

Registered Number: 04236079

Smiths News Holdings Limited

**Annual Report and financial statements
for the 52-week period ended 26 August 2023**



Smiths News Holdings Limited

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Smiths News Holdings Limited

Company information

Directors

J M Bunting
P M Baker

Company Secretary

S S Marriner

Registered Office

Rowan House
Cherry Orchard North
Kembrey Park
Swindon
Wiltshire
SN2 8UH

Auditor

BDO LLP
Statutory Auditor
55 Baker Street
London W1U 7EU
UNITED KINGDOM

Smiths News Holdings Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52-week period ended 26 August 2023. This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The Company has taken advantage of the small companies' exemption from preparing a strategic report.

Principal activities

Smiths News Holdings Limited ('the Company') is a holding company for a group of companies. The Company is not a trading entity but continues to hold certain investments in subsidiary undertakings.

Results

The profit for the year is £4.6m (2022: loss of £6.9m) as shown on page 8.

Dividends

No dividends were paid in the year (2022: none); the directors do not propose a further dividend.

Future developments

The business has no intentions to change the nature of its operations in the future.

Directors

The names of the present directors of the Company are shown on page 1.

Directors indemnities

The Company maintains liability insurance for its directors, with a cover limit for each claim or series of claims against them in that capacity. The directors have also been granted a qualifying third-party indemnity provision under s234 of the Companies Act 2006. These provisions were in force during the year and remain in force at the date of this report.

Charitable and political donations

During this and the preceding year the Company made no charitable donations.

It is the Company's policy not to make political donations, and no political donations were made in the year (2022: £nil).

Going concern

The Company has net assets of £164.8m (2022: £160.2m). The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 1 to the financial statements.

Post balance sheet events

Details of post balance sheet events are set out in note 15 to the financial statements.

Statement as to disclosure of information to auditor

Each of the directors at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that the director ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

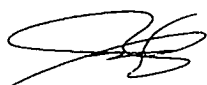
Smiths News Holdings Limited

Directors' report (continued)

Auditor

BDO LLP was appointed as external auditor following a competitive tender process in January 2019. In light of Articles 16 and 17 of the EU Audit Regulation, the Company will put the external audit contract out to tender at least every ten years and will mandatorily rotate audit firm every 20 years. In line with professional standards, BDO LLP also has a policy of rotating engagement partners every five years. BDO LLP has indicated their willingness to continue in office, and a resolution that they be re-appointed will be proposed at the annual general meeting.

Approved by the Board of Directors and signed on behalf of the Board.



P M Baker
Director
12 February 2024

Smiths News Holdings Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to members of Smiths News Holdings Limited

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 26 August 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Smiths News Holdings Limited ("the Company") for the 52 week period ended 26 August 2023 which comprise the Income statement, the Balance sheet, the Statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent Auditor's Report to members of Smiths News Holdings Limited (continued)

Opinion on the financial statements (continued)

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Independent Auditor's Report to members of Smiths News Holdings Limited (continued)

Opinion on the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- We obtained an understanding of the legal and regulatory frameworks applicable to the Company through our knowledge of the business and the industry in which it operates. The most significant of these were considered to be the applicable financial reporting framework, UK GAAP, and relevant tax compliance regulations.
- We also focused on the provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context include the UK Companies Act.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how and where fraud might occur. The area considered to be most susceptible to fraud being management override of controls.
- We obtained an understanding of the procedures and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud. Fraud risks were identified in relation to management override of controls. We performed audit procedures to address the identified fraud risk by assessing the potential for manipulation or override and then performing targeted testing on this risk.
- We tested a sample of manual journal entries, focusing on journal entries containing characteristics of audit interest and above materiality.
- Based on the understanding obtained we designed audit procedures to identify non-compliance with the laws and regulations, as noted above. This included enquiries of in-house legal counsel, Management, and review of Board minutes.
- We also communicated potential fraud risks to the engagement team members as part of the engagement team discussion. The engagement partner concluded that collectively the engagement team had sufficient competence and capabilities to identify or recognise non-compliance with laws and regulations.
- We tested and challenged the key estimates and judgements made by management in preparing the financial statements for indications of bias or management override when presenting the results and financial position of the Company. This included those relating to the investment impairment review.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Sophia Michael
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Sophia Michael (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
12 February 2024

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

Smiths News Holdings Limited

Income statement for the 52-week period ended 26 August 2023

	Note	2023 £m	2022 £m
Administrative credit/(expenses)	5	9.1	(5.0)
Investment revenue	3	-	2.5
Finance costs	4	(4.5)	(4.4)
Profit/(loss) before taxation		4.6	(6.9)
Tax on profit/(loss) on ordinary activities	6	-	-
Profit/(loss) after taxation		4.6	(6.9)

All activities in the income statement account relate to continuing operations.

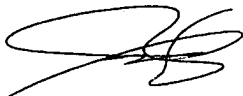
The notes on pages 11 to 20 form part of these financial statements.

Smiths News Holdings Limited

Balance sheet as at 26 August 2023

	Note	2023 £m	2022 £m
Non-current assets			
Investment in subsidiary undertakings	7	329.9	320.8
Total assets		329.9	320.8
Creditors: amounts falling due within one year			
Other creditors	8	(134.9)	(123.7)
		(134.9)	(123.7)
Net current (liabilities)		(134.9)	(123.7)
Total assets less current liabilities		195.0	197.1
Creditors: amounts falling due after more than one year	10	(30.2)	(36.9)
Net assets		164.8	160.2
Capital and reserves			
Called up share capital	13	5.0	5.0
Retained earnings		159.8	155.2
Total equity		164.8	160.2

These financial statements were approved by the Board of Directors of Smiths News Holdings Limited, company number 04236079 and were authorised for issue on 12 February 2024. They were signed on its behalf by:



P M Baker
Director

The notes on pages 11 to 20 form part of these financial statements.

Smiths News Holdings Limited

Statement of changes in equity for the 52-week period ended 26 August 2023

	Called up share capital £m	Retained earnings £m	Total equity £m
Balance at 28 August 2021	5.0	162.1	167.1
Loss for the year	-	(6.9)	(6.9)
Total comprehensive loss for the year	-	(6.9)	(6.9)
Balance at 27 August 2022	5.0	155.2	160.2
Profit for the year	-	4.6	4.6
Total comprehensive profit for the year	-	4.6	4.6
Balance at 26 August 2023	5.0	159.8	164.8

The notes on pages 11 to 20 form part of these financial statements.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023

1. Accounting policies

Statement of compliance with FRS 101

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

Smiths News Holdings Limited is a private company limited by shares and registered in England and Wales under the Companies Act 2006 and incorporated in the United Kingdom. The registered office of the Company is disclosed on page 1. These financial statements present information for the Company as an individual undertaking and not as a group. The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is included in the consolidated financial statements of Smiths News PLC. Smiths News Holdings Limited is a wholly owned subsidiary of Smiths News PLC, a listed entity. The consolidated financial statements of Smiths News PLC are available from Rowan House, Cherry Orchard North, Kembrey Park, Swindon, Wiltshire, SN2 8UH.

Basis of preparation

The financial statements are prepared on the historical cost basis and are presented in Pound Sterling, which is the functional currency of the Company, rounded to £0.1m unless otherwise stated.

Unless otherwise noted references to 2022 and 2023 relate to a 52-week period ended 27 August 2022 and 26 August 2023 as opposed to calendar year.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 10(d), 10(f), and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cashflows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 and 18(a) of IAS 24 Related Party Disclosures;
- the requirements of IAS 24 related party disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Smiths News PLC. These financial statements do not include certain disclosures in respect of:

- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets;
- IFRS 7, 'Financial Instruments: Disclosures'

Changes in accounting policies

The Company has not applied any new standards or amendments for the annual reporting period commencing 27 August 2022.

Going concern

The accounts have been prepared on a going concern basis.

When assessing the going concern of the Company, the directors have reviewed the year-to-date financial actuals, as well as detailed financial forecasts for the period up to 28 February 2025, the going concern period.

The Company is a direct subsidiary of Smiths News PLC and forms part of the Smiths News PLC "the Group" banking facilities which incorporate itself and its other subsidiaries.

The Company currently has a net asset position of £164.8m as at 26 August 2023. At the period end all bank covenant tests for Smiths News Group were met with the key bank net debt: EBITDA (ex IFRS16) ratio of

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

1. Accounting policies (continued)

Going concern (continued)

0.1x, which was below the covenant test threshold of 1.75x. The threshold reduces to 1.5x from 25 February 2024.

The intra-month working capital cash flow cycle at Smiths News generates a routine and predictable cash swing averaging £28.7m during 2023. Where necessary the Company utilises the Revolving Credit Facility (RCF) to manage cash swing. At the period end, £21.0m of the RCF was available as £1.5m of the £22.5m is allocated against letters of credit. The Group average Bank Net Debt during 2023 was £25.0m (2022: £49.8m).

Bank facility

The Company, as part of the Group, has a bank facility of £64.0m at the balance sheet date, comprising a £41.5m amortising term loan and a revolving credit facility (RCF) with a limit of £22.5m. The Group's banking facility was amended and extended in December 2021 and has a final maturity date of 31 August 2025. The available facility was £21.0m at year end due to £1.5m of letters of credit (see note 11). The agreement is with a syndicate of banks comprising HSBC, Barclays, Santander, and Clydesdale.

The facility's current margin is 4% per annum over SONIA.

Consistent with the Company's stated strategic priorities to reduce net debt, the terms of the facility agreement include: an amortisation schedule of £10m per annum for the repayment of the term loan; a reduction in the RCF of £5m per year after the first year; and capped dividend payments at £10m per year.

The final maturity date of the facility is 31 August 2025.

Reverse stress testing

The directors have prepared their base case forecast which represents their best estimate of cash flows over the going concern period and in accordance with FRC guidance and have prepared a reverse stress test that would create a covenant break scenario which could lead to the facilities being repayable on demand.

The break scenario would occur in February 2025 if EBITDA (ex IFRS 16) was 48% below the board approved three-year plan. Facility headroom of £3m would still exist at this point. 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;
- the publisher contracts are secured for 74% of revenue until 2029; and
- the Company continues to trade with adequate profit to service its debt covenants.

Mitigating actions

In the event the break environment scenario moved from being remote to possible then management would seek to take mitigating actions to maintain liquidity and compliance with the bank 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 averaging £28.7m in 2023;
- utilising existing vendor management finance arrangements* with retailers and optimising contractual payment cycles to suppliers which would improve liquidity headroom;
- not pay planned dividends;
- 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 Company has not made use of this facility in 2023 or 2022 or since the Balance Sheet date.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

1. Accounting policies (continued)

Going concern (continued)

Assessment

Having considered the above and the funding requirements of the Group and Company, the directors are confident that headroom under the 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 13 months) from the date of approval of the Company 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.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are individually valued at historical cost less provision for impairment in value.

Taxation

Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity. Current tax is the expected tax payable based on the taxable profit for the year, using tax rates enacted, or substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Impairment of assets

At each balance sheet date, the Company reviews the carrying amount of its investments to determine whether there is any indication that those assets have suffered an impairment loss or reversal. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss or reversal (if any).

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Reversal of an impairment loss on the investments in subsidiaries cannot be higher than the carrying amount that would have been determined without impairment loss in previous years. Furthermore, the increased carrying amount of an individual investment cannot be higher than its recoverable amount.

Other debtors

Other debtors are recognised on trade date, being the date on which the Company has the right to the asset. Other debtors are derecognised when the rights to receive cash flows from the other debtors have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures other debtors at their fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of other debtors depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The company classifies its other debtors at amortised cost.

Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses.

The company classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows; and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

1. Accounting policies (continued)

Other debtors (continued)

The Company applies the general approach to impairment under IFRS 9 based on significant increases in credit risk rather than the simplified approach for trade debtors using lifetime ECL.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

Estimated impairment of investments

Investments 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 Company 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.

2. Directors' emoluments and audit fees

No director received remuneration as director of Smiths News Holdings Limited in either the current or prior years. Smiths News Trading Limited pays directors' remuneration and the amounts are fully disclosed within its financial statements, none is attributable to their work for Smiths News Holdings Limited.

The Company has no employees in the current or prior year.

There were no fees for non-audit services paid to the company's auditor in 2023 (2022: nil). All audit fees were charged through Smiths News Trading Limited.

3. Investment revenue

	2023	2022
	£m	£m
Interest receivable	-	2.5
	-	2.5

Previously included within other debtors were deferred consideration amounts relating to the disposal of the Tuffnells business unit on 2 May 2020. On settlement of the outstanding deferred consideration during the year to 27 August 2022, £2.5m was recognised representing the effect of unwinding the total discount of £3.5m, less £1.0m of agreed reduction in settlement of the remaining deferred consideration.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

4. Finance costs

	2023	2022
	£m	£m
Bank loan interest payable	(4.5)	(4.4)
	<u>(4.5)</u>	<u>(4.4)</u>

5. Administrative credit/expenses

	Note	2023	2022
		£m	£m
Provision for insurance and legal claims	9	(0.4)	-
Provision release/(charge) for onerous contracts		0.4	(0.1)
Impairment of investment reversal/(charge)	7	9.1	(4.9)
		<u>9.1</u>	<u>(5.0)</u>

The impairment reversal (2022: charge) recorded in the year resulted from an increase (2022: decrease) in value of the Company's investment in Smiths News Trading Limited.

6. Tax on profit/(loss) on ordinary activities

	2023	2022
	£m	£m
Corporation tax	-	-
	<u>-</u>	<u>-</u>
Reconciliation of current tax		
Profit/(Loss) before taxation	4.6	(6.9)
Tax charge/(credit) at the blended rate of 21.5% (2022: 19.0%)	1.0	(1.3)
Impairment reversal/(charge) not subject to tax	(2.0)	0.9
Income not taxable	-	(0.5)
Group relief surrendered for nil consideration	1.0	0.9
	<u>-</u>	<u>-</u>

Corporation tax is calculated at the main rates of UK Corporation tax, those being a blended rate of 21.5% (2022: 19.0%). The UK Finance Act 2021 increased the corporate tax rate to 25% effective from 1 April 2023 and in the current period this results in a blended rate. The Company has assessed its deferred tax positions using the higher enacted rate of 25%.

Non taxable income relates to tax effect of the Tuffnells discount unwind.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

7. Investment in subsidiary undertakings

	2023 £m	2022 £m
At cost		
At 28 August / 29 August	1,300.4	1,300.4
At 26 August / 27 August	1,300.4	1,300.4
Provision for impairment		
At 28 August / 29 August	(979.6)	(974.7)
Impairment reversal/(charge) in the year	9.1	(4.9)
At 26 August / 27 August	(970.5)	(979.6)
Net book value	329.9	320.8

Impairment assessment

At 26 August 2023 the carrying value of the Company's investment in subsidiary was £329.9m (2022: £320.8m) with a cumulative impairment provision of £970.5m (2022: £979.6m). At the end of 2023, the directors identified indicators both of impairment (due to an increase in the risk-free rate and difference when compared to the Company's Group total market capitalisation) and a reversal of impairment (due to a lower net debt position for the Company's Group and improved outlook). Accordingly, they conducted an impairment review, based on the Company's Group value in use, which included a sensitivity analysis on the key inputs including the discount rate and on scenarios which might affect the Group's future cash flows.

In the value in use calculation, the impact of an increased discount rate was offset by improved profitability and an improved net debt position. The sensitivity analyses showed a material range of outcomes were possible and highlighted a sensitivity to the discount rate (see table below).

As a result of impairment review, the directors concluded that it was appropriate to reverse the previously recognised impairment by £9.1m, bringing the carrying value to £329.9m.

The Company indirectly owns three cash generating units (CGU) Smiths News Trading Limited (Smiths News), Dawson Media Direct Group (DMD) and its joint venture investment in Rascal Solutions Limited. Each cash-generating unit was independently valued using value in use calculations; the Company prepares cash flow forecasts derived from the most recent budgets and three-year plans. Cash flows beyond this three-year period are extrapolated using a terminal growth rate based on management's future expectations.

The future cash flows applied in the calculation reflect the Group's current plan for Smiths News and its ancillary businesses. These plans reflect the updated trading position of the businesses with ongoing inflationary cost pressures and the change in the first outer year in respect of corporation tax rate from 22% to 25% due to the increase to 25% being effective from 1 April 2023.

The key assumptions in the value in use calculations are the rates of revenue decline, level of cost mitigation to maintain margins, terminal growth rates and the risk-adjusted post-tax discount rate. The post-tax discount rates are derived from a risk adjusted weighted cost of capital using an average market participant capital structure the inputs of which include a UK risk free rate, risk premium, small company risk premium and a risk adjustment (beta). The post-tax discount rate used is 11.6% (2022: 11.1%) for the primary Smiths News CGU. The pre-tax discount rate used for the Smiths News CGU is 15.5% (2022: 14.5%).

The core newspaper and magazine market (and associated revenues) are in long-term structural decline, and it is assumed that revenue is expected to fall each year over the longer term.

Any such decline in revenue is considered to be consistently within a historically tight range allowing management to plan appropriate cost savings measures each year to mitigate the impact of any fall in revenue such that profitability and cashflows are maintained or impacted to a lesser extent by such declining revenues. As such a terminal growth rate of 0% (2022: 0%) is used in the calculations.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

7. Investment in subsidiary undertakings (continued)

Impairment assessment (continued)

As disclosed in the accounting policies (see Note 1), the cash flows used within the impairment model are based on assumptions which are sources of estimation uncertainty and small movements in these assumptions could lead to a change in the impairment reversal/(charge). Management has performed sensitivity analysis on the key assumptions in the impairment model using reasonably possible changes in these key assumptions and in reference to the Group's principal risks.

	Terminal Growth Rate %	Post-tax Discount Rate %	Headroom / Impairment £m
Expected Case	0.0	11.6	9.1
+1% Discount Rate	0.0	12.6	(7.6)
-1% Discount Rate	0.0	10.6	28.9
+1% TGR	1.0	11.6	22.5
-1% TGR	(1.0)	11.6	(2.2)
Scenario 1	0.0	11.6	2.4
Scenario 2	0.0	11.6	(1.6)

Scenario 1 – Assumes magazines revenue and gross margin are reduced by 3%

Scenario 2 – Assumes the Company growth targets are not achieved

The below table summarises interests of the Company as at 26 August 2023:

Company name/ (number)	Share Class	% Owned	Company name/ (number)	Share Class	% Owned
United Kingdom					
Rowan House, Cherry Orchard North, Kembrey Park, Swindon SN2 8UH					
Connect Limited 02008952	Ordinary Shares	100%	Martin Lavell Limited 02654521 (*)	Ordinary Shares	100%
Connect Logistics Limited 09172965	Ordinary Shares	100%	Pass My Parcel Limited 09172022	Ordinary Shares	100%
Connect News & Media Limited 08572634	Ordinary Shares	100%	Phantom Media Limited 03805661 (*)	Ordinary Shares	100%
Connect Parcel Freight Limited 09295023	Ordinary Shares	100%	Smiths News Instore Limited 03364589	Ordinary Shares	100%
Connect Parcels Limited 09172850	Ordinary Shares	100%	Smiths News Investments Limited (*) 06831284	Ordinary Shares	100%
Connect Services Limited 08522170	Ordinary Shares	100%	Smiths News Distribution Limited 08506961	Ordinary Shares	100%
Connect Specialist Distribution Group Limited 08458801	Ordinary Shares	100%	Smiths News Trading Limited 00237811	Ordinary Shares	100%
Connect2U Limited 03920619	Ordinary Shares	100%	Dawson Holdings Ltd (*) 00034273	Ordinary Shares	100%
Dawson Media Services Limited 06882722	Ordinary Shares	100%	Dawson Media Direct Limited (*) 06882366	Ordinary Shares	100%
Dawson Guarantee Company Limited 06882393	Ordinary Shares	100%	Dawson Limited 03433262	Ordinary Shares	100%

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

7. Investment in subsidiary undertakings (continued)

Company name/ (number)	Share Class	% Owned	Company Address
Germany Dawson Media Direct GmbH HRB 96649	Ordinary Shares	100%	Johannstr. 39 40476 Dusseldorf, Germany
Turkey Dawson Media Direct Anonim Sirketi 14449	Ordinary Shares	100%	Park Plaza, No:14/24 Resitpasa Mahallesi Istanbul Turkey
Australia Dawson Media Direct Australia Pty Limited 615545545	Ordinary Shares	100%	C/O Grant Thornton Australia Level 17, 383 Kent Street, Sydney NSW 2000, Australia
Hong Kong Dawson Media Direct China Limited 1167911	Ordinary Shares	100%	Flat/Rm 5008 50/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong
Thailand Dawson Media Direct Co. Ltd. 105558138385	Ordinary Shares	49%	87 M Thai Tower, All Seasons Place, 23 rd Floor, Wittayu Road, Lumpini Sub-District, Pathumwan District, Bangkok, Thailand

* Audit exemption statement

For the 52 weeks ended 26 August 2023, the companies as indicated in the table by '(*)' above were entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. As such, Smiths News PLC has provided a guarantee against all debts and liabilities in these subsidiaries as at 26 August 2023. The members of these companies have not required them to obtain an audit of their financial statements for the 52 weeks ended 26 August 2023.

All shares are held indirectly except for those for Smiths News Trading Limited, Connect Limited, Smiths News Investments Limited, and Dawson Holdings Limited which are held directly.

8. Creditors: amounts falling due within one year

	Note	2023 £m	2022 £m
Amounts owed to other Group companies		123.8	112.6
Bank loans		10.0	10.3
Accruals		0.3	0.2
Provision	9	0.8	0.6
		<u>134.9</u>	<u>123.7</u>

Amounts owed to Group undertakings are interest free unsecured, have no fixed repayment date and are repayable on demand. For further information regarding the loan, see note 11.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

9. Provisions

	Total £m
At 29 August 2021	(1.0)
Charged to the income statement	(0.3)
Credited to the income statement	0.2
Utilised in year	0.5
At 28 August 2022	(0.6)
Charged to the income statement	(0.4)
Utilised in year	0.2
At 27 August 2023	(0.8)

Provisions comprise the expected future costs of employer's liability, public liability, motor accident claims and legal claims. On 2 May 2020, the Group completed the sale of Tuffnells. As part of this disposal, Smiths News Holdings Limited assumed liability to settle certain pre-disposal insurance and legal claims, held as provisions. All provisions relate to claims from the Tuffnells business prior to disposal.

10. Creditors: amounts falling due after more than one year

	2023 £m	2022 £m
Bank loans	30.2	36.9
	30.2	36.9

For details of bank loans see note 11.

11. Financial instruments

Categories of financial instruments

	2023 £m	2022 £m
Financial liabilities		
Current		
Borrowings	(10.0)	(10.3)
Non-current		
Bank loans	(30.2)	(36.9)
	(40.2)	(47.2)

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 Banks.

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; repayments of £8m in FY2023 and then £10m in FY2024 and FY2025 respectively for the repayment of Facility A and a final bullet payment; and capped dividend payments of up to £10m in respect of any financial year.

Smiths News Holdings Limited

Notes to the financial statements for the 52-week period ended 26 August 2023 (continued)

11. Financial instruments (continued)

At the year end, the Term Loan had reduced to £41.5m. The RCF was £22.5m at year end, will reduce by £2.5m every 6 months from February 2023 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 26 August 2023, the Company had £22.5m (2022: £30.0m) 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 (2022: £2.4m).

12. Dividends

No dividends were paid in the year (2022: none).

13. Called up share capital

	Number of shares	Nominal value £m
Allotted, called up and fully paid:		
At 27 August 2022 and 26 August 2023 – Ordinary shares of 1p each	504,773,520	5.0

14. Related party transactions

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

15. Post balance sheet 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 and have concluded that there are no such events in the current period.

16. Ultimate parent company and controlling party

The immediate and ultimate parent and controlling company is Smiths News PLC, a company incorporated in Great Britain. This is the smallest and largest Group Smiths News Holding including the company for which consolidated financial statements are prepared. Copies of the Group financial statements are available from its registered address at:

The Company Secretary
Smiths News PLC
Rowan House
Cherry Orchard North
Kembrey Park
Swindon
Wiltshire
SN2 8UH