 January 2022 | | 0.6 | 0.5 | 1.1 |
| Impairment | 4 | (0.1) | - | (0.1) |
| Depreciation charge for the period | 4 | (0.3) | (0.3) | (0.6) |
| **Carrying amount at 31 December 2022** | | **0.2** | **0.2** | **0.4** |

The impairment charge of £0.1 million in the period is for office locations agreed to be vacated at the end of 2022 before the lease termination date (Note 4).

**Carrying value of lease liabilities**

The carrying amounts of lease liabilities and the movements during the period are set out below:

| | Note | Property £m | Motor Vehicles £m | Total £m |
|---|---|---|---|---|
| Carrying amount at 1 January 2022 | | 1.5 | 0.4 | 1.9 |
| Interest charge | 5 | 0.1 | - | 0.1 |
| Lease payments | | (0.9) | (0.3) | (1.2) |
| **Carrying amount at 31 December 2022** | | **0.7** | **0.1** | **0.8** |

| | 2022 | 2021 |
|---|---|---|

| | 2022 £m | 2021 £m |
|---|---|---|
| Current liabilities | 0.5 | 1.2 |
| Non-current liabilities | 0.3 | 0.7 |
| **Total** | **0.8** | **1.9** |

**Amounts recognised in Income statement**

The following amounts are recognised in the income statement for the period:

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| Depreciation of right of use assets | 4 | 0.6 | 1.4 |
| Interest expense | 5 | 0.1 | 0.2 |
| **Total** | | **0.7** | **1.6** |

In addition to the above, the Group occupies serviced office accommodation and other short-term rental arrangements that do not meet the criteria for reporting under IFRS 16, with a total cost of £0.8 million incurred in the period.

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets (less than £4,000). Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not recognised as lease liabilities and are expensed as incurred.

**12. Retirement benefit obligation**

The Group contributes to two defined contribution schemes: the National World Publishing Limited Retirement Savings Plan, a defined contribution master trust; and The Scotsman Stakeholder Pension Plan. Both plans are administered by Scottish Widows. In the period employer contributions range from 3% of qualifying earnings for employees statutorily enrolled, through to 8% of basic salary for the majority of members on salary up to £125,000. Certain senior managers have company contributions up to 12% as these were contracted ahead of the rules for all new members being agreed at a maximum of 8%. The amount due to be paid into these schemes at the balance sheet date is £0.3 million (1 January 2022: £0.3 million) and this was paid to Scottish Widows on 11 January 2023.

From 1 April 2022, the Executive Directors received a cash allowance in lieu of pension contribution of 8% of base salary, capped at £125,000 salary, to align their pension benefit to the wider workforce. Prior to this change, the Executive Directors received a cash allowance in lieu of pension contribution of 10% of base salary, capped at £120,000 salary.

**13. Provisions**

| | Note | Onerous IT contracts £m | Property rationalisation £m | Dilapidations £m | Total £m |
|---|---|---|---|---|---|
| At 1 January 2022 | | 0.7 | 0.9 | 0.5 | 2.1 |
| Charged in 2022 | 4 | - | 0.1 | 0.2 | 0.3 |
| Utilised in 2022 | | (0.6) | (0.6) | (0.1) | (1.3) |
| **At 31 December 2022** | | **0.1** | **0.4** | **0.6** | **1.1** |
| | | | | | |
| Current provision | | 0.1 | 0.2 | 0.3 | 0.6 |
| Non-current provision | | - | 0.2 | 0.3 | 0.5 |
| **Total provision** | | **0.1** | **0.4** | **0.6** | **1.1** |

**Onerous IT contracts**

The provision for onerous IT contracts relates to the remaining contractual obligations over the unexpired term of remaining contract obligations on IT Infrastructure, which overlap with the transition to Cloud computing (Note 4).

**Property rationalisation**

The Group has continued with its policy of flexible working and continued to vacate certain office locations. In 2022, the ROU asset for the Preston office location (£0.1 million) was written off in full (Note 4), and a corresponding provision for onerous occupation costs related to this vacant space was expensed to Operating costs until the end of the lease term.

**Leasehold property dilapidations provision**

The provision for leasehold dilapidations relates to the contractual obligations to reinstate leasehold properties to their original state at the lease expiry date. The Group has assessed the entire portfolio and made provisions depending on the state of the property and the duration of the lease and likely rectification requirements, resulting in an additional £0.2 million provision in the current year. £0.3 million of the provision has been classified as current at the period-end as this lease expired in 2022, and the settlement for the property is currently being negotiated and is expected to be concluded in 2023.

**14. Share capital and reserves**

| | As at 31 December 2022 £m | As at 1 January 2022 £m |
|---|---|---|
| Share capital | 0.3 | 0.3 |
| Share premium | 24.6 | 24.6 |
| Retained earnings | 9.1 | 3.9 |
| **Total equity** | **34.0** | **28.8** |

At the period end, the Company had 259,432,801 shares in issue. All 259,432,801 shares in issue rank equally for voting purposes, on any dividend declared and distributions made on winding up of the Company.
On 7 May 2021, the 10% convertible secured loan notes were converted into 205,432,801 ordinary shares with a nominal value of 0.1 pence each.

The 205.4 million ordinary shares issued on 7 May 2021 at a price of £0.11 per share (including the 10% conversion premium on the £20.0 million secured convertible loan notes) giving rise to a share premium of £20.4 million. £0.5 million of costs incurred in the period were directly attributed to the new share issue and have been charged to share premium.

The Value Creation Plan (VCP) was put in place on Admission in September 2019. The overall effect of the VCP is that the three Executive Director participants together will be able to earn Ordinary Shares equivalent in value to 10% of any equity value created above an 8% compound annual growth rate based on the measurement of absolute total shareholder return generated over the VCP performance period, refer to the Remuneration Report for further information.

At 31 December 2022, all the Company's accumulated profits are distributable, however, the available amount may be different at the point any future distributions are made. The Group intends to pay a final dividend of 0.5 pence per share. Subject to approval by shareholders at the forthcoming Annual General Meeting, the dividend will be paid on 5 July 2023 to shareholders on the register at 2 June 2023. The maiden dividend reflects the Board's confidence in the ongoing strong cash generation of the business, the future prospects of the Group and its strong balance sheet. The Board continues to adopt a progressive dividend policy.

**15. Business combinations**
On 24 December 2022, National World Publishing Limited acquired 100% of the issued shares in Not a Newspaper Limited ("Newschain"), a video-first innovator serving connected chains of content driven by data intelligence.

The acquisition meets the definition of a business combination and has been accounted for using the acquisition accounting method in accordance with the Company's accounting policies.

The cash paid on completion was £130k.

The fair value of the assets and liabilities recognised as a result of the acquisition are as follows:

| | Note | £m |
|---|---|---|
| Digital intangible asset | 9 | 0.1 |
| **Total initial consideration** | | **0.1** |

**Deferred consideration**
The share purchase agreement stipulates that deferred consideration will be payable in 31 December 2023 and 31 December 2024, subject to future performance conditions. As the deferred consideration is based on future performance the value and expectation of any deferred consideration is uncertain and the fair value is determined as £nil.

**Acquisition related costs**
The acquisition related costs totalled £0.0 million.

**JPIMedia Group acquisition - Deferred consideration**
The £2.5 million deferred equity consideration represents the second and final tranche payable to the former owners, JPIMedia Limited, due on 31 March 2023. The first tranche of £2.5 million deferred consideration was paid on 31 March 2022. The deferred consideration has not been discounted as we do not believe that the impact of such discounting is material.

**16. Notes to the Cash Flow Statement**

| | Note | 2022 £m | 2021 £m |
|---|---|---|---|
| Operating profit | | 5.2 | 2.1 |
| | | | |
| Adjustments for non-cash/non-operating items: | | | |
| Amortisation of intangible assets | 4 | 0.5 | 0.5 |
| ROUA and tangible assets depreciation expense | 4 | 1.0 | 2.2 |
| ROUA Impairment | 4 | 0.1 | 0.9 |
| Acquisition, loan note issue and share re-listing costs | 4 | - | 0.8 |
| Operating cash flow before working capital changes | | 6.8 | 6.5 |
| Net (decrease) / increase in provisions | | (1.0) | 1.6 |
| | | **5.8** | **8.1** |
| Changes in working capital: | | | |
| Decrease in receivables | | 1.6 | 0.2 |
| Increase / (decrease) in payables | | 2.1 | (0.1) |
| **Cash generated from operations** | | **9.5** | **8.2** |

Cash and cash equivalents (which are presented as a single class of assets on the face of the Statement of Financial Position) comprise cash at bank.

**Changes in liabilities arising from financing activities**
The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows are, or future cash flows will be, classified in the Group's Consolidated Cash Flow Statement as cash flows from financial activities.

| | Note | 1 January | Acquisition of | Cash inflow | Cash outflow on | Non-cash movements | 31 December |
|---|---|---|---|---|---|---|---|

| | Note | 2022 | subsidiaries | from issue of debt | repayment of debt | | 2022 |
|---|---|---|---|---|---|---|---|
| | | £m | £m | £m | £m | £m | £m |
| Leases | 11 | 1.9 | - | - | (1.0) | (0.1) | 0.8 |
| Borrowings | | 1.0 | - | - | - | - | 1.0 |
| **Total liabilities from financing activities** | | **2.9** | **-** | **-** | **(1.0)** | **(0.1)** | **1.8** |

The £1.0 million unsecured interest only loan notes raised to fund working capital remain outstanding at 1 January 2021 and are repayable on 31 December 2023.

**17. Alternative performance measures**

To provide clarity of the underlying trading performance of the Group, the operating results are presented on an adjusted basis. Adjusted results are before non-recurring restructuring and organisational charges, IFRS 16 adoption, transaction costs, amortisation of intangible assets and impairment charges. The Directors believe that it is appropriate to additionally present the alternative performance measures used by management in running the business, and that it will present a more meaningful and comparable financial result.

The adjusted results provide supplementary analysis of the 'underlying' trading of the Group.

| | **Adjusted results** | | **Statutory results** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **£m** | **£m** | **£m** | **£m** |
| Revenue | 84.1 | 86.0 | 84.1 | 86.0 |
| Operating costs | (74.4) | (75.9) | (73.7) | (74.3) |
| Depreciation and amortisation | (0.4) | (0.8) | (1.5) | (2.7) |
| Operating profit pre non-recurring items | 9.3 | 9.3 | 8.9 | 9.0 |
| Non-recurring items | - | - | (3.7) | (6.9) |
| Operating profit | 9.3 | 9.3 | 5.2 | 2.1 |
| Net finance expense | - | (0.7) | (0.1) | (0.9) |
| Profit before tax | 9.3 | 8.6 | 5.1 | 1.2 |
| Tax credit / (charge) | (1.8) | (1.6) | 0.1 | 4.1 |
| **Profit after tax** | **7.5** | **7.0** | **5.2** | **5.3** |

The adjusted profit before tax is £9.3 million, and the adjusted tax rate is 19% with a £1.8 million tax charge in the period. The adjusted tax charge does not benefit from the brought forward tax losses so as to provide a more meaningful and comparable financial result.

Operating profit as determined under IFRS to adjusted operating profit:

| | **Note** | **2022** | **2021** |
|---|---|---|---|
| | | **£m** | **£m** |
| **Operating profit as determined under IFRS** | | **5.2** | **2.1** |
| Adjustments: | | | |
| Lease costs | | (0.7) | (1.6) |
| Depreciation on right of use assets | 4 | 0.6 | 1.4 |
| Amortisation of intangible assets | 4 | 0.5 | 0.5 |
| Restructuring costs | 4 | 3.3 | 3.6 |
| Onerous IT contracts | 4 | - | 0.7 |
| ROUA Impairment | 4 | 0.1 | 0.9 |
| Property Rationalisation | 4 | - | 0.9 |
| Aborted transaction costs | 4 | 0.3 | - |
| Acquisition, loan note issue and share re-listing costs | 4 | - | 0.8 |
| **Adjusted operating profit** | | **9.3** | **9.3** |

EBITDA and adjusted EBITDA are:

| | | **2022** | **2021** |
|---|---|---|---|
| | | **£m** | **£m** |
| **Operating Profit as determined under IFRS** | | **5.2** | **2.1** |
| Depreciation and amortisation | 4 | 1.5 | 2.7 |
| ROUA Impairment | 4 | 0.1 | 0.9 |
| **EBITDA** | | **6.8** | **5.7** |
| **Adjusted operating profit** | | **9.3** | **9.3** |
| Depreciation | 10 | 0.4 | 0.8 |
| **Adjusted EBITDA** | | **9.7** | **10.1** |

**18. Reconciliation of statutory to adjusted cash flow**

| | **IFRS 2022** | **Adjustments** | **Adjusted 2022** |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| **Cash flow from operating activities** | | | |
| Operating profit | 5.2 | 4.1 | 9.3 |
| Impairment on ROUA | 0.1 | (0.1) | - |
| Depreciation and amortisation | 1.5 | (1.1) | 0.4 |
| **Adjusted EBITDA** | 6.8 | 2.9 | 9.7 |
| Restructuring costs paid | - | (2.5) | (2.5) |
| Aborted transaction costs | - | (0.4) | (0.4) |
| Provisions | (1.0) | 1.0 | - |

| | | | |
|---|---|---|---|
| Provisions | (1.0) | 1.0 | - |
| Working capital and other | 3.7 | (2.2) | 1.5 |
| **Net cash flow generated from operations** | **9.5** | **(1.2)** | **8.3** |
| | | | |
| **Investing activities** | | | |
| Acquisition of subsidiaries | (2.6) | - | (2.6) |
| Interest received | 0.2 | - | 0.2 |
| Investment in The News Movement | (1.1) | - | (1.1) |
| Purchases of tangible assets | (0.4) | - | (0.4) |
| Acquisition of digital assets | (0.2) | - | (0.2) |
| **Net cash outflow from investing activities** | **(4.1)** | **-** | **(4.1)** |
| | | | |
| **Financing activities** | | | |
| Interest paid | (0.3) | 0.1 | (0.2) |
| Principal repayment of leases | (1.1) | 1.1 | - |
| **Net cash utilised from financing activities** | **(1.4)** | **1.2** | **(0.2)** |
| **Net increase in cash and cash equivalents** | **4.0** | **-** | **4.0** |

The adjustments for 2022 are:

- £4.1 million increase in operating profit reflects £0.1 million impairment of ROUA, £0.6 million depreciation of IFRS 16 leased assets, £0.5 million amortisation of intangible assets, £0.4 million on aborted transaction costs, and £2.5 million restructuring costs (includes £0.4 million paid relating to 2021 schemes);
- £0.1 million reduction in ROUA impairment of IFRS 16 lease assets;
- £1.1 million reduction in depreciation and amortisation reflects the £0.6 million depreciation of IFRS 16 lease assets and £0.5 million amortisation of intangible assets which has been added back to operating profit;
- £2.5 million reduction for restructuring, reflecting the £3.3 million restructuring costs charged in the period of which £2.5 million has been paid in the period including £0.4 million of 2021 restructuring costs, with the remaining £1.2 million accrued at the period-end;
- £0.4 million aborted transaction costs reduction as these were added back to operating profit;
- £1.0 million provision movement;
- £2.2 million negative working capital adjustment; and
- £0.1 million interest and £1.1 million principal payments on IFRS 16 leases are added back as they have already been charged to operating profit.

The prior year comparative statutory to adjusted cash flow reconciliation is presented below:

| | **IFRS 2021 £m** | **Adjustments £m** | **Adjusted 2021 £m** |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Operating profit | 2.1 | 7.2 | 9.3 |
| Impairment on ROUA | 0.9 | (0.9) | - |
| Depreciation and amortisation | 2.7 | (1.9) | 0.8 |
| **Adjusted EBITDA** | 5.7 | 4.4 | 10.1 |
| Restructuring costs paid | - | (3.2) | (3.2) |
| Acquisition, loan note issue and share re-listing costs | 0.8 | (0.8) | - |
| Working capital and other | 1.7 | (2.2) | (0.5) |
| **Net cash flow generated from operations** | 8.2 | (1.8) | 6.4 |

£7.2 million increase in operating profit reflects £0.9 million impairment of ROUA, £1.4 million depreciation of IFRS 16 leased assets, £0.5 million amortisation of intangible assets, £3.2 million restructuring costs, £0.8 million of acquisition, loan note issue and share re-listing costs, £1.6 million provisions (comprising £0.7 million onerous IT contracts and £0.9 million property rationalisation), and £0.6 million negative working capital adjustment representing non-recurring costs unpaid at the period-end.

**19. Principal Risks and Uncertainties**

The Company operates in an uncertain environment and is subject to a number of principal risks.

The principal risks in 2022 and 2021 are summarised in the table below:

| **2021** | **2022** |
|---|---|
| Strategy | Retained with a broader coverage of risks |
| COVID-19 | No longer viewed as a key risk. |
| Cyber security and data migration | Retained as a key risk |
| Infrastructure and operations | Retained as a key risk |
| Data protection | Retained as a key risk |

The Board has undertaken a detailed risk assessment and considers the following principal risks to the Company's activities although it should be noted that this list is not exhaustive and that other risk factors not presently known or currently deemed immaterial may apply.

| **Issue** | **Risk/Uncertainty** | **Mitigation** | **Update** |
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| Strategy macroeconomic conditions | The news publishing sector continues to face ongoing challenges with newspaper circulation volume and newspapers advertising in structural decline, increased competition in local markets with the | The Board has a very experienced management team that is highly motivated to deliver its strategy.<br><br>The Executive Directors are fully engaged on the operating performance of the business and regular updates are provided | The Board and Executive Directors remain focused on ensuring the delivery of the Group strategy. |

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| | markets with the launch of new online news sites and the dominance of Google and Facebook impacting the monetisation of digital websites through advertising and the multiple sources of news online impacting the growth of subscription and e-commerce revenue. | updates are provided to the Board on strategic initiatives. | |
| Cyber security and data migration | The Group is at risk of a cyber-attack on systems and websites | In-line with industry best-practice, multiple layers of security systems are in-place. These include managed firewalls, managed DDoS protection, anti-virus software, Single-Sign-On, ransomware protection and a managed email platform that has a number of sophisticated security configurations built-in.<br><br>The principal news websites are hosted independently of the main IT infrastructure on Amazon Web Services under the management of a third-party vendor.<br><br>The change advisory board regularly review the internal risk register and update accordingly in response to any identified issues. | A strategic programme to migrate all of our core system to Google Cloud Platform has been completed.<br><br>The Group implemented Cisco MFA in 2022 and the cyber insurance policy renewal application is underway. |
| Infrastructure and operations | The Group is reliant on an effective and efficient infrastructure to support its operations. This includes a robust: IT Infrastructure, regulatory compliance framework, financial control environment and contracts with suppliers, in particular for our websites and printing and distribution of our newspapers.<br><br>The operations of the Group will be adversely impacted by issues due to the loss of key infrastructure, weaknesses in the control environment and loss of key suppliers. | The Group has established a risk management framework which is overseen by the Risk Management Committee and includes senior management representing all operations across the Group.<br><br>A strategic programme is in place to migrate all existing IT infrastructure to Google's Cloud Platform. As well as providing increased physical security and resilience, this migration will provide an opportunity for a review of the cyber security risks for each workload being migrated and a reduction in the total number of systems in operation. | A strategic programme to migrate all of our core system to Google Cloud Platform has been completed.<br><br>Incremental improvements to data security and integrity are being pursued on a continual basis.<br><br>The cyber insurance policy renewal application is underway.<br><br>Business Interruption cover is in place. |
| Data protection - GDPR | Legal Counsel conducts assessments of data quality. Use of data is overseen by Legal Counsel and | A Quality Manager within the Commercial team is responsible for ensuring all systems are GDPR & PCI compliant and that | Legal Counsel conducted a review of all policies and processes during 2022 and this will continue into 2023. This includes the population |

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| | Legal Counsel and advice is sought by sales and marketing teams as and when data is being sourced. Implementation of GDPR is subject to ongoing monitoring and this includes mandatory company training, and working with IT and any other relevant departments, as required. | compliant and that agents are updating the customer records in the CRM to ensure we are compliant and to ensure data is captured and managed within the ICO guidelines and GDPR requirements.<br><br>All new supplier contracts are reviewed by Legal Counsel to ensure all required data protection provisions are included and signed up to by the supplier. All contracts are reviewed by the Legal team prior to signing.<br><br>Intra-group data sharing agreement now complete. GDPR compliance across the Group is the subject of an ongoing improvement programme.<br><br>Training provided to all commercial new starters by Legal Counsel and L&D. | includes the population of Record of Processing Activity and data mapping across the company to ensure UK GDPR compliance and sight of all data processing across the business will be updated annually from 2023 onwards. |

**20. Post balance sheet events**

On 20 January 2023 the Group acquired the Newry Reporter title and website. On the same day the Group sold TMX title and tmxnews.co.uk. On 7 February 2023, the Group acquired the Banbridge Chronicle title and website (and the issued share capital of Bann Media Limited).



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