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Smiths News plc

("Smiths News" or the "Company")

Unaudited Interim Results for the 26 weeks ended 24 February 2024

Robust performance with full year results in line with market expectations

Debt refinancing complete underpins revised capital allocation policy and significant reduction in interest costs

Smiths News (LSE: SNWS), the leading distributor of newspapers, magazines and ancillary services to retailers across the UK, today announces unaudited interim results for the 26 weeks ended 24 February 2024 (the "period" or "HY2024").

Key highlights:

- Robust trading in HY2024 and on track to deliver results in line with market expectations for FY2024
- Revenues of £539.8m (-1.9% on HY2023) and adjusted operating profit of £18.8m (-£1.6m) both set against a prior period that benefitted from the men's World Cup and Royal Succession
- Operational efficiencies continue to be reflected in cost-savings of £3.1m delivered across HY2024, in line with plan
- Major contract renewals with 74% of existing publisher revenue streams secured until 2029
- Bank Net Debt reduced by 56% to £10.0m and average Net Debt decreased by 53% to £12.5m
- Successful debt refinancing announced today affords the Board the ability to implement the Company's revised capital allocation policy, and delivers a significant reduction in interest costs
- Interim dividend of 1.75 pence per share (+25% on HY2023), due to be paid on 4 July 2024

Adjusted results [1]	**26 weeks to 24 Feb 2024**	26 weeks to 25 Feb 2023	Change
Revenue	**£539.8m**	£550.1m	(1.9%)
Operating profit	**£18.8m**	£20.4m	(7.8%)
Profit after tax	**£11.8m**	£13.3m	(11.3%)
Earnings per share	**4.9p**	5.6p	(12.5%)
Statutory results			
Revenue	**£539.8m**	£550.1m	(1.9%)
Operating profit	**£18.6m**	£20.4m	(8.8%)
Profit after tax	**£11.6m**	£13.3m	(12.8%)
Earnings per share	**4.8p**	5.6p	(14.3%)
Interim dividend per share	**1.75p**	1.40p	25.0%

Interim dividend per share	**1.75p**	1.40p	25.0%
Cash flow and net debt			
Free cash flow inflow/(outflow) (2)	**£4.2m**	(£0.2m)	2,200.0%
Bank Net Debt (3)	**£10.0m**	£22.9m	(56.3%)
Average Bank Net Debt	**£12.5m**	£26.3m	(52.5%)

**Company compiled analyst consensus can be found on Smiths News' website: Analyst consensus*

Outlook

- Following a robust HY2024 performance, FY2024 trading remains in line with full year market expectations
- Trading in the second half of FY2024 will benefit from England and Scotland's upcoming participation in the men's UEFA European Championships
- Growth strategy continues to progress and will make an increasing contribution to the Company's profits
- New debt refinancing agreement enables Smiths News to deliver enhanced returns to shareholders in line with 2x dividend cover under the Company's revised capital allocation policy and to explore additional distributions of surplus cash in the future after allowing for investment in core business and growth opportunities
- Smiths News to continue to deliver resilient performance across the medium term

Jonathan Bunting, Chief Executive Officer, commented:

"I am pleased to report solid performance across the first half of 2024. It has been another period of strong cash generation, scale cost savings, and further momentum on the contribution from our growth strategy.

"Smiths News remains on track to deliver FY2024 results in line with market expectations."

For further information, please contact:

Smiths News plc via Vigo Consulting
Jonathan Bunting, Chief Executive Officer
Paul Baker, Chief Financial Officer
www.smithsnews.co.uk

Vigo Consulting Tel: +44 (0) 20 7390 0230
Jeremy Garcia / Fiona Hetherington / Verity Snow
smithsnews@vigoconsulting.com

About Smiths News

For over 200 years, Smiths News has been delivering newspapers to retailers across the UK. It distributes newspapers and magazines on behalf of the major national and regional publishers, delivering to approximately 23,000 customers across England and Wales on a daily basis. The speed of turnaround and the density of Smiths News' coverage is critical to one of the world's fastest physical supply chains.

For more information, please visit: www.smithsnews.co.uk

Person responsible for arranging release of this announcement:

Stuart Marriner, General Counsel and Company Secretary
Smiths News plc, Rowan House, Cherry Orchard North, Kembrey Park, Swindon SN2 8UH
Email: cosec@smithsnews.co.uk

Notes

The Company uses certain performance measures for internal reporting purposes and employee incentive arrangements. The terms 'Bank Net Debt', 'free cash flow', 'Adjusted operating profit', 'Adjusted profit before tax' arrangements. The terms 'Bank Net Debt', 'free cash flow', 'Adjusted operating profit', 'Adjusted profit before tax', 'Adjusted earnings per share' and 'Adjusted items' are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies.

(1) The following are key non-IFRS measures identified by the Company in the consolidated interim financial statements as Adjusted results:
a. Adjusted operating profit - is defined as operating profit including the operating profit of the businesses from the date of acquisition and excludes Adjusting items and operating profit of businesses disposed of in the year or treated as held for sale.
b. Adjusted profit before tax (PBT) - is defined as Adjusted operating profit less finance costs and including finance income attributable to Adjusted operating profit and before Adjusting items.
c. Adjusted earnings per share - is defined as Adjusted PBT, less taxation attributable to Adjusted PBT and including any adjustment for minority interest to result in adjusted profit after tax attributable to shareholders; divided by the basic weighted average number of shares in issue.
d. Adjusting items - Adjusting items of income or expense are excluded in arriving at Adjusted operating profit to present a further measure of the Company's performance. Each adjusting item is considered to be significant in nature and/or quantum, non-recurring in nature and/or considered to be unrelated to the Company's ordinary activities or are consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team. They are disclosed and described separately in Note 3 to the consolidated interim financial statements to provide further understanding of the financial performance of the Company. A reconciliation of adjusted profit to statutory profit is presented on the income statement.

(2) Free cash flow - is defined as cash flow excluding the following: payment of the dividend, the impact of acquisitions and disposals, the repayment of bank loans and outflows for purchases of own shares.

(3) Bank Net Debt - represents the net position drawn under the Company's banking facilities and is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings and overdrafts but excludes unamortised arrangement fees and lease liabilities.

Cautionary Statement

This document contains certain forward-looking statements with respect to Smiths News plc's financial condition, its results of operations and businesses, strategy, plans, objectives and performance. Words such as 'anticipates', 'expects', 'intends', 'plans', 'believes', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. These forward-looking statements are not guarantees of Smiths News plc's future performance and relate to events and depend on circumstances that may occur in the future and are therefore subject to risks, uncertainties and assumptions. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward looking statements, including, among others the enactment of legislation or regulation that may impose costs or restrict activities; the re-negotiation of contracts or licences; fluctuations in demand and pricing in the industry; fluctuations in exchange controls; changes in government policy and taxations; industrial disputes; war and terrorism. These forward-looking statements speak only as at the date of this document. Unless otherwise required by applicable law, regulation or accounting standard, Smiths News plc undertakes no responsibility to publicly update any of its forward- looking statements whether as a result of new information, future developments or otherwise. Nothing in this document should be construed as a profit forecast or profit estimate. This document may contain earnings enhancement statements which are not intended to be profit forecasts and so should not be interpreted to mean that earnings per share will necessarily be greater than those for the relevant preceding financial period. The financial information referenced in this document does not contain sufficient detail to allow a full understanding of the results of Smiths News plc. For more detailed information, please see the Interim Financial Results for the half-year ended 24 February 2024 and the Report and Accounts for the year ended 26 August 2023 which can each be found on the Investor Zone section of the Smiths News plc website - www.smithsnews.co.uk. However, the contents of Smiths News plc's website are not incorporated into and do not form part of this document.

OPERATING REVIEW

Overview of performance

Smiths News delivered a robust trading performance in the period. Revenue, adjusted operating profit, and cash generation remained on track, with the Company continuing to trade in line with market expectations for FY2024. HY2024 performance - set against a particularly strong comparative period in HY2023 which included the men's World Cup and the State Funeral of HM Queen Elizabeth II - reinforces the Company's ongoing resilience and focus on cash generation.

Adjusted operating profit of £18.8m (HY2023: £20.4m) decreased £1.6m from revenue of £539.8m (HY2023: £550.1m), primarily due to the strong comparative period. Adjusted profit before tax was £15.9m (HY2023: £17.1m), marking a £1.2m decrease. Free cash outflow remained in line with plan at £4.2m inflow

(HY2023: £0.2m outflow), an increase of £4.4m from HY2023. Average Bank Net Debt saw a notable decrease of 52.5% to £12.5m, accompanied by a 56.3% reduction in Bank Net Debt to £10.0m during the period, compared to HY2023. Adjusted EPS stood at 4.9p (HY2023: 5.6p), a decrease of 0.7p.

Delivering a robust performance

The trading performance in HY2024 demonstrates management's commitment to managing ongoing operational efficiencies and to maintaining strong levels of cash generation. Revenue has decreased by 1.9% compared to HY2023, representing an improvement over historic levels of revenue contraction which has previously been between 3.0% and 5.0%. The recent introduction of the Panini Women's Super League 2024 Sticker Collection has been very well received, surpassing sales projections due to heightened interest and expansion within the women's game.

In HY2024, our statutory operating profit decreased by £1.8m (8.8%), primarily as a result of stronger trading in one-shots in the prior period including the men's World Cup and the State Funeral of HM Queen Elizabeth II, as well as persistent pressure on magazine waste prices, independent of our recycling operations, which has led to prolonged lower prices for sale of magazine waste.

Looking ahead, we expect the second half performance to be boosted by England and Scotland's participation in the men's UEFA European Championships, which we expect to result in increased sales of stickers, trading cards and other collectibles.

Refinancing and revised capital allocation policy

The Company today announces it has successfully completed the refinancing of the business, with two of the existing syndicate lenders, Santander and HSBC. The new facility comprises a £40m revolving credit facility ("RCF"), with an additional uncommitted accordion facility of up to £10m. The facility is set to run for a minimum 3-year term at an initial 2.45% margin over SONIA (4.00% previously), with options to extend for up to a further 2 years.

Importantly, the facility removes the cap on distributions to shareholders which will afford the Company greater optionality going forward.

The refinancing has been a major strategic priority for management as the Company seeks greater autonomy and flexibility relating to its capital allocation policy. This policy has been revised and now comprises:

- Maintaining a strong balance sheet with a Bank Net Debt: Adjusted EBITDA ratio of less than 1.0x
- Continued investment in both core business and organic growth
- Payment of sustainable ordinary dividend, maintaining 2x dividend cover
- Disciplined approach to inorganic growth, focused on bolt-on acquisitions with clear accretive returns to enhance shareholder value
- Further returns to shareholders when appropriate

Investors will see an immediate benefit from the refinancing, with an increased ordinary dividend under the Company's policy of maintaining two times dividend cover. The interim dividend proposed, which is typically a third of the total dividend paid in any given financial year, is 25% higher at 1.75p.

Inflation and operational efficiencies

Inflation continued to be mitigated during the period with price rises now slowing. We are still seeing the continued impact of cost inflation on our day-to-day operations, but this is trending in line with our expectations. Our ongoing commitment to strategic cost efficiency planning remains a key foundation of our operations, bolstering our ability to maintain the current level of inflationary offset.

Across HY2024 we realised savings totalling £3.1m through diligent implementation of operational efficiencies, including further optimisation of our network and a reduction in central overheads. We remain focused on identifying further opportunities for enhanced efficiencies.

The Company continues to deliver ongoing operational efficiencies of circa £5.0m annually, as we focus on maximising value creation whilst maintaining operational resilience. Having now completed our refinancing, we aim to increase our capital investment in the business by circa £2.0m per annum for a 3-year period, before returning to circa £4.0m per annum thereafter.

The majority of this expenditure has positive returns through our growth and cost-out programs, with the remaining amounts representing investment in facilities.

Contract renewals

The Company has in place contract renewals covering 74% of its existing publisher revenue streams, ensuring revenue stability through to at least 2029 while simultaneously expanding our network through additional national and regional title contract awards. In October 2023, the Company announced that it had secured contracts for the distribution of regional press titles from the Midlands News Association, as well as newspaper distribution contracts for News UK titles within the Company's established London territories. These have been integrated into the Company's established UK footprint and are fully operational.

With the majority of the renewed publisher agreements in place and the remaining contracts phased over the intervening years, we are confident that these additional revenue streams will position the Company well to continue to deliver over the medium term.

Organic business development

Aligned with the Company's strategic vision, management remains committed to pursuing organic growth initiatives that complement our core distribution skill set, while safeguarding the integrity of our newspaper and magazine operations. In February 2023, we launched Smiths News Recycle, a waste recycling service tailored for our retail customers. We continue to generate solid traction, with a subscriber base now approaching 5,000.

Additionally, we have further extended our reach, distributing books and DVDs into a major nationwide supermarket, and ancillary items to a major national group of retail convenience stores. We continue to explore further opportunities, including the distribution of greetings cards to a network of independent newsagents.

Our endeavours to drive organic growth ventures continue to deliver positive momentum and are expected to generate £2.0m of profit in FY2024 versus £0.7m in FY2023. As these new business initiatives continue to provide further revenue streams, we are optimistic about the Company's growth potential.

Cash generation and significant debt reduction

In HY2024, the business generated £4.2m of free cash flow, compared to a £0.2m outflow in HY2023. This £4.4m increase was driven by the timing of a receipt from a major customer in the prior period as part of the normal working capital cycle.

Bank Net Debt was down 56.3% in the period to £10.0m (HY2023: £22.9m). Given the significant fluctuations in working capital throughout the monthly payment cycle, we consider Average Net Debt as the more reliable measure to determine our utilisation of facilities. During the period, Average Net Debt reduced 52.5% to £12.5m (HY2023: £26.3m), reflecting our prudent management of resources and the consistent cash flow generation of the business. This represents a significant strategic milestone for the business, underpinning our underlying capital strength.

Dividend

An interim dividend of 1.75p per share will be paid on 4 July 2024 (HY2023: 1.40p per share) to shareholders on the register on 7 June 2024. The ex-dividend date will be 6 June 2024.

As detailed above, the Company has today announced a renegotiation of its banking facilities. As a result of this agreement, restrictions over the total annual dividend payment - which was previously capped at a maximum of £10.0m per annum - will be relaxed going forward, affording the Company greater discretion over distribution of cash to shareholders in line with our revised capital allocation policy, should it be deemed appropriate to do so.

Outlook

The Company has made a robust start to the second half of FY2024 and remains on track to meet market expectations for FY2024. Second half performance will be bolstered by England and Scotland's upcoming participation in the men's UEFA European Championships in the summer.

The marginal easing of inflationary pressures on consumer spending, alongside progress in driving growth through new organic profit streams, ongoing operational efficiencies and continued cost management initiatives, form the foundations for the Board's confidence for the FY2024 outturn.

The Board are committed to distribution of dividends in line with our revised capital allocation policy going forward following the removal of upper limits on shareholder cash distribution in our new banking facilities.

FINANCIAL REVIEW

Overview

The Company has had a robust start to FY2024 with trading in line with full year expectations and with continued predictable free cash flow. Following the balance sheet date, the business has successfully concluded a refinancing of its banking facility with a syndicate comprising of existing lenders Santander and HSBC as detailed in the refinancing RNS released today. The interim dividend has increased to 1.75p per share (HY2023: 1.40p per share).

Revenue was £539.8m (HY2023: £550.1m), down 1.9% on the prior year, of which 1.7% related to the men's World Cup and State Funeral of HM Queen Elizabeth II during HY2023. The profit impact of these items (£1.2m) and lower revenue from the sale of waste paper (£0.9m), offset by £0.7m from the contribution of new ancillary revenue lines largely accounts for the £1.6m reduction in adjusted operating profit to £18.8m (HY2023: £20.4m). Cost reduction plans offset the impact of inflation and ongoing newspaper and magazines decline with a net £0.2m impact.

The £1.6m decrease in Adjusted operating profit resulted in a £1.5m decrease in Adjusted profit after tax from £13.3m to £11.8m. While lower levels of average net debt resulted in £0.4m lower net finance costs, this was partially offset by the increase in corporation tax rate (£0.3m). Consequently, adjusted EPS reduced from 5.6p to 4.9p.

Trading in the second half of FY2024 will benefit from the men's UEFA European Championships football collectables and the flow through of newspaper contract wins which commenced in Q2 FY2024, mitigated by a lower comparable rate for the sale of waste paper. We therefore anticipate FY2024 trading performance to be second-half weighted, where FY2023 was first half weighted.

Average Bank Net Debt for the period decreased by £13.8m (52.5%) from £26.3m in HY2023 to £12.5m in HY2024, reflecting good ongoing cash flow generation. Bank Net Debt reduced by £12.9m from £22.9m in HY2023 to £10.0m.

Free cash flow for the period was an inflow of £4.2m (HY2023: outflow of £0.2m). Free cash flow includes a working capital outflow since year end of £7.3m (HY2023: outflow of £13.6m), part of our normal working capital cycle. Working capital outflow was £6.3m lower than the prior period due to the delayed receipt of trade receivables from a major supermarket during the prior period. The remaining movement in free cash flow (adverse £1.9m) is the result of lower profits.

Adjusting items decreased statutory profit after tax by £0.2m (HY2023: £nil) and statutory profit after tax decreased from £13.3m in HY2023 to £11.6m in HY2024.

An interim dividend of 1.75p (HY2023: 1.40p) per share (£4.2m) is proposed by the Board, due to be paid in July 2024.

Adjusted results

Group

£m	26 weeks to 24 Feb 2024	26 weeks to 25 Feb 2023	Change
Revenue	**539.8**	550.1	(1.9)%
Operating profit	**18.8**	20.4	(7.8)%
Net finance costs	**(2.9)**	(3.3)	12.1%
Profit before tax	**15.9**	17.1	(7.0)%
Taxation	**(4.1)**	(3.8)	(7.9)%
Effective tax rate	***25.8%***	*22.2%*	*(3.6)%*
Profit after tax	**11.8**	13.3	(11.3)%

Revenue

Revenue was £539.8m (HY2023: £550.1m), down 1.9% on the prior year, of which 1.7% related to the men's World Cup and Royal Succession during HY2023. The remaining reduction of 0.2% compares to a historic revenue trend of c.-3% to -5%.

Newspaper revenues were up 0.1% despite ongoing underlying volume decline, owing to the News UK and Midlands News Association contract wins in October 2023 and some continuing benefit from cover price increases. Magazine revenue was down c.5%, in line with historic trends. Revenue from collectables increased by 5% (excluding World Cup and Royal Succession) with Premier League football collections performing better than last year and contribution from the first Women's Super League sticker collection.

Operating profit

The decrease in Adjusted operating profit of £1.6m to £18.8m (HY2023: £20.4m) includes £1.2m lower wholesale margin due to the 2022 men's World Cup and Royal Succession. The following items account for the net residual impact of £0.4m:

- Lower revenue from sale of waste paper (-£0.9m) driven by a reduction in price.
- Increased contribution from strategic growth lines (+£0.7m).
- Cost reduction plans within depot and overheads (+£3.1m) which largely offset increases to the cost base driven by inflation and ongoing newspaper and magazine wholesale margin decline (total -£3.3m).

Profit after tax

Net finance charges of £2.9m (HY2023: £3.3m) were lower than the prior year half as lower average net debt and deposit interest received were partially offset by higher average interest rates. Taxation of £4.1m was £0.3m higher than the prior period, driven by the increase in the corporation tax rate from 19% to 25% from April 2023. Profit after tax of £11.8m (HY2023: £13.3m) was £1.5m lower than last year.

Statutory Results

Group

£m	26 weeks to 24 Feb 2024	26 weeks to 25 Feb 2023	Change
Revenue	**539.8**	550.1	(1.9%)
Operating profit	**18.6**	20.4	(8.8%)
Net finance costs	**(2.9)**	(3.3)	12.1%
Profit before tax	**15.7**	17.1	(8.2%)
Taxation	**(4.1)**	(3.8)	(7.9%)
Effective tax rate	***26.1%***	*22.2%*	*(3.9%)*
Profit after tax	**11.6**	13.3	(12.8%)

Statutory profit after tax of £11.6m was a £1.7m decrease on the prior year (HY2023: £13.3m). The decrease was driven by the £1.5m decrease in Adjusted profit after tax described above and adjusting items of £0.2m (HY2023: net £nil).

Earnings per share

	Adjusted		Statutory	
	26 weeks to 24 Feb 2024	26 weeks to 25 Feb 2023	**26 weeks to 24 Feb 2024**	26 weeks to 25 Feb 2023
Earnings attributable to ordinary shareholders (£m)	**11.8**	13.3	**11.6**	13.3
Basic weighted average number of shares (millions)	**240.9**	236.7	**240.9**	236.7
Basic Earnings per share	**4.9p**	5.6p	**4.8p**	5.6p
Diluted weighted number of shares (millions)	**251.3**	249.3	**251.3**	249.3
Diluted Earnings per share	**4.7p**	5.3p	**4.6p**	5.3p

Adjusted basic earnings per share of 4.9p, is a decrease of 0.7p on the prior year driven by the decrease in earnings of the business and an increase in the average number of shares from the employee benefit trust holding fewer shares.

Statutory basic earnings per share decreased by 0.8p to 4.8p (HY2023: 5.6p) due to the above plus lower earnings from the impact of adjusting items.

Dividend

	26 weeks to 24 Feb 2024	26 weeks to 25 Feb 2023
Dividend per share (proposed)	**1.75p**	1.40p
Dividend per share (paid and recognised)	**2.75p**	2.75p

The Board is proposing an interim dividend of 1.75p per share (HY2023: 1.40p per share). The proposed dividend will be paid on 4 July 2024 to shareholders on the register at close of business on 7 June 2024. The ex-dividend date will be 6 June 2024.

The FY2023 final dividend of 2.75p per share (£6.7m) was approved by shareholders at the Annual General Meeting on 31 January 2024, paid on 8 February 2024 and is recognised in the Interim Financial Statements.

Adjusting items

£m	**26 weeks to 24 Feb 2024**	26 weeks to 25 Feb 2023
Network and reorganisation (costs)/credits	**(0.1)**	0.6
Tuffnells provision	**(0.1)**	-
Aborted acquisition costs	**-**	(0.6)
Total before and after taxation	**(0.2)**	-

Adjusting items before tax of £0.2m were an increase on the prior year period (HY2023: net £nil). In the current period, the Company incurred £0.1m of costs for network and reorganisation in relation to simplifying the Group structure and £0.1m in respect of additional insurance claims identified following Tuffnells falling into administration.

In the prior period, the Company incurred £0.6m of costs for due diligence and legal activity associated with an aborted acquisition. These costs were offset by £0.6m of credits relating to provisions releases which were the result of a contract renewal with our shared service centre partner.

Further information on these items can be found in Note 3 to the Interim Financial Statements. Adjusting items are defined in the Glossary to the Interim Financial Statements and present a further measure of the Company's performance. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team. Alternative Performance Measures (APMs) should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Free cash flow

£m	26 weeks to 24 Feb 2024	26 weeks to 25 Feb 2023
Adjusted operating profit	**18.8**	20.4
Depreciation and amortisation	**4.0**	4.8
Adjusted EBITDA	**22.8**	25.2
Working capital movements	**(7.3)**	(13.6)
Capital expenditure	**(1.9)**	(2.1)
Lease payments	**(2.7)**	(3.2)
Net interest and fees	**(2.4)**	(2.7)
Taxation	**(4.3)**	(3.9)
Other	**0.2**	0.8
Free cash flow (excluding Adjusting items)	**4.4**	0.5
Adjusting items (cash effect)	**(0.2)**	(0.7)
Free cash flow	**4.2**	(0.2)

Free cash flow of £4.2m inflow was £4.4m higher than HY2023 (£0.2m outflow) due to a £6.3m decrease in working capital outflows and a lower cash outflow from adjusting items.

The decrease in working capital of £7.3m (HY2023: £13.6m) since year end is due to the timing of period end compared to the billing cycles of both publishers and retailers. In HY2023, this included the impact of amounts due from a major supermarket which were delayed into the second half of FY2023.

Cash capital expenditure in the period was £1.9m (HY2023: £2.1m), a decrease of £0.2m.

Lease payments of £2.7m (HY2023: £3.2m) decreased by £0.5m due to leases that ended in the second half of FY2023.

Net interest and fees of £2.4m (HY2023: £2.7m) decreased by £0.3m, due to lower average net debt and interest earned on deposits partially offset by higher average rates.

Cash tax outflow of £4.3m was a £0.4m increase on the prior period (HY2023: £3.9m outflow) owing principally to the increase in corporation tax rate from 19% to 25% in April 2023.

Other items relate predominantly to the non-cash share-based payment expense and is linked to the expected outcome of performance related share schemes.

The total net cash impact of other Adjusting items was an £0.2m (HY2023: £0.7m) outflow. In the current period, amounts related to settled Tuffnells claims (£0.1m) and reorganisation costs (£0.1m). In the prior period, amounts comprised of aborted acquisition costs (£0.5m) and reorganisation costs (£0.2m).

A reconciliation of free cash flow to the net movement in cash and cash equivalents is given in the Glossary.

Net debt

£m	As at 24 Feb 2024	As at 25 Feb 2023

Opening Bank Net Debt	**(4.2)**	(14.2)
Free cash flow	**4.2**	(0.2)
Dividend paid	**(6.7)**	(6.5)
Investment in joint venture	**-**	(0.2)
Purchase of shares for employee benefit trust	**(3.3)**	(1.8)
Bank Net Debt	**(10.0)**	(22.9)

Bank Net Debt at 24 February 2024 was £10.0m compared to £22.9m at 25 February 2023, a decrease of £12.9m. Average daily net debt reduced from £26.3m in the prior period to £12.5m in the current period, a reduction of £13.8m (52.5%).

The reduction in both reported and average daily Bank Net Debt was driven by the Company's ongoing cash flow generation.

The Company's Bank Net Debt: Adjusted EBITDA ratio decreased to 0.3x (HY2023: 0.5x). The prior period end fell just before major publisher payments were made, which benefitted reported Bank Net Debt. Bank Net Debt rose to £39.8m on 28 February 2023 after the half year end.

The Bank Net Debt: Adjusted EBITDA ratio covenant of 0.3x is within our main leverage covenant ratio of 1.50x and we remain within all our other bank covenant tests at period end.

A reconciliation of Bank Net Debt (which excludes IFRS 16 lease liabilities and unamortised arrangement fees) to the balance sheet is provided in the Glossary.

During the current period, the FY2023 final dividend of £6.7m was paid (HY2023: FY2022 final dividend of £6.5m), bringing the total dividend paid in respect of FY2023 to £10.0m (FY2022: £9.8m). In the prior period the Company invested £0.2m in Lucid Digital Magazines limited, a joint venture for retailing single copy electronic versions of newspapers and magazines under the trading name LoveMedia.

Going concern

Having considered the Company's new banking facility, the ongoing impact of inflationary pressures within the macro-economy and the funding requirements of the Company, the directors are confident that headroom under the new bank facility remains adequate, future covenant tests can be met and there is a reasonable expectation that the business can meet its liabilities as they fall due for a period of greater than 12 months (being an assessment period of 16 months) from the date of approval of the Interim Financial Statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements and no material uncertainty has been identified.

PRINCIPAL AND EMERGING RISKS

The Company has a clear framework in place to continuously identify and review both the principal and emerging risks it faces. This includes, amongst others, a detailed assessment of business and functional teams' principal and emerging risks and regular reporting to, and robust challenge from, both the Executive Team and Audit Committee. The directors' assessment of these risks is aligned to the strategic business planning process and regulatory landscape.

Specifically, key risks are plotted on risk maps with descriptions, owners, and mitigating actions, reporting against a level of materiality (principally relating to impact and likelihood) consistent with their size. These risk maps are reviewed and challenged by the Executive Team and Audit Committee and reconciled against the Company's risk appetite. As part of the regular principal risk process, a review of emerging risks (internal and external) is also conducted, and a list of emerging risks is maintained and rolled-forward to future discussions by the Executive Team and Audit Committee. Where appropriate, these emerging risks may be brought into the principal risk registers. Additional risk management support is provided by external experts in areas of technical complexity to complete our bottom-up and top-down exercises.

As part of the Board's ongoing assessment of the principal and emerging risks, the Board has considered the performance of the business, its markets, the changing regulatory and macro-economic landscape, the Company's future strategic direction and ambition as well as the heightened climate-related risk

Company's future strategic direction and ambition as well as the heightened climate-related risk environment. The directors have carried out a robust assessment of the Company's emerging and principal risks, including those that could threaten its business model, future performance, solvency or liquidity. Risks are still subject to ongoing scrutiny, monitoring and appropriate mitigation.

The table below details each principal business risk, those aspects that would be impacted were the risk to materialise, our assessment of the current status of the risk and how each is mitigated.

Principal risks and potential impact	**Mitigations**	**Strategic link/ change**
Cyber security		
Global trends demonstrate a continued high volume of cyber-attacks against all industry sectors and that cyber threats continue to indiscriminately evolve. To meet the needs of our stakeholders, our IT infrastructure and data processes need to be flexible, reliable and secure from cyber-attacks. Secure infrastructure acts as a deterrent to and helps prevent and/or mitigate the impact of external cyber-attack, internal threat or supplier-related breach, which could cause service interruption and/or the loss of Company and customer data. Cyber incidents could lead to major adverse customer, financial, reputational and regulatory impacts.	• Defined risk-based approach to the information security roadmap and technology strategy which is aligned to the strategic plans. • Regular tracking of key programmes against spend targets and delivery dates. • The Company assesses cyber risk on a day-to-day basis, using proactive and reactive information security controls to detect and mitigate common threats. • Dedicated information security investments and access to third-party cyber security specialists, including 24/7 security monitoring, incident response and specialist testing. • The Company encourages a cyber-aware culture by undertaking exercises, such as computer-based training and simulated phishing attacks and regular communications about specific cyber threats.	Strategic link: Technology Change: Stable - despite ongoing investment and enhancements in the Company's IT infrastructure and IT security the backdrop remains heightened, leading to a stable risk assessment.
Macro-economic uncertainty		
Deterioration in the macro-economic environment could result in supply side cost inflation and/or a reduction in demand-side sales volumes. Supply-side macro-economic pressures could present the Company with additional cost challenges, e.g. increased competition in the distribution labour market and rises in fuel and utility prices. Adverse changes to economic conditions could result in reduced consumer demand for newspapers and magazines and/or reduction in titles/editions. These cost increases and sales pressures present a risk when they cannot be fully mitigated through increased prices or other productivity gains. This could result in deterioration in the level of profitability in both the short and medium term and impacts on the Company's ability to execute its strategies, including level of debt and liquidity objectives.	• Annual budgets and forecasts take into account the current macro-economic environment to set expectations internally and externally, allowing for or changing objectives to meet short and medium term financial targets. • Weekly cost monitoring enables oversight and action on a timely basis. • Cover price increases in magazine and newspaper titles provide some offset against the impact of volume decline. • Predictable level of volume decline within the core business enables cost optimisation planning. • Use of fixed-term contracts as a hedge against rapidly rising prices e.g. energy costs. • The Company continues to be significantly cash generating to support its strategic priorities.	Strategic link: Cost and efficiencies, Operations Change: Stable
Changes to retailers' commercial environment		
Our largest retailers (e.g. grocers and symbol group members) remain under significant pressure to maximise sales and profitability by channel within their retail stores and at associated sale outlets, such as at petrol forecourt stores. This could result at any time in a category review of the newspaper and/or magazine channel, leading to a significant reduction in newspapers' and/or magazines' selling space-in-store (or its location) in favour of other higher margin products and/or the delisting of all/particular titles of newspapers and/or magazines. A reduction in (or change in location of) sales space and/or full delisting	• Our EPoS-based returns (EBR) solution has been introduced in-store with our largest retailers, improving staff efficiency in managing the magazine category, thereby reducing cost to the retailer. • Potential to extend EBR to newspapers in order to broaden efficiency-benefits to retailers. • Supply-side shrink activities underway and renewed focus improve channel profitability and reduce complexity associated with the category. • Form stronger partnerships with emerging retailers to stock magazines and newspapers. • Expand retail offering to include single	Strategic link: Cost and efficiencies Change: Stable

of) sales space and/or full delisting of newspapers and/or magazines by our largest retailers (or a high number of other retailers) could materially reduce the Company's revenue, profitability and cash flow.	• Expand retail offering to include single copy digital downloads of newspapers and/or magazines to supplement physical print and category range in-store.	
Acquisition and retention of labour		
Due to competition and constraints in the current distribution labour market, this could lead to an increased risk of being unable to recruit and/or retain warehouse colleagues and support staff. The same pressures are also being felt in sourcing and retaining delivery sub-contractors as well as filling in-house roles within our central support functions. A failure to maintain an appropriate level of resourcing could result in increased costs, employee disengagement and/or loss of management focus which underpin our ability to address the strategic priorities and to deliver forecasted performance.	• We seek to offer market competitive terms to ensure talent remains engaged. • We offer long-term contracts with our sub-contracted delivery partners. • We use a variety of platforms to recruit employees and contractors. • The level of vacancies across warehouse and delivery contractors is monitored daily. • We undertake workforce planning; performance, talent and succession initiatives; learning and development programmes; and promote the Company's culture and core values. • Retention plans are reviewed to address key risk areas, and attrition across the business is regularly monitored. • Regular surveys are undertaken to monitor the engagement of colleagues.	Strategic link: People first, Culture and values, Cost and efficiencies Change: Stable
Growth and diversification		
A successful growth and diversification strategy is essential to the long-term success of the Company. At the same time, maintaining the Company's outstanding and sector-leading standards of service in newspaper and magazine wholesaling is paramount to help fund growth and diversification opportunities and support publisher contract renewals, each of which deliver shareholder value. Implementing new business growth opportunities without detrimentally impacting the Company's core newspaper and magazine wholesaling carries an execution risk to both the new initiative and ensuring the Company remains able to deliver sector-leading support to publisher clients.	• Strong project management and governance in place to sign-off growth initiatives and oversee their implementation. • A Growth Business Development Group and Growth Operations Delivery Steering Committee have been established to review and control new business opportunities and then plan and measure the impact of these opportunities on core operations. • Experimentation through trials of new business opportunities has been deployed to assess the demand and potential economic benefit of such opportunities and any likely impact on maintaining the Company's outstanding and sector-leading standards of service in newspaper and magazine wholesaling. • The Executive Team's balanced scorecard of key performance indicators ensures sub-optimal performance is tracked and monitored on a regular basis and allows appropriate interventions to be made.	Strategic link: Cost and efficiencies Change: Stable
Sustainability and climate change		
Our sustainability linked risks extend beyond the physical and transitional associated with climate change which we have previously identified, such as a scarcity of resources, extreme weather events, power outages, increasing regulation and associated cost in response to a drive to "net zero" carbon emissions and the increasingly stringent air quality emission zones. Regulatory requirements and reporting obligations on environmental, social and governance (ESG) matters are increasing and ongoing investment is required to maintain a safe working environment and to protect the Company from cyber-attacks, as well as making progress in delivering on our diversity and inclusion ambitions. In common with	• Board ESG Committee established (Chaired by the Chief Financial Officer) to consider and determine the Company's sustainability strategy and progress, together with risk environment and activities and actions. • Dedicated management Sustainability Steering Committee established (also chaired by the Chief Financial Officer) coordinates the Company's day-to-day activities and actions in delivering the Company's sustainability strategy, including in relation to climate change. • Working with suppliers to ensure they share the Company's vision to act on sustainability and climate change. • Emissions and air quality targets in UK towns and cities are monitored by a central team in the Operations function which ensures the Company can fulfil	Strategic link: Cost and efficiencies, Operations, Sustainability Change: Stable

all major organisations, there is a risk of reputational damage and/or loss of revenue if the Company fails to meet stakeholder expectations across our sustainability framework.	its obligations to customers and remain compliant with legal requirements. • Operational sites are reviewed for their resilience to extreme weather events, such as flooding, with upgrades and interventions made where these are cost-effective. Depots are relocated to new sites (e.g. during lease break windows) where this represents a better option than adapting an existing location.	
Major newspaper titles exit the market or move to digital only editions		
Significant decline in advertising and/or circulation, together with rising production costs, could lead to one or more national newspaper titles exiting the market and/or publications being taken fully digital. This could lead to a significant deterioration in the Company's profitability and cash flow in both the short and medium term as well as impacting on its ability to execute its strategies.	• We seek to ensure full availability of alternative newspaper titles to maximise substitution opportunities for customers. • Partial mitigation against newspaper title closures is built into our contracts with major publishers. • Ongoing successful execution of our growth and diversification strategy provides longer-term mitigation through alternative profitable revenue streams.	Strategic link: Cost and efficiencies, Change: Stable
Legal and regulatory compliance		
The Company is required to be compliant with all applicable laws and regulations. Failure to adhere to these could result in financial penalties, third party redress, and/or reputational damage. Key areas of legal and regulatory compliance include: • GDPR • Health and Safety • Tax compliance • Environmental legislation • Employment law	• Changes in laws and regulations are monitored, with policies and procedures being updated as required. • Business-wide mandatory training programmes for higher-risk regulatory areas. • External experts are used where applicable. • All major policies are reviewed by the Board or Audit Committee on an annual basis. • Operational auditing and monitoring systems for higher risk areas.	Strategic link: Technology, Sustainability, Operations Change: Stable

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the unaudited condensed set of financial statements has been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting';

- the interim management report includes a true and fair review of the information required by DTR 4.2.7R, being an indication of important events during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the year; and

- the interim management report includes a true and fair review of the information required by DTR 4.2.8R, being disclosure of related parties' transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Chief Executive Officer 1 May 2024	Chief Financial Officer 1 May 2024

INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Income Statement (Unaudited)

For the 26 weeks to 24 February 2024

£m	Note	**26 weeks to 24 Feb 2024**			26 weeks to 25 Feb 2023		
		Adjusted	**Adjusting items***	**Total**	Adjusted	Adjusting items*	Total
Revenue		**539.8**	**-**	**539.8**	550.1	-	550.1
Cost of Sales		**(504.9)**	-	**(504.9)**	(512.4)	-	(512.4)
Gross profit		**34.9**	**-**	**34.9**	37.7	-	37.7
Administrative expenses	3	**(16.2)**	**(0.2)**	**(16.4)**	(17.4)	-	(17.4)
Income from joint ventures		**0.1**	-	**0.1**	0.1	-	0.1
Operating profit	3	**18.8**	**(0.2)**	**18.6**	20.4	-	20.4
Finance costs		**(3.2)**	-	**(3.2)**	(3.3)	-	(3.3)
Finance income		**0.3**	-	**0.3**	-	-	-
Profit before tax	3	**15.9**	**(0.2)**	**15.7**	17.1	-	17.1
Income tax expense	4	**(4.1)**	-	**(4.1)**	(3.8)	-	(3.8)
Profit for the period attributable to equity shareholders		**11.8**	**(0.2)**	**11.6**	13.3	-	13.3

	Note	**26 weeks to 24 Feb 2024**		26 weeks to 25 Feb 2023	
Earnings in pence per share					
Basic	6	**4.9**	**4.8**	5.6	5.6
Diluted	6	**4.7**	**4.6**	5.3	5.3
Equity dividends pence per share (paid and proposed)	5		**1.75**		1.40

*This measure is described in the Glossary. Adjusting items are set out in Note 3 of the interim financial statements.

Condensed Consolidated Statement of Comprehensive Income (Unaudited)

For the 26 weeks to 24 February 2024

£m	**26 weeks to 24 Feb 2024**	26 weeks to 25 Feb 2023
Profit for the period	**11.6**	13.3
Items that may be reclassified to the Income Statement:		
Currency translation differences	**(0.1)**	-
Total comprehensive income for the period	**11.5**	13.3

Consolidated Balance Sheet (Unaudited)

As at 24 February 2024

£m	**Note**	**As at 24 Feb 2024**	As at 26 Aug 2023
Non-current assets			
Intangible assets		**2.1**	1.9
Property, plant and equipment		**8.4**	8.8
Right of use assets		**26.9**	21.8
Interest in joint venture		**4.4**	4.4
Deferred tax assets		**1.2**	1.7
		43.0	38.6
Current assets			
Inventories		**17.1**	17.7
Trade and other receivables		**104.4**	101.1

Cash and bank deposits	8	**16.5**	37.3
Corporation tax receivable		**0.9**	0.6
		138.9	156.7
Total assets		**181.9**	195.3
Current liabilities			
Trade and other payables		**(135.8)**	(141.5)
Bank loans and other borrowings	8	**-**	(10.0)
Lease liabilities		**(5.1)**	(4.9)
Provisions	9	**(1.6)**	(2.5)
		(142.5)	(158.9)
Non-current liabilities			
Bank loans and other borrowings	8	**(25.6)**	(30.2)
Lease liabilities		**(23.3)**	(18.3)
Non-current provisions	9	**(4.4)**	(4.2)
		(53.3)	(52.7)
Total liabilities		**(195.8)**	(211.6)
Total net liabilities		**(13.9)**	(16.3)
Equity			
Called up share capital	11	**12.4**	12.4
Share premium account	11	**60.5**	60.5
Other reserves		**(283.6)**	(284.1)
Retained earnings		**196.8**	194.9
Total shareholders' deficit		**(13.9)**	(16.3)

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the 26 weeks to 24 February 2024

£m	**Note**	**Share Capital**	**Share Premium Account**	**Other Reserves**	**Retained Earnings**	**Total equity**
Balance at 26 August 2023		**12.4**	**60.5**	**(284.1)**	**194.9**	**(16.3)**
Profit for the period		**-**	**-**	-	11.6	**11.6**
Currency translation differences		**-**	**-**	(0.1)	-	**(0.1)**
Total comprehensive income for the period		**-**	**-**	**(0.1)**	**11.6**	**11.5**
Dividends paid	5	**-**	**-**	**-**	**(6.7)**	**(6.7)**
Employee share schemes purchases		**-**	**-**	**(3.3)**	**-**	**(3.3)**
Employee share scheme awards		**-**	**-**	**3.9**	**(3.9)**	**-**
Recognition of share-based payments, net of tax		**-**	**-**	**-**	**1.2**	**1.2**
Deferred tax recognised in equity		**-**	**-**	**-**	**(0.3)**	**(0.3)**
Balance at 24 February 2024		**12.4**	**60.5**	**(283.6)**	**196.8**	**(13.9)**

£m	**Note**	**Share Capital**	**Share Premium Account**	**Other Reserves**	**Retained Earnings**	**Total equity**
Balance at 27 August 2022		**12.4**	**60.5**	**(284.3)**	**179.4**	**(32.0)**
Profit for the period		**-**	**-**	**-**	13.3	13.3
Total comprehensive income for the period		-	-	-	13.3	13.3
Dividends paid	5	-	-	-	(6.5)	**(6.5)**
Employee share schemes purchases		**-**	**-**	(1.8)	**-**	**(1.8)**
Recognition of share-based payments, net of tax		-	-	-	1.0	**1.0**
Deferred tax recognised in equity		**-**	**-**	0.3	-	**0.3**
Balance at 25 February 2023		**12.4**	**60.5**	**(285.8)**	**187.2**	**(25.7)**

Condensed Consolidated Cash Flow Statement (Unaudited)

For the 26 weeks to 24 February 2024

£m	Note	26 weeks to 24 Feb 2024	26 weeks to 25 Feb 2023
Net cash inflow from operating activities	7	**11.1**	7.8
Investing activities			
Interest received		**0.3**	-
Dividends received from joint ventures		**0.1**	-
Purchase of fixed assets		**(1.9)**	(2.1)
Investment in joint ventures		**-**	(0.2)
Net cash used in investing activities		**(1.5)**	(2.3)
Financing activities			
Interest paid		**(2.7)**	(2.7)
Dividend paid		**(6.7)**	(6.5)
Repayments of lease principal		**(2.7)**	(3.2)
Repayment of term loan		**(15.0)**	(3.0)
Purchase of shares for employee benefit trust		**(3.3)**	(1.8)
Net cash used in financing activities		**(30.4)**	(17.2)
Net decrease in cash and cash equivalents		**(20.8)**	(11.7)
Opening net cash and cash equivalents		**37.3**	35.3
Closing net cash and cash equivalents		**16.5**	23.6

Notes to the Condensed Unaudited Interim Financial Statements

For the 26 weeks to 24 February 2024

1 Basis of Preparation

Smiths News plc is comprised of the Company and its subsidiaries (together referred to as the 'Group').

These unaudited condensed consolidated interim financial statements have been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting' and also in accordance with the measurement and recognition principles of UK adopted international accounting standards. They do not include all of the information required for full annual financial statements and should be read in conjunction with the 2023 Annual Report and Accounts. The financial period represents the 26 weeks ended 24 February 2024 (prior period 26 weeks to 25 February 2023).

The Group has applied the same accounting policies and methods of computation in these interim consolidated financial statements, as in its statutory accounts for the 52 weeks ended 26 August 2023, which the exception of changes as detailed in notes 2 and 4.

These condensed consolidated interim financial statements for the current period and prior financial periods do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the 52 weeks ended 26 August 2023 has been filed with the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006. The auditor's review opinion on the 26-week period ended 24 February 2024 is at the end of this report.

Going concern

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

The Group had a net liability position of £13.9m as at 24 February 2024. All bank covenant tests were met at the period end with the key Bank Net Debt: Adjusted EBITDA ratio of 0.3x, below the period end facility agreement covenant test threshold of 1.5x, with no further reduction thereafter.

The intra-month working capital cash flow cycle generates a routine cash swing and therefore a predictable fluctuation in bank net debt during the course of the month compared to the closing net debt position. The average daily Bank Net Debt during the period was £12.5m (H1 2023: £26.3m). The

Group utilises the Revolving Credit Facility (RCF) to manage the cash swing. At the end of the period £18.5m was available and the Group had £16.5m of cash on hand giving headroom of £35.0m.

Bank facility

The Group had a facility of £46.5m at the balance sheet date, comprising a £26.5m amortising term loan ('Facility A') and a £20.0m revolving credit facility ('RCF'). The facility agreement at the period end was with a syndicate of banks comprising lenders HSBC, Barclays, Santander and Clydesdale Banks.

The facility's margin was 4% per annum over SONIA (in respect of Facility A and the RCF).

Consistent with the Group's stated strategic priorities to reduce net debt, the terms of the facility agreement included: an amortisation schedule of £10m during FY2024 and £10m during FY2025; a reduction in the RCF of £2.5m every six months; and capped dividend payments at £10m per year. During the period, the Group made a scheduled repayment of £5m and an additional voluntary repayment of £10m.

The final maturity date of the facility was 31 August 2025. After the period end date, the Group agreed new bank facilities, as detailed in note 13.

Reverse stress testing

The directors have prepared their base case forecast which represents their best estimate of cash flows over the going concern period, which is the 16 months up to 31 August 2025, and in accordance with FRC guidance have prepared a reverse stress test that would lead to there being no facility headroom (under the new facility).

This scenario would occur in July 2025 if Adjusted EBITDA was 51% below the Board's approved three-year plan. The directors consider the likelihood of this level of downturn to be remote based on:

- current trading which is in line with expectations;
- year-on-year declines in revenues would have to be significantly greater than historical trends;
- 74% of contracts secured with publishers past 2024; and
- the Group continues to trade with adequate profit to service its debt covenants.

Mitigating actions

In the event that the above scenario went from being 'remote' to 'possible' then management would seek to take mitigating actions to maintain liquidity and compliance with the new facility covenants. The options within the control of management would be to:

- Optimise liquidity by working capital management of the peak-to-trough intra-month movement. Utilising existing vendor management finance arrangements with retailers and optimising contractual payment cycles to suppliers which would improve liquidity headroom;
- Not pay planned dividend payments;
- Delay non-essential capex projects;
- Cancel discretionary annual bonus payments; and
- Identify other overhead and depot savings.

More extreme mitigating actions would also be available if the scenario arose.

The Group has vendor finance arrangements in place where it has the ability to request early payment of invoices at a small discount, the payments are non-recourse and the invoices are considered settled from both sides once payment is received. The Group has not made use of this facility in the current or prior periods.

Assessment

Having considered the above and the funding requirements of the Group, the directors are confident that headroom under the new bank facility remains adequate, future covenant tests can be met and there is a reasonable expectation that the business can meet its liabilities as they fall due for a period of greater than 12 months (being an assessment period of 16 months) from the date of approval of the Interim Group Financial Statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements and no material uncertainty has been identified.

2 Accounting policies

Changes in accounting policies

During the period the Group has adopted the following accounting standards and interpretations:

- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

The standards and amendments adopted had no impact on the financial statements to prior periods and are not expected to significantly affect the current or future periods. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Alternative performance measures

In reporting financial information, the Group presents alternative performance measures (APMs), which are not defined or specified under the requirements of IFRS.

The Group believes that these APMs (listed in the Glossary), are not considered to be a substitute for, or superior to, IFRS measures but provide stakeholders with additional helpful information on the performance of the business. These APMs are consistent with how the business performance is planned and reported within the internal management reporting to the Board and Executive Team.

The APMs do not have standardised meaning prescribed by IFRS and therefore may not be directly comparable to similar measures presented by other companies.

Estimates and judgements

The preparation of these condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Key accounting judgements

The significant judgements made are as follows:

<u>Revenue recognition</u>

The Group recognises the wholesale sales price for its sales of newspapers and magazines. The Group is considered to be the principal based on the following indicators of control over its inventory: discretion to establish prices; it holds some of the risk of obsolescence once in control of the inventory; and has the responsibility of fulfilling the performance obligation on delivery of inventory to its customers. If the Group were considered to be the agent, revenue and cost of sales would reduce by £458.7m (H1 2023: £464.9m).

<u>Adjusting items</u>

Adjusting items of income or expense are excluded in arriving at adjusted operating profit to present a further measure of the Group's performance. Each adjusting item is considered to be significant in nature and/or quantum, non-recurring in nature and/or considered to be unrelated to the Group's ordinary activities or consistent with items treated as adjusting in prior periods. Excluding these items from profit metrics provides readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team.

The classification of adjusting items requires significant management judgement after considering the nature and intentions of a transaction. Adjusted measures are defined with other APMs in the Glossary.

Based on the nature of the transactions, adjusting items after tax totalled £0.2m (H1 2023: net £nil) and a breakdown is included within Note 3.

Key sources of estimation uncertainty

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows.

Property provision

The Group holds a property provision which estimates the future liabilities to restore leased premises to an agreed standard at the date the lease is terminated. The provision is calculated based on key assumptions including the length of time properties will be occupied, the future costs of restoration and the condition of the property at the future exit date.

The property provision represents the estimated future cost of the Group's potential dilapidation costs on properties across the Group. As the current economic outlook is for increased inflation, the Group has assessed the effect of inflation as material on the provisions in the current year. The provisions have therefore been adjusted for the effect of inflation in the current year. These provisions have been discounted to present value and this discount will be unwound over the life of the leases.

A change in any of these assumptions could materially impact the provision balance. Refer to Note 9 for further details on the sensitivity of the assumptions used to calculate the property provision. The property provisions carrying value at the end of the period was £4.9m (FY2023: £4.9m)

Impairment of investments in joint ventures

Investments in joint ventures are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is determined using value in use calculations. The value in use method requires the Group to determine appropriate assumptions in relation to the cash flow projections over the three-year plan period (which is a key source of estimation uncertainty), the terminal growth rate to be applied beyond this three-year period and the risk-adjusted post-tax discount rate used to discount the assumed cash flows to present value. The assumption that cash flows continue into perpetuity is a source of significant estimation uncertainty.

During the period, the Group reviewed the performance of the Rascal joint venture against the business plan expectation for the period. Following this, alongside a review of net assets to the previously computed value-in-use, the Group concluded that there was no significant indicators of impairment present, nor any indicators that the cumulative previous impairment recognised of £0.4m (FY2023: £0.4m) should be reversed, and therefore no adjustment made to the investment's carrying value of £4.4m (FY2023: £4.3m).

Impairment of receivables

At 26 August 2023 and 24 February 2024 the Group holds an expected credit loss provision of £4.4m representing 80% of the total receivables balance of £5.5m from McColl's Retail Group as at the administration date of 9 May 2022.

During the period the administrators provided an update which included a reduced expected timeline to settlement of 9-12 months (FY2023: at least 12 months) with no change to the range of possible recovery of 20-50%.

The bad debt from McColl's has limited predictive value given the historic low level of bad debts incurred in the ordinary course of business. The Group has therefore continued to hold a net impairment loss of £4.4m, representing 80% of the total balance of £5.5m (FY2023: £5.5m) in the current financial period.

3 Adjusting items

The table below summarises the (costs)/credits that have been classified as adjusting items in the period:

£m		**26 weeks to 24 February 2024**	26 weeks to 25 February 2023
Administrative expenses			
Network and reorganisation (costs)/credits	**(a)**	**(0.1)**	0.6
Tuffnells provision	**(b)**	**(0.1)**	-
Aborted acquisition costs	**(c)**	**-**	(0.6)
Total before tax		**(0.2)**	-
Taxation		**-**	-
Total after taxation		**(0.2)**	-

The Group incurred a total of £0.2m (H1 2023: net £nil) of adjusting items before tax and £0.2m (H1 2023: net £nil) after tax respectively.

Adjusting items are defined in the Glossary. The impact of removing these items from statutory profit provides a relevant analysis of the trading results of the Group because it is consistent with how the business performance is planned by, and reported to, the Board and Executive Team. However, these additional measures are not intended to be a substitute for, or superior to, IFRS measures. They comprise:

a) **Network and re-organisation costs £0.1m *(H1 2023: £0.6m credits)***

During the current period, an additional £0.1m (H1 2023: £nil) of costs were provided for with regards to simplifying the DMD group structure.

During the prior period, there was a reversal of accrued amounts of £0.6m relating to projects in connection with our outsourced Shared Service Centre (SSC) in India, where accrued costs relating to overheads on projects would no longer materialise. These amounts were released to the income statement with these projects concluded.

The cash impact of network and reorganisation during the period was an outflow of £0.1m (H1 2023: £nil).

b) **Tuffnells provision £0.1m *(H1 2023: £nil)***

As part of the sale of Tuffnells Parcels Express Limited (Tuffnells) in May 2020, a contractual agreement was put in place in respect of the future treatment and responsibility of certain insurance claims brought or notified to insurers. This agreement extinguished the Group's exposure to new accident and insurance claims brought after the sale of Tuffnells but which related to the Group's period of ownership of Tuffnells up to May 2020. However, as a result of Tuffnells falling into administration in June 2023, the enforceability of, and subsequent recoverability under, this contractual agreement has been negatively impacted and the Group's insurers have instead looked to the Group to stand behind the excess/deductible limit of such claims.

Costs of £0.1m (H1 2023: £nil) were incurred to increase existing insurance provisions, which represents management's best estimate of claims brought in relation to the period, which Tuffnells was part of the Group and that therefore are now probable to be paid by the Group as a result. The cash impact of utilisations on existing claims was an outflow of £0.1m (H1 2023: £nil).

c) **Aborted acquisition costs £nil *(H1 2023: £0.6m)***

During the prior period the Group incurred due diligence and legal costs associated with an aborted acquisition. The cash impact of these items in the prior period was an outflow of £0.6m.

4 Income tax charge

The income tax charge for the 26 weeks ended 24 February 2024 is calculated based upon the tax rates expected to apply to the Group for the full year. The effective rate of tax on adjusted profits before tax is 25.8% (H1 2023: 22.2%).

An increase in the UK corporation tax rate to 25% from 1 April 2023 was enacted during the prior period. The effective tax rate for the prior period was computed based on a hybrid rate of 21.5%, which combines 19% for the first seven months of the financial year with 25% for the remaining 5 months of financial year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

5 Dividends

Proposed dividends for the period	**26 weeks to 24 Feb 2024**	26 weeks to 25 Feb 2023	**26 weeks to 24 Feb 2024**	26 weeks to 25 Feb 2023
	Per share	Per share	**£m**	£m
Interim dividend - proposed	**1.75p**	1.40p	**4.2**	3.3

Recognised dividends for the period	**Per share**	Per share	**£m**	£m
Final dividend - prior year	**2.75p**	2.75p	**6.7**	6.5

An interim dividend of 1.75p per ordinary share is proposed for the 26-week period to 24 February 2024 (H1 2023: 1.40p per ordinary share), which is expected to be paid on 4 July 2024 to all shareholders who are on the register of members at the close of business on 7 June 2024. The ex-dividend date will be 6 June 2024.

The FY2023 final dividend of 2.75p (£6.7m) was approved by shareholders at the Annual General Meeting on 31 January 2024, paid on 5 February 2024 and is recognised in this period.

6 Earnings per share

	26 weeks to 24 Feb 2024			26 weeks to 25 Feb 2023		
	Earnings (£m)	**Weighted average number of shares million**	**Pence per share (p)**	Earnings (£m)	Weighted average number of shares million	Pence per share (p)
Weighted average number of shares in issue		**247.7**			247.7	
Shares held by the ESOP (weighted)		**(6.8)**			(11.0)	
		240.9			236.7	
Basic earnings per share (EPS)						
Adjusted earnings attributable to ordinary shareholders	**11.8**	**240.9**	**4.9**	13.3	236.7	5.6
Adjusting items	**(0.2)**			-		
Earnings attributable to ordinary shareholders	**11.6**	**240.9**	**4.8**	13.3	236.7	5.6
Diluted EPS						
Effect of dilutive securities		**10.4**			12.6	
Diluted Adjusted EPS	**11.8**	**251.3**	**4.7**	13.3	249.3	5.3
Diluted EPS	**11.6**	**251.3**	**4.6**	13.3	249.3	5.3

Diluted EPS	**11.6**	**251.3**	**4.6**	13.3	249.3	5.3

Due to the lower average amount of shares held in Trust during the period and the number of options outstanding in the current period, the weighted average number of diluted shares at February 2024 increased to 251.3m (H1 2023: 249.3m) and resulted in a diluted adjusted EPS of 4.7p, a decrease of 0.6p on the prior period.

The calculation of diluted EPS reflects the potential dilutive effect of employee incentive schemes of 10.4m dilutive shares (H1 2023: 12.6m).

7 Net cash inflow from operating activities

£m	**26 weeks to 24 Feb 2024**	26 weeks to 25 Feb 2023
Operating profit	**18.6**	20.4
Share of profits of joint ventures	**(0.1)**	(0.1)
Depreciation of property, plant and equipment	**1.0**	1.1
Depreciation of right of use assets	**2.8**	3.4
Amortisation of intangible assets	**0.2**	0.3
Share-based payments	**0.2**	1.0
Increase/(decrease) in inventories	**0.6**	(3.2)
Increase in receivables	**(3.4)**	(8.5)
Decrease in payables	**(3.8)**	(1.9)
Decrease in provisions	**(0.7)**	(0.8)
Income tax paid	**(4.3)**	(3.9)
Net cash inflow from operating activities	**11.1**	7.8

Net cash flow from operating activities is stated after £0.2m (H1 2023: £0.7m) of outflows from adjusting items.

8 Cash and borrowings

Cash and borrowings by currency (sterling equivalent) are as follows:

£m	**Sterling**	**Euro**	**USD**	**Total 24 Feb 2024**	At 26 Aug 2023
Cash and bank deposits	**15.8**	**0.4**	**0.3**	**16.5**	37.3
Net cash and cash equivalents	**15.8**	**0.4**	**0.3**	**16.5**	37.3
Term loan - disclosed within current liabilities	**-**	-	**-**	**-**	(10.0)
Term loan - disclosed within non-current liabilities	**(26.5)**	-	**-**	**(26.5)**	(31.5)
Unamortised arrangement fees - disclosed within non-current liabilities	**0.9**	**-**	**-**	**0.9**	1.3
Total borrowings	**(25.6)**	**-**	**-**	**(25.6)**	(40.2)
Net borrowings	**(9.8)**	**0.4**	**0.3**	**(9.1)**	(2.9)
Total borrowings					
Amount due for settlement within 12 months	**-**	**-**	**-**	**-**	(10.0)
Amount due for settlement after 12 months	**(25.6)**	**-**	**-**	**(25.6)**	(30.2)
	(25.6)	**-**	**-**	**(25.6)**	(40.2)

Cash and bank deposits comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

In December 2021, an agreement was signed to extend and amend the existing financing arrangements. The original facility, which was due to expire in November 2023, has been extended to a final maturity date of 31 August 2025. The facility comprised an initial £60 million amortising term loan (Facility A) and a £30 million revolving credit facility (RCF). The agreement is with a syndicate of banks comprising lenders HSBC, Barclays, Santander and Clydesdale Bank.

The terms of the facility agreement include: agreed repayments against Facility A arising from funds received in relation to deferred consideration received following the sale of Tuffnells; scheduled repayments of £8m in FY2023 and £10m in FY2024 and FY2025 respectively for the repayment of Facility A and a final bullet payment at maturity; and capped dividend payments of up to £10m in respect of any financial year.

As at the period end, the term loan had reduced to £26.5m as a result of a scheduled repayment of £5m in October 2023 and voluntary early repayment of £10m in November 2023. The RCF was £20.0m at the period end and reduces by £2.5m every six months from February 2024 onwards. As part of the terms of the financing, the Company and its principal trading subsidiaries have agreed to provide security over their assets to the lenders. The current rate on the facility is 4% per annum over SONIA (in respect of Facility A and the RCF).

At 24 February 2024, the Group had £20.0m (FY2023: £22.5m) of fully undrawn committed borrowing and cash facilities in respect of which all conditions precedent had been met. This is partially reduced by letters of credit of £1.5m (FY2023: £1.5m), as detailed in note 10.

After the period end date, the Group agreed a new banking facility, as detailed in note 13.

Analysis of net debt

£m	**As at 24 Feb 2024**	As at 26 Aug 2023
Cash and cash equivalents	**16.5**	37.3
Current borrowings	**-**	(10.0)
Non-current borrowings	**(25.6)**	(30.2)
Net borrowings	**(9.1)**	(2.9)
Lease liabilities	**(28.4)**	(23.2)
Net debt	**(37.5)**	(26.1)

9 Provisions

£m	Reorganisation provisions	Insurance and legal provision	Property provisions	Total
At 27 August 2023	(1.0)	(0.8)	(4.9)	(6.7)
Charged to income statement	**(0.1)**	**(0.1)**	**-**	**(0.2)**
Credited to income statement	**0.1**	**-**	**0.1**	**0.2**
Utilised in period	**0.7**	**0.1**	**-**	**0.8**
Unwinding of discount utilisation	**-**	**-**	**(0.1)**	**(0.1)**
At 24 February 2024	**(0.3)**	**(0.8)**	**(4.9)**	**(6.0)**

£m	**24 Feb 2024**
Included within current liabilities	**(1.6)**
Included within non-current liabilities	**(4.4)**
Total	**(6.0)**

Re-organisation provisions of £0.3m relates to the restructure of the DMD business, the Smiths News network and the Group's support functions that were announced in prior periods.

Insurance and legal provisions represent the expected future costs of employer's liability, public liability, motor accident claims and legal claims. Included within the total balance is £0.4m relating to claims from the Tuffnells business prior to disposal.

The property provision represents the estimated future dilapidation costs across the Group's leased properties. These provisions have been discounted to present value, and this discount will be unwound over the life of the leases. The provisions cover the ten-year period to 2034, of which the liability falls within.

The Group has performed sensitivity analysis on the property provision using the possible scenarios

The Group has performed sensitivity analysis on the property provision using the possible scenarios below:

- if the discount rate changes by +/- 0.5%, the property provision would change by +/- less than £0.1m;
- if the repair cost per square foot changes by +/- £1.00, the property provision would change by +/- £0.2m.

10 Contingent liabilities and commitments

As detailed in Note 3, following the administration of Tuffnells Parcels Express Limited (Tuffnells) in June 2023, the Group hold provisions totalling £0.4m (FY2023: £0.4m) in light of the probable outcome of certain insurance claims reverting to the Group which were previously being handled by Tuffnells. The Board has considered the administration and other associated processes in respect of Tuffnells and is not currently aware of any further provision which may be required.

Other potential liabilities that could crystallise are in respect of previous assignments of leases where the liability could revert to the Group if the lessee defaulted. Pursuant to the terms of the Demerger Agreement from WH Smith PLC in 2006, any such contingent liability in respect of assignment prior to demerger, which becomes an actual liability, will be apportioned between Smiths News plc and WH Smith PLC in the ratio 35:65 (provided that the actual liability of Smiths News plc in any 12-month period does not exceed £5m). The Group's share of these leases has an estimated future cumulative gross rental commitment at 24 February 2024 of £0.4m (FY2023: £0.5m).

As at 24 August 2023, the Group had approved letters of credit of £1.5m (FY2023: £1.5m) to the insurers of the Group for the motor insurance and employer liability insurance policies. The letters of credit cover the employer deductible element of the insurance policy for insurance claims.

On winding up of the News Section of the WH Smith Pension Trust defined benefit pension scheme in December 2021, the Group has agreed run-off indemnity coverage for any member claims that were uninsured liabilities capped at £6.5m over the following 60 years. The Group is not aware of any claims brought during either the current or prior reporting period.

11 Share capital

a) Share capital

£m	24 Feb 2024	25 Feb 2023
Issued, authorised and fully paid ordinary shares of 5p each		
Opening and closing balance	**12.4**	12.4

b) Movement in share capital

Number (m)	Ordinary shares of 5p each
At 27 August 2023	247.7
At 24 February 2024	**247.7**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the general meetings of the Group. The Group has one class of Ordinary shares, which carry no right to fixed income.

c) Share premium

£m	24 Feb 2024	25 Feb 2023
Opening and closing balance	**60.5**	60.5

12 Related Party Transactions

No related party transactions had a material impact on the financial performance in the period or financial position of the Group at 24 February 2024. There have been no material changes to or material transactions with related parties as disclosed in Note 30 of the Annual Report and Accounts for the 52-week period ended 26 August 2023.

13 Subsequent events

The directors have considered the period between the balance sheet date and the date when the accounts are authorised for issue for evidence of conditions that existed at the balance sheet date, either adjusting or non-adjusting post balance sheet events.

The directors have concluded that there is one non-adjusting event in the current period:

Refinancing of banking facility

On [1 May 2024] the Group agreed and commenced a new banking facility with two relationship banks. The facility comprises; a committed RCF of £40m, which has a lower interest margin than, and similar covenant terms to, the previous facilities; and an uncommitted accordion facility of £10m. The initial term is three years with extension options at the first and second anniversary dates.

Glossary - Alternative performance measures

Introduction

In the reporting of financial information, the directors have adopted various Alternative Performance Measures (APMs).

These measures are not defined by International Financial Reporting Standards (IFRS) and therefore may not be directly comparable with other companies' APMs, including those in the Company's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Purpose

The directors believe that these APMs assist in providing additional useful measures of the Group's performance. They provide readers with additional information on the performance of the business across periods which is consistent with how the business performance is planned by, and reported to, the Board and the Executive Team.

Consequently, APMs are used by the directors and management for performance analysis, planning, reporting and incentive-setting purposes.

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Note/page reference for reconciliation	Definition and purpose
Income Statement				
Adjusting Items	No direct equivalent	N/A	Note 3	Adjusting items of income or expenses are excluded in arriving at adjusted operating profit to present a further measure of the Company's performance. Each of these items is considered to be significant in nature and/or quantum, non-recurring in nature and/or are considered to be unrelated to the Company's ordinary activities or are consistent with items treated as

				adjusting in prior periods.
Adjusted operating profit	Operating profit*	Adjusted items	Income statement/ Note 3	Adjusted operating profit is defined as operating profit, excluding the impact of adjusting items (defined above). This is the headline measure of the Company's performance and is a key management incentive metric.
Adjusted profit before tax	Profit before tax (PBT)	Adjusted items	Income statement/ Note 3	Adjusted profit before tax is defined as profit before tax, excluding the impact of adjusting items (defined above).
Adjusted profit after tax	Profit after tax (PAT)	Adjusted items	Income statement/ Note 3	Adjusted profit after tax is defined as profit after tax, excluding the impact of adjusting items (defined above).
Adjusted EBITDA	Operating profit*	Depreciation and amortisation Adjusted items	Financial review	This measure is based on business unit operating profit. It excludes depreciation, amortisation and adjusting items. This is the headline measure of the Company's performance and is a key management incentive metric.
Adjusted earnings per share	Earnings per share	Adjusting items	Note 3	Adjusted earnings per share is defined as adjusted PBT, less taxation attributable to adjusted PBT and including any adjustment for minority interest to result in adjusted PAT attributable to shareholders; divided by the basic weighted average number of shares in issue.
Cash flow Statement				
Free cash flow	Cash generated from operating activities	Dividends, acquisitions and disposals, Repayment of bank loans, EBT share purchases	Reconciliation of free cash flow to net movement in cash and cash equivalents following this Glossary	Free cash flow is defined as cash flow excluding the following: payment of the dividend, acquisitions and disposals, the repayment of bank loans and EBT share purchases. This measure reflects the cash available to shareholders.
Free cash flow (excluding adjusting items)	Net movement in cash and cash equivalents	Dividends, acquisitions and disposals, Repayment of bank loans, Outfow for purchase of own shares, Adjusting items	Reconciliation of free cash flow to net movement in cash and cash equivalents following this Glossary	Free cash flow (excluding adjusting items) is Free cash flow adding back adjusted cash costs.
Balance Sheet				
Bank Net Debt	Borrowings less cash		Below	Bank Net Debt is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings (excluding unamortised arrangement fees), overdrafts and obligations under finance leases as defined by IAS 17.
Net Debt	Borrowings less cash		Note 8	Net Debt is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings, overdrafts and obligations under leases.

*Operating profit is presented on the Company's income statement. It is not defined per IFRS, however, it is a generally accepted profit measure.

Reconciliation of free cash flow to net movement in cash and cash equivalents

	26 weeks to 24 Feb 2024	26 weeks to 25 Feb 2023
Net decrease in cash and cash equivalents	**(20.8)**	(11.7)
Decrease in borrowings and overdrafts	**15.0**	3.0
Movement in borrowings and cash	**(5.8)**	(8.7)
Dividend paid	**6.7**	6.5
Investment in joint ventures	**-**	0.2
Outflow for purchase of own shares	**3.3**	1.8

Total free cash flow	**4.2**	(0.2)

Reconciliation of bank net debt to reporting net debt

	At 24 Feb 2024	At 26 Aug 2023
Bank net debt	**(10.0)**	(4.2)
Unamortised arrangement fees (note 8)	**0.9**	1.3
Lease liabilities	**(28.4)**	(23.2)
Net debt (note 8)	**(37.5)**	(26.1)

INDEPENDENT REVIEW REPORT TO SMITHS NEWS PLC

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 24 February 2024 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 24 February 2024 which comprises the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Group Cash Flow Statement and the related notes to the Consolidated Unaudited Interim Financial Statements.

Basis for conclusion

We conducted our review in accordance with Revised International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("ISRE (UK) 2410 (Revised)"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the interim financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410 (Revised), however future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities of directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP
Chartered Accountants
London, UK
01 May 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

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