Smiths News PLC

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Unaudited Interim Results for the six months ended 28 February 2013

Smiths News PLC, the largest UK newspaper and magazine wholesaler, a leading UK book supplier and a leading distributor of consumable products to the education and care markets, is pleased to announce interim results for the 6 months ended 28 February 2013.

Underlying results	**6 months to Feb 2013**	6 months to Feb 2012	Change
Revenue	**£904.7m**	£893.2m	1.3%
Underlying (1) profit before tax	**£24.9m**	£21.5m	15.8%
Underlying (1) basic earnings per share	**10.3p**	8.9p	15.7%
Statutory results			
Revenue	**£904.7m**	£893.2m	1.3%
Statutory profit before tax	**£19.9m**	£18.8m	5.9%
Statutory basic earnings per share	**7.8p**	7.6p	2.6%
Dividend per share	**3.0p**	2.8p	7.1%
Free cash flow (2)	**£10.2m**	£6.0m	70.0%
Net debt (3)	**£109.4m**	£74.0m	(47.8%)

Highlights:

- Strong financial performance with underlying PBT up 16%, including the impact of acquisitions
- Continued strong shareholder returns
  - Underlying EPS of 10.3p up 16%
  - Interim dividend of 3.0p up 7%
- Strategic targets on track
  - Profit growth in all four divisions
  - 27% of profits outside of newspaper and magazine wholesaling (H112: 17%)
  - Smiths News:
    - Contract renewals worth over £350m revenue pa to 2019
    - Ongoing efficiencies reduce cost base by £4m
  - Bertrams:
    - Growing addressable markets through launch of direct to consumer proposition
    - Acquired £20m of academic revenues to consolidate European leadership
  - The Consortium:
    - Performing to expectations with WMS integration on track
      Investing in multi-channel offer to increase revenue growth
- On track to meet full year market expectations

Mark Cashmore, Group Chief Executive, commented:
"I am pleased to report continued growth in sales, profit, cash flow and earnings during the period. All four divisions have increased profits and are on track with their key strategic initiatives.

These results once again demonstrate the resilience of the Group and the benefits derived from our strategy to deliver unrivalled sector expertise, service and efficiency. We remain on track to meet full year market expectations and, with 27% of our profits now coming from outside of newspaper and magazine wholesaling, we are making good progress towards our medium term objective of 50% by 2016."

The following definitions have been applied consistently throughout this interim results announcement:

(1) Underlying 2013 and 2012 results exclude non-recurring items and amortisation of acquired intangibles and includes the results of acquired businesses from the date of acquisition.

(2) Free cash flow is cash flow excluding the following; payment of the dividend, acquisitions and disposals, the proceeds on the disposal of freehold properties, repayments of obligations under finance leases, the repayment of bank loans, EBT share purchase, and cash flows relating to non-recurring and other items.

(3) Net debt is calculated as total debt less cash and cash equivalents. Total debt includes loans and borrowings, overdrafts and obligations under finance leases.

(4) Smiths News like-for-like revenues exclude newspaper and magazine publisher contract gains and losses during the period and the annualisation impact of gains and losses in the prior year. It also excludes revenues for part-works and one-shots. Like-for-like revenue growth in Bertrams excludes new sales channels and the results of acquired businesses in the period. Like for like revenue growth in The Consortium excludes the impact of gains and losses in the period. Like for like revenue growth in Media and Marketing excludes liquidated titles.

(5) Smiths News is also referred to as the Newspaper and Magazine wholesaling segment. Bertrams including Dawson Books is also referred to as the Book wholesaling segment. Dawson Media Direct (DMD) and Marketlink Marketing Communications (MMC) are also referred to as the Media and Marketing segment. The Consortium or Hedgelane Limited is also referred to as The Education and Care segment.

(6) Pro forma is the contribution of acquired businesses to the results of the Group as if the they had been included for a full 12 months.

(7) HY 2013 refers to the six months ended 28 February 2013, FY 2012 refers to the year ended 31 August 2012 and HY 2012 refers to the six months ended 28 February 2012.

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A meeting for analysts will be held at the office of Buchanan, 107 Cheapside, London, EC2V 6DN on 17 April 2013 commencing at 9.30am. Smiths News PLC's Interim Results 2013 are available at www.smithsnews.co.uk

About Smiths News PLC:

Smiths News PLC comprises Smiths News, the UK's leading wholesaler of newspapers and magazines, Bertram Books, a leading UK book wholesaler and The Consortium, a leading independent distributor of consumable products to the education and care markets.

Smiths News distributes newspapers and magazines on behalf of all the major national publishers as well as a large number of regional publishers. The business serves approximately 30,000 customers across England and Wales, supplying large general retailers as well as smaller independent newsagents. Smiths News has an approximate 55% share of the newspaper and magazine wholesaling market in the UK. In addition to its distribution activities, Smiths News collects and processes returns, supplies sales information to publishers and provides a range of services for its retail customers.

Bertram Books supplies books to a mix of independent booksellers, on-line and multiple retailers, and libraries. Bertrams is a leading supplier of consumer and academic books in the UK and a growing player in international, digital and direct to consumer markets.

In April 2012 the company acquired The Consortium. The Consortium is the UK's leading distributor of educational and care consumable products servicing 30,000 customers. The business has a 5% market share in large and growing markets.

Notes to Editors

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 announcement for the half-year ended 28 February 2013 which can be found on the Investor Relations 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. The financial information contained within is presented on an underlying basis excluding non-recurring and other items.

INTERIM MANAGEMENT REPORT

OPERATING REVIEW

INTRODUCTION

We are pleased to report a strong performance in the first half of the financial year with profit growth across all four of our divisions and ongoing progress on our strategic initiatives.

Group underlying profit before tax, including the impact of acquisitions, increased 15.8% to £24.9m from revenues of £904.7m, up 1.3%.

Smiths News continues to deliver on its strategic objectives. Almost a quarter of revenue is now awarded through to 2019 as a result of contract extensions with News International and IPC Marketforce. Profits have increased 2.6% to £19.7m and £4m efficiency targets have been achieved.

Bertrams has again outperformed the UK books market with particularly strong growth in internet, international and academic ebooks sales. In November 2012 we entered the direct to consumer market through the brand Wordery which grows our addressable markets and broadens our portfolio. Acquisitions in the period have brought £20m of revenue and consolidated our European academic book leadership.

The Consortium continues to perform in line with expectations and has traded strongly in the period. Its primary strategic priority of integrating West Mercia Supplies is progressing well and we are investing in growing our multi channel offer by implementing a CRM system, launching a new website and establishing a new telesales team. We are pleased with the financial and operational progress of the Business in our first full year of ownership.

We are on track to meet full year market expectations. In the light of these results we are increasing the interim dividend by 7% to 3p, highlighting our ongoing confidence in the Group’s strong cash generation and future prospects.

GROUP STRATEGY

In each of its markets the Group is a leading player with a reputation for sector expertise and service delivery; each division has clear and tangible growth plans.

We have sought to secure our newspaper and magazine business through a combination of extending contracts and by extracting substantial cost efficiencies. This approach has underpinned our success and will remain an important part of our future plans.

We have also undertaken a selective acquisition strategy to diversify our revenue base into new specialist distribution sectors. To that end, we have successfully entered the Book, Education and Care markets through the acquisitions of Bertrams, Dawson Holdings, The Consortium and smaller bolt-on acquisitions.

We will continue to invest in all four of our trading divisions and, with 27% of our profits now coming from outside of newspaper and magazine wholesaling, we are making good progress towards our medium term objective of 50% by 2016.

SMITHS NEWS

Smiths News has delivered contract extensions, achieved new efficiencies and grown underlying operating profit in the period to £19.7m up 2.6%.

The newspaper market has softened with LFL sales down (3.9%) compared to (3.1%) in the previous half year. As in previous years, cover price inflation continues to partly offset the impact of volume decline. The magazine market declined (8.3%) on an LFL basis which is in line with the prior period.

During the period we were pleased to extend our contract with IPC Marketforce and we now have over £350m, almost a quarter of annual revenue, awarded through to 2019. We have also gained £15m of incremental revenues including additional territories with News International and regional wins which have resulted in total sales for Smiths News down (3.0%), an improvement against total LFL sales, down (5.0%). Although the like for like run rate remains within our strategic range, it has been adversely impacted by a price competitive Sunday market which alone impacted total LFL by (0.5%).

With £4m of new efficiencies achieved in the period, the division remains on track to deliver its 3 year target of £20m per annum cost savings by 2015.

Looking ahead, Smiths News remains the largest part of the Group and we have a clear plan to deliver continued cost savings, maintain current levels of profit and generate strong free cash flow. These include further network rationalisation, investment in new and more efficient facilities, process re-engineering to deliver sustainable industry-wide savings and utilising our capability and expertise to develop new organic revenue streams.

BERTRAMS

Bertrams traded strongly in the period with revenue up 7.0% to £98.3m and underlying operating profit of £3.5m, up 7.6%.

In the UK, Bertrams has continued to outperform the consumer books market which contracted by 3.4% versus Bertrams' UK wholesale sales which grew by 2.3% on an LFL basis. This performance is driven by our strength in serving the growing base of internet retailers and was reinforced in March 2013 when Bertrams secured an exclusive fulfilment contract with WH Smith Online worth £3.5m per annum.

In November 2012 we entered the direct to consumer market through a joint venture, Wordery, which grows our addressable markets and broadens our portfolio. Wordery already trades on 4 leading market place websites and within one year aims to be a "Top 3" marketplace trader with its own transactional website.

International sales delivered a pleasing performance increasing 22% YOY and by 4.3% on an LFL basis. The acquisition of Houtschild in July 2012 is integrating well and, more recently the acquisition of Erasmus in January 2013 and selected Blackwell Books contracts in April 2013, have brought over £20 million of full year pro forma revenues to the division. Annualised international revenues now total £60m across 95 countries. These acquisitions have consolidated our market leading position in academic books in Northern Europe and strengthens Bertrams international presence through an enlarged overseas operational footprint.

Sales to UK libraries decreased by (2.7%) LFL which is a robust performance in a market where spending remains under pressure.

Our leading academic eBook platform continues to gather momentum increasing sales by 47.4% LFL (Feb 2012: 50%). Already a market leader in the UK academic market, we continue to target a number of international opportunities, as well as introducing our digital platform into our acquired local and international customer bases.

Looking ahead, Bertrams has a range of opportunities and it is clear our balanced portfolio is an on-going strength: physical and digital, UK and international, internet and high street, public and private sector, B2B and now direct to consumer. By capitalising on the growth opportunities in each, Bertrams medium term strategy targets profits of £10m by 2014.

THE CONSORTIUM

The Consortium has continued to perform well since its acquisition in April 2012. Against a pre-acquisition period sales increased 3.3% LFL to £30.5m with underlying operating profits of £2.9m, up 9.1%.

This result was driven by a good performance from education up 4.8% LFL which outperforms the market. Care, representing 6% of sales, produced another strong performance growing revenue by 18.4% and reflects the opportunities in that market sector.

The integration of the West Mercia Supplies ("WMS") is progressing well and both businesses continue to operate more closely under a single ERP platform, aligned internal processes, and the ongoing creation of a 'virtual' combined warehouse which will improve service, efficiency and profitability.

As well as integrating WMS, The Consortium is committed to expanding its multi-channel capabilities to grow revenues. We invested in a new CRM system, established the telesales team and have recently launched a new website. These initiatives will facilitate better promotional campaigns and targeted sales efforts to capitalise on the opportunity to secure a larger share of wallet in our markets.

Melanie Teal, the Managing Director of The Consortium has confirmed her wish to move on at the end of her lock-in period in December 2013. Her successor will be Glenn Leech, a member of the existing Group

Executive who has been with the Group since 2004. He brings significant skills and expertise which will ensure The Consortium capitalises on future growth opportunities.

Looking ahead, clear and tangible opportunities exist to capture a greater share of existing customer spend in education. In the care sector we are targeting contracts with care home providers (both public and private) as they expand in response to an increasingly ageing population. Finally, we remain alert to acquisition opportunities in both the education and care markets beyond our stated strategic aim of 10% organic profit growth per annum.

MEDIA AND MARKETING DIVISION

Media and Marketing has delivered revenues of £14.8m and underlying operating profit of £0.9m, up 6.2%.

DMD, which supplies airlines and travel points with newspapers, magazines and inflight entertainment, has continued to renew and win print contracts including the global fulfilment contract to United Airlines worth £0.8m per annum. As global supply partner to British Airways, DMD is also pleased to have successfully and seamlessly integrated into the contract £0.4m of additional BMI volumes and routes.

New digital contracts have been secured from airline customers with 7,000 iPads now deployed.

MMC, the marketing and fulfilment services operation, continues to face the challenges of the wider UK economy. A new management team was put in place in August 2012 with consequent improvements in efficiency and service to customers.

OUTLOOK

We are on track to grow profits in the current financial year and to meet full year market expectations. Our continued confidence is reflected in the 7% interim dividend increase announced today.

Our priorities for the remainder of the year are clear and include:

- continued investment in top line growth and new revenues;
- ongoing efficiency drives to reduce the cost base; and
- integrating acquisitions, minimising disruption and maximising financial return.

Our medium term outlook remains strong and we are focused on growing profits, generating significant levels of free cash and maintaining a progressive dividend policy.

We remain committed to our previously stated aim of 50% of Group profits to be generated from activities outside of newspaper and magazine wholesaling by 2016.

INTERIM MANAGEMENT REPORT (continued)

FINANCIAL REVIEW

GROUP INCOME STATEMENT EXTRACTS – UNDERLYING

£m	6 months to Feb 2013	6 months to Feb 2012	Change
Total revenue	904.7	893.2	1.3%
Gross profit	99.4	86.8	14.5%
Operating costs	(72.5)	(63.6)	(14.0%)
Underlying operating profit	**26.9**	**23.2**	16.0%
Net finance costs	(2.0)	(1.7)	(17.7%)
Underlying profit before tax	**24.9**	**21.5**	15.8%
Taxation	(6.2)	(5.4)	(14.8%)
Tax rate	*25%*	*25%*	
Underlying profit after tax	**18.7**	**16.1**	16.2%

Group revenue of £904.7m increased 1.3% driven primarily by the inclusion of £30.5m of revenues from The Consortium acquired in April 2012, not included in the corresponding period of the prior year.

Underlying Group operating profit, of £26.9m increased 16.0% benefiting from growth in all four of our operating divisions and the impact of acquisitions.

Finance costs of £2.0m were up £0.3m as a result of increased borrowings to fund The Consortium acquisition from April 2012.

Underlying Group profit before tax of £24.9m increased 15.8%.

The tax charged for the 6 months of £6.2m represented an effective tax rate of 25% (Feb 2012: 25%). Underlying profit after tax of £18.7m increased 16.2%.

On a statutory basis Group operating profit of £21.9m increased 6.8% on the same period in the prior year.

On a statutory basis profit before tax was £19.9m increased 5.9% on the same period last year.

EPS AND DIVIDEND

	Underlying		Statutory	
	6 months to Feb 2013	6 months to Feb 2012	**6 months to Feb 2013**	6 months to Feb 2012
Profit attributable to equity shareholders (£m)	**18.8**	16.1	**14.2**	13.8
Basic number of shares (millions)	**181.9**	181.1	**181.9**	181.1
Basic EPS	**10.3p**	8.9p	**7.8p**	7.6p
Diluted number of shares (millions)	**193.8**	184.9	**193.8**	184.9
Diluted EPS	**9.7p**	8.7p	**7.3p**	7.5p
Dividend per share	**3.0p**	2.8p	**3.0p**	2.8p

The underlying profit after tax of £18.7m, adjusted for £0.1m of non-controlling interest, equates to £18.8m of profit attributable to equity shareholders. This resulted in a basic underlying EPS of 10.3p, an increase of 1.4p or 15.7% on prior year.

Statutory profit after tax of £14.1m, adjusted for £0.1m of non-controlling interest, equates to £14.2m of statutory profit attributable to equity shareholders. This resulted in a basic statutory EPS of 7.8p, an increase of 0.2p or 2.6% on prior year.

The calculation of diluted EPS reflected the potential dilutive effect of employee incentive schemes which account for 7.4m dilutive shares (Feb 2012: 3.8m) and 4.5m shares being the deferred share capital relating to the acquisition of The Consortium (Feb 2012: nil) which will be issuable in January 2014 on the achievement of financial performance targets and continued employment of certain executives to or around 30 September 2013.

Together dilutive shares increased the number of shares at February 2013 by 11.9m to 193.8m and resulted in a diluted underlying EPS of 9.7p, an increase of 1.0p or 11.5% on prior year.

The Board have approved an interim dividend of 3.0p, up 7.1% on last year, highlighting our continued confidence in the Groups' strong cash generation and future prospects.

The interim dividend will be paid on 12 July 2013 to shareholders on the register at the close of business on 14 June 2013.

SMITHS NEWS INCOME STATEMENT

£m	6 months to Feb 2013	6 months to Feb 2012	Change	LFL[4]
Total revenue	**761.1**	**784.3**	**(3.0%)**	**(5.0%)**
Gross profit	62.1	65.9		
Operating costs	(42.4)	(46.7)		
Underlying operating profit	**19.7**	**19.2**	**2.6%**	
Gross margin	8.2%	8.4%	(20 bps)	
Cost ratio	(5.6%)	(6.0%)	40 bps	
Operating margin	2.6%	2.4%	20 bps	

Smiths News total revenues of £761.1m declined (3.0%) on prior year with like-for-like revenues down (5.0%), impacted by the Sunday market being more adverse than the daily market.

Gross margin of £62.1m declined (20 bps) as a result of margin mix changes, with total magazines down (7.7%) versus total newspapers flat.

The cost ratio of (5.6%) improved by 40 bps reflecting £4m of cost savings achieved in the period due to the annualisation of prior year network savings and continued operational efficiencies.

Smiths News underlying operating profit of £19.7m increased 2.6% and resulted in an operating margin of 2.6%, up 20 bps versus prior year.

BERTRAMS INCOME STATEMENT

£m	6 months to Feb 2013	6 months to Feb 2012	Change	LFL[4]
Total revenue	**98.3**	**91.9**	**7.0%**	**2.8%**
Gross profit	18.7	16.8		
Operating costs	(15.2)	(13.6)		
Underlying operating profit	**3.5**	**3.2**	**7.6%**	
Gross margin	19.0%	18.3%	70 bps	
Cost ratio	(15.5%)	(14.8%)	(60bps)	
Operating margin	3.6%	3.5%	10 bps	

Bertrams total revenues of £98.3m were up 7.0% driven in part by the acquisitions of Houtschild and Erasmus in the half with no prior year comparison. Like-for-like revenues were up 2.8% with a strong performance in the wholesale and international markets.

Gross margin of 19.0% increased 70bps due to mix with academic books achieving a higher margin.

The cost ratio of 15.5% declined (60bps) on prior year after the inclusion of the higher cost to serve academic operations.

Bertrams underlying operating profit of £3.5m increased 7.6% and resulted in an operating margin of 3.6%, up 10 bps versus prior year. The impact of recent acquisitions was immaterial in the period.

THE CONSORTIUM INCOME STATEMENT

£m	6 months to Feb 2013	6 months to Feb 2012	Change	LFL(4)
Total revenue	**30.5**	**-**	**3.2%***	**3.3%***
Gross profit	12.0	-	-	
Operating costs	(9.1)	-	-	
Underlying operating profit	**2.9**	**-**	**9.1%***	
Gross margin	39.3%	-	200 bps	
Cost ratio	(29.8%)	-	(150 bps)	
Operating margin	9.5%	-	50 bps	

**-indicates growth on a pre-acquisition period*

The Consortium total revenues of £30.5m were up 3.2%. Like-for-like revenues were up 3.3% with a strong performance in the Education and Care markets.

Gross margin of 39.3% increased 200 bps on the prior year. The cost ratio of (29.8%) declined (150 bps) on the prior year**.**

The Consortium operating profit of £2.9m, up 9.1% on the prior year, resulted in an operating margin of 9.5%, up 50 bps versus prior year.

MEDIA AND MARKETING INCOME STATEMENT

£m	6 months to Feb 2013	6 months to Feb 2012	Change	LFL(4)
Total revenue	**14.8**	**17.0**		
Agency sales adjustment	-	(1.7)		
Total adjusted revenue	**14.8**	**15.3**	**(2.6%)**	**(0.3%)**
Gross profit	6.6	6.5	1.5%	
Operating costs	(5.7)	(5.7)	(0.0%)	
Underlying operating profit	**0.9**	**0.8**	**6.2%**	
Gross margin	44.6%	42.5%	210 bps	
Cost ratio	(38.5%)	(37.3%)	(120 bps)	
Operating margin	6.1%	5.2%	90 bps	

The adjustment reflected above excludes the gross value of agency sales in the prior year, to allow for a more consistent on-going comparison.

Media and Marketing adjusted revenues of £14.8m declined (2.6%), due in part to title liquidations. The division continues to win new business and renew contracts.

Gross margin of 44.6% has increased 210bps due to mix.

The cost ratio of 38.5% declined (120 bps) on prior year.

Underlying operating profit of £0.9m increased 6.2% on the prior year and resulted in an operating margin of 6.1%, up 90 bps versus prior year.

NON-RECURRING AND OTHER ITEMS

£m	6 months to Feb 2013	6 months to Feb 2012
Integration costs	(0.5)	(0.9)
Network reorganisation costs	(1.0)	(0.9)
Acquisition costs	(2.1)	-
Amortisation of acquired intangibles	(1.4)	(0.9)
Total loss before tax	**(5.0)**	**(2.7)**
Taxation	0.4	0.4
Total loss after tax	**(4.6)**	**(2.3)**

Non-recurring and other items totalled £5.0m before tax and £4.6m after tax for the period in line with our previous guidance of c£10m for the full year.

Integration costs

The costs of integrating Dawson Holdings plc divisions incurred in the six month period were £0.5m.

Network reorganisation costs

During the period we have spent a further £1.0m within the depot network from a restructuring program designed to deliver cost savings targeted by the Group. Of the costs in the period, the largest amount relates to redundancy costs of £0.9m.

Acquisition costs

Acquisition costs include deferred consideration relating to The Consortium acquisition that have been recognised in the period reflecting payments of £1.8m contingent on future employment. The costs continue to be spread over the earn out periods at expected payout levels.

In addition, advisor costs associated with the acquisition of Erasmus Antiquariaat en Boekhandel B.V. ('Erasmus') and the set up of Magpie Investments Ltd (‘Wordery’), together amount to £0.3m.

Amortisation of acquired intangibles

Intangible assets relating to acquisitions are amortised over their expected economic lives. The charge to the income statement for the six month period to 28 February 2013 is £1.4m. This comprises £0.4m relating to the acquisition of Bertrams in March 2009, £0.5m relating to the acquisition of Dawson Holdings in August 2011 and £0.5m in relation to the acquisition of Hedgelane Limited (‘The Consortium’) in April 2012.

FREE CASH FLOW

£m

	6 months to Feb 2013	6 months to Feb 2012
Underlying profit before interest and tax	26.9	23.2
Depreciation & amortisation	3.7	3.3
Underlying EBITDA	30.6	26.5
Working capital	(7.2)	(13.2)
Capital expenditure	(3.7)	(0.4)
Net interest paid	(2.1)	(1.4)
Taxation	(5.0)	(3.0)
Ongoing pension funding	(3.1)	(3.1)
Other movements	0.7	0.6
Free cash flow(2)	**10.2**	**6.0**

The Group continued to generate strong free cash flow, delivering £10.2m up 70% on the prior year.

The improved trading performance of the Group increased underlying EBITDA by £4.1m to £30.6m.

Working capital outflow was (£7.2m) reflecting an expected half year outflow and compares favourably to the prior year which included an investment in stock.

Capital expenditure was (£3.7m), of which £1.3m related to IT development, including a SAP upgrade in the Smiths News division and investment in the eBook platform in Bertrams. The prior year benefited from the sale of the Bertram library services property for £0.9m.

Net interest paid increased to (£2.1m) reflecting the increased level of debt compared to the prior year following the acquisition of The Consortium in April 2012.

Taxation represents a normal cash tax outflow of (£5.0m) reflecting the growing profitability of the Group.

Ongoing pension deficit funding of (£3.1m) for the 6 months is primarily related to the annual pension deficit funding of £5.8m, relating to the Smiths News pension scheme, agreed at the last triennial valuation in March 2009.

NET DEBT AND BANK FACILITIES

£m

	As at Feb 2013	As at Aug 2012	As at Feb 2012
Opening net debt(3)	**(100.5)**	**(63.3)**	**(63.3)**
Free cash flow	10.2	27.2	6.0
Dividend paid	(10.6)	(14.9)	(9.8)
Non-recurring items	(2.2)	(10.3)	(4.8)
Acquisitions	(3.4)	(37.1)	-
Other	(2.9)	(2.1)	(2.1)
Closing net debt(3)	**(109.4)**	**(100.5)**	**(74.0)**

Closing net debt was £109.4m an increase of £8.9m on 31 August 2012.

Acquisitions in the period represent a net cash outflow on the acquisition of The Consortium of £2.0m relating to deferred cash consideration and £1.4m payable on the acquisition of Erasmus, comprising £1.2m consideration and £0.2m advisor costs.

The Group has total facilities of £177m, comprising committed bank facilities of £142m through to November 2014 with further committed facilities of £35m secured against Group assets. The Group remained comfortably within its banking covenants with net debt:EBITDA at 1.6x versus a covenant test of 2.5x.

GOING CONCERN

The Group meets its day to day working capital requirements through its bank facilities of up to £177m, which do not expire until 30 November 2014. The Group's forecasts, taking into account the Board's future expectations of the Group's performance, indicate that there is substantial headroom within these bank facilities and the Group will continue to operate well within the covenants attaching to those facilities.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

PENSION

The Group operates a combination of defined benefit schemes, closed to new members and future accrual, as well as defined contribution schemes.

The largest scheme across the Group is the Smiths News defined benefit pension scheme (the Trust) which as at 28 February 2013 had an IAS 19 surplus of £54.4m (Feb 2012: £69.2m). However as the pension scheme is closed to further accrual, this IAS 19 surplus is not available as a reduction of future contributions or through a funding holiday, and as a result the Group has not recognised this surplus on the balance sheet.

The last funding valuation at 31 March 2009 showed a deficit of £50m and the Group agreed with the Trustee to make deficit contributions of £5.8m per annum plus £0.5m per annum to cover expenses until 31 March 2019. As at 17 April 2013 the March 2012 funding valuation had not been finalised. Smiths News continues to pay the previously agreed deficit contributions at a rate of £5.8m per annum.

RISKS AND UNCERTAINTIES

The Group operates in large and stable markets. Strong cost control is a core competency and, given the relative predictability of sales, the Group is well placed to mitigate any major risks. The Board and Executive Management Team have assessed the Group's appetite for risk and continue to monitor the key risks on an on-going basis.

The Group's key businesses have relatively secure revenues. Smiths News has agreements with the major newspaper and magazine publishers with almost one quarter of revenue awarded to 2019, the vast majority of the remainder is secured for the next four years. Bertrams has contracts for its library business that run for an average of three years, whilst the remainder of trading is with established customers. Dawson Books and Dawson Media Direct have similar characteristics with the vast majority of revenues secured by contractual agreements.

The Group has robust internal procedures to monitor sales, costs, profits and risks. The Executive and Risk Committees review the principal strategic and financial risks on a quarterly basis. The Audit Committee oversees the overall risk process and reviews the outcome of this process twice a year. The business completes a detailed reforecast at least twice a year and more regularly if any significant issues arise and these forecasts are reviewed by the Board.

Our assessments of the principal risks are as follows:

- **Consumer confidence and spending**

  The economic environment remains uncertain, and Government spending cuts and unemployment levels have also contributed to reduced consumer confidence and discretionary spending, including the sales of newspapers, magazines and books.

  The habitual nature of newspapers and magazines helps to limit the impact. Demand for books is similarly resilient and the Group strategy remains to increase sales by targeting growth sectors such as the internet and international sales. The vast majority of newspapers, magazines and books have a relatively low cover price.

  The Consortium's core markets, have very limited exposure to consumer spending.

- **Digital Media**

  The increasing penetration of eBook readers and tablet devices (such as the Apple iPad and Amazon Kindle), together with publishers' increased investment in digital publishing could lead to a sharper than anticipated decline in sales of traditional newspapers, magazines and books. More generally, the move from traditional printed media to digital alternatives could have an adverse impact on sales and growth opportunities.

  The Group is aware that digital media will have an impact on traditional markets. Recent evidence shows the impact on newspapers, magazines and books continues to be an evolutionary rather than revolutionary process. Printed products continue to represent the vast majority of revenues in newspapers, magazine and books. Most publishers are heavily reliant on revenues from traditional channels and have strong incentives for the continued support of these formats and brands.

  eBook sales are increasing, particularly in fiction, however the UK consumer market for printed books remains very large with an estimated value of £1.5bn. Our growing international footprint and direct to consumer proposition increase the market opportunity further.

  Bertrams' eBook platform is facilitating our entry into the growing market for digital books in the academic sector.

  The Group will continue to monitor market developments in the digital arena closely and is currently undertaking a strategic review as to how best to benefit from any move from traditional printed media to digital alternatives.

- **Accelerated declines in sales impacting on newspaper and magazine and book publishers**

  An accelerated decline in sales of newspapers, magazines or books could have an adverse effect on revenues and undermine the business model of publishers. This could lead to title closures, reduced investment in products and promotions, or even the failure of some publishers.

  National newspapers have a long-term trend of price increases mostly offsetting the impact of volume declines; they continue to demonstrate relative resilience.

  Magazines have been more severely impacted by the wider economy with reduced sales and fewer new launches. Nonetheless, more than 3,500 consumer magazines are in circulation in the UK and publishers continue to regard these as valuable brands.

  Over recent years both ourselves and the publishers have adjusted our respective business models to account for anticipated reductions in sales and, in the event of accelerated sales declines, additional cost saving actions could be taken. The current run rate of sales performance decline for Smiths News remains within our medium term strategic forecast of -3% to -5% per annum.

- **Contract renewal**

  At the time of contract renewal, publishers could seek alternative routes to market in some of Smiths News' current territories, which would result in lower sales. There also remains the risk of contract renewals at lower margin.

  In the six months ended February 2013 the Group announced a major contract renewal with IPC Marketforce through to 2019, which further reduces contract renewal risk. Following on from the August 2012 announcement of the News International contract renewal, 23% of newspaper and magazine wholesaling revenue is now awarded until 2019.

  Smiths News remains well positioned to renegotiate the remaining contracts as they come up for renewal.

- **Impact of Public Sector spending**

  The Government's plan to reduce spending in the public sector has had a detrimental impact on budgets for public libraries, reducing the value of on-going expenditure and future contracts. In the academic sector, the changes to student funding could also, over time, reduce the number of students with a consequential impact on library purchases.

  Changes to funding in the education and care sectors could see similar cutbacks with consequential impacts on The Consortium.

  The Group has planned on the basis that available funds in the public sector will remain under pressure. After a volatile period in 2011, spending levels and order patterns in libraries have settled into a more consistent pattern – indeed, in 2012 some 'bounce back' in spending was experienced in the public library consortia. Looking ahead, the Group expects the position to remain stable, though further increases in core spending are unlikely.

  The impact of changes to student funding in the academic library market remains less clear, as the Group has research to suggest the increase in student fees may also lead to improved library resources. The Group will monitor the market closely and respond accordingly.

  The Consortium supplies the Education and Care sectors, both of which are forecast to grow on the basis of demographic factors. Whilst a degree of budget tightening has been experienced with some customers, The Consortium's core product lines are day-to-day consumable items that schools and care providers require on a regular basis and are less discretionary than, for example, capital investments.

- **Property and lease commitments**

  Potential liabilities could crystallise 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 2006 Demerger Agreement with WH Smith PLC, any other such contingent liability 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 28 February 2013 of £9.6m (August 2012: £10.9m).

  Although the total liability is significant, many of the leases were assigned to retail companies that continue to trade well and are financially robust. Given the expiry of time, it is also likely that many of the leases included within the contingent liability have been renegotiated such that any liability has been extinguished. The maximum potential lease liability will continue to decline, with an estimated maximum liability of below £5m by August 2015.

  The Group, working with WH Smith PLC, has either sub-let or reached a mediated settlement in relation to five leases following a Creditor Voluntary Agreement made by, and subsequent administration of, Focus (DIY) Limited.

  The cash impact resulting from the estimated future cumulative gross rental commitment would spread over more than 10 years.

- **Financial exposure to key retailers and publishers**

  The failure of one or more of the Group's major customers or suppliers could affect the Group's profitability and cash flows impacting the Group's ability to service on-going business requirements, service debt and return value to shreaholders.

  The Group monitors payments carefully and has a strong track record of cash collection from its customer base.

  The Group's largest credit exposure is to some of the UK's major retailers who have strong credit ratings with good payment records.

  Our largest suppliers are large companies, and in some cases part of larger quoted companies, with established and stable business models.

  The Group is aware that failure of one or more of our publisher / distributor suppliers could result in exposure to a significant cash shortfall if the credits due to retailers for unsold copies are greater than any outstanding payments due to the failed publisher / distributor. The Group monitors stock and unsold levels on a regular basis and where appropriate it phases payments to publishers to ensure any exposure is minimised; we also use external data to monitor credit ratings on a regular basis. Furthermore, in May 2012, we have put in place credit insurance over some (but not all) of the publishers / distributors in order to further mitigate this risk.

- **Treasury Risk**

  The Group finances its operations partly through draw down of interest bearing bank loans and overdrafts. Adverse movements in interest rates could therefore impact profitability and net assets.

  The Group has a centralised treasury function to manage Group treasury risk with clear guidelines laid down by the Board. Treasury's role is to ensure that appropriate financing is available for running the businesses of the Group on a day to day basis, allowing for investments and acquisitions whilst minimising interest cost. No transactions of a speculative nature are undertaken. Dealings are restricted to those banks with suitable credit ratings and counterparty risk and credit exposure is monitored frequently.

  The Group uses derivative financial instruments to reduce exposure to interest rate movements. As at 28 February 2013, 100% of the Group's drawn borrowings were at fixed rates.

- **International Governance**

  The Group has growing interests in overseas operations, with offices and staff in over 30 countries.

  The management and governance of these distant operations has potential to expose the Group to risks such as fraud, contractual irregularities and other legal and regulatory breaches of local law.

  The Group has invested in additional resources and instructed external advisors to help ensure high standards in the management of its international operations.

  Whilst important for future opportunities and growth, the Group's overseas operations remain a relatively small proportion of overall staff and revenues and exposure is, in part, limited as a result. Furthermore a significant amount of international trade is routed and invoiced through the UK operations, again reducing exposure to potential financial irregularities.

  Governance of overseas operations is overseen locally with specialist advice but also from the UK by the Group's management, who routinely review operational and governance effectiveness.

- **Impact of industry regulation in the newspaper and magazine market**

  In the autumn of 2012 the OFT's decision not to carry out a further review of the industry was challenged by two retail associations and was under review by the Competition Appeals Tribunal (CAT).

  The challenge was heard by the Competition Appeals Tribunal in the six month period which upheld the OFT's decision. This concludes the appeals process and marks the end of the uncertainty surrounding industry regulation.

  The Press Distribution Forum continues to work towards improved service and efficiency for customers and as part of this process an updated industry charter will be launched in 2013.

Smiths News PLC

Condensed Consolidated Income Statement (Unaudited)
For the 6 months to 28 February 2013

£m	Note	6 months to Feb 2013			6 months to Feb 2012			Audited 12 months to Aug 2012		
		Under-lying	Non-recurring and other items	**Total**	Under-lying	Non-recurring and other items	**Total**	Under-lying	Non-recurring and other items	**Total**
Revenue	3	**904.7**	**-**	**904.7**	**893.2**	**-**	**893.2**	**1,803.9**	**-**	**1,803.9**
Operating profit	3	**26.9**	**(5.0)**	**21.9**	**23.2**	**(2.7)**	**20.5**	**51.2**	**(10.9)**	**40.3**
Investment revenues		0.7	-	0.7	0.6	-	**0.6**	**1.2**	**-**	**1.2**
Finance costs		(2.7)	-	(2.7)	(2.3)	-	**(2.3)**	**(4.9)**	**-**	**(4.9)**
Profit before tax	3	**24.9**	**(5.0)**	**19.9**	**21.5**	**(2.7)**	**18.8**	**47.5**	**(10.9)**	**36.6**
Taxation	6	(6.2)	0.4	**(5.8)**	(5.4)	0.4	**(5.0)**	**(11.4)**	**2.3**	**(9.1)**
Profit for the period		**18.7**	**(4.6)**	**14.1**	**16.1**	**(2.3)**	**13.8**	**36.1**	**(8.6)**	**27.5**
Profit attributable to equity shareholders		18.8	(4.6)	14.2	16.1	(2.3)	13.8	36.1	(8.6)	27.5
Profit attributable to non-controlling interests		(0.1)	-	(0.1)	-	-	-	-	-	-
Profit for the period		**18.7**	**(4.6)**	**14.1**	**16.1**	**(2.3)**	**13.8**	**36.1**	**(8.6)**	**27.5**
Earnings per share										
Basic	*8*	*10.3p*		*7.8p*	*8.9p*		*7.6p*	*19.9p*		*15.2p*
Diluted	*8*	*9.7p*		*7.3p*	*8.7p*		*7.5p*	*19.3p*		*14.7p*
Equity dividends per share	*7*			*3.0p*			*2.8p*			*8.6p*

Condensed Consolidated Statement of Comprehensive Income (Unaudited)
For the 6 months to 28 February 2013

£m	Note	6 months to Feb 2013	6 months to Feb 2012	Audited 12 months to Aug 2012
Losses on cash flow hedges		-	-	(0.2)
Tax relating to items that may be reclassified		-	-	-
Items that may be reclassified subsequently to profit or loss		-	-	(0.2)
Other comprehensive income:				
Actuarial gains on defined benefit pension scheme	5	10.1	38.8	5.5
Effect of asset limit on defined benefit pension scheme	5	(14.1)	(42.4)	(13.5)
Tax relating to components of other comprehensive income		1.1	1.1	2.1
Other comprehensive income		(2.9)	(2.5)	(5.9)
Total other comprehensive income for the period		**(2.9)**	**(2.5)**	**(6.1)**
Profit for the period		14.1	13.8	27.5
Total comprehensive income for the period		**11.2**	**11.3**	**21.4**

Total comprehensive income for the period was fully attributable to the equity holders of the parent company.

Smiths News PLC

Condensed Consolidated Balance Sheet (Unaudited)
As at 28 February 2013

£m	Note	As at Feb 2013	As at Feb 2012	Audited as at Aug 2012
Non-current assets				
Intangible assets	12	66.7	35.9	67.1
Property, plant and equipment		23.3	17.8	24.5
Interest in joint venture and associate		4.1	4.0	3.9
Investments		-	0.1	-
Deferred tax assets		2.6	2.1	2.4
		96.7	**59.9**	**97.9**
Current assets				
Inventories		43.1	36.4	44.6
Trade and other receivables		115.6	107.5	120.3
Cash and cash equivalents	13	10.1	4.8	5.1
		168.8	**148.7**	**170.0**
Total assets		**265.5**	**208.6**	**267.9**
Current liabilities				
Trade and other payables		(169.7)	(165.7)*	(182.0)
Current tax liabilities		(8.2)	(9.1)	(8.1)
Obligations under finance leases		(1.1)	(1.3)	(1.4)
Bank overdrafts and other borrowings	13	(83.6)	(37.2)	(66.1)
Provisions	14	(7.9)	(5.7)*	(7.8)
Derivative financial instruments		(1.0)	(0.8)	(1.0)
		(271.5)	**(219.8)**	**(266.4)**
Non-current liabilities				
Bank loans and other borrowings	13	(34.0)	(39.0)	(37.0)
Retirement benefit obligation	5	(2.1)	-	(2.0)
Deferred tax liabilities		(4.4)	(2.9)	(4.7)
Long-term provisions	14	(4.4)	(2.8)	(4.7)
Obligations under finance leases		(0.8)	(1.2)	(1.1)
Derivative financial instruments		(1.5)	(1.3)	(1.3)
Other non-current liabilities		(1.2)	(0.4)	(2.5)
		(48.4)	**(47.6)**	**(53.3)**
Total liabilities		**(319.9)**	**(267.4)**	**(319.7)**
Total net liabilities		**(54.4)**	**(58.8)**	**(51.8)**
Equity				
Called up share capital		9.2	9.2	9.2
Share Premium Account		0.9	0.5	0.6
Other reserves		(285.7)	(284.6)	(284.1)
Retained earnings		221.3	216.1	222.5
Total shareholders' equity		**(54.3)**	**(58.8)**	**(51.8)**
Non-controlling interests in equity		(0.1)	-	-
Total equity		**(54.4)**	**(58.8)**	**(51.8)**

* £1.3m accruals in the prior year have been restated within provisions due within one year to agree with current year treatment.

Smiths News PLC

Condensed Consolidated Statement of Changes in Equity (Unaudited)

For the 6 months to 28 February 2013

£m	Share Capital	Share Premium Account	Other[1] Reserves	Retained Earnings	Total shareholders' equity	Non-controlling interests in equity	Total equity
Balance at 1 September 2011	**9.2**	**0.5**	**(284.8)**	**214.9**	**(60.2)**	**-**	**(60.2)**
Profit for the period	-	-	-	13.8	13.8	-	13.8
Actuarial loss on defined benefit pension scheme	-	-	-	38.8	38.8	-	38.8
Effect of asset limit on defined benefit pension scheme	-	-	-	(42.4)	(42.4)	-	(42.4)
Tax relating to components of other comprehensive income	-	-	-	1.1	1.1	-	1.1
Total comprehensive income for the period	-	-	-	11.3	11.3	-	11.3
Dividends paid	-	-	-	(9.8)	(9.8)	-	(9.8)
Employee share schemes	-	-	0.2	(1.0)	(0.8)	-	(0.8)
Recognition of share based payments	-	-	-	0.7	0.7	-	0.7
Balance at 29 February 2012	**9.2**	**0.5**	**(284.6)**	**216.1**	**(58.8)**	**-**	**(58.8)**
Profit for the period	-	-	-	13.7	13.7	-	13.7
Loss on cash flow hedges	-	-	(0.2)	-	(0.2)	-	(0.2)
Actuarial loss on defined benefit pension scheme	-	-	-	(33.3)	(33.3)	-	(33.3)
Effect of asset limit on defined benefit pension scheme	-	-	-	28.9	28.9	-	28.9
Tax relating to components of other comprehensive income	-	-	-	1.0	1.0	-	1.0
Total comprehensive income for the period	-	-	(0.2)	10.3	10.1	-	10.1
Issue of share capital	-	0.1	-	-	0.1	-	0.1
Dividends paid	-	-	-	(5.1)	(5.1)	-	(5.1)
Employee share schemes	-	-	0.7	(0.7)	0.8	-	-
Recognition of share based payments	-	-	-	1.1	1.1	-	1.1
Balance at 31 August 2012	**9.2**	**0.6**	**(284.1)**	**222.5**	**(51.8)**	**-**	**(51.8)**
Profit for the period	-	-	-	14.2	14.2	(0.1)	14.1
Actuarial gain on defined benefit pension scheme	-	-	-	10.1	10.1	-	10.1
Effect of asset limit on defined benefit pension scheme	-	-	-	(14.1)	(14.1)	-	(14.1)
Tax relating to components of other comprehensive income	-	-	-	1.1	1.1	-	1.1
Total comprehensive income for the period	-	-	-	11.3	11.3	(0.1)	11.2
Issue of share capital	-	0.3	-	-	0.3	-	0.3
Dividends paid	-	-	-	(10.6)	(10.6)	-	(10.6)
Employee share schemes	-	-	(1.6)	(2.9)	(4.5)	-	(4.5)
Recognition of share based payments	-	-	-	1.0	1.0	-	1.0
Balance at 28 February 2013	**9.2**	**0.9**	**(285.7)**	**221.3**	**(54.3)**	**(0.1)**	**(54.4)**

[1] The 'Other reserves' includes reserves created in relation to the proforma restatement and demerger of WH Smith PLC

Smiths News PLC

Condensed Consolidated Group Cash Flow Statement (Unaudited)
For the 6 months to 28 February 2013

£m	Note	6 months to Feb 2013	6 months to Feb 2012	Audited 12 months to Aug 2012
Net cash from operating activities	**9**	**13.7**	**2.9**	**28.5**
Investing activities				
Acquisitions	**11**	(3.1)	-	(40.1)
Sale of unlisted investments		-	-	1.0
Purchase of property, plant and equipment		(3.4)	(0.1)	(4.0)
Purchase of intangible assets		(0.6)	(0.3)	(2.3)
Proceeds on disposal of a property		-		0.8
Net cash used in investing activities		**(7.1)**	**(0.4)**	**(44.6)**
Financing activities				
Interest paid		(2.1)	(1.4)	(3.3)
Dividends paid		(10.6)	(9.8)	(14.9)
Repayments of obligations under finance leases		(0.7)	(1.1)	(1.6)
Proceeds on issue of shares		0.3	-	0.1
Purchase of shares for Employee Benefit Trust		(3.2)	(0.8)	(0.8)
Repayment of borrowings		(3.0)	-	(2.2)
Increase in short term borrowings		17.5	11.2	40.1
Net cash used in financing activities		**(1.8)**	**(1.9)**	**17.4**
Net increase in cash and cash equivalents		**4.8**	**0.6**	**1.3**
Effect of foreign exchange rate changes		0.2	-	(0.4)
		5.0	-	0.9
Opening net cash and cash equivalents		5.1	4.2	4.2
Closing net cash and cash equivalents		**10.1**	**4.8**	**5.1**

Analysis of net debt

£m	Note	As at Feb 2013	As at Feb 2012	Audited as at Aug 2012
Cash and cash equivalents	13	10.1	4.8	5.1
Current borrowings	13	(83.6)	(37.3)	(66.1)
Non-current borrowings	13	(34.0)	(39.0)	(37.0)
Finance lease liabilities		(1.9)	(2.5)	(2.5)
Net debt		**(109.4)**	**(74.0)**	**(100.5)**

Notes to the Condensed Unaudited Interim Financial Statements
For the 6 months to 28 February 2013

1 General Information

These Interim Financial Statements are unaudited and not reviewed.

The information for the year ended 31 August 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Going Concern

The Group meets its day to day working capital requirements through its committed bank facilities, as set out below:

- a £37m term loan which is repayable in November 2014;
- a £95m revolving credit facility is in place which is also repayable in November 2014;
- a committed asset backed facility of £15m available until November 2014, secured against the debtors of Bertrams;
- a committed asset backed facility of £20m available until November 2014, secured against the debtors of Smiths News; and
- a £10m bilateral Revolving Credit Facility repayable in August 2014.

The Group's forecasts, taking into account the board's future expectations of the Group's performance, indicate that there is substantial headroom within these bank facilities and the Group will continue to operate well within the covenants attaching to those facilities. Those bank facilities together with renewed long term contracts with a number of publishers mean that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial information.

Estimates and judgements

The Group's principal areas of estimation and judgement remain unchanged since the year end and are set out in note 1 (c) on page 85 of the Annual Report for the year ended 31 August 2012.

2 Significant accounting policies

The unaudited condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in these unaudited condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 August 2012.

Smiths News PLC

Notes to the Condensed Unaudited Interim Financial Statements
For the 6 months to 28 February 2013

3 Segmental analysis of results

In accordance with IFRS 8 'Operating Segments', Group management has identified its operating segments. The performance of these operating segments is reviewed, on a monthly basis, by the Board. The Board monitors the tangible, intangible and financial assets attributable to each segment to determine the allocation of resources and the performance of each segment.

These operating segments are:

Newspaper and magazine wholesaling (referred to as Smiths News)	The UK market leading distributor of newspapers and magazines to 30,000 retailers across England and Wales from 46 distribution centres.
Book wholesaling (referred to as Bertrams and Dawson Books)	A leading UK distributor of physical and digital books to high street and on-line retailers, public libraries, academic institutions and direct to consumers with a strong international presence, supplying 95 countries.
Education and care (referred to as The Consortium)	A leading distributor of education and care consumable products servicing 30,000 customers.
Media and marketing services (referred to as DMD and MMC)	A supplier of newspaper and magazines to airlines and an emerging player in inflight entertainment. The division also provides fulfilment and logistics services.

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue			Operating profit		
£m	**6 months to Feb 2013**	6 months to Feb 2012	12 months to Aug 2012	**6 months to Feb 2013**	6 months to Feb 2012	12 months to Aug 2012
Newspaper and magazine wholesaling	**761.1**	784.3	1,570.7	19.7	19.2	39.0
Book wholesaling	**98.3**	91.9	174.3	3.5	3.2	6.8
Education and care	**30.5**	-	26.5	2.9	-	3.6
Media and marketing	**14.8**	17.0	32.4	0.9	0.8	1.8
Total group - underlying	**904.7**	893.2	1,803.9	**26.9**	23.2	51.2
Non-recurring and other items				(5.0)	(2.7)	(10.9)
Group operating profit				**21.9**	20.5	40.3
Net finance expense				(2.0)	(1.7)	(3.7)
Profit before taxation				**19.9**	18.8	36.6

Smiths News PLC

Notes to the Condensed Unaudited Interim Financial Statements
For the 6 months to 28 February 2013

3 Segmental analysis of results (continued)

Segment assets and liabilities

	Assets			**Liabilities**			**Net (liabilities)/ assets**		
£m	**HY 2013**	HY 2012	FY 2012	**HY 2013**	HY 2012	FY 2012	**HY 2013**	HY 2012	FY 2012
Newspaper & magazine wholesaling	**125.1**	152.1	128.3	**(251.4)**	(211.4)	(245.3)	**(126.3)**	(59.3)	(117.0)
Book wholesaling	**72.5**	43.4	69.0	**(49.4)**	(45.5)	(49.6)	**23.1**	(2.1)	19.4
Education and care	**50.3**	-	52.7	**(11.3)**	-	(16.1)	**39.0**	-	36.6
Media & marketing	**17.6**	13.1	17.9	**(7.8)**	(10.5)	(8.7)	**9.8**	2.6	9.2
Consolidated assets/ (liabilities)	**265.5**	**208.6**	**267.9**	**(319.9)**	**(267.4)**	**(319.7)**	**(54.4)**	**(58.8)**	**(51.8)**

Segment depreciation, amortisation and non-current asset additions

	Depreciation			**Amortisation**			**Additions to non-current assets**		
£m	**HY 2013**	HY 2012	FY 2012	**HY 2013**	HY 2012	FY 2012	**HY 2013**	HY 2012	FY 2012
Newspaper & magazine wholesaling	**(2.2)**	(2.0)	(4.2)	**(0.7)**	(0.1)	(1.5)	**2.5**	2.8	6.7
Book wholesaling	**(0.2)**	(0.2)	(0.5)	**(0.9)**	(0.7)	(1.8)	**1.8**	0.4	0.9
Education and care	**(0.2)**	-	(0.1)	**(0.6)**	-	(0.4)	**0.3**	-	31.9
Media & marketing	**(0.1)**	(0.1)	(0.1)	**(0.2)**	(0.2)	(0.3)	**0.1**	-	0.3
Consolidated total	**(2.7)**	**(2.3)**	**(4.9)**	**(2.4)**	**(1.0)**	**(4.0)**	**4.7**	**3.2**	**39.8**

Geographical analysis

	Revenue by destination			**Non-current assets by location of operation**		
£m	**6 months to Feb 2013**	6 months to Feb 2012	12 months to Aug 2012	**6 months to Feb 2013**	6 months to Feb 2012	12 months to Aug 2012
United Kingdom	867.9	865.7	1,741.4	96.5	57.7	97.7
Europe	24.5	19.4	41.0	0.2	2.2	0.2
Rest of World	12.3	8.1	21.5	-	-	-
Consolidated total	**904.7**	**893.2**	**1,803.9**	**96.7**	**59.9**	**97.9**

4 Non-recurring and other items

£m	6 months to Feb 2013	6 months to Feb 2012	12 months to Aug 2012
Integration costs	**(0.5)**	(0.9)	(2.7)
Network re-organisation costs	**(1.0)**	(0.9)	(2.0)
Acquisition costs	**(2.1)**	-	(4.6)
Gain on sale of investment	**-**	-	0.5
Amortisation of acquired intangibles	**(1.4)**	(0.9)	(2.1)
Total before tax	**(5.0)**	(2.7)	(10.9)
Taxation	**0.4**	0.4	2.3
Total after taxation	**(4.6)**	(2.3)	(8.6)

Non-recurring and other items totalled £5.0m before tax and £4.6m after tax for the period in line with our previous guidance of c£10m for the full year.

Integration costs

The costs of integrating Dawson Holdings plc divisions incurred in the six month period were £0.5m.

Network reorganisation costs

During the period we have spent a further £1.0m within the depot network from a restructuring program designed to deliver cost savings targeted by the Group. Of the costs in the period, the largest amount relates to redundancy costs of £0.9m.

Acquisition costs

Acquisition costs include deferred consideration costs relating to The Consortium acquisition that have been recognised in the period reflecting payments of £1.8m contingent on future employment. The costs continue to be spread over the earn out periods at expected payout levels.

In addition, advisor costs associated with the acquisition of Erasmus Antiquariaat en Boekhandel B.V. ('Erasmus') and the set up of Magpie Investments Ltd (‘Wordery’), together amount to £0.3m.

Amortisation of acquired intangibles

Intangible assets relating to acquisitions are amortised over their expected economic lives. The charge to the income statement for the six month period to 28 February 2013 is £1.4m. This comprises £0.4m relating to the acquisition of Bertrams in March 2009, £0.5m relating to the acquisition of Dawson Holdings in August 2011 and £0.5m in relation to the acquisition of Hedgelane Limited (‘The Consortium’) in April 2012.

5 Retirement benefit obligation

Defined benefit pension schemes

The Group operates three defined benefit schemes, of which the WH Smith Pension Trust (the 'Pension Trust') represents over 96% of the total obligation at 28 February 2013. As part of the acquisition of The Consortium, the Group acquired the assets and liabilities in respect of two other defined benefit schemes (the 'Consortium CARE' and 'Platinum' schemes).

The amounts recognised in the balance sheet are as follows:

£m	As at Feb 2013	As at Feb 2012	As at Aug 2012
Present value of defined benefit obligation	(417.7)	(365.6)	(395.3)
Fair value of assets	469.3	434.8	433.1
Net surplus	**51.6**	**69.2**	**37.8**
Amounts not recognised due to asset limit	(54.4)	(69.2)	(40.3)
Pension liability	**(2.8)**	**-**	**(2.5)**

The Pension Trust is closed to further accrual and given the LDI policy adopted by the Pension Trustee, the present value of the economic benefits of the IAS 19 surplus in the pension scheme of £54.4m (Aug 2012: £40.3m) available on a reduction of future contributions is £nil (Feb 2012: £nil). As a result the Group has not recognised this IAS 19 surplus on the balance sheet.

£m	As at Feb 2013	As at Feb 2012	As at Aug 2012
Schemes in deficit	(2.8)	-	(2.5)
Deferred taxation	0.7	-	0.5
Net pension liability recognised in balance sheet	**(2.1)**	**-**	(2.0)

Future cash contributions are agreed between the Group and the Trustees of the schemes based on funding valuations carried out every three years using a different measure of the obligations (most notably using a discount rate that reflects the actual investment strategy, rather than corporate bond yields as required under IAS 19). The valuation of the defined benefit schemes for the IAS 19 disclosures have been carried out by independent qualified actuaries based on updating the most recent funding valuations of the respective schemes, adjusted as appropriate for membership experience and changes in the actuarial assumptions.

The Pension Trust

The Trust closed to future accrual in 2007. The assets in the Trust include an interest rate and inflation swap portfolio to remove the majority of the exposure to movements in both variables on a funding valuation measure. The Trust invests in a series of asset classes targeting a return above LIBOR to generate its required payments under the swaps. There is also a small investment in a portfolio of equity call options to retain an exposure to equity markets with limited downside risk.

The last funding valuation at 31 March 2009 showed a deficit of £50m and the Group agreed with the Trustee to make deficit contributions of £5.8m per annum plus £0.5m per annum to cover expenses until 31 March 2019. As at 17 April 2013 the March 2012 funding valuation had not been finalised. Smiths News continues to pay the previously agreed deficit contributions at a rate of £5.8m per annum.

The principal long-term assumptions used to calculate scheme liabilities on all Group schemes are:

% p.a.	6 months to Feb 2013	6 months to Feb 2012	12 months to Aug 2012
Discount rate	4.45%	4.75%	4.15%
Inflation assumptions – CPI	2.45%	2.20%	1.85%
Inflation assumptions – RPI	3.45%	3.20%	2.75%
Expected return on scheme assets	3.72%	4.80%	3.72%

5 Retirement benefit obligation (continued)

A summary of the movements in the net balance sheet asset/(liability) and amounts recognised in the Group Income Statement and Other Comprehensive Income are as follows:

£m	Fair value of scheme assets	Defined benefit obligation	Surplus not recognised	Net asset / (liability) on balance sheet
At 1 September 2011	**375.1**	**(348.3)**	**(26.8)**	**-**
Current service cost	-	(0.1)	-	(0.1)
Interest cost	-	(9.2)	-	(9.2)
Expected return on assets	9.8	-	-	9.8
Total amount recognised in income statement	**9.8**	**(9.3)**	**-**	**0.5**
Actual less expected return on scheme assets	53.1	-	-	53.1
Actuarial gains on scheme liabilities	-	(14.3)	-	(14.3)
Change in surplus not recognised	-	-	(42.4)	(42.4)
Amount recognised in other comprehensive income	**53.1**	**(14.3)**	**(42.4)**	**(3.6)**
Employer contributions	3.1	-	-	3.1
Employee contributions	-	-	-	-
Benefit payments	(6.3)	6.3	-	-
Amounts included in cash flow statement	(3.2)	6.3	-	3.1
Other changes	-	-	-	-
At 29 February 2012	**434.8**	**(365.6)**	**(69.2)**	**-**
Current service cost	-	(0.1)	-	(0.1)
Interest cost	-	(9.4)	-	(9.4)
Expected return on assets	10.0	-	-	10.0
Total amount recognised in income statement	**10.0**	**(9.5)**	**-**	**0.5**
Actual less expected return on scheme assets	(19.1)	-	-	(19.1)
Actuarial (losses) on scheme liabilities	-	(14.2)	-	(14.2)
Change in surplus not recognised	-	-	28.9	28.9
Amount recognised in other comprehensive income	**(19.1)**	**(14.2)**	**28.9**	**(4.4)**
Employer contributions	3.7	-	-	3.7
Employee contributions	-	-	-	-
Benefit payments	(8.8)	8.8	-	-
Amounts included in cash flow statement	**(5.1)**	**8.8**	**-**	**3.7**
Business combinations	12.5	(14.8)	-	(2.3)
Other changes	**12.5**	**(14.8)**	**-**	**(2.3)**
At 31 August 2012	**433.1**	**(395.3)**	**(40.3)**	**(2.5)**

5 Retirement benefit obligation (continued)

£m	Fair value of scheme assets	Defined benefit obligation	Surplus not recognised	Net asset / (liability) on balance sheet
At 31 August 2012	**433.1**	**(395.3)**	**(40.3)**	**(2.5)**
Current service cost	-	(0.1)	-	(0.1)
Interest cost	-	(8.1)	-	(8.1)
Expected return on assets	8.8	-	-	8.8
Total amount recognised in income statement	**8.8**	**(8.2)**	**-**	**0.6**
Actual less expected return on scheme assets	32.5	-	-	32.5
Actuarial losses on scheme liabilities	-	(22.4)	-	(22.4)
Change in surplus not recognised	-	-	(14.1)	(14.1)
Amount recognised in other comprehensive income	**32.5**	**(22.4)**	**(14.1)**	**(4.0)**
Employer contributions	3.1	-	-	3.1
Employee contributions	-	-	-	-
Benefit payments	(8.2)	8.2	-	-
Amounts included in cash flow statement	**(5.1)**	**8.2**	**-**	**3.1**
Other changes	**-**	**-**	**-**	**-**
At 28 February 2013	**469.3**	**(417.7)**	**(54.4)**	**(2.8)**

The charge for the current service cost is included within administrative expenses. Interest cost and expected return on scheme assets are included within investment revenues.

Smiths News PLC

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6 Income tax expense

£m	**6 months to Feb 2013**			6 months to Feb 2012			12 months to Aug 2012		
	Underlying	Non-recurring and other items	**Total**	Underlying	Non-recurring and other items	**Total**	Underlying	Non-recurring and other items	**Total**
Current tax	6.9	(0.4)	6.5	6.3	(0.4)	5.9	13.6	(1.9)	11.7
Adjustment in respect of prior year UK corporation tax	(0.3)	-	(0.3)	(0.4)	-	(0.4)	(1.6)	-	(1.6)
Total current tax charge	**6.6**	**(0.4)**	**6.2**	**5.9**	**(0.4)**	**5.5**	**12.0**	**(1.9)**	**10.1**
Deferred tax – current period	(0.4)	-	(0.4)	(0.6)	-	(0.6)	(0.6)	(0.4)	(1.0)
Deferred tax – prior year	-	-	-	0.1	-	0.1	-	-	-
Total tax on profit	**6.2**	**(0.4)**	**5.8**	**5.4**	**(0.4)**	**5.0**	**11.4**	**(2.3)**	**9.1**
Effective tax rate	*24.9%*		*29.1%*	*25.1%*		*26.6%*	*24.0%*		*24.9%*

The effective underlying income tax rate for the period was 24.9% (Feb 2012: 25.1%). After adjusting for the impact of non-recurring and other items of £0.4m (Feb 2012: £0.4m), the effective statutory income tax rate was 29.1% (Feb 2012: 26.6%).

Reconciliation of the tax charge

£m	**6 months to Feb 2013**	6 months to Feb 2012	12months to Aug 2012
Profit before tax	**19.9**	**18.8**	36.6
Tax on profit at the standard rate of UK corporation tax 24% (Aug 2012: 25%, Feb 2012: 26%)	4.8	4.9	9.2
Permanent differences – intangible amortisation	0.3	0.2	0.5
Permanent differences – deferred consideration	0.4	-	0.7
Permanent differences – other	0.7	0.3	0.7
Share schemes	(0.1)	(0.1)	(0.4)
Adjustment in respect of prior year UK corporation tax	(0.3)	(0.4)	(1.6)
Adjustment in respect of prior year UK deferred tax	-	0.1	-
Total tax charge	**5.8**	**5.0**	9.1

Tax charges to other comprehensive income

£m	**6 months to Feb 2013**	6 months to Feb 2012	12months to Aug 2012
Current tax relating to the defined benefit pension scheme	0.9	1.1	1.8
Deferred tax relating to derivative financial instruments	-	-	0.1
Deferred tax relating to share based payments	0.2	-	0.2
Tax charges to other comprehensive income	**1.1**	**1.1**	**2.1**

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7 Dividends

Proposed dividends for the period	**6 months to Feb 2013**	6 months to Feb 2012	12 months to Aug 2012	**6 months to Feb 2013**	6 months to Feb 2012	12 months to Aug 2012
	Per share	**Per share**	Per share	**£m**	£m	£m
Final dividend	**-**	-	5.8p	**-**	-	10.5
Interim dividend	**3.0p**	2.8p	2.8p	**5.5**	5.1	5.1
	3.0p	2.8p	8.6p	**5.5**	5.1	15.6

Recognised dividends for the period						
	Per share	**Per share**	Per share	**£m**	£m	£m
Final dividend – prior year	**5.8p**	5.4p	5.4p	**10.6**	9.8	9.8
Interim dividend – current year	**-**	-	2.8p	**-**	-	5.1
	5.8p	5.4p	8.2p	**10.6**	9.8	14.9

During the six month period to 28 February 2013, the final dividend for the year ended 31 August 2012 of 5.8p (2011: 5.4p) per ordinary share was paid to shareholders. In addition the directors are recommending an interim dividend in respect of the period ended 28 February 2013 of 3.0p per ordinary share (Feb 2012: 2.8p). This has not been included as a liability in these condensed financial statements. This will be paid on 12 July 2013 to shareholders on the Register at the close of business on 14 June 2013.

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8 Earnings per share

	6 months to Feb 2013			6 months to Feb 2012			12 months to Aug 2012		
	Earnings (£m)	Weighted average number of shares million	Pence per share	Earnings (£m)	Weighted average number of shares million	Pence per share	Earnings (£m)	Weighted average number of shares million	Pence per share
Weighted average number of shares in issue		183.9			183.5			183.5	
Shares held by the ESOP (weighted)		(2.0)			(2.4)			(2.2)	
Basic earnings per share (EPS)									
Underlying earnings attributable to ordinary shareholders	**18.8**	**181.9**	**10.3p**	**16.1**	**181.1**	**8.9p**	**36.1**	**181.3**	**19.9p**
Non-recurring items	(4.6)			(2.3)			(8.6)		
Earnings attributable to ordinary shareholders	**14.2**	**181.9**	**7.8p**	**13.8**	**181.1**	**7.6p**	**27.5**	**181.3**	**15.2p**
Diluted earnings per share (EPS)									
Effect of dilutive securities		11.9			3.8			5.8	
Diluted underlying EPS	**18.8**	**193.8**	**9.7p**	16.1	**184.9**	**8.7p**	**36.1**	**187.1**	**19.3p**
Diluted EPS	**14.2**	**193.8**	**7.3p**	13.8	**184.9**	**7.5p**	**27.5**	**187.1**	**14.7p**

The acquisition of Hedgelane Limited includes £4.0 million of deferred share capital payable contingent on profit targets and the continued employment of the former owners of Hedgelane Limited. A maximum of 4.5 million shares will be issued on or around January 2014 in satisfaction of the deferred share capital if financial performance and employment service criteria are met. These awards are included in diluted EPS.

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9 Net cash inflow from operating activities

£m	6 months to Feb 2013	6 months to Feb 2012	12 months to Aug 2012
Operating profit	21.9	20.5	40.3
Acquisition costs	-	-	2.0
Profit on sale of investment	-	-	(0.5)
Pension funding	(3.1)	(3.1)	(6.8)
Depreciation of property, plant and equipment	2.7	2.3	4.9
Amortisation of intangible assets	2.4	1.0	4.0
Share based payments	1.1	0.7	1.8
Decrease/ (increase) in inventories	1.5	(1.7)	(2.0)
Decrease/ (increase) in receivables	4.7	2.2	(3.1)
Decrease in payables	(12.3)	(14.2)	(6.3)
Income tax paid	(5.0)	(3.0)	(8.0)
(Decrease)/ increase in provisions	(0.2)	(1.8)	2.2
Net cash inflow from operating activities	**13.7**	**2.9**	**28.5**

10 Contingent Liability

The Group has a potential liability that could crystallise 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, any such contingent liability, which becomes an actual liability will be apportioned between Smiths News PLC and WH Smith PLC in the ratio 35:65 (the actual liability of Smiths News PLC in any 12 month period is limited to £5m). The company's share of these leases has an estimated future cumulative gross rental commitment at 28 February 2013 of £9.6m (31 August 2012: £10.9m).

11 Acquisitions

The acquisition of Erasmus made during the period contributed £0.9m to the Group's revenue and nil to the Group's operating profit before intangible amortisation and acquisition related costs.

The net cash outflow in respect of acquisitions in the period comprised:

	£m
Cash consideration	1.2
Net cash acquired	(0.3)
Net cash outflow in respect of acquisitions	0.9
Acquisition related costs – current period acquisitions (recorded in non-recurring items)	0.2
Acquisition related costs – prior year acquisitions	2.0
Total cash outflow in respect of acquisitions	3.1

11 Acquisitions (continued)

Acquisitions are accounted for under the acquisition method of accounting. The Group undertakes a process to identify the fair values of the assets acquired and the liabilities assumed, including the separate identification of intangible assets in accordance with IFRS3 ‘Business Combinations’. Until this assessment is complete, the allocation period remains open for up to twelve months following the relevant acquisition date. At 28 February 2013, the allocation period for all acquisitions completed since 1 March 2012 remained open and accordingly the fair values presented are provisional.

During the year, the Group completed the following acquisitions which have been accounted for in accordance with IFRS3 Business Combinations.

Erasmus Antiquariaat en Boekhandel B.V.

On 21 January 2013, the Group acquired 100% of the issued share capital of Erasmus Antiquariaat en Boekhandel B.V. ('Erasmus') via Dawson Books Ltd, a member of the Book wholesaling segment.

Erasmus, based in the Netherlands, is a leading supplier of high quality books and journals into both academic libraries and Government Institutions mainly across Northern Europe. In the year ended 31 December 2012, Erasmus generated revenues of €15m. The acquisition brings a complementary customer base to Bertrams with strong penetration in France, Germany and Switzerland. Following the successful acquisition of Houtschild in June 2012, Bertrams continues to pursue its stated international expansion programme, now having market leading positions in several key European territories.

The consideration was £1.2m and net cash received was £0.3m. The provisional fair value of net assets acquired totalled £0.2m.

The acquisition gives rise to acquired intangible assets of £0.3m being customer relationships of £0.2m and brand of £0.1m and £0.7m of goodwill relating to future opportunities in the provision of academic book wholesaling. None of the provisional goodwill recognised is expected to be deductible for income tax purposes. Due to the immaterial nature of this acquisition, full disclosures under IFRS3 are not presented.

2012

On 23 April 2012, Smiths News Holdings Limited acquired 100% of the issued share capital of Hedgelane Limited. Hedgelane Limited’s main trading subsidiary, The Consortium for Purchasing and Distribution (“The Consortium”) is a leading independent distributor of consumable products to the education sector and an emerging participant in the care sector. The fair values have been reviewed in the period and the resultant effect of the acquisition on the Group’s assets and liabilities is as follows:

	Provisional opening balance sheet £m	Fair value adjustments in the period £m	Provisional fair value of assets acquired £m
Net assets acquired	11.4	(0.3)	11.1
Goodwill	20.6	0.3	20.9
Total consideration	**32.0**	**-**	**32.0**

12 Intangible assets

Goodwill of £4.1m and acquired intangibles totalling £5.1m arose from the acquisition of the business and assets of Bertrams on 20 March 2009 and has been allocated to the Book wholesaling cash generating unit (CGU).

The acquisition of Dawson Holdings PLC on 23 August 2011, resulted in goodwill of £18.1m and acquired intangibles of £7.8m. These have been allocated to the three CGU's identified at the time of the acquisition; academic book wholesale; media direct and marketing services.

On the acquisition of Hedgelane Limited on 24 April 2012, the Group recognised provisional goodwill of £20.9m and acquired intangibles of £10.4m which have been allocated to the Education and Care CGU.

The acquisition of Houtschild Internationale Boekhandel B.V. on 13 June 2012 lead to the recognition of a further £0.3m of goodwill, which has been allocated to the Academic book wholesaling CGU.

The acquisition of Erasmus Antiquariaat en Boekhandel B.V. on 21 January 2013 lead to the recognition of a further £0.7m of goodwill and acquired intangibles of £0.3m which have been allocated to the Academic book wholesaling CGU.

Goodwill is not amortised, but tested annually for impairment with the recoverable amount being determined from value in use calculations. The Group prepares cash flow forecasts derived from the most recent budgets and forecasts for the following 12 months as approved by the Board and extrapolates these cash flows on an estimated growth rate of 1% over a 20 year period. The rate used to discount the forecast cash flows is 11%, being the Group's risk adjusted pre-tax WACC, specific for each cash generating unit. The calculation of value in use is most sensitive to the discount rate and growth rates used. Management believes that no reasonable potential change in any of the above key assumptions would cause the carrying value to exceed its recoverable amount. Capitalised software comprises costs that are not deemed to be an integral part of the related hardware, which is classified within property, plant and equipment.

		Goodwill				**Acquired Intangibles**				**Total**			
£m	**Date of acquisition**	**On acquisition**	**HY 2013**	HY 2012	FY 2012	**On acquisition**	**HY 2013**	HY 2012	FY 2012	**On acquisition**	**HY 2013**	HY 2012	FY 2012
Bertrams	March 2009	**4.1**	**4.1**	4.1	4.1	**5.1**	**1.6**	2.4	2.0	**9.2**	**5.7**	6.5	6.1
Academic books	August 2011	**13.4**	**13.4**	12.4	12.7	**5.5**	**4.6**	4.9	4.6	**18.9**	**18.0**	17.3	17.3
Book wholesaling		**17.5**	**17.5**	16.5	16.8	**10.6**	**6.2**	7.3	6.6	**28.1**	**23.7**	23.8	23.4
Media direct	August 2011	**5.7**	**5.7**	5.7	5.7	**2.3**	**2.0**	2.3	2.2	**8.0**	**7.7**	8.0	7.9
Marketlink Marketing Communi-cations	August 2011	**-**	**-**	-	-	**0.3**	**0.2**	0.2	0.2	**0.3**	**0.2**	0.2	0.2
Media and marketing		**5.7**	**5.7**	5.7	5.7	**2.6**	**2.2**	2.5	2.4	**8.3**	**7.9**	8.2	8.1
Education and care (provisional)	April 2012	**20.9**	**20.9**	-	20.6	**10.4**	**9.6**	-	10.0	**31.3**	**30.5**	-	30.6
		44.1	**44.1**	22.2	43.1	**23.6**	**18.0**	9.8	19.0	**67.7**	**62.1**	32.0	62.1
Other intangibles											**4.6**	3.9	5.0
Total Intangible assets											**66.7**	35.9	67.1

13 Cash and borrowings

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

£m	Sterling	Euro	USD	Other	Total Feb 2013	At 28 Feb 2012	At 31 Aug 2012
Cash and cash equivalents	6.8	1.9	0.7	0.7	10.1	4.8	5.1
Term loan – disclosed within current liabilities	(3.0)	-	-	-	(3.0)	-	(3.0)
Term loan – disclosed within non-current liabilities	(34.0)	-	-	-	(34.0)	(39.0)	(37.0)
Revolving credit facility	(76.4)	-	-	-	(76.4)	(35.5)	(60.1)
Asset backed facility	(4.2)	-	-	-	(4.2)	(1.7)	(3.0)
Total borrowings	(117.6)	-	-	-	(117.6)	(76.2)	(103.1)
Net borrowings	(110.8)	1.9	0.7	0.7	(107.5)	(71.4)	(98.0)
Total borrowings							
Amount due for settlement within 12 months	(83.6)	-	-	-	(83.6)	(37.2)	(66.1)
Amount due for settlement after 12 months	(34.0)	-	-	-	(34.0)	(39.0)	(37.0)
	(117.6)	-	-	-	(117.6)	(76.2)	(103.1)

Cash and cash equivalents 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.

The asset backed facility is secured by a floating charge over certain of the Group's trade receivables.

At 28 February 2013, the Group had £59.4m (Aug 2012: £76.9m) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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14 Provisions

£m	Reorganisation provisions	Insurance provisions	Deferred consideration	Property provisions	Total
Gross provision:					
At 1 September 2011	**1.3**	**1.3**	**-**	**9.9**	**12.5**
Additions	0.7	0.1	-	0.2	1.0
Utilised in period	(1.2)	(0.2)	-	(1.6)	(3.0)
At 28 February 2012	**0.8**	**1.2**	**-**	**8.5**	**10.5**
Discount:					
At 1 September 2011	-	-	-	(2.2)	(2.2)
Additions	-	-	-	-	-
Unwinding of discount utilisation	-	-	-	0.2	0.2
At 28 February 2012	**-**	**-**	**-**	**(2.0)**	**(2.0)**
Net book value at 28 February 2012	**0.8**	**1.2**	**-**	**6.5**	**8.5**
Gross provision:					
At 1 March 2012:	**0.8**	**1.2**	**-**	**8.5**	**10.5**
Additions	0.1	0.2	2.1	3.4	5.8
Utilised in period	(0.6)	(0.1)	-	(1.1)	(1.8)
At 31 August 2012	**0.3**	**1.3**	**2.1**	**10.8**	**14.5**
Discount:					
At 1 September 2011	-	-	-	(2.0)	(2.0)
Additions	-	-	-	(0.3)	(0.3)
Unwinding of discount utilisation	-	-	-	0.3	0.3
At 31 August 2012	**-**	**-**	**-**	**(2.0)**	**(2.0)**
Net book value at 31 August 2012	**0.3**	**1.3**	**2.1**	**8.8**	**12.5**
Gross provision:					
At 1 September 2012	**0.3**	**1.3**	**2.1**	**10.8**	**14.5**
Additions	0.5	-	1.8	0.5	**2.8**
Utilised in period	(0.2)	(0.1)	(2.1)	(1.2)	(3.6)
At 28 February 2013	**0.6**	**1.2**	**1.8**	**10.1**	**13.7**
Discount:					
At 1 September 2012	-	-	-	(2.0)	(2.0)
Additions	-	-	-	-	-
Unwinding of discount utilisation	-	-	-	0.6	0.6
At 28 February 2013	**-**	**-**	**-**	**(1.4)**	**(1.4)**
Net book value at 28 February 2013	**0.6**	**1.2**	**-**	**8.7**	**12.3**

£m	Feb 2013	Feb 2012	Aug 2012
Included within current liabilities	7.9	5.7	7.8
Included within non-current liabilities	4.4	2.8	4.7
Total	**12.3**	**8.5**	**12.5**

Notes to the Condensed Unaudited Interim Financial Statements
For the 6 months to 28 February 2013

14 Provisions (continued)

The property provision represents the estimated future cost of the Group's onerous and reversionary leases in non-trading properties based on known and estimated rental sub-leases. This provision has been discounted at 8%, and this discount will be unwound over the life of the leases. The provision is expected to be utilised over the period to 2019, when all of the leases that have been provided against will have expired.

Insurance provisions represent the expected future costs of employer's liability, public liability and motor accident claims.

15 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 28 February 2013. There have been no material changes to or material transactions with related parties as disclosed in Note 34 of the Annual Report and Accounts for the year ended 31 August 2012.

16 Responsibility statement

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board.

Mark Cashmore
Group Chief Executive
17 April 2013

Nick Gresham
Chief Financial Officer
17 April 2013