This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR

16 November 2023

INTERNATIONAL DISTRIBUTIONS SERVICES plc
RESULTS FOR THE HALF YEAR ENDED 24 SEPTEMBER 2023

- ***First half performance in line with expectations, against a challenging macroeconomic backdrop.***
- ***Royal Mail: taken short term actions to stabilise business; improving grip on quality; focused on delivering Christmas; on track with customer win back; driving a modernisation agenda.***
- ***GLS: robust performance with strong revenue growth in H1; benefitting from flexible business model and cost discipline; successfully executing on strategy; well placed for long-term profitable growth.***

Reported measures (£m)[1]	**26 weeks ended 24 September 2023**	26 weeks ended 25 September 2022	Change[2]
Revenue	**5,862**	5,838	0.4%
Operating loss[3]	**(243)**	(157)	(54.8)%
Basic loss per share (pence)	**(23.3)**	(9.0)	(158.9)%
Adjusted measures (£m)[1]			
Operating loss[9]	**(169)**	(57)	(196.5)%
Operating margin (%)[9]	***(2.9)%***	*(1.0)%*	*(1.9) ppts*
Loss before tax[9]	**(186)**	(80)	(132.5)%
Basic loss per share (pence)[9]	**(22.7)**	(7.3)	(211.0)%
In year trading cash outflow	**(63)**	(143)	55.9%
Pre-IFRS 16 in-year trading cash outflow	**(159)**	(235)	32.3%
Net debt[4]	**(1,532)**	(1,472)	(4.1)%
Net debt (pre-IFRS 16)[4]	**(142)**	(150)	5.3%

The Group has updated the calculations for a number of Alternative Performance Measures[1] to include an additional adjustment for the consequential impact on depreciation/amortisation arising from the partial impairment of the Royal Mail (excluding Parcelforce Worldwide) CGU in the prior year. In this regard the reported operating loss includes a £60 million benefit of lower depreciation which has not been included in the adjusted loss measure. Furthermore, the Group has redefined the pension charge adjustment to be reflective of the value of contributions due for the period, rather than the cash amounts paid, following a change to the timing of payments. This results in the £30 million timing benefit not being reflected in the adjusted operating loss.

Summary segmental results[1]

	Revenue			**Adjusted operating (loss) / profit**[9]		
(£m)	**26 weeks ended 24 September 2023**	26 weeks ended 25 September 2022	Change[2]	**26 weeks ended 24 September 2023**	26 weeks ended 25 September 2022	Change[2]
Royal Mail	**3,541**	3,647	(2.9)%	**(319)**	(219)	(45.7)%
GLS	**2,330**	2,200	5.9%	**150**	162	(7.4)%
Intragroup	**(9)**	(9)	–	**–**	–	–
Group	**5,862**	5,838	0.4%	**(169)**	(57)	(196.5)%

Martin Seidenberg, Chief Executive Officer of IDS plc, commented:

"We have two businesses with great potential – Royal Mail and GLS. Three months into the job I am more convinced of that than ever.

"When I arrived, I took action to stabilise Royal Mail, after performance had suffered due to industrial action and customer losses. We've delivered on that plan through rigorous cash management, controlling our costs and ruthlessly prioritising high-return projects.

"My top priority now is improving quality. From experience, I know that quality is key for customer satisfaction and sustainable growth, so we are pulling out all the stops to deliver Christmas for our customers. This includes recruiting 16,000 seasonal workers, opening five temporary sorting centres and launching an incentive scheme for operational employees worth up to £500 each for hitting local and national quality targets.

"We have a clear plan for improvement longer term, including reinforcing operational management at a regional and local level, and recruiting faster than ever before, reducing reliance on agency workers. A number of changes we secured in the agreement with the Communication Workers Union (CWU), such as new sickness and attendance policies, will also help to underpin quality.

"We're making good progress implementing that agreement, but our change agenda is wider and will take time.

"We're modernising the network, with two new automated hubs, and becoming more agile in our operations, more efficient, and more sustainable. I'm pleased to say customers are coming back to Royal Mail, and we're on track with our win back programme.

"Looking ahead, we are transforming our business every day, but we can't do it all on our own. We also need the regulator and the Government to do their bit. It's simply not sustainable to maintain a network built for 20 billion letters when we're now only delivering seven billion. The UK is not immune to the trends that we see across the world. Many other comparable countries have already reformed their Universal Service, and the UK is getting left behind. We welcome the fact that Ofcom will be reviewing options for the Universal Service, but the need for reform is urgent.

"GLS delivered a robust financial performance in the first half, despite challenging macroeconomic headwinds, and saw revenue growth in almost all markets. GLS has a proven track record of growth, solid margins and cash generation. We are continuing to invest in our network and portfolio and have the right model, and the right strategy, to deliver long-term growth and margin expansion."

Group: New CEO appointed, H1 performance in line with expectations: GLS performing well with strong revenue growth, offset by expected loss in Royal Mail, against challenging macro backdrop

- Martin Seidenberg appointed Chief Executive Officer in August.
- Group revenue £5,862 million grew by 0.4% year-on-year.
  - GLS revenue grew by 5.9% year-on-year driven by volume growth of 6%.
  - Royal Mail total revenue declined 2.9% year-on-year; growth in total letter revenue, with price offsetting volume decline; lower parcel revenue a result of lower volume due to weaker macroeconomic environment and drag from customer losses experienced during industrial action in FY 2022-23.
  - Year-on-year domestic parcel volume and revenue improved sequentially over the half, with growth exiting Q2.
- Group reported operating loss of £243 million (2022-23: loss of £157 million[3]), with profit in GLS more than offset by loss in Royal Mail, as expected.
- Group adjusted operating loss of £169 million in first half.
  - GLS adjusted operating profit £150 million (2022-23: £162 million), reflecting cost pressures and impact of strategic investments and working day effects.
  - Royal Mail adjusted operating loss of £319 million (2022-23: £219 million), in line with expectations due to lower revenue and cost of pay deal, which particularly impacted H1.
- Balance sheet remains strong with pre-IFRS 16 net debt of £142 million (September 2022: £150 million net debt; March 2023 £181 million net debt) and liquidity of £2.3 billion. Royal Mail (excluding Parcelforce Worldwide) CGU impairment assessment reperformed, with the no additional charge nor reversal required. Royal Mail balance sheet unchanged.

Group: Capital allocation

- Maintain conservative balance sheet.
- Continue to fund higher level of organic investment and to evaluate inorganic opportunities in GLS.
- Expect to be able to pay modest dividend from GLS at the full year.
- Royal Mail will not be able to fund dividend until it returns to positive cash generation.

Group: Outlook

- Expect adjusted operating performance for the Group to be around breakeven in FY 2023-24[8].

Royal Mail: taken short term actions, now driving a modernisation agenda

Short term actions to stabilise business, with focus on:
- Prioritising investment in high return projects.
- Reducing non-core costs.
- New cash management approach.
- Targeted price increases to offset inflation and costs of Universal Service Obligation (USO).

Improving grip on Quality of Service (QoS) the top priority
- Reduced reliance on agency staff, recruiting more permanent staff on new terms and conditions.
- Reinforced operational management at regional and local level.
- Midlands hub opened on schedule, processing up to 90,000 parcel per hour, 6x faster than next largest Mail Centre, with improved quality and customer offering, with parcels accepted up to 1am for delivery later that day to large parts of the country.
- On track with winning back customers lost during industrial action last year - focus now on increasing share of wallet.

Delivering Christmas
- Focused on delivering for customers over festive peak period – including one-off quality incentive scheme.
- Peak resourcing plan in place.
- Opened temporary sorting centres.

Driving a modernisation agenda
- Business Recovery, Transformation and Growth Agreement – making good progress on execution.
- Focusing on our customers: reviewing our out-of-home and last mile strategy.
- Shaping our future network: driving efficiency, leveraging GLS relationship on innovation and quality.

USO reform

- UK being left behind - one of the few comparable countries that hasn't reformed the USO in response to significant structural letter decline – unsustainable to maintain network built for 20 billion letters, when current volume is 7 billion and falling.
- Reform is now urgent and Royal Mail urges both Ofcom and Government to move ahead quickly to create a more efficient, modern and sustainable USO that better reflects customers' changing needs.

GLS: robust performance and delivering on strategic priorities

- Dr Karl Pfaff appointed CEO of GLS in October.
- Revenue growth in almost all markets – weaker freight revenues more than offset by parcel revenue growth.
- Robust parcel volume growth against challenging macroeconomic environment, driven by cross-border and increasing B2C domestic volumes.

Challenging macro environment, taking action

- Adjusted operating profit lower year-on-year, as expected, due to inflationary pressures, labour reforms / minimum wage and strategic investments.
- Mitigating inflationary pressures where possible through efficiency, increased automation and final mile optimisation.
- US run rate of losses reduced from H2 2022-23, recovery plan progressing well.

Focused on upgrading network, transforming last mile and growing international business

- Out-of-home network grew by 11% in H1, with 39% growth in lockers.
- New automated Copenhagen depot planned; Paris and Berlin hubs on track to be operational for peak 2024.
- Serbia greenfield entry ahead of plan.
- Capitalising on GLS's broad international network – good export volume growth.

Volume and revenue

Revenue (£m)	26 weeks ended September 2023	26 weeks ended September 2022	% change[2]
Group[5]	**5,862**	5,838	0.4%
Royal Mail	**3,541**	3,647	(2.9)%
Total Parcels	**1,852**	1,975	(6.2)%
Domestic Parcels (ex. international)[6]	**1,534**	1,635	(6.2)%
International Parcels[7]	**318**	340	(6.5)%
Letters	**1,689**	1,672	1.0%
GLS	**2,330**	2,200	5.9%

Volume (m units)	26 weeks ended September 2023	26 weeks ended September 2022	% change[2]
Royal Mail			
Total Parcels	**578**	613	(6)%
Domestic Parcels (ex. international)[6]	**508**	539	(6)%
International Parcels[7]	**70**	74	(5)%
Addressed letters (ex. elections)	**3,260**	3,598	(9)%
GLS	**433**	410	6%

1. Reported results are prepared in accordance with UK adopted IFRS ('IFRS'). In addition, the Group's performance is explained through the use of Alternative Performance Measures (APMs) that are not defined under IFRS. Management is of the view that these measures are useful basis, alongside reported measures, on which to analyse business performance. They are also consistent with the way financial performance is measured by management and reported to the Board. Two new APMs have been introduced in 2023-24 in respect of: 'depreciation/amortisation adjustment for impaired assets' and 'adjusted tax charge/credit'. In addition, from 2023-24, 'profit on disposal of property, plant and equipment' is presented as an adjustment to operating profit/loss, having previously been presented as a 'non-operating specific item' APM, after operating profit/loss; and the 'pension charge adjustment', having previously been labelled as 'pension charge adjustment' has been re-defined. These and all other APMs used are explained in the 'Presentation of results and Alternative Performance Measures (APMs)' section with reconciliations to the closest measure prescribed under IFRS (and in the case of GLS reconciliations between the Group's functional currency of Sterling and Euro) provided where appropriate.
2. All percentage changes reflect the movement between figures as presented, unless otherwise stated.
3. 2022-23 reported operating loss has been re-presented to £157m from £163m. This is due to profit on disposal of property, plant and equipment now being recognised in operating profit.
4. Net Debt (pre-IFRS 16) includes an amount of £130 million released from the RMPP pension escrow to be used on 30th September 2023 to pay Royal Mail employees a one-off payment following ratification of the Business Recovery, Transformation and Growth Agreement.
5. Royal Mail and GLS revenue does not equal Group revenue due to the elimination of intragroup trading (H1 2023-24: £9 million, H1 2022-23: £9 million).
6. Domestic Parcels excludes import and export for both Royal Mail and Parcelforce Worldwide.
7. International includes import and export for Royal Mail and Parcelforce Worldwide.
8. Excluding voluntary redundancy costs.
9. The calculations for these APMs for the current reporting period have been impacted by the addition of the depreciation/amortisation adjustment for impaired assets (an additional £60m charge) and the amendment to the definition of the pension charge adjustment.

Results presentation
A results webcast for analysts and institutional investors will be held at 9am today, Thursday 16 November 2023 at https://www.internationaldistributionsservices.com/en/investors/financial-results-presentations.

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The person responsible for arranging the release of this announcement on behalf of IDS plc is Mark Amsden, Company Secretary.

Financial Calendar

Q3 Trading update	8 February 2024

GROUP OPERATING AND STRATEGIC REVIEW: Martin Seidenberg, Chief Executive Officer

We have two businesses with great potential and significant strengths. Royal Mail plays such an important role in the fabric of the UK, with a strong brand, our 128,000 employees, and our unrivalled scale and network reach. We are also proud to be the greenest parcel operator in the UK*. Having personally led the business, I know that GLS is unique, with a flexible operating model and strength through its geographic diversity and high quality, cross-border network.

I would like to thank all of my colleagues across Royal Mail and GLS who have worked so hard to keep people and businesses connected throughout the period.

At Royal Mail, transforming into a parcels business, whilst also delivering letters, is the right thing to do. In my first three months in post I took action to stabilise the business in the short term. It was clear we were trying to do too many things at once, and so I undertook a ruthless prioritisation exercise to focus on high return initiatives. This included introducing a new cash management approach, including tighter controls, strategic sourcing and capex reductions. I reduced costs in non-core areas, and reprioritised investment into high return projects, which has put the business on a sounder footing. I also introduced targeted price increases to offset inflation and better reflect the costs of the Universal Service Obligation (USO).

My top priority is quality. Experience tells me quality is a key driver of revenue and growth. This approach has served us well at GLS, which has driven growth through its reputation as a quality leader, and that is why we have brought quality to the top of the agenda at Royal Mail. I have put in place a number of immediate and longer-term actions to increase our grip, through focusing on our people and improving our network efficiency. Royal Mail is a people-driven business, and a more stable, permanent workforce know their routes better and deliver higher quality more efficiently. We’ve stepped up recruitment of permanent staff, on new terms and conditions, in the process reducing our dependency on agency workers. We’ve also reinforced our operational management at both a regional and local level. On improving our network, the introduction of a Quality Control Centre has strengthened our management information and insights. We have brought some of the learnings from our GLS hubs to the UK. Our newly opened Midlands hub gives us 6 times faster processing than the next largest Mail Centre, and it can now accept parcels up to 1am for delivery later that day to large parts of the country.

We know we need to deliver a successful Christmas for our customers and we have a robust plan, including a one-off incentive scheme for operational staff, based on hitting local and national quality targets, and providing additional support for the most impacted units. Last Christmas was challenging with industrial action, and so we need to deliver a better Christmas for our customers this year. We’re resourcing up for peak to handle increased volumes and I know that investing in good quality will pay off.

We’re also driving our modernisation agenda. We’re making good progress implementing the Business Recovery, Transformation and Growth Agreement with the CWU, which provides a solid foundation for future growth. We have introduced seasonal hours, where employees work a longer working week during peak and a shorter working week in the summer, with no change to annual hours or pay, new sickness and attendance policies, and we are progressing with trials to improve how we sort letters and parcels in delivery (indoor method change trials). We are also rolling out “MyPerformance”, to provide information to support performance. We are also planning to implement later start times at the beginning of 2024-25, removing around 50% of our domestic flights, improving quality, cost efficiency, and reducing our impact on the environment.

But our agenda is wider. We’re modernising the network and becoming more agile, more efficient, and more sustainable. I’m pleased to say customers are coming back to Royal Mail, and we’re on track with our win back programme. We’re now focused on winning back volumes and share of wallet and it was pleasing to see an improving trend on parcel volumes during the first half. We are also now looking at how best to serve our customers in a rapidly changing environment, providing more convenience and finding new ways for them to interact with us. This includes reviewing our approach to out of home in general and especially looking at alternative ways to deliver and drop off parcels. We will continue to develop our digital footprint, and are also looking at the shape of our future network, leveraging the GLS relationship to share more learnings.

Looking ahead, whilst we are doing all we can to transform, we also need the regulator and the Government to do their bit. We welcome the fact that Ofcom will be reviewing options for the Universal Service, but the need for reform is increasingly urgent. Most other comparable countries have already reformed their Universal Service and the UK is getting left behind. The UK is not immune to the trends that we see across the world and it’s simply not sustainable to maintain a network built for 20 billion letters when we're now only delivering 7 billion. Regulation has to move with the times, just like we are, and we urge the Government and Ofcom to move ahead quickly.

Transformation will take time. There is hard work ahead and there will be some challenges along the way, but Royal Mail is heading in the right trajectory. If we all work together, I am confident there will be a positive outcome for our people, our customers and shareholders.

Moving to GLS, it continues to be a reliable performer, with a proven track record of growth, solid margins and cash generation. It’s flexible operating model, broad customer base and geographic diversity provides a strong platform for further organic and inorganic growth. It had a robust financial performance in the first half, despite challenging macroeconomic headwinds, with revenue growth in almost all markets. The business has continued to successfully execute on its strategy and make progress on its strategic investments during the first half, as it develops its last mile proposition, including an expansion of lockers, and invests in new markets and services. We are continuing to invest in our networks and portfolio and have the right model, and the right strategy, to deliver long-term growth and margin expansion.

** As referenced in Royal Mail’s ESG Report 2022-23, page 12*

Performance in the first half was in line with our expectations. Group revenue grew by 0.4% in the first half, driven by GLS. Group operating loss was £243 million on a reported basis[1] (2022-23: £157 million loss[3]). Group adjusted operating loss[9] was £169 million (2022-23: £57 million loss), reflecting the expected loss in Royal Mail, partially offset by the performance of GLS, which recorded an adjusted operating profit of £150 million (2022-23: £162 million). Group adjusted basic loss per share[9] was 22.7 pence (2022-23: 7.3 pence loss per share). On a reported basis, Group loss per share was 23.3 pence (2022-23: 9.0 pence loss per share).

Further detail on our financial performance is included in the Financial Review.

Royal Mail

Revenue decreased 2.9% to £3,541 million, reflecting a decline in parcel revenue, itself a factor of the macroenvironment and recovery from industrial action in FY 2022-23, partially offset by growth in letter revenue.

In parcels, we made good progress in winning back customers lost due to industrial action last year. There was some downtrading, for example from Tracked 24® to Tracked 48®, and a negative revenue mix from lower-than-anticipated volumes in consumer and small business, which have an above average unit revenue.

Overall domestic parcel volumes (ex. international)[6] decreased by 6%, broadly in line with our expectations. This was slightly ahead of our central estimate of the market decline in the first half, which is c. 7%[20]. Our revenue performance was slightly softer than expected, with domestic parcel revenue down 6.2% year-on-year in the first half

Domestic parcel (ex. international)[6] revenue and volume trends improved over the period, with Q2 revenue down 3.3% and volume down 2%, compared to Q1 which reported a 9.0% revenue decline and 9% volume decline year-on-year. The month of September saw a return to volume growth of 1% year-on-year, with October showing a further improvement to 4%. October also saw a return to revenue growth.

We expect a market volume decline of mid-single digit percent[20] for FY 2023-24, with an improving backdrop in H2. This helps to underpin the expected strong growth in Royal Mail domestic parcel volumes and revenue in the second half, alongside lapping 15 days of industrial action.

International parcel volumes[7], including import and export parcels for Royal Mail and Parcelforce Worldwide, were down 5% year-on-year, a result of the global macroeconomic backdrop, the cyber incident in January 2023 and recovery from industrial action. International parcel revenue[7] decreased 6.5% year-on-year. Again, revenue and volume trends improved over the period, with Q2 revenue down 5.3% and volume up 6%, compared to the Q1 revenue and volume decline of 7.8% and 13% respectively year-on-year.

Total letter revenue grew by 1.0% in the first half, benefitting from price rises, necessary given the inflationary environment and costs of the delivering the USO against the backdrop of declining letter volumes, and positive mix effects, offset by volume decline. Addressed letter volumes (excluding elections) fell by 9% in the first half, year-on-year, reflecting the trend of long-term structural decline. Addressed advertising mail volumes were down 17% year-on-year, a result of the weaker macroenvironment, while business mail volumes remained more robust, declining by 5%. Business mail revenue grew by 8.4% year-on-year, with volume decline more than offset by pricing.

Reported operating loss was £383 million (2022-23: £278 million loss) and adjusted operating loss[9] was £319 million (2022-23: £219 million loss).

In-year trading cash outflow was £166 million (2022-23: £274 million outflow) and pre-IFRS 16 was £222 million outflow, compared to an outflow of £330 million in the prior year. Gross capital expenditure decreased by £39 million to £78 million as we focused on maintaining liquidity.

Further detail on our financial performance is included in the Financial Review.

As stated above, quality of service is a top priority. It has been impacted by high absence levels, vacancies and lack of operational grip in some units. In the second quarter to 24 September, Royal Mail delivered 74.1% of First Class mail within one working day and 91.3% of Second Class mail within three working days. We recognise that quality has not been where it needs to be and we have outlined our plans above to improve performance.

Royal Mail's Net-Zero and near-term targets have now been validated by the Science Based Targets initiative (SBTi) as being in line with the latest climate science to limit global warming to 1.5°C above pre-industrial levels. The targets are part of Royal Mail's Steps to Zero strategy to achieve Net-Zero by 2040.

In July, Royal Mail reached the milestone of 5,000 electric vans across its delivery and collection fleet. Royal Mail operates the largest electric commercial fleet in the country, and over 160 delivery or collection offices across the country have made the transition to either full or part electric deliveries and collections. We also announced heavy good vehicles (HGVs) at three sites would transition to HVO (Hydrotreated Vegetable Oil) biofuel, with more locations to follow. Using HVO is expected to save 10 million litres of diesel in 2023-24.

There is much more to be done. The business is heading in the right direction, and we're seeing the positive impact from our actions. The focus now is on execution and delivery of our turnaround plan.

20. Internal estimate. 95% confidence interval ±2%.

GLS

GLS continued to make good progress on its strategy and delivered a robust financial performance in the first half, in line with guidance, against challenging macroeconomic conditions.

Revenue grew 5.9% to £2,330 million, 4.1% growth in Euro terms, driven by volume growth partly mitigated by lower freight revenues and lower fuel surcharges. Excluding acquisitions, revenue was up 5.0% in Sterling terms. Revenue growth was achieved in almost all markets, with robust performances in Italy - driven by growth in 2C and cross-border volumes; Iberia - which saw double-digit volume growth; and France - which saw volume and revenue growth despite weak economic conditions. Germany also delivered a robust performance, despite challenges from a higher minimum wage and pressure on volumes.

Parcel volumes increased by 6%, driven by cross-border volumes and increasing domestic e-commerce volumes. B2C volume share was 57%, three percentage points above the prior year.

Reported operating profit was £140 million (2022-23: £121 million). Adjusted operating profit was £150 million (2022-23: £162 million), or €173 million (2022-23: €191 million), reflecting inflationary pressures, including a higher minimum wage in some markets and the impact of strategic investments. Adjusted operating profit margin declined by 100 basis points.

Foreign exchange movements favourably impacted revenue by £38 million and adversely impacted costs by £36 million resulting in a net increase in operating profit of £2 million.

We continued to invest in growth and automation to generate efficiency savings, with gross capital expenditure of £61 million (2022-23: £44 million). In-year trading cash inflow pre-IFRS 16 remained robust, at £63 million, which compared with £95 million inflow in the prior year. In-year trading cash inflow was £103 million (2022-23: £131 million inflow).

Performance in selected markets is highlighted below, with revenue growth and cost development detailed in Euro terms, unless stated otherwise. Operating profit is before specific items. Further detail is included in the Financial Review.

In Germany, organic revenue growth was 4.5% driven by improved pricing, with volumes relatively flat. Overall operating profit improved, a good result in challenging market conditions.

GLS Spain revenue grew by 19.0% driven by double-digit volume growth and improved pricing. Higher minimum wages and the impact of ramping up the new Madrid hub, which is providing significant additional capacity, resulted in an increase in costs. Overall operating profit declined slightly compared with the prior year.

GLS France revenue grew by 5.3%, driven principally by higher volumes. Whilst operating losses increased marginally compared with the prior year, the business remains on a good trajectory.

In the US, revenue declined by 9.1% in Euro terms (4.8% decline in USD terms) driven by lower freight revenues, not fully offset by strong B2C parcel volume growth. Operating losses remained broadly in line with the prior year, a significant improvement compared with losses in the second half of FY 2022-23. The recovery plan is progressing well and measures focused on improving unit operational costs and the quality of revenue, including yield management activities, are continuing.

GLS Canada organic revenues declined by 15.8% in Euro terms (8.0% decline in CAD terms) principally due to lower freight revenue, a result of the weaker macro environment. This led to a decline in operating profit in CAD terms, which was exacerbated in Euro terms due to the weakening of the CAD, although Canada remains a higher margin business for GLS.

GLS is continuing to execute on its strategy:

- Upgrading the network - GLS is continuing to make investments to drive productivity and growth. The Madrid hub is ramping up for peak, processing more than 330,000 parcels daily; the new Paris and Berlin hubs remain on track to open for peak in 2024; and a new automated depot near Copenhagen is at the planning stage.
- Transforming the last mile - parcel locker expansion in Eastern Europe is progressing well. Our global out-of-home network expanded by 11% in the first half, including a 39% expansion of our locker network. GLS Italy also acquired ProntoPacco, a leading parcel shop network. GLS continues to launch new innovative digital solutions along the entire customer journey.
- Growing our international business and network – GLS is strengthening its top position in the cross border deferred parcel segment, with good export volume growth. Our entry into Serbia is progressing ahead of plan.

GLS is also moving ahead on ESG. For example, in Ireland, our new depot in Dublin is equipped with a 6.5 kW photovoltaic system, a heat pump, rainwater harvesting, LED lighting ,14 electric charging stations and is LEED Silver certified.

GLS Denmark exclusively uses 100% certified sustainable electricity at all GLS locations. Within GLS, 80% of the GLS-operated sites are using renewable energy, with eight countries exclusively using renewable electricity.

The GLS-wide campaign “Safety starts with you” is ongoing and focussing on a long-term behaviour-based safety culture.

GLS is successfully managing costs while maintaining quality, with a balanced approach to volume growth and yield management, mitigating inflationary pressures through efficiency, increased automation and final mile optimisation. It is continuing to launch new, innovative digital services, and is progressing with targeted investments to expand its out-of-home footprint, whilst also growing its international business and network.

Capital allocation and dividend

The Group’s in-year trading cash outflow was £63 million (2022-23 £143 million outflow) and on a pre-IFRS 16 basis in-year trading cash outflow was £159 million (2022-23: £235 million outflow), as a result of Royal Mail trading performance.

Net debt (pre-IFRS 16)[4] was £142 million at 24 September 2023 (£150 million of net debt at 25 September 2022, £181 million net debt at 26 March 2023). The maintenance of a conservative balance sheet has always been at the heart of the Group’s capital allocation policy and the Board considers the Group's net debt position as robust, both in the context of the Group's historic net debt position and 0.6x net debt/GLS EBITDA is well below current covenant limits.

The Group had available liquidity of around £2.3 billion at the end of September 2023 with £1.4 billion of cash and cash equivalents (excluding £43 million GLS client cash) including proceeds from bond issues in September 2023, and the undrawn bank syndicate loan facility of £925 million.

The Group will continue to fund the current higher level of investment in GLS organic growth and continue to evaluate inorganic opportunities for GLS.

The Board expects to be able to pay a modest dividend from GLS at the full year. However, Royal Mail will not be able to fund the group dividend until it returns to positive cash generation.

Outlook

Despite the macroeconomic backdrop, first half results were in line with our expectations.

The trading environment continues to be uncertain for both Royal Mail and GLS. All of our markets are impacted by a challenging global economy, including high levels of inflation and expectations of lower future economic growth

We expect adjusted operating performance for IDS plc to be around breakeven for FY 2023-24.[8] The outlook for GLS is unchanged.

Proceeds from planned real estate disposals are expected to take longer than initially anticipated to be realised and so we now expect a free cash outflow for FY 2023-24 for Royal Mail.

On a 2-year outlook, we are still targeting Royal Mail to return to adjusted operating profit[8] in FY 2024-25, although the current weaker macroeconomic conditions represent a significant headwind.

OUR PRINCIPAL RISKS AND UNCERTAINTIES

The Board has considered the principal risks faced by the Group for the remaining six months of the year as described at pages 50 to 55 of International Distributions Services plc's Annual Report and Financial Statements 2022-23: https://www.internationaldistributionsservices.com/media/12054/ids_annual-report-2022-23.pdf

No new principal risks have been identified and they remain materially unchanged in their nature and severity, with the exception of the following risk:

Risk 7: Failure to secure USO reform – Given the lack of urgent action by Government and Ofcom in pursuing USO reform, this risk is increasing with the passage of time. The UK has fallen behind other countries in modernising its postal USO. Royal Mail now needs urgent reform to ensure progress on its strategy and in the remediation of several interconnected principal risks. Whilst Ofcom has recently announced that it will review the potential for reform of the USO during 2024, the process proposed will take too long. Management will continue to make the case for change with Ofcom and Government in order to provide a more efficient, modern and sustainable USO.

The following risk descriptions have been changed to reflect the immediate focus:

- Risk 1: Industrial action - changed to "Industrial Relations" to reflect the agreement of a deal with the CWU. The focus of activity is now on improving industrial relations in order to best enable delivery of the strategic plan.
- Risk 5: Customer expectations and response to market - changed to "Failure to meet customer expectations and ability to grow revenue". This reflects the current increased focus on quality of service.

The following principal risks remain unchanged:

- Risk 2: Failure to reduce our operational cost base
- Risk 3: Economic and political environment
- Risk 4: Major breach of information security, data protection regulation and/or cyber attack
- Risk 6: Talent – workforce for the future
- Risk 8: Climate change and environmental management
- Risk 9: Actual or suspected breached in material law and/ or regulation
- Risk 10: Business continuity and operational resilience
- Risk 11: Health, safety and wellbeing
- Risk 12: Failure to manage liquidity

FINANCIAL REVIEW
Summary results (£m)[1]

	Reported 26 weeks September 2023	**Adjustments and specific items**	**Adjusted[10] 26 weeks September 2023**	Reported 26 weeks September 2022	Adjustments and specific items	Adjusted[10] 26 weeks September 2022
Revenue	**5,862**	**-**	**5,862**	5,838	–	5,838
Royal Mail	**3,541**	**-**	**3,541**	3,647	-	3,647
GLS	**2,330**	**-**	**2,330**	2,200	-	2,200
Intragroup revenue[11]	**(9)**	**-**	**(9)**	(9)	-	(9)
Operating costs	**(6,103)**	**(72)**	**(6,031)**	(5,967)	(72)	(5,895)
Royal Mail	**(3,932)**	**(72)**	**(3,860)**	(3,938)	(72)	(3,866)
GLS	**(2,180)**	**-**	**(2,180)**	(2,038)	-	(2,038)
Intragroup costs[11]	**9**	**-**	**9**	9	-	9
Profit on disposal of property, plant and equipment	**15**	**15**	**-**	6	6	-
Operating loss before specific items	**(226)**	**(57)**	**(169)**	(123)	(66)	(57)
Operating specific items	**(17)**	**(17)**	**-**	(34)	(34)	-
Operating loss[3]	**(243)**	**(74)**	**(169)**	(157)	(100)	(57)
Operating loss margin	**(4.1)%**	**-**	**(2.9)%**	*(2.7)%*	–	*(1.0)%*
Royal Mail	**(383)**	**(64)**	**(319)**	(278)	(59)	(219)
Royal Mail Operating loss margin	**(10.8)%**	**-**	**(9.0)%**	*(7.6)%*	–	*(6.0)%*
GLS	**140**	**(10)**	**150**	121	(41)	162
GLS Operating profit margin	**6.0%**	**-**	**6.4%**	*5.5%*	–	*7.4%*
Net finance costs	**(17)**	**-**	**(17)**	(23)	-	(23)
Net pension interest (non-operating specific item)	**66**	**66**	**-**	53	53	–
Loss before tax	**(194)**	**(8)**	**(186)**	(127)	(47)	(80)
Tax (charge)/credit	**(29)**	**2**	**(31)**	41	31	10
Loss after tax	**(223)**	**(6)**	**(217)**	(86)	(16)	(70)
Earnings per share (basic) – pence	**(23.3)p**	**(0.6)p**	**(22.7)p**	(9.0)p	(1.7)p	(7.3)p
In-year trading cash flow			**(63)**			(143)
Royal Mail			**(166)**			(274)
GLS			**103**			131
Pre-IFRS 16 in-year trading cash flow			**(159)**			(235)
Royal Mail			**(222)**			(330)
GLS			**63**			95
Gross capital expenditure			**(139)**			(161)
Royal Mail			**(78)**			(117)
GLS			**(61)**			(44)
Net debt[4]			**(1,532)**			(1,472)

The Group has updated the calculations for a number of Alternative Performance Measures[1] to include an additional adjustment for the consequential impact on depreciation/amortisation arising from the partial impairment of the Royal Mail (excluding Parcelforce Worldwide) CGU in the prior year. Furthermore, the Group has redefined the pension charge adjustment to be reflective of the value of contributions due for the period, rather than the cash amounts paid, following a change to the timing of payments.

1. Reported results are prepared in accordance with International Financial Reporting Standards (IFRS). In addition, the Group's performance is explained through the use of Alternative Performance Measures (APMs) that are not defined under IFRS. Management is of the view that these measures provide a useful basis on which to analyse business performance. They are also consistent with the way financial performance is measured by Management and reported to the Board. The APMs used are explained in the section entitled 'Presentation of results and Alternative Performance Measures' and reconciliations to the closest measure prescribed under UK-adopted international accounting standards are provided where appropriate (and in the case of GLS reconciliations between the Group' functional currency of Sterling and Euro).

3. 2022-23 reported operating loss has been re-presented to £157m from £163m. This is due to gains on disposal of fixed assets now being recognised in operating profit.

4. Net Debt (pre-IFRS 16) includes an amount of £130 million released from the RMPP pension escrow used on 30th September 2023 to pay Royal Mail employees a one-off payment following ratification of the Business, Transformation and Growth agreement.

10. The Group has previously made adjustments to reported results under IFRS to exclude specific items and the pension charge adjustment. For the first time the Group has also made an adjustment in respect of the depreciation/amortisation of impaired assets (an additional £60m charge). Furthermore, the Group has redefined the pension charge adjustment to be reflective of the value of contributions due for the period, rather than the cash amounts paid, following a change to the timing of payments. A full reconciliation of reported to adjusted results is explained in the section entitled 'Presentation of results and Alternative Performance Measures.'

11. Intragroup revenue and costs represent trading between Royal Mail and GLS, principally a result of Parcelforce Worldwide operating as GLS' partner in the UK.

Group results

Group and Royal Mail results are for the 26 week period to 24 September 2023. GLS financial performance is presented for the 6 months to 30 September 2023.

Group revenue remained flat with a 0.4% increase in the period. Total Group parcel revenue increased 0.2% in the period. Parcel revenue accounted for 71.3% of total revenue (H1 2022-23: 71.4%), with the decline in Royal Mail parcel revenues being offset by GLS revenue growth and resilient letter revenue performance.

	26 weeks ending September		% change[2]
Revenue (£m)	**2023**	2022	2023 vs 2022
Group[5]	**5,862**	5,838	0.4%
Royal Mail	**3,541**	3,647	(2.9)%
Total Parcels	**1,852**	1,975	(6.2)%
Domestic Parcels (excluding international)[6]	**1,534**	1,635	(6.2)%
International Parcels[7]	**318**	340	(6.5)%
Letters	**1,689**	1,672	1.0%
GLS	**2,330**	2,200	5.9%

	26 weeks ending September		% change[2]
Volume (m units)	**2023**	2022	2023 vs 2022
Royal Mail			
Total Parcels	**578**	613	(6)%
Domestic Parcels (excluding international)[6]	**508**	539	(6)%
International Parcels[7]	**70**	74	(5)%
Addressed letters (excluding elections)	**3,260**	3,598	(9)%
GLS	**433**	410	6%

2. All percentage changes reflect the movement between figures as presented, unless otherwise stated.
5. Royal Mail and GLS revenue does not equal Group revenue due to the elimination of intragroup trading (H1 2023-24: £9 million, H1 2022-23: £9 million).
6. Domestic Parcels excludes import and export for both Royal Mail and Parcelforce Worldwide.
7. International includes import and export for Royal Mail and Parcelforce Worldwide.

People costs on an adjusted basis increased by 1.7% from the prior year. Royal Mail people costs remained flat from the prior year as transformational savings achieved through frontline efficiency programmes were offset by the revised pay agreement. However, people costs in GLS were higher due to inflationary pressures across GLS markets.

Non-people costs on an adjusted basis have seen a slight increase year-on-year, driven primarily by volume growth at GLS. Lower distribution and conveyancing costs at Royal Mail, consistent with lower volumes, and other cost control initiatives were partially offset by higher infrastructure costs due to higher rates and utilities across our sites. GLS has seen higher costs due to continued inflationary pressures and volume growth.

On a reported basis the Group operating loss margin was 4.1% (H1 2022-23: 2.7% loss margin).

Reported operating loss before specific items was £226 million (H1 2022-23 £123 million loss), £103 million higher than the prior period. This is mainly due to the revenue decline in Royal Mail. The reported loss includes a one-off charge of £130 million for a payment to UK employees funded by a release of cash from the RMPP pension escrow following ratification of the Business Recovery, Transformation and Growth Agreement, partially offset by £60 million lower depreciation charges as a result of the impairment of the Royal Mail (excluding Parcelforce Worldwide) Cash Generating Unit in the prior year. The net effect of these two items is £70 million. In the prior year the reported loss included a £72 million IAS19 pension charge compared to £2 million in the current year. The year-on-year decrease in the IAS 19 income statement pension charge rate is due to the increase in the net discount rate applied to the scheme's liabilities.

Operating specific items were a charge of £17 million (H1 2022-23: charge of £34 million). Non-operating specific items were a credit of £66 million (H1 2022-23: credit of £53 million). Refer to Note 4 to the financial statements for further details.

Adjusted Group operating loss margin[9] was 2.9% (H1 2022-23: 1.0% loss) or £169 million (H1 2022-23: £57 million loss) driven by losses in Royal Mail.

Reported loss before tax of £194 million (H1 2022-23: £127 million loss) comprises a £322 million loss in Royal Mail (H1 2022-23: £239 million loss) and a £128 million profit in GLS (H1 2022-23: £112 million profit).

Segment Analysis

Royal Mail

Royal Mail adjusted operating loss[9] was £319 million (H1 2022-23: £219 million loss). Adjusted operating loss margin[9] was 9.0% (H1 2022-23: 6.0% operating loss margin). Revenue declined 2.9% versus the prior period, in line with expectations, driven by the overhang of industrial action and weaker macroeconomic conditions reflecting weakening retail trends. Operating costs are lower than the same period last year due to cost control initiatives and lower volumes.

Parcels Revenue

Total parcel revenue saw a decline of 6.2% on the prior period, with volume down 6%. Parcel revenue represented 52.3% of total Royal Mail revenue, down from 54.2% in H1 2022-23.

Domestic parcels (excluding International) performance against the prior period for both revenue and volume saw declines of 6.2% and 6% respectively, primarily due to the macroeconomic environment. As a result of industrial action during the prior year the business lost significant market volume to competitors and continued to see the impact of this in H1 2023-24. In the first half the business was focused on winning back customer accounts lost to competitors during industrial action. The focus is now on securing the associated volumes and regaining market share, which is ongoing.

The business has also experienced pressure on average unit revenue in parcels due to product mix. The first half saw a shift away from premium tracked products such as Tracked 24® into products such as Tracked 48®. Also the prior year comparative included a small volume of high unit revenue COVID test kits which are no longer material in revenue for this reporting period.

The business has implemented price rises in the year in response to lower volume and inflationary cost pressures. In the parcels product segment these included some contract price rises to our products from April 2023. The business announced further increases starting in October 2023, including peak surcharging and green levies.

International revenue declined 6.5% on the prior period, reflecting lower volume, which declined by 5%. Revenue from International was affected by both the industrial action and the cyber incident in January 2023. The business is focused on recovering customer relationships.

Letters Revenue

Total letter revenue saw an increase of 1.0% versus the prior period, with volumes for addressed letters excluding elections down 9% reflecting the structural decline in letters.

Addressed advertising mail volumes comprised 26% of addressed letter volume in the period. Volumes are sensitive to the broader macroeconomic environment and declined by 17%. Revenue of £163 million (H1 2022-23: £191 million) was 15% lower following price increases.

Business mail volumes comprised 58% of addressed letter volume in the period. Business mail volume fell 5% year-on-year with structural decline being partly offset by interest rate communications. Revenue of £827 million (H1 2022-23: £763 million) was £64 million higher than the prior year, after price increases in bulk and network access products.

Consumer and small business volumes comprised 14% of addressed letter volume in the period. Volume fell by 10% due to continued decline in the letter market. Revenue of £435 million (H1 2022-23: £436 million) was broadly in line with the prior year due to price increases.

Adjusted operating costs[10]

(£m)	**Adjusted 26 weeks September 2023**	Adjusted 26 weeks September 2022	% change[2]
People costs[9]	**(2,693)**	(2,693)	-
Non-people costs[9]	**(1,167)**	(1,173)	0.5%
Distribution and conveyance costs	**(394)**	(400)	1.5%
Infrastructure costs	**(433)**	(410)	(5.6)%
Other operating costs	**(340)**	(363)	6.3%
Total	**(3,860)**	(3,866)	0.2%

10. The Group has previously made adjustments to reported results under IFRS to exclude specific items and the pension charge adjustment. For the first time the Group has also made an adjustment in respect of the depreciation/amortisation of impaired assets (an additional £60m charge). Furthermore, the Group has redefined the pension charge adjustment to be reflective of the value of contributions due for the period, rather than the cash amounts paid, following a change to the timing of payments. A full reconciliation of reported to adjusted results is explained in the section entitled 'Presentation of results and Alternative Performance Measures.'

Total adjusted operating costs[9] declined by £6 million or 0.2% period-on-period. People costs[9] have remained flat. Non-people costs[9] have reduced as a result of declining costs in distribution and conveyancing, driven by lower International conveyancing, although there have been increased fleet maintenance costs. Other operating costs have seen lower spends on test kit consumables and recruitment costs, and lower volume-related costs from the contract with Post Office Limited. These were partially offset by higher infrastructure costs. The increase in this cost base was driven by higher rates and utilities across our sites.

People costs[9]
People costs[9] have remained flat across Royal Mail when compared to the prior period.

As a part of the business transformation plans there has been a drive to improve efficiency and profitability. Over the last year the frontline operational headcount has reduced in line with the transformation plans and as at September 2023 the number of frontline FTE's was 9,600 lower than the equivalent point last year. The impact of this has been to reduce people costs by c. £150 million. This was offset by the 6% pay increase backdated to April 2023, amounting to £150 million, upon the CWU members approving the agreement in July 2023.

Other movements in people costs were flat and included the benefit of continued cost saving and transformation programmes in non-operational areas including the overhead cost base of the business.

Non-people costs[9]
Non-people costs[9] decreased by 0.5% versus the prior period.

Distribution and conveyance costs decreased by 1.5% driven by lower volumes. Lower International volume has led to lower overseas conveyance costs and lower terminal dues. These have been partially offset by higher maintenance costs related to the Royal Mail fleet. However, there has been a reduction in hire vehicle costs from 2022-23 related to the industrial action.

Infrastructure costs increased year-on-year by 5.6%. This category includes the inflationary impacts of business rates and utilities costs which have increased by £21 million against the prior period. Also included are the costs of remediation and systems resilience improvement following the cyber-attack on the Heathrow Worldwide Distribution Centre of £10 million.

Other operating costs decreased by 6.3% primarily driven by cost control activities and lower volume-related costs of Post Office Limited commission linked to lower volumes through that channel.

GLS[13]

Summary results[14] (£m)	**6 months to 30 September 2023**	6 months to 30 September 2022	% change[2]
Revenue	**2,330**	2,200	5.9%
Operating costs	**(2,180)**	(2,038)	(7.0)%
Operating profit before specific items	**150**	162	(7.4)%
(€m)			
Revenue	**2,694**	2,587	4.1%
Operating costs	**(2,521)**	(2,396)	(5.2)%
Operating profit before specific items	**173**	191	(9.4)%

13. The results for H1 2023-24 include £1 million operating profit before specific items from acquisitions.
14. The Group makes adjustments to reported results under IFRS to exclude specific items and the IAS 19 pension charge adjustment as set out in the section entitled 'Specific items and adjustments'. As the pension charge adjustment is not applicable to GLS, the operating profit before specific items is the same on a reported and adjusted basis, and thus no separate adjusted measures have been presented.

In Sterling terms, operating profit before specific items was £150 million (H1 2022-23: £162 million). Foreign exchange movements favourably impacted revenue by £38 million and adversely impacted costs by £36 million resulting in a net increase in operating profit of £2 million.

Operating profit before specific items in Euro terms decreased by 9.4%. Margin deteriorated by 100 basis points, to 6.4%, due to operational cost pressures, fewer working days and investment in strategic initiatives with initial start-up losses.

Revenue
Revenue increased by 5.9% in Sterling terms (4.1% in Euro terms). Excluding acquisitions, revenue was up 5.0% in Sterling terms, driven by volume growth but partly mitigated by lower freight revenues. Parcel prices were broadly flat due to lower fuel surcharges and mix effects. Revenue growth was achieved in all markets with the exception of Canada and the US, where weak economic conditions and the impact from a weakening Canadian dollar impacted revenue development. GLS' European markets represented 88.2% of total revenue (H1 2022-23: 86.2%), with the North American market contributing 11.8% (H1 2022-23: 13.8%).

Overall volumes increased by 6% despite challenging economic conditions. Growth was driven by a combination of higher cross-border volumes and increasing domestic e-commerce volumes. B2C volume share at 57% was three percentage points above H1 of the prior year.

Operating costs

(£m)	Reported 6 months to 30 September 2023	Reported 6 months to 30 September 2022	% change[2]
People costs	**(544)**	(489)	(11.2)%
Non-people costs	**(1,636)**	(1,549)	(5.6)%
Distribution and conveyance costs	**(1,420)**	(1,350)	(5.2)%
Infrastructure costs	**(161)**	(146)	(10.3)%
Other operating costs	**(55)**	(53)	(3.8)%
Total	**(2,180)**	(2,038)	(7.0)%

Total reported operating costs in Sterling terms increased by 7.0%, or 6.0% excluding acquisitions.

Inflationary effects across GLS markets, including higher minimum wages in some countries impacted rates for both sub-contracted services such as collection, delivery and line-hauls and own labour costs.

The reported cost increases in Euro terms are presented below.

(€m)	Reported 6 months to 30 September 2023	Reported 6 months to 30 September 2022	% change[2]
People costs	**(629)**	(575)	(9.4)%
Non-people costs	**(1,892)**	(1,821)	(3.9)%
Distribution and conveyance costs	**(1,642)**	(1,588)	(3.4)%
Infrastructure costs	**(186)**	(171)	(8.8)%
Other operating costs	**(64)**	(62)	(3.2)%
Total	**(2,521)**	(2,396)	(5.2)%

People costs

In Euro terms people costs increased by 9.4%, or 8.2% excluding acquisitions, due to a combination of factors including higher unit labour costs for hub and depot operations driven by wage inflation across GLS' markets, and higher minimum wages in some jurisdictions such as Germany and Spain.

Non-people costs

Non-people costs increased by 3.9%, or 3.1% excluding acquisitions. Distribution and conveyance costs were up 3.4%, or 2.6% higher excluding acquisitions, driven by higher sub-contractor rates partly mitigated by lower line-haul rates which benefited from the decline in the oil price. Infrastructure and other operating costs increased by 8.8% and 3.2% respectively (8.0% and 2.3% respectively excluding acquisitions), principally due to higher depreciation and IT costs for digitalisation initiatives.

Country overview

The following individual market summaries detail revenue growth in Euro terms, unless otherwise stated. Operating profit is before specific items.

In Germany, the largest GLS market by revenue, organic revenue growth was 4.5% driven by improved pricing, with volumes relatively flat. Price increases in response to the increased costs resulting from the strong increase in the German minimum wage were partly offset by lower fuel surcharges. Overall operating profit improved, representing a good development in challenging market conditions. Effective 1 April 2023 the acquisition of the e-fulfilment business Versandmanufaktur GmbH ("VM") was completed at an initial purchase price of €11 million of which €3 million of the purchase is deferred. The deferred amount is principally contingent on the expected achievement of the EBITDA target for the year 2025-26. VM will be integrated into the GLS Germany operations and will complement its product portfolio.

GLS Italy revenue grew by 6.7%, with strong volume growth. Operating profit increased compared with the prior period, driven by higher revenues and good control of the cost base. In May 2023, the acquisition of the parcel shop broker ProntoPacco was completed at an initial purchase price of €10 million of which 50% is deferred. The deferred amount is principally contingent on the expected achievement of EBITDA targets in the next 3 years. The acquisition solidifies GLS Italy's presence in the out-of-home delivery segment.

Revenues in GLS Spain grew by 19.0% driven by double-digit volume growth and improved pricing. Volume growth benefited from new key accounts. Higher minimum wages and the impact of the new Madrid hub, which is providing significant additional capacity, resulted in an increase in the cost base. Operating profit declined slightly compared with the prior year.

GLS France revenue grew by 5.3%, driven principally by higher volumes with a slight improvement in pricing. Volumes benefited from significant growth in cross-border, with domestic volumes up slightly. Operating losses increased marginally compared with the prior period. A new automated Paris hub will become operational in Autumn 2024 providing additional capacity, demonstrating our confidence in the outlook for France.

In the US, revenue declined by 9.1% in Euro terms (4.8% decline in USD terms) driven by lower freight revenues which could not be compensated by strong volume growth coming from new B2C customers. Despite the lower revenues, a strong focus on costs enabled losses to remain broadly in line with the prior year. Losses in H1 therefore represented a significant improvement compared with losses in H2 2022-23. Measures focused on improving unit operational costs and the quality of revenue, including yield management activities, are continuing.

GLS Canada organic revenues declined by 15.8% in Euro terms (8.0% decline in CAD terms) principally due to lower freight revenues, including the negative impact from lower fuel surcharges. The weak economic environment is placing pressure on freight volumes and led to a decline in operating profit in CAD terms, which was exacerbated in Euro terms due to the 9% weakening of the CAD. On 1 June 2023 the acquisition of the parcel business Altimax Courier Ltd was completed at an initial purchase price of CAD 36 million of which CAD 11 million is deferred. The deferred contingent consideration comprises c. CAD 8 million related to the achievement of expected EBITDA targets in three years after the acquisition date. The remaining c. CAD 3 million is for indemnity holdbacks payable within 18 months of the acquisition date. The acquisition of Altimax increases GLS' footprint in the Atlantic coast region of Canada and will be integrated with existing Canadian operations. The integration of the Rosenau business situated in western Canada continues to progress.

Revenue growth in GLS' other developed European markets was 4.1%, driven by higher volumes. Operating profit was slightly below the prior year.

Other developing markets, where GLS has a high exposure to B2C, continued to grow despite the impact from the ongoing war in Ukraine. Revenues were up 5.4% in the period, with the strongest growth coming in Poland. Investment in strategic initiatives such as the roll-out of parcel lockers, 2-person handling services (Hungary) and our greenfield start-up in Serbia with initial start-up losses, resulted in an overall decline in operating profit compared with the prior year.

Other Group financial performance measures

Specific items

(£m)	**26 weeks ended 24 September 2023**	26 weeks ended 25 September 2022
Operating specific items		
Amortisation of intangible assets in acquisitions	**(11)**	(10)
Ofcom fine	**(6)**	-
GLS VAT adjustments	**-**	(33)
Legacy/other items	**-**	9
Total operating specific items	**(17)**	(34)
Non-operating specific items:		
Net pension interest	**66**	53
Total non-operating specific items	**66**	53
Total specific items before tax	**49**	19
Total tax credit on specific items	**2**	18

Adjustments

(£m)	**26 weeks ended 24 September 2023**	26 weeks ended 25 September 2022
Pension charge adjustment (within people costs)	**(132)**	(72)
Depreciation/amortisation adjustment for impaired assets	**60**	-
Profit on disposal of property, plant and equipment	**15**	6
Total adjustments	**(57)**	(66)
Total adjustments and specific items before tax	**(8)**	(47)
Total tax credit on adjustments	**-**	13

The pension charge adjustment of £132 million comprises £130 million (H1 2022-23: £nil) in relation to a refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan ("RMPP") and £2 million (H1 2022-23: £72 million) relating to the difference between the IAS 19 income statement pension charge rate of 14.8% (H1 2022-23: 23.3%) for the Defined Benefit Cash Balance Section ("DBCBS") and the cash funding contribution rate agreed with the Trustee of 15.6% (H1 2022-23 15.6%). The RMPP escrow cash was subsequently used to provide a one-off payment to UK employees following ratification of the Business Recovery, Transformation and Growth Agreement. The lump sum was accrued in the income statement at the half year and was paid on 30 September 2023 after the balance sheet date. The year-on-year decrease in the IAS 19 income statement pension charge rate is due to the increase in the net discount rate applied to the scheme's liabilities.

In H2 of the prior year a £539 million impairment charge was recognised to write down the value of the Royal Mail (excluding Parcelforce Worldwide) CGU. This resulted in a lower depreciation/amortisation charge in the current period in infrastructure costs, and an adjustment is made to the adjusted results to reflect the depreciation/amortisation on a pre impairment basis in line with how Management reviews the underlying performance of the business. The impairment review performed as at 24 September 2023 indicated no further charge nor reversal required.

On 13 November 2023 Ofcom notified Royal Mail that they intend to impose a fine in respect of the business' 2022-23 Quality of Service. The fine imposed is £8 million but in admitting and settling the liability, the penalty can be reduced to £5.6 million. Based on the above, Management have made the decision to settle the liability early and have therefore recognised a charge of £5.6 million.

In the prior year £33 million (€39 million) related to settlement of VAT adjustments in GLS Italy, covering the years 2016 through to 2021.

Net finance costs

Reported net finance costs of £17 million (H1 2022-23: £23 million) comprise interest on leases of £19 million (H1 2022-23: £16 million), interest on bonds (including cross-currency swaps) of £12 million (H1 2022-23: £12 million), interest/fees on the bank syndicate loan facility of £4 million (H1 2022-23: £1 million), and other net interest payable of £1 million (H1 2022-23: £1 million). This is offset by interest income of £19 million (H1 2022-23: £7 million) which has increased as a result of higher interest rates. The new bonds were issued on 14 September 2023 so have had little impact on the net finance costs in the period.

The bank syndicate loan facility expires in September 2026.

The blended interest rate on gross debt, including leases for the remainder of 2023-24, is approximately 3.5%.

Taxation

The Group recognised a reported tax charge of £29 million (H1 2022-23: £41 million credit) which consists of a tax charge of £33 million (H1 2022-23: £36 million) in GLS and a tax credit of £4 million (H1 2022-23: £77 million credit) in Royal Mail.

The GLS reported effective tax rate of 25.8% (H1 2022-23: 32.1%) is broadly in line with the UK statutory rate. Losses for which a deferred tax asset is not recognised and non-deductible expenses are broadly offset by the effect of lower overseas tax rates.

The GLS adjusted effective tax rate of 25.4% (H1 2022-23: 24.8%) is broadly in line with the reported effective tax rate. It has increased relative to the previous period due to various factors including an increase in profits in higher tax jurisdictions.

Consistent with the decision to derecognise the Royal Mail deferred tax assets as at 26 March 2023, there continues to be insufficient certainty of Royal Mail's ability to generate future taxable profits and therefore Royal Mail has not fully recognised its deferred tax assets.

Earnings per share (EPS)

Reported basic EPS was a loss of 23.3 pence per share (H1 2022-23: 9.0 pence loss per share) and adjusted basic EPS[9] was a loss of 22.7 pence per share (H1 2022-23: 7.3 pence loss per share).

In-year trading cash flow[1]

	26 weeks ended 24 September 2023			26 weeks ended 25 September 2022		
(£m)	**Royal Mail**	**GLS**	**Group**	Royal Mail	GLS	Group
Adjusted operating (loss)/profit	**(319)**	**150**	**(169)**	(219)	162	(57)
Adjusted depreciation and amortisation	**209**	**90**	**299**	215	81	296
Adjusted EBITDA	**(110)**	**240**	**130**	(4)	243	239
Trading working capital movements	**20**	**(38)**	**(18)**	(157)	(18)	(175)
Share-based awards (LTIP and DSBP) charge adjustment	**2**	**-**	**2**	-	-	-
Gross capital expenditure	**(78)**	**(61)**	**(139)**	(117)	(44)	(161)
Net finance costs paid	**(13)**	**(11)**	**(24)**	(18)	(8)	(26)
Income tax received/(paid)	**13**	**(27)**	**(14)**	22	(42)	(20)
In-year trading cash (out)/in flow	**(166)**	**103**	**(63)**	(274)	131	(143)
Capital element of operating lease repayments[12]	**(56)**	**(40)**	**(96)**	(56)	(36)	(92)
Pre-IFRS 16 in-year trading cash flow	**(222)**	**63**	**(159)**	(330)	95	(235)

1. Reported results are prepared in accordance with IFRS. In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. Management is of the view that these measures provide a useful basis on which to analyse business performance. They are also consistent with the way financial performance is measured by management and reported to the Board. The APMs used are explained in the section entitled 'Presentation of results and

Alternative Performance Measures' and reconciliations to the closest measure prescribed under IFRS are provided where appropriate (and in the case of GLS reconciliations between the Group' functional currency of Sterling and Euro).

12. The capital element of lease payments of £101 million (H1 2022-23: £100 million) shown in the statutory cash flow is made up of the capital element of operating lease payments of £96 million (H1 2022-23: £92 million) and the capital element of finance lease payments of £5 million (H1 2022-23: £8 million).

Group in-year trading cash outflow was £63 million, compared with £143 million outflow in the prior period. This improvement was predominantly driven by Royal Mail with an improvement in trading working capital and lower capital expenditure, partially offset by a decline in the trading performance.

Royal Mail trading working capital cash flow improved by £177 million period-on-period. The prior period outflow was driven by voluntary redundancy payments, payment of invoices received late in FY 2021-22 but paid in the first half of last year and settlement of international balances. The improvement in the current period is partly as a result of tighter working capital management but also due to lower voluntary redundancy costs compared to the prior year and International payments being lower in the current period due to timing of claims for payment and lower payments of invoices in the current year relating to receipt of invoices from FY 2022-23.

GLS in-year trading cash flow remains robust, but below prior year principally due to higher capital expenditure and negative working capital development, partly mitigated by lower income tax payments. Working capital was impacted by the unwinding of a temporary favorable position at 31 March 2023.

Net debt[1]

A reconciliation of the movement in net debt is set out below.

(£m)	**Reported 26 weeks ended 24 September 2023**	Reported 26 weeks ended 25 September 2022
Net debt brought forward at 26 March 2023 and 27 March 2022	**(1,500)**	(985)
Free cash flow	**(72)**	(195)
In-year trading cash flow [1]	**(63)**	(143)
Cash cost of operating specific items	**(2)**	(54)
Proceeds from disposal of property (excluding London Development Portfolio) plant and equipment	**7**	10
Cash received on sale and leasebacks – rights to assets disposed	**8**	-
Acquisition of business interests	**(31)**	(4)
Cash flows relating to London Development Portfolio	**9**	(4)
Movement in GLS client cash[15]	**8**	(3)
New or increased lease obligations under IFRS 16 (non-cash)	**(101)**	(87)
RMPP pension escrow release	**130**	-
Foreign currency exchange impact	**3**	(75)
Dividends paid to equity holders of the Parent Company	**-**	(127)
Net debt carried forward	**(1,532)**	(1,472)
Operating leases[16]	**1,390**	1,322
Pre-IFRS 16 net debt[17]	**(142)**	(150)

18. Reported results are prepared in accordance with IFRS. In addition, the Group's performance is explained through the use of APMs that are not defined under IFRS. Management is of the view that these measures provide a useful basis on which to analyse business performance. They are also consistent with the way financial performance is measured by management and reported to the Board. The APMs used are explained in the section entitled 'Presentation of results and Alternative Performance Measures' and reconciliations to the closest measure prescribed under IFRS are provided where appropriate (and in the case of GLS reconciliations between the Group' functional currency of Sterling and Euro)
15. GLS client cash movements are presented as part of the working capital movements line in the statutory cashflow. The movement in the period excluding foreign currency exchange impacts is £8 million (H1 2022-23: £(3) million). The foreign currency movement on GLS client cash in the period was a loss of £1 million (H1 2022-23: £3 million gain) which is included in the £3 million foreign currency exchange impact line in the table (H1 2022-23: £75 million).
16. This amount represents leases that would not have been recognised on the Balance Sheet prior to the adoption of IFRS 16.
17. This measure is considered as the Group's banking covenants are calculated on a pre-IFRS 16 basis.

Net debt[1]

An analysis of the net debt as at 24 September 2023 is set out below.

Net Debt (£m)	2023-24 RM	2023-24 GLS	2023-24 Corporate Centre	2023-24 Group
Bonds	**-**	-	(1,474)	(1,474)
Asset Finance	**-**	(24)	-	(24)
Finance Leases	**(28)**	(13)	-	(41)
Cash and cash equivalent investments[18]	**440**	340	465	1,245
Investments	**-**	-	109	109
Client cash	**-**	43	-	43
Inter-business loans	**(612)**	(190)	802	-
Pre-IFRS 16 Net Debt[4]	**(200)**	156	(98)	(142)
Operating Leases	**(940)**	(450)	-	(1,390)
Net Debt	**(1,140)**	**(294)**	**(98)**	**(1,532)**

18. Cash and cash equivalents includes bank overdrafts of £98 million at 24 September 2023 that are part of a cash pool for the UK companies which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management. Cash and cash equivalents in Corporate Centre includes £317 million reserved to repay the 2024 Bond. It also includes an amount of £130 million released from pension escrow to be used on 30th September 2023 to pay to the Royal Mail employees as part of the agreement with the CWU.

Cash and cash equivalents includes an amount of £130 million released from the RMPP pension escrow to be used on 30 September 2023 to pay Royal Mail employees a one off payment following ratification of the Business Recovery, Transformation and Growth Agreement. Excluding the release of escrow cash Net Debt would be £1,662 million and net debt on a pre-IFRS 16 basis would be £272 million.

London Development Portfolio

In total we have invested £2 million in the period on works to separate the retained operational sites from the development plots at Mount Pleasant and infrastructure works at Nine Elms.

The development site at Mount Pleasant includes the sale of 6.25 acres to develop c. 680 residential units. In prior years an agreement was reached with Taylor Wimpey UK Ltd for the sale of the Calthorpe Street development site and adjacent Phoenix Place site. Proceeds in relation to the sale of the sites have been received in stage payments in prior years and the remainder of the proceeds is due to be received through a stage payment in 2023-24 (£66 million) and a final payment in 2024-25 (£9 million).

Pensions

Royal Mail makes contributions to two main schemes in the UK; the Royal Mail Defined Contribution Plan (RMDCP) and the DBCBS section of the Royal Mail Pension Plan (RMPP).

The Group also operates two additional UK defined benefit schemes which are closed to future accrual; the legacy section of the RMPP and the Royal Mail Senior Executives Pension Plan (RMSEPP).

The buy-out of the RMSEPP was completed in June 2022, when the bulk annuity policies held were exchanged for individual policies between the insurers and all remaining members.

The Group's obligations under the RMSEPP have now been fully extinguished and the Group expects to proceed to wind up the plan in the coming months. The scheme still holds residual assets of £8 million which are expected to be returned to the Group following the wind up of the scheme subject to the payment of any remaining closure expenses and the deduction of withholding tax.

Royal Mail also aims to introduce a new pension scheme, the Royal Mail Collective Pension Plan (RMCPP) which will replace the existing DBCBS and the RMDCP for future accrual and will comprise a Defined Benefit Lump Sum Section (DBLS), similar to the existing DBCBS, and a Collective Defined Contribution (CDC) Section. The Trustee's application to the Pensions Regulator for authorisation has been approved. In order to launch the RMCPP, further changes to legislation are needed, and Royal Mail and its unions are working with Government on the changes required. Once the legislation is in place, Royal Mail and the Trustee will decide when to launch based on readiness (including Royal Mail's financial position and ability to administer the scheme).

The CDC Section will be accounted for as a defined contribution scheme and the DBLS as a defined benefit scheme with the accounting treatment expected to be similar to the DBCBS. The new arrangements will have fixed employer contributions of 13.6%, plus an additional 1.0% for employees who choose to save for an additional lump sum payment. Standard employee contributions will be 6.0%.

Cash pension costs

The Group's cash pension costs in respect of all UK pension schemes were £193 million in the period, excluding Pension Salary Exchange (PSE). This represents the pension funding costs as prescribed in the schedule of contributions relating to the reporting period, rather than the cash payments made in the period.

When the design of the RMCPP was agreed in 2018, the fixed employer contribution rate of 13.6% of pensionable pay was designed to be affordable and sustainable for Royal Mail. The expected cost of RMCPP based on pensionable payroll at that time was approximately the same as the cost of the existing schemes, at around £400 million per year. The new RMCPP is expected to increase cash payroll costs by c.£30-35 million per annum, when it is introduced. The main reason for the increase is that although the estimated cost of the RMCPP as a percentage of pensionable pay will remain the same as agreed in 2018, payroll costs have increased. In addition, since the RMPP closed to accrual in 2018, the cost of existing plans has been reducing over time relative to overall pay costs, as DBCBS members leave and are replaced by new employees who join the RMDCP, at a lower employer contribution rate.

Defined benefit schemes – balance sheet position

An IAS 19 deficit of £248 million (26 March 2023: £145 million) is shown on the balance sheet in respect of the DBCBS; however, the scheme is not in funding deficit and it is not anticipated that deficit payments will be required. The increase in the deficit in the year is due to short-term inflation being higher than the long-term assumption used to calculate the liabilities.

The RMPP scheme closed to future accrual in its previous form from 31 March 2018. The pre-withholding tax accounting surplus of the legacy section of the RMPP at 24 September 2023 was £2,393 million (26 March 2023: £3,003 million). The pre-withholding tax accounting surplus has decreased by £610 million in the period. This was the result of an increase in gilt yields, against which the RMPP liabilities are hedged, driving a large proportion of the £870 million reduction in the value of this section's assets. This movement was however offset by an increase in the 'real' discount rate driving an overall £260 million reduction to the value of the RMPP's calculated accounting liabilities versus the year end. The surplus has decreased and so has the funding position from an accounting perspective (valuation of assets as a proportion of liabilities) since the year end.

Further details of all the Group's pension arrangements can be found in Note 8 to the Consolidated Financial Statements.

Dividends

No FY 2023-24 interim dividend to be paid.

PRESENTATION OF RESULTS AND ALTERNATIVE PERFORMANCE MEASURES (APMs)

The Group uses certain APMs in its financial reporting that are not defined under IFRS, the Generally Accepted Accounting Principles (GAAP) under which the Group produces its statutory financial information.

These APMs are not a substitute for, or superior to, any IFRS measures of performance. They are used by Management, who considers them to be an important means of comparing performance period-on-period and are key measures used within the business for assessing performance.

APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Where appropriate, reconciliations to the nearest GAAP measure have been provided. The APMs used may not be directly comparable with similarly titled APMs used by other companies.

A full list of APMs used are set out in the section entitled ‘Alternative Performance Measures’.

The Group has updated the calculations for a number of APMs to include an additional adjustment for the consequential impact on depreciation/amortisation arising from the partial impairment of the Royal Mail (excluding Parcelforce Worldwide) CGU in the prior year. Furthermore, the Group has redefined the pension charge adjustment to be reflective of the value of contributions due for the period, rather than the cash amounts paid, following a change to the timing of payments.

Reported to adjusted results

The Group makes adjustments to results reported under IFRS to exclude specific items depreciation/amortisation adjustment for impaired assets and the pension charge adjustment. Management believes this is a useful basis upon which to analyse the business’ underlying performance (in particular given the volatile nature of the IAS 19 charge) and is consistent with the way financial performance is reported to the Board.

Further details on specific items excluded from adjusted operating profit are included in the paragraph ‘Specific items and adjustments’ in the Financial Review. A reconciliation showing the adjustments made between reported and adjusted Group results can be found in the section headed ‘Consolidated reported and adjusted results’.

Presentation of results

Consolidated reported and adjusted results

The following table reconciles the consolidated reported results, prepared in accordance with IFRS, to the consolidated 26 week adjusted results.

	26 weeks ended 24 September 2023			26 weeks ended 25 September 2022		
Group (£m)	**Reported**	**Adjustments and specific items [19]**	**Adjusted**	Reported	Adjustments and specific items [19]	Adjusted
Revenue	**5,862**	**-**	**5,862**	5,838	-	5,838
Operating costs	**(6,103)**	**(72)**	**(6,031)**	(5,967)	(72)	(5,895)
People costs	**(3,369)**	**(132)**	**(3,237)**	(3,254)	(72)	(3,182)
Non-people costs	**(2,734)**	**60**	**(2,794)**	(2,713)	-	(2,713)
Distribution and conveyance costs	**(1,805)**	**-**	**(1,805)**	(1,741)	-	(1,741)
Infrastructure costs	**(534)**	**60**	**(594)**	(556)	-	(556)
Other operating costs	**(395)**	**-**	**(395)**	(416)	-	(416)
Profit on disposal of property, plant and equipment	**15**	**15**	**-**	6	6	-
Operating loss before specific items	**(226)**	**(57)**	**(169)**	(123)	(66)	(57)
Operating specific items[19]						
Amortisation of intangible assets in acquisitions	**(11)**	**(11)**	**-**	(10)	(10)	-
Ofcom fine	**(6)**	**(6)**	**-**	-	-	-
GLS VAT adjustments	**-**	**-**	**-**	(33)	(33)	-
Legacy/other items	**-**	**-**	**-**	9	9	-
Operating loss	**(243)**	**(74)**	**(169)**	(157)	(100)	(57)
Finance costs	**(36)**	**-**	**(36)**	(30)	-	(30)
Finance income	**19**	**-**	**19**	7	-	7
Net pension interest (non-operating specific item)[19]	**66**	**66**	**-**	53	53	-
Loss before tax	**(194)**	**(8)**	**(186)**	(127)	(47)	(80)
Tax (charge)/credit	**(29)**	**2**	**(31)**	41	31	10
Loss for the period	**(223)**	**(6)**	**(217)**	(86)	(16)	(70)
Earnings per share (pence)						
Basic	**(23.3)p**	**(0.6)p**	**(22.7)p**	(9.0)p	(1.7)p	(7.3)p
Diluted	**(23.3)p**	**(0.6)p**	**(22.7)p**	(9.0)p	(1.7)p	(7.3)p

Segmental reported results

The following table presents the segmental reported results, prepared in accordance with IFRS.

	26 weeks ended 24 September 2023				26 weeks ended 25 September 2022			
Group (£m)	**Royal Mail**	**GLS**	**Intragroup eliminations**	**Group**	Royal Mail	GLS	Intragroup eliminations	Group
Revenue	**3,541**	**2,330**	**(9)**	**5,862**	3,647	2,200	(9)	5,838
People costs	**(2,825)**	**(544)**	**-**	**(3,369)**	(2,765)	(489)	-	(3,254)
Non-people costs	**(1,107)**	**(1,636)**	**9**	**(2,734)**	(1,173)	(1,549)	9	(2,713)
Profit on disposal of property, plant and equipment	**14**	**1**	**-**	**15**	5	1	-	6
Operating (loss)/profit before specific items	**(377)**	**151**	**-**	**(226)**	(286)	163	-	(123)
Operating specific items[19]	**(6)**	**(11)**	**-**	**(17)**	8	(42)	-	(34)
Operating (loss)/profit	**(383)**	**140**	**-**	**(243)**	(278)	121	-	(157)
Earnings before interest and tax	**(383)**	**140**	**-**	**(243)**	(278)	121	-	(157)
Net finance costs	**(5)**	**(12)**	**-**	**(17)**	(14)	(9)	-	(23)
Net pension interest (non-operating specific item)[19]	**66**	**-**	**-**	**66**	53	-	-	53
(Loss)/profit before tax	**(322)**	**128**	**-**	**(194)**	(239)	112	-	(127)
Tax credit/(charge)	**4**	**(33)**	**-**	**(29)**	77	(36)	-	41
(Loss)/profit for the period	**(318)**	**95**	**-**	**(223)**	(162)	76	-	(86)

19. Details of specific items and the pension adjustment can be found under 'Adjustments and specific items' in the Financial Review.

Alternative Performance Measures

Updates to any APMs and reconciliations to IFRS measures are set out in the section below. As discussed above, the Group has updated the calculations for a number of APMs in the period. The changes made on the APMs in the current period is detailed below. The changes made have had no an impact on the comparative amounts, as the events that have triggered the updates have only arisen in 2023-24.

Adjusted people costs

These are costs incurred in respect of the Group's employees and comprise wages and salaries, temporary resource, pensions, bonus and social security costs. People costs relating to projects and voluntary redundancy costs are also included. The pension charge adjustment is excluded from reported in establishing adjusted people costs.

Adjusted non-people costs

These are costs incurred in respect of the operations of the Company and comprise infrastructure costs (e.g. depreciation/amortisation, property and IT) and other operating costs (e.g. Post Office Ltd charges, transformation costs, consumables). A reconciliation of these costs to reported non-people costs is included in the Adjusted results table in the section 'Presentation of results' above.

Depreciation/amortisation adjustment for impaired assets

This adjustment represents the reinstatement of the amounts for depreciation and amortisation that would have been charged in accordance with applicable accounting standards to the income statement, had the partial impairment of the Royal Mail (excluding Parcelforce Worldwide) CGU impairment in the prior year not taken place. A corresponding credit is included within the adjustments column, such that the total impact on reported non-people costs of this adjustment is £nil.

Pension charge adjustment

Management have sought to clarify the definition of this APM for the 2023-24 and future reporting periods. Having previously referred to the adjustment as representing the difference between the IAS 19 income statement pension charge and the "actual cash payments" into the schemes, management's intention has always been to show the difference between the IAS 19 charge and the 'cash cost' as specified in the scheme's Schedule of Contributions as agreed with the respective scheme Trustee. The revised definition is shown below.

This adjustment represents the difference between the IAS 19 income statement pension charge and the cash cost accrual as specified in the DBCBS Schedule of Contributions, plus any scheme deficit payments. In the current year the pension charge adjustment includes £130 million in relation to a refund of cash from the RMPP pension escrow. In addition, in the half year to 24 September 2023, cash management actions have been implemented such that payments to the DBCBS Scheme are aligned to the due dates per the schedule of contributions. Under the previous pension charge to cash difference adjustment this would have resulted in a higher pension charge to cash difference and a lower adjusted reporting loss of c. £30 million. Management reviews the performance of the business based on the cash cost of the pension plans in the adjusted operating profit/loss of the Group.

Adjusted Operating Profit/(loss)

This measure is based on reported operating profit excluding the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets, and operating specific items, which Management considers to be key adjustments in understanding the underlying profit of the Group at this level. These adjusted measures are reconciled to the reported results in the table in the paragraph 'Consolidated reported and adjusted results'. Definitions of the pension charge adjustment, the depreciation/amortisation adjustment for impaired assets, and operating specific items are provided below.

Adjusted Operating Profit/(loss) margin

This is a measure of performance that management uses to understand the efficiency of the business in generating profit. It calculates 'adjusted operating profit' as a proportion of revenue in percentage terms.

Operating specific items

These are recurring or non-recurring items of income or expense of a particular size and/or nature relating to the operations of the business that, in management's opinion, require separate identification. Management does not consider them to be reflective of year-on-year operating performance. These include items that have resulted from events that are non-recurring in nature, even though related income/expense can be recognised in subsequent periods.

Amortisation of intangibles assets in acquisitions

These charges, which arise as a direct consequence of IFRS business combination accounting requirements, are separately identified as management does not consider these costs to be directly related to the trading performance of the Group.

Legacy/other items

These costs/credits relate either to unavoidable ongoing costs arising from historic events (such as the industrial diseases provision) or historic provisions not utilised. They also include any adjustments arising from asset impairment.

Non-operating specific items

These are recurring or non-recurring items of income or expense of a particular size and/or nature which do not form part of the Group's trading activity and in management's opinion require separate identification.

Net Pension Interest

The net pension interest credit/charge is a non-cash item recognised under the requirements of IAS 19. It is calculated based on the pension surplus/deficit multiplied by the discount rate at the beginning of the reporting period.

Adjusted tax charge credit

The adjusted tax (charge)/credit is the total reported tax (charge)/credit excluding the tax (charge)/credit in relation to specific items, the depreciation/amortisation adjustment for impaired assets, and the pension to cash difference adjustment

Adjusted effective tax rate

The adjusted effective tax rate is the adjusted tax charge or credit for the period expressed as a proportion of adjusted profit before tax. The adjusted effective tax rate is considered by Management to be a useful measure of the tax impact for the period. It approximates to the tax rate on the underlying trading business through the exclusion of specific items, the pension charge adjustment and the depreciation/amortisation adjustment for impaired assets.

Adjusted earnings per share

Adjusted earnings per share is reported basic earnings per share, excluding operating and non-operating specific items, the pension charge adjustment, and the depreciation/amortisation adjustment for impaired assets. A reconciliation of this number to reported basic earnings per share is included in the adjusted results table in the section 'Presentation of results'.

Earnings before interest, tax, depreciation and amortisation (EBITDA) before adjustments and specific items

EBITDA is reported operating loss before adjustments and specific items with depreciation and amortisation added back.

Adjusted EBITDA is EBITDA before the profit on disposal of property, plant and equipment adjustment and specific items with the pension charge adjustment added back. This measure is used by management to assess the underlying trading performance as it removes volatility caused by specific items. The true trading position can also be observed due to the exclusion of depreciation and amortisation.

The following table provides a reconciliation between the reported operating loss before adjustments and specific items to the adjusted EBITDA.

(£m)	**26 weeks ended 24 September 2023**	26 weeks ended 25 September 2022
Reported operating loss before specific items	**(226)**	(123)
Adjustment for profit on disposal of property, plant and equipment	**(15)**	(6)
Reported operating loss before profit on property, plant and equipment and specific items	**(241)**	(129)
Reported depreciation and amortisation	**239**	296
EBITDA before profit on property, plant and equipment adjustment and specific items	**(2)**	167
Pension charge adjustment	**132**	72
Adjusted EBITDA	**130**	239

Free cash flow

Free cash flow (FCF) is calculated as statutory (reported) net cash flow before financing activities, adjusted to include finance costs paid and exclude net cash from the purchase/sale of financial asset investments and GLS client cash movements. FCF represents the cash that the Group generates after spending the money required to maintain or expand its asset base, thus is useful for Management in assessing liquidity. FCF is also shown on a pre-IFRS 16 basis as it is used to support dividend cover analysis, taking into account all cash flows related to the operating businesses.

The following table reconciles free cash flow to the nearest IFRS measure ‘net cash inflow before financing activities:

(£m)	**Reported 26 weeks ended 24 September 2023**	Reported 26 weeks ended 25 September 2022
Net cash outflow before financing activities	**(1)**	(95)
Adjustments for:		
Finance costs paid	**(42)**	(33)
Movement in GLS client cash[15]	**(8)**	3
Sale of pension escrow investments	**(130)**	-
Purchase/(sale) of financial asset investments	**109**	(70)
Free cash flow	**(72)**	(195)
Capital element of operating lease repayments[12]	**(96)**	(92)
Pre-IFRS 16 free cash flow	**(168)**	(287)

In-year trading cash flow

In-year trading cash flow reflects the cash generated from the trading activities of the Group. It is based on reported net cash inflow from operating activities, adjusted to exclude movements in GLS client cash and the cash cost of operating specific items and to include the cash cost of property, plant and equipment and intangible asset acquisitions, net finance payments and dividends received from associates. In-year trading cash flow is used primarily by Management to show cash being generated by operations less cash investment. In-year trading cash flow is also shown on a pre-IFRS 16 basis as it is used to support dividend cover and covenant analysis.

The following table reconciles in-year trading cash flow to the nearest IFRS measure ‘net cash inflow from operating activities’.

(£m)	**Reported 26 weeks ended 24 September 2023**	Reported 26 weeks ended 25 September 2022
Net cash inflow/(outflow) from operating activities	**106**	(13)
Adjustments for:		
Movement in GLS client cash[15]	**(8)**	3
Cash cost of operating specific items	**2**	54
Purchase of property, plant and equipment	**(85)**	(120)
Purchase of intangible assets	**(54)**	(41)
Net finance costs paid	**(24)**	(26)
In-year trading cash flow	**(63)**	(143)
Capital element of operating lease repayments[12]	**(96)**	(92)
Pre-IFRS 16 in-year trading cash flow	**(159)**	(235)

Net debt

Net debt is calculated by netting the value of financial liabilities (excluding derivatives) against cash and other liquid assets. Management consider this APM to be useful as it is a measure of the Group’s net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group’s indebtedness and its cash position. The use of the term net debt does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is also shown on a pre-IFRS 16 basis as the banking covenants are calculated on a pre-IFRS 16 basis.

A reconciliation of net debt to reported balance sheet line items is shown below.

(£m)	At 24 September 2023	At 27 March 2023
Bonds	**(1,474)**	(922)
Asset Finance	**(24)**	(25)
Finance Leases	**(41)**	(43)
Cash and cash equivalents[18]	**1,245**	773
Investments	**109**	-
GLS Client cash	**43**	36
Pre-IFRS 16 net debt[4]	**(142)**	(181)
Operating leases[16]	**(1,390)**	(1,319)
Net debt	**(1,532)**	(1,500)

16. This amount represents leases that would not have been recognised on the Balance Sheet prior to the adoption of IFRS 16.
18. Cash and cash equivalents includes bank overdrafts of £98 million at 24 September 2023 that are part of a cash pool for the UK companies which generally has a net £nil balance across the Group and forms an integral part of the Group's cash management. Cash and cash equivalents in Corporate Centre includes £317 million reserved to repay the 2024 Bond. It also includes an amount of £130 million released from pension escrow to be used on 30th September 2023 to pay to the Royal Mail employees as part of the agreement with the CWU

Bonds increased by £552 million, largely as a result of the issue of two new bonds in September 2023 for €500 million (repayable in 2028) and £250 million (repayable in 2030) net of a partial repayment of €135.5 million of the existing €500m bond maturing in 2024.

Cash and cash equivalents and Investments (net of bank overdrafts) increased by £451 million, largely as a result of the two new bond issues of £674 million and the proceeds from asset sale and lease backs of £71 million offset by the partial bond repayment of £117 million, free cash outflow of £72 million (FY 2022-23: £89 million) and by the capital element of lease repayments of £101 million (FY 2022-23: £202 million). In FY 2022-23 there were also outflows relating to external dividends (£127 million). Cash and cash equivalents includes an amount of £130 million released from the RMPP pension escrow and held in cash by Royal Mail at 24th September 2024 subsequently used on 30th September 2023 to make a one off payment to Royal Mail employees following ratification of the Business Recovery, Transformation and Growth Agreement. Net debt excludes £84 million (FY 2022-23: £208 million) related to the RMPP and RMCPP pension escrow investments on the balance sheet which is not considered to fall within the definition of net debt.

GLS performance presented in Euro

IDS plc financial statements are presented in Sterling, being the Group functional currency. However, given GLS strategic targets are set using Euros, GLS financial performance is presented in Euro as well as Sterling in order to aid transparency.

The reconciliation between the Group functional currency of Sterling and Euros is set out below

	6 months to 30 September 2023		6 months to 30 September 2022	
	GLS performance in sterling	GLS performance in Euro	GLS performance in sterling	GLS performance in Euro
Revenue	**2,330**	2,694	2,200	2,587
People costs	**(544)**	(629)	(489)	(575)
Non-people costs	**(1,636)**	(1,892)	(1,549)	(1,821)
Operating profit before adjustments and specific items	**150**	173	162	191

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed consolidated income statement

	Notes	**Reported 26 weeks ended 24 September 2023 £m**	Reported 26 weeks ended 25 September 2022 £m
Continuing operations			
Revenue	2	**5,862**	5,838
Operating costs[1,2]		**(6,103)**	(5,967)
People costs	3	**(3,369)**	(3,254)
Distribution and conveyance costs		**(1,805)**	(1,741)
Infrastructure costs		**(534)**	(556)
Other operating costs		**(395)**	(416)
Profit on disposal of property, plant and equipment		**15**	6
Operating loss before specific items		**(226)**	(123)
Operating specific items[2]	4		
Amortisation of intangible assets in acquisitions		**(11)**	(10)
Ofcom fine		**(6)**	-
GLS VAT adjustments		**-**	(33)
Legacy/other items		**-**	9
Operating loss		**(243)**	(157)
Finance costs		**(36)**	(30)
Finance income		**19**	7
Net pension interest (non-operating specific item)[2]	4	**66**	53
Loss before tax		**(194)**	(127)
Tax (charge)/credit	6	**(29)**	41
Loss for the period		**(223)**	(86)
Earnings per share	7		
Basic		**(23.3)p**	(9.0)p
Diluted		**(23.3)p**	(9.0)p

1. Operating costs are stated before operating specific items which comprise: amortisation of intangible assets in acquisitions, Ofcom fine, GLS VAT adjustments and legacy/other items.
2. Details of Alternative Performance Measures (APMs) are provided in the Financial Review.

Condensed consolidated statement of comprehensive income

	Notes	**Reported 26 weeks ended 24 September 2023 £m**	Reported 26 weeks ended 25 September 2022 £m
Loss for the period		**(223)**	(86)
Other comprehensive expense for the period from continuing operations:			
Items that will not be subsequently reclassified to profit or loss:			
Amounts relating to pensions accounting		**(564)**	(681)
Remeasurement losses of the surplus in RMPP and RMSEPP		**(674)**	(1,338)
Remeasurement (losses)/gains of the deficit in DBCBS		**(103)**	276
Withholding tax adjustment relating to the defined benefit surplus	8	**213**	450
Deferred tax		**-**	(69)
Items that may be subsequently reclassified to profit or loss:			
Foreign exchange translation differences		**(2)**	84
Exchange differences on translation of foreign operations (GLS)		**(7)**	114
Net gain/(loss) on hedge of a net investment (€500 million bond)		**5**	(29)
Net loss on hedge of a net investment (Euro-denominated lease payables)		**-**	(1)
Designated cash flow hedges		**14**	49
Gain on cash flow hedges deferred into equity		**19**	88
Gain on cash flow hedges released from equity to income		**(8)**	(40)
Loss released from equity to the carrying value of non-financial assets		**1**	3
Gain on cross currency swap cash flow hedge deferred into equity		**1**	10
Loss on cross currency swap cash flow hedge released from equity to income – interest payable		**6**	4
Gain on cost of hedging deferred into equity		**-**	1
Gain on cost of hedging released from equity to income – interest payable		**(1)**	(1)
Tax on above items		**(4)**	(16)
Total other comprehensive expense for the period		**(552)**	(548)
Total comprehensive expense for the period		**(775)**	(634)

Condensed consolidated balance sheet

	Notes	**Reported At 24 September 2023 £m**	Reported At 26 March 2023 £m
Non-current assets			
Property, plant and equipment		**3,259**	3,298
Goodwill		**472**	445
Intangible assets		**331**	304
Investment in associates		**1**	1
Financial assets	11		
Pension escrow investments		**84**	208
Derivatives		**3**	3
RMPP/RMSEPP retirement benefit surplus – net of withholding tax payable	8	**1,560**	1,957
Other receivables		**14**	13
Deferred tax assets		**10**	10
		5,734	6,239
Assets held for sale	10	**3**	4
Current assets			
Inventories		**39**	42
Trade and other receivables		**1,567**	1,590
Income tax receivable		**9**	20
Financial assets	11		
Investments		**109**	-
Derivatives		**25**	23
Cash and cash equivalents	11	**1,386**	898
		3,135	2,573
Total assets		**8,872**	8.816
Current liabilities			
Trade and other payables		**(2,317)**	(2,144)
Financial liabilities	11		
Interest-bearing loans and borrowings		**(320)**	(3)
Lease liabilities		**(225)**	(220)
Derivatives		**(6)**	(13)
Income tax payable		**(16)**	(5)
Provisions	12	**(55)**	(129)
Bank overdrafts	11	**(98)**	(89)
		(3,037)	(2,603)
Non-current liabilities			
Financial liabilities	11		
Interest-bearing loans and borrowings		**(1,178)**	(944)
Lease liabilities		**(1,206)**	(1,142)
Derivatives		**(16)**	(22)
DBCBS retirement benefit deficit	8	**(248)**	(145)
Provisions	12	**(75)**	(79)
Other payables		**(25)**	(24)
Deferred tax liabilities		**(57)**	(55)
		(2,805)	(2,411)
Total liabilities		**(5,842)**	(5,014)
Net assets		**3,030**	3,802
Equity			
Share capital	14	**10**	10
Retained earnings		**2,977**	3,761
Other reserves		**43**	31
Total equity		**3,030**	3,802

Condensed consolidated statement of changes in equity

	Share capital £m	Retained earnings £m	Foreign currency translation reserve £m	Hedging reserve £m	Total equity £m
Reported at 27 March 2022	10	5,248	7	69	5,334
Loss for the period	-	(86)	-	-	(86)
Other comprehensive (expense)/ income for the period	-	(681)	84	49	(548)
Total comprehensive income for the period	-	(767)	84	49	(634)
Transactions with owners of the Company, recognised directly in equity					
Dividend paid to equity holders of the Parent Company	-	(127)	-	-	(127)
Share-based payments					
Employee Free Shares issue	-	1	-	-	1
Reported at 25 September 2022	10	4,355	91	118	4,574
Loss for the period	-	(787)	-	-	(787)
Other comprehensive income/(expense) for the period	-	193	(59)	(119)	15
Total comprehensive expense for the period	-	(594)	(59)	(119)	(772)
Transactions with owners of the Company, recognised directly in equity					
Share-based payments					
Long-Term Incentive Plan (LTIP)	-	1	-	-	1
Tax charge on share-based payments	-	(1)	-	-	(1)
Reported at 26 March 2023	10	3,761	32	(1)	3,802
Loss for the period	**-**	**(223)**	**-**	**-**	**(223)**
Other comprehensive (expense)/income for the period	**-**	**(564)**	**(2)**	**14**	**(552)**
Total comprehensive (expense)/income for the period	**-**	**(787)**	**(2)**	**14**	**(775)**
Transactions with owners of the Company, recognised directly in equity					
Share-based payments					
LTIP	**-**	**2**	**-**	**-**	**2**
Employee Free Shares issue	**-**	**1**	**-**	**-**	**1**
Reported at 24 September 2023	**10**	**2,977**	**30**	**13**	**3,030**

Condensed consolidated statement of cash flows

	Notes	**Reported 26 weeks ended 24 September 2023 £m**	Reported 26 weeks ended 25 September 2022 £m
Cash flow from operating activities			
Loss before tax		**(194)**	(127)
Adjustment for:			
Net pension interest		**(66)**	(53)
Net finance costs		**17**	23
Profit on disposal of property, plant and equipment		**(15)**	(6)
Amortisation of intangible assets in acquisitions		**11**	10
Ofcom fine		**6**	-
GLS VAT adjustments		**-**	33
Legacy/other items		**-**	(9)
Operating loss before profit on disposal of property, plant and equipment and specific items[1]		**(241)**	(129)
Adjustment for:			
Depreciation and amortisation		**239**	296
EBITDA before profit on disposal of property, plant and equipment and specific items[1]		**(2)**	167
Working capital movements		**(10)**	(178)
Decrease/(increase) in inventories		**3**	(8)
Decrease in receivables		**16**	163
Increase/(decrease) in payables		**43**	(233)
Net decrease/(increase) in derivatives		**3**	(35)
Decrease in provisions (non-specific items)	12	**(75)**	(65)
Pension charge adjustment[2]	8	**132**	72
Share-based awards (LTIP and DSBP) charge		**2**	-
Cash cost of operating specific items		**(2)**	(54)
Cash inflow from operations		**120**	7
Income tax paid		**(14)**	(20)
Net cash inflow/(outflow) from operating activities		**106**	(13)
Cash flow from investing activities			
Finance income received		**18**	7
Proceeds from disposal of property (excluding London Development Portfolio), plant and equipment		**7**	10
Cash received on sale and leasebacks – rights to assets transferred		**8**	-
London Development Portfolio net proceeds/(costs)		**9**	(4)
Purchase of property, plant and equipment		**(85)**	(120)
Purchase of intangible assets (software)		**(54)**	(41)
Acquisition of business interests, net of cash acquired		**(31)**	(4)
Sale of pension escrow investments		**130**	-
(Purchase)/sale of financial assets investments (current)		**(109)**	70
Net cash outflow from investing activities		**(107)**	(82)
Net cash outflow before financing activities		**(1)**	(95)
Cash flow from financing activities			
Finance costs paid		**(42)**	(33)
Payment of capital element of obligations under lease contracts		**(101)**	(100)
Cash received on sale and leasebacks – rights to assets retained		**71**	-
Proceeds from loans and borrowings		**674**	-
Repayment of loans and borrowings		**(118)**	-
Dividend paid to equity holders of the parent Company		**-**	(127)
Net cash inflow/(outflow) from financing activities		**484**	(260)
Net increase/(decrease) in cash and cash equivalents		**483**	(355)
Effect of foreign currency exchange rates on cash and cash equivalents		**(4)**	22
Cash and cash equivalents at the beginning of the period		**809**	1,137
Cash and cash equivalents at the end of the period		**1,288**	804

1. Details of Alternative Performance Measures (APMs) are provided in the Financial Review.
2. Includes £2 million (H1 2022-23 £72 million) relating to difference between pension service cost and the cash costs of pensions as detailed in the DBCBS schedule of contributions; and £130 million (H1 2022-23 £nil) in relation to the release of pension escrow, see Financial Review for further details.

Notes to the condensed consolidated financial statements

1. Basis of preparation

The comparative figures for the 52 weeks ended 26 March 2023 are not the Company's statutory accounts for that financial period. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards. As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, this condensed consolidated set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the 52 weeks ended 26 March 2023, which were prepared in accordance with UK adopted international accounting standards.

An additional accounting policy in respect of the sale and leaseback of fixed assets has been included below:

Sale and leaseback transactions
A sale and leaseback transaction is where the Group sells an asset and immediately reacquires the use of the asset by entering into a lease with the buyer. A sale occurs when control of the underlying asset passes to the buyer. A lease liability is recognised, the associated property, plant and equipment asset is derecognised, and a right of use asset is recognised at the proportion of the carrying value relating to the rights retained. Any gain or loss arising relates to the rights transferred to the buyer. In the Group cash flow statement, sale and leaseback proceeds received are classified as financing cash flows to the extent that rights to the assets are retained. Where the proceeds relate to rights transferred these are classified as investing cash flows.

This condensed consolidated set of unaudited financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK i.e. on a 'Reported' basis. The Group's financial reporting period ends on the last Sunday in September and, accordingly, these Financial Statements are prepared for the 26 weeks ended 24 September 2023 (2022-23: 26 weeks ended 25 September 2022). GLS' reporting half year-end date is 30 September each year. There were no significant transactions between the respective reporting dates that required adjustment in the Financial Statements.

In some instances, Alternative Performance Measures (APMs) are used by the Group. This is because Management is of the view that these APMs provide a useful basis on which to analyse business performance and is consistent with the way that financial performance is measured by Management and reported to the Board. Details of the Group's APMs, including any changes in calculations and/or definitions, are included in the Financial Review.

Going Concern
In assessing the going concern status of the Group, the Directors are required to look forward a minimum of 12 months from the date of approval of these financial statements to consider whether it is appropriate to prepare the financial statements on a going concern basis. The Directors have reviewed business activities, together with factors likely to affect its future development and performance, as well the as the Group's principal risks and uncertainties.

The Board has concluded that it is appropriate to adopt the going concern basis having undertaken a rigorous assessment of the financial forecasts with specific consideration of the trading position of the Group in the context of the current global economic environment for the reasons as set out below.

At 24 September 2023 the Group had net current assets of £0.1 billion and net assets of £1.4 billion (excluding defined benefit scheme surplus and escrow investments). Liquidity available at the reporting date was £2.3 billion (excluding GLS client cash), made up of cash and cash equivalents/cash equivalent investments of £1.3 billion (including £130 million of cash received from the RMPP pension escrow, which was used in full to fund an additional one-off payment to UK employees on 30 September 2023 (after the balance sheet date) and committed and undrawn bank syndicate loan facility of £925 million (available until September 2026). The bank syndicate loan facility contains financial covenants which were amended on 24 March 2023. The amendments which are relevant for the measurement periods of September 2023 and March 2024 will be calculated by reference to the EBITDA of General Logistics Systems (GLS) B.V. and its subsidiaries after which time the covenant calculations revert to the consolidated EBITDA of the Group.

In their assessment of going concern over the period to 17 November 2024 (the 'going concern period'), the Group has modelled two scenarios referred to below as the Base Case and the Downside Case.

The key inputs and assumptions underlying the Base Case include the economic impact driven by ongoing macroeconomic headwinds in both Royal Mail and GLS. In Royal Mail following agreement with the CWU of the Business Recovery, Transformation and Growth Agreement in July 2023, it does not assume any further industrial action taking place, and it also assumes the benefits associated with the activity to restore quality of service and transformation of the business are realised resulting in a more efficient operation that meets customers' changing needs. The Base Case assumes Royal Mail has high single digit parcel revenue growth during 2023-24 driven by win back of revenue lost as a result of industrial action, and addressed letter volume (excluding elections) decline is high single digit percentage in 2023-24 as the structural decline in letters continues. GLS assumes low single digit revenue growth in 2023-24 and some margin dilution linked to ongoing inflationary cost headwinds and new investment. The Base Case assumes a dividend will be restored over the going concern period funded by GLS. In addition, not included in the base case is the proceeds from potential uncommitted real estate disposals.

1. Basis of preparation (continued)

The Group issued two new bonds on 14th September 2023 and used part of the proceeds to repurchase some of the existing 2024 €500 million bond. The Group now has four bonds outstanding, of which the remaining €364.5 million outstanding on the 2024 €500 million bond matures in July 2024 which is within the going concern assessment period. The Group holds bank deposits (from the recent issues) to cover this repayment. The maturity of the €550 million bond in October 2026 is outside of the going concern assessment period.

The Base Case does not anticipate any regulatory support from Ofcom or Government, for example change in the scope of the USO. Management believes modernisation of the USO is critical for margins to be durably restored to sustainable levels (defined as between 5 and 10 per cent EBIT margin in the regulated business by Ofcom). Regulatory reform could materially improve the prospects of the Royal Mail business.

In the Base Case it is projected that the Group will have sufficient cash and liquidity. The £925 million bank syndicate loan facility would remain available as covenants would not be breached.

The Downside Case applies further stress to the Base Case to model further deteriorating economic and market conditions impacting both GLS and Royal Mail.

Further details of the scenario modelled are as follows:

Scenario:	Deteriorating economic and market conditions.
Assumptions:	Delayed revenue growth in the business plan and decline in operating margins.
Scenario:	Increased competition in the UK parcels sector including changes in consumer expectations and/or market disruption.
Assumptions:	Lower parcel revenues and failure to deliver new product offerings.
Scenario:	Delays in relation to the Royal Mail transformation plan.
Assumptions:	Delays in budgeted cost efficiencies being realised.
Scenario:	Cyber-attack triggering material service and/or operational interruption.
Assumptions:	Cyber breach impacting revenue/costs to rectify.
Scenario:	Increase in attrition of key roles.
Assumptions:	Recruitment costs, interim resource and higher salaries.

The Directors believe that the downside is a severe but plausible scenario, recognising the Base Case already anticipates significant negative impacts from the weak economy and flow through impact from industrial action that has taken place. The gross liquidity impact of the Downside to November 2024 is approximately £0.5 billion. The majority of the Downside case impact relates to Royal Mail.

Whilst Royal Mail has embarked on its transformation journey it is still in the early stages and the Board remains concerned about the financial situation in Royal Mail. The difficult trading circumstances of the last year have been damaging to Royal Mail. The operational changes and improvements required in Royal Mail are fundamental to its turnaround and to restore profitability in that business.

The Board has for some time maintained that it will not cross subsidise in order to support Royal Mail. In this regard the Board has asked that Royal Mail takes all reasonable steps to finance the necessary transformation and turnaround from its own resources. This may include, for example, the disposal of some real estate assets or raising of finance by other means.

It is essential that Royal Mail now makes the required progress in modernising its business and in delivering the changes proposed in its business plan.

If the severe but plausible scenario were to materialise, the Directors would expect to take mitigating actions to preserve cash and maintain liquidity by building covenant headroom. The Directors have identified a number of mitigations, all within management's control, to reduce costs and optimise the Group's cash flow, liquidity and covenant headroom.

1. Basis of preparation (continued)

The mitigating actions include:

- reducing capital and investment expenditure through postponing or pausing projects and change activity;
- deferring or cancelling discretionary spend (including management bonus);
- cost reductions through procurement savings;
- delaying implementation of the new pension scheme which has a higher cost to the Group; and
- reviewing dividend.

The Directors have assessed the Group's financial commitments and consider that in the Downside Case, after taking into account mitigations and cash generated from operations and existing facilities, the Group is forecast to have sufficient cash and liquidity. The Group is not projected to breach the financial covenants under its committed credit facilities under the Downside Case, with the lowest EBITDA headroom during the financial year 2023-24 being c. £0.2 billion (however this is in reference to the GLS EBITDA which is significantly less volatile), increasing c. £0.4 billion by 30 September 2024. The lowest total available liquidity modelled under the Downside Case was c. £1.6 billion at November 2024 including £925 million undrawn syndicate loan facility. As such, the Group has sufficient liquidity to continue to operate and to discharge its liabilities as they fall due over the going concern assessment period.

Having reviewed the Base Case, and Downside Case, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern assessment period and hence continue to adopt the going concern basis in preparing the financial statements.

Consequently, the Directors are satisfied that the Group will have sufficient funds to continue to meet its liabilities as they fall due from at least 12 months from the date of approval of the Financial Statements and therefore have prepared the financial statements on a going concern basis.

New accounting standards and interpretations in 2023-24
The new, and interpretations of existing, accounting standards that became effective during the period have not had a significant impact on these condensed consolidated financial statements.

Key sources of estimation uncertainty and critical accounting judgements
The preparation of the condensed consolidated financial statements requires management to make certain estimates and judgements that can have a significant impact on the financial statements. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The significant judgements and estimates applied by the Group in these condensed consolidated financial statements are consistent with those applied in the Annual Report and Financial Statements 2022-23.

Of the significant accounting estimates, the following updates are considered by management to be relevant:

Pensions
The value of defined benefit pension plan liabilities and assessment of pension plan costs are determined by long-term actuarial assumptions. These assumptions include discount rates (which are based on the long-term yield of high-quality corporate bonds), inflation rates and mortality rates. Differences arising from actual experience or changes in assumptions will be reflected in the Group's consolidated statement of comprehensive income. The Group exercises its judgement in determining the assumptions to be adopted, after discussion with a qualified actuary. Details of the key actuarial assumptions used are included in Note 8.

Royal Mail (excluding Parcelforce Worldwide) CGU
In accordance with IAS 36, Management performs an impairment assessment of the Royal Mail (excluding Parcelforce Worldwide) CGU whenever events or circumstances indicate that the value of the balance sheet may not be recoverable or that the previously recognised impairment may need to be reversed.

Full details of the impairment assessment of the CGU are provided in Note 5.

Deferred revenue
The Group recognises advance customer payments on its balance sheet, predominantly relating to stamps and meter credits purchased by customers but not used at the balance sheet date. The majority of this balance is made up of stamps sold to the general public. Management currently utilises a number of different data sources to calculate the estimated deferred revenue liability given that stamps can be held and used for varying time periods.

The change in the first half year to only accepting barcoded regular stamps has increased the extent of estimation uncertainty inherent in the methodology due to likely changes in customer behaviour.

Management expects to transition to a new model to calculate SITHOP based on stamp barcoding data by 31 March 2024. This new methodology, once implemented, could result in a deferred revenue balance that is materially different to the current balance.

2. Segment information

The Group's operating segments are based on geographic business units whose primary services and products relate to the delivery of parcels and letters. These segments are evaluated regularly by the International Distributions Services plc Board – the Chief Operating Decision Maker (CODM) as defined by IFRS 8 'Operating Segments' – in deciding how to allocate resources and assess performance.

The key measure of segment performance is adjusted operating profit before specific items (used internally for the Corporate Balanced Scorecard). This measure of performance is disclosed on an 'adjusted' basis i.e. excluding specific items, the depreciation/amortisation adjustment for impaired assets and the pension charge adjustment (changes to calculations and/or definitions for which are detailed in the Financial Review – no impact on prior year), which is consistent with how financial performance is measured internally and reported to the CODM.

Segment revenues have been attributed to the respective countries based on the primary location of the service performed.

Seasonality

Parcel and letter volumes are subject to seasonal variation. The Group's busiest period is from September to December, when there is: typically an increase in marketing mail as businesses seek to maximise sales in the period leading up to Christmas; an increase in parcel volumes as a result of online Christmas shopping; and an increase in addressed letter volumes as a result of the delivery of Christmas cards. During this period, Royal Mail and GLS would expect to record higher revenue, as greater volumes of parcels and letters are delivered through their respective networks. We also incur higher costs, particularly in Royal Mail as we hire large numbers of temporary workers to assist in handling the increased workload.

Other seasonal factors that can affect the Group's results include the Easter period, the number of bank holidays in a reporting period and weather conditions. Typically, late spring and summer months are less busy in Royal Mail and GLS.

26 weeks ended 24 September 2023	**Adjusted**				**Adjustments[2] and Specific items[3]**		**Reported**
Continuing operations	**Royal Mail £m**	**GLS £m**	**Eliminations[1] £m**	**Group £m**	**Royal Mail £m**	**GLS £m**	**Group £m**
Revenue	**3,541**	**2,330**	**(9)**	**5,862**	**-**	**-**	**5,862**
People costs	**(2,693)**	**(544)**	**-**	**(3,237)**	**(132)**	**-**	**(3,369)**
Non-people costs	**(1,167)**	**(1,636)**	**9**	**(2,794)**	**60**	**-**	**(2,734)**
Profit on disposal of property, plant and equipment	**-**	**-**	**-**	**-**	**14**	**1**	**15**
Operating (loss)/profit before specific items	**(319)**	**150**	**-**	**(169)**	**(58)**	**1**	**(226)**
Operating specific items	**-**	**-**	**-**	**-**	**(6)**	**(11)**	**(17)**
Operating (loss)/profit	**(319)**	**150**	**-**	**(169)**	**(64)**	**(10)**	**(243)**
Finance costs	**(28)**	**(15)**	**7**	**(36)**	**-**	**-**	**(36)**
Finance income	**23**	**3**	**(7)**	**19**	**-**	**-**	**19**
Net pension interest (non-operating specific item)	**-**	**-**	**-**	**-**	**66**	**-**	**66**
(Loss)/profit before tax	**(324)**	**138**	**-**	**(186)**	**2**	**(10)**	**(194)**

2. Segment information (continued)

26 weeks ended 25 September 2022	Adjusted				Adjustments[2] and Specific items[3]		Reported
Continuing operations	Royal Mail £m	GLS £m	Eliminations[1] £m	Group £m	Royal Mail £m	GLS £m	Group £m
Revenue	3,647	2,200	(9)	5,838	-	-	5,838
People costs	(2,693)	(489)	-	(3,182)	(72)	-	(3,254)
Non-people costs	(1,173)	(1,549)	9	(2,713)	-	-	(2,713)
Profit on disposal of property, plant and equipment	-	-	-	-	5	1	6
Operating (loss)/profit before specific items	(219)	162	-	(57)	(67)	1	(123)
Operating specific items	-	-	-	-	8	(42)	(34)
Operating (loss)/profit	(219)	162	-	(57)	(59)	(41)	(157)
Finance costs	(26)	(11)	7	(30)	-	-	(30)
Finance income	12	2	(7)	7	-	-	7
Net pension interest (non-operating specific item)	-	-	-	-	53	-	53
(Loss)/profit before tax	(233)	153	-	(80)	(6)	(41)	(127)

1. Revenue and non-people costs eliminations relate to intragroup trading between Royal Mail and GLS, due to Parcelforce Worldwide being GLS' partner in the UK. Finance costs/income eliminations relate to intragroup loans between Royal Mail and GLS.
2. The adjustments represent amounts that are excluded in measuring segmental adjusted performance as reported to the CODM. The basis for, and the amounts of, these adjustments is detailed below.
3. Specific items represent amounts that are excluded in measuring segmental adjusted performance as reported to the CODM, and also, in management's opinion, require separate identification within the income statement. Further information in respect of Specific items is included within Note 4.

Excluded from people costs for the Royal Mail segment above is a £132 million credit related to the pension charge adjustment. The pension charge adjustment of £132 million comprises £2 million (H1 2022-23: £72 million) relating to the difference between the IAS 19 income statement pension charge rate of 14.8% (H1 2022-23: 23.3%) for the Defined Benefit Cash Balance Section (DBCBS) and the cash funding contribution rate agreed with the Trustee of 15.6% (H1 2022-23 15.6%); and £130 million (H1 2022-23: £nil) in relation to a refund of cash held in escrow by the Trustee of the Royal Mail Pension Plan (RMPP). This cash was subsequently used to provide a one-off payment to UK employees following ratification of the Business Recovery, Transformation and Growth agreement and was paid on 30 September 2023 after the balance sheet date. The year-on-year decrease in the IAS 19 income statement pension charge rate is due to the increase in the net discount rate applied to the scheme's liabilities.

Included within adjusted non-people costs for the Royal Mail segment is a £60 million debit related to the depreciation/amortisation adjustment for impaired assets. This adjustment represents the reinstatement of the amounts for depreciation and amortisation that would have been charged in accordance with applicable accounting standards to the income statement, had the partial impairment of the Royal Mail (excluding Parcelforce Worldwide) CGU impairment in the prior year not taken place. A corresponding credit is included within the adjustments column, such that the total impact on reported non-people costs of this adjustment is £nil.

The depreciation and amortisation costs shown below are included within 'operating profit before specific items' in the income statement.

The non-current assets below exclude financial assets, retirement benefit surplus and deferred tax, and are included within non-current assets on the balance sheet.

2. Segment information (continued)

26 weeks ended 24 September 2023	**Royal Mail (UK operations) £m**	**GLS (Non-UK Operations) £m**	**Eliminations[4] £m**	**Total £m**
Depreciation	**123**	**85**	**-**	**208**
Amortisation of intangible assets (mainly software)	**26**	**5**	**-**	**31**
Non-current assets	**2,117**	**1,960**	**-**	**4,077**
Total assets	**6,042**	**3,020**	**(190)**	**8,872**
Total liabilities	**(4,485)**	**(1,547)**	**190**	**(5,842)**

26 weeks ended 25 September 2022	Royal Mail (UK operations) £m	GLS (Non-UK Operations) £m	Eliminations[4] £m	Total £m
Depreciation	154	76	-	230
Amortisation of intangible assets (mainly software)	61	5	-	66
Non-current assets	2,854	1,853	(12)	4,695
Total assets	6,827	2,972	(317)	9,482
Total liabilities	(3,632)	(1,593)	317	(4,908)

The company is domiciled in the UK. The split of revenue from external customers and non-current assets (excluding financial assets, retirement benefit surplus and deferred tax) between the UK and GLS' presence in Continental Europe and North America is shown below.

26 weeks ended 24 September 2023	**UK £m**	**Continental Europe £m**	**North America £m**	**Eliminations[4] £m**	**Total £m**
Revenue	**3,541**	**2,055**	**275**	**(9)**	**5,862**
Non-current assets	**2,117**	**1,420**	**540**	**-**	**4,077**

26 weeks ended 25 September 2022	UK £m	Continental Europe £m	North America £m	Eliminations[4] £m	Total £m
Revenue	3,647	1,896	304	(9)	5,838
Non-current assets	2,854	1,260	593	(12)	4,695

4 Eliminations in respect of revenue and assets/liabilities relate to intragroup balances between Royal Mail and GLS.

3. People information

	Reported 26 weeks ended 24 September 2023 £m	Reported 26 weeks ended 25 September 2022 £m
Wages and salaries	**(2,796)**	(2,608)
Royal Mail	**(2,313)**	(2,170)
GLS	**(483)**	(438)
Pensions (see Note 8)	**(293)**	(368)
Royal Mail defined benefit plans (including administration costs)	**(129)**	(204)
Royal Mail defined contribution plan	**(66)**	(64)
Royal Mail defined benefit and defined contribution plans' Pension Salary Exchange (PSE) employer contributions	**(93)**	(96)
GLS	**(5)**	(4)
Social security	**(280)**	(278)
Royal Mail	**(224)**	(231)
GLS	**(56)**	(47)
Total people costs	**(3,369)**	(3,254)

People numbers

The number of people employed, expressed as both full-time equivalents and headcount, during the reporting period was as follows:

	Full-time equivalents (FTEs)[1]				Headcount[2]			
	Half-year end		Average		Half-year end		Average	
	26 weeks September 2023	26 weeks September 2022	**26 weeks September 2023**	26 weeks September 2022	**26 weeks September 2023**	26 weeks September 2022	**26 weeks September 2023**	26 weeks September 2022
Royal Mail	**140,342**	142,751	**140,549**	149,318	**127,833**	137,369	**127,092**	138,517
GLS	**22,169**	21,562	**22,344**	20,476	**23,072**	22,075	**23,082**	22,497
Total	**162,511**	164,313	**162,893**	169,794	**150,905**	159,444	**150,174**	161,014

1. These people numbers relate to the total number of paid hours (including part-time, full-time and agency hours) divided by the number of standard full-time working hours in the same period.
2. These people numbers are based on permanent employees.

4. Specific items

	26 weeks ended 24 September 2023	26 weeks ended 25 September 2022
Operating specific items:		
Amortisation of intangible assets in acquisitions	**(11)**	(10)
Ofcom fine	**(6)**	-
GLS VAT adjustments	**-**	(33)
Legacy/other items	**-**	9
Total operating specific items	**(17)**	(34)
Non-operating specific item:		
Net pension interest	**66**	53
Total non-operating specific items	**66**	53
Total specific items before tax	**49**	19
Tax credit on specific items	**2**	18

On 13 November 2023, Ofcom issued its decision: (a) that Royal Mail had infringed its regulatory obligation in respect of the 2022-23 USO Quality of Service performance; and (b) to impose a penalty of £8 million. In admitting to the infringement and settling with Ofcom, Royal Mail has received a reduced penalty of £5.6 million. Management have therefore recognised a charge of £5.6 million.

In the prior year, £33 million (€39 million) related to the settlement of VAT adjustments in GLS Italy, covering the years 2016 through to 2021.

5. Royal Mail (excluding Parcelforce Worldwide) CGU impairment review
In assessing whether the Royal Mail CGU was impaired, the carrying value of the Royal Mail CGU of £805 million was compared to its recoverable amount. The recoverable amount is the higher of its Value in use ("VIU") and its Fair value less cost to dispose ("FVLCD").

Royal Mail's strategy to transform the business into a more efficient operation that meets customers' changing needs and the future cash flows in the 2023 five-year Business Plan reflects both the costs and benefits associated with this transformation.

As required by IAS 36, under the VIU calculation, estimates of future cash flows shall not include cash inflows or outflows that are expected to arise from a future restructuring or improving or enhancing the assets to which an entity is not yet committed, at the balance sheet date. The VIU approach, after adjusting for the restructuring and transformational cashflows, resulted in a full impairment.

Management therefore assessed the recoverability of the Royal Mail CGU using the alternative FVLCD methodology. The FVLCD considers the valuation from a 'market participant' perspective. Deriving a market participant valuation would typically be through a multiple of earnings methodology. However, Management do not believe this methodology would be appropriate in the current circumstances, as the significant transformation required in the business means that there is not a normalised level of profits against which to apply a multiple until the outer years of the plan. In addition, given the unique nature of the Royal Mail business as the universal service provider in the UK, and a heavily unionised workforce, there is lack of an exact comparator in order to determine an appropriate multiple. Consequently, Management have calculated a valuation using a discounted cash flow model from the perspective of a market participant i.e. a buyer transacting in the principal market for an asset of this type.

The Board have used the approved 2023 5-year Business Plan as the base of the discounted cash flows in the FVLCD model. They then considered their assumptions in the context of information that would be available to a market participant. Since the business plan was approved in April 2023, interest rate increases and broader economic conditions have had a significant impact on the property market, and adjustments have been made to the real estate proceeds assumed in the plan to reflect current market conditions, to represent a market participant's view. The key assumptions in the impairment assessment are:

Expected revenue and operating margin performance
Forecast cash flows based on the five-year Board business plan approved in April 2023.

The key inputs and assumptions underlying the business plan include economic impact driven by ongoing macroeconomic headwinds. Following agreement with the CWU of the Business Recovery, Transformation and Growth Agreement in July 2023, it does not assume any further industrial action taking place. The plan assumes a return to market growth, driven by win back of revenue lost as a result of industrial action, pricing adjustments and other commercial initiatives designed to grow revenue. The plan assumes growth in parcel volumes but a reduction in letter volume.

Revenue growth initiatives are reliant on quality-of-service improvement. Operating margin reflects the current pay deal agreed and benefits realisation from productivity improvements, including through lower absence, new T&Cs for new joiners and delivery gap closure. The plan does not anticipate any regulatory support from Ofcom or Government, for example a change in the scope of the Universal Service Obligation.

Discount rates: The discount rate is based on the UK-specific post tax discount rate of 12.00%, which incorporates a risk premium a market participant would apply in order to reflect uncertainty in terms of ability to deliver revenue growth and improved operating margin. In deriving the risk premium, a market participant would consider past performance in terms of delivering transformational change, and the significant change and efficiency programme to be delivered.

Long-term growth rates: A long-term growth rate of 0.5% has been used for cash flows subsequent to the five-year plan period.

Recoverable amount: In accordance with the financial reporting standards, the recoverable amount is the higher of the VIU and FVLCD. The FVLCD approach resulted in a recoverable amount that was consistent with the carrying value at the half year, and therefore no further impairment or reversal is required. The impairment charge at year end 2022-23 was £539 million.

Sensitivity to changes in assumptions: The valuation of the Royal Mail CGU is dependent upon a number of estimates used in arriving at revenue growth, operating margin, terminal growth rates and the discount rate. An evaluation of sensitivities to the FVLCD calculation illustrates that there are both risks and opportunities. The operational changes and improvements required in Royal Mail are fundamental to its turnaround to restore profitability. Given past performance of delivering transformational change, and the significant change and efficiency programme to be delivered, there is execution risk in delivering the plan which could lead to further impairment. However, there is also significant opportunity and subject to progress being made in transforming the business and evolution of the letters and parcels markets, there is reasonably possible potential in the future for the business to be restored to its full carrying value.

Market: If parcel growth rates are 1% per annum more positive than has been assumed in the valuation, this would result in a valuation of £1.6 billion, but if parcel growth reduced by 1% it would result in a full impairment. If letter growth rates are 1% per annum less than has been assumed, this would also result in a full impairment. If property valuations were 10% higher this would result in a valuation of £837 million, or if 10% lower would result in a valuation of £798 million.

5. Royal Mail (excluding Parcelforce Worldwide) CGU impairment review (continued)

Regulation: The plan does not anticipate any regulatory support from Ofcom or Government, for example a change in the scope of the USO. Management believes modernisation of the USO is critical for margins to be durably restored to sustainable levels (defined as between 5 and 10 per cent EBIT margin in the regulated business by Ofcom). Regulatory reform could materially improve the prospects and valuation of the business.

Discount rate: There is a risk that the planned change programmes are unable to progress at the rate targeted in the 2023 5-year Business Plan, and therefore an increase in the discount rate by 100 bps, reflecting increased uncertainty, would result in a valuation of £732 million.

Terminal growth rate: An increase in the terminal growth rate to 1% to reflect the higher end of the range of comparative peers, would result in a valuation of £865 million.

Combined sensitivities: A 12.5% discount rate and 1.0% terminal growth rate would result in a valuation of £819 million. In order for there to be no impairment charge the discount rate would need to reduce by 200 bps and the terminal growth rate would need to increase to 2.05%.

6. Taxation

The Group reported tax charge is £29 million (H1 2022-23: £41 million credit) on a reported loss before tax of £194 million (H1 2022-23: £127 million). This consists of a tax charge in GLS of £33 million (H1 2022-23: £36 million) on a profit of £128 million (H1 2022-23: £112 million) and a tax credit in Royal Mail of £4 million (H1 2022-23: £77 million) on a loss of £322 million (H1 2022-23: £239 million).

The GLS reported effective tax rate of 25.8% (H1 2022-23: 32.1%) is broadly in line with the UK statutory rate. Losses for which a deferred tax asset is not recognised and the tax effect of non-deductible expenses are broadly offset by the effect of lower overseas tax rates. The rate is lower than the previous period mainly due to the settlement of VAT in Italy in the previous period for which no tax credit arose.

Royal Mail has a tax credit of £4 million (H1 2022-23: £77 million) on a reported loss before tax of £322 million (H1 2022-23: £239 million). Consistent with the decision to derecognise the Royal Mail deferred tax assets as at 26 March 2023, there continues to be insufficient certainty of Royal Mail's ability to generate future taxable profits and therefore only a limited tax credit has been recognised in respect of the loss. The £4 million tax credit represents a deferred tax asset that is recognised and will be utilised in H2 due to the expected reversal of a taxable temporary difference in respect of cash flow hedges. At 24 September 2023 Royal Mail has unrecognised tax losses and temporary differences totalling approximately £1,575 million (26 March 2023: £1,187 million).

Details of the adjusted tax results and effective tax rates are provided in the Financial Review.

7. Earnings per share

	26 weeks ended 24 September 2023			26 weeks ended 25 September 2022		
	Reported	**Adjustments and specific items**[1]	**Adjusted**	Reported	Adjustments and specific items[1]	Adjusted
Attributable to equity holders of the parent Company						
Loss after tax from continuing operations (£ million)	**(223)**	**(6)**	**(217)**	(86)	(16)	(70)
Weighted average number of shares issued (million)	**956**	**n/a**	**956**	956	n/a	956
Basic earnings per share (pence)	**(23.3)**	**n/a**	**(22.7)**	(9.0)	n/a	(7.3)
Diluted earnings per share (pence)	**(23.3)**	**n/a**	**(22.7)**	(9.0)	n/a	(7.3)

1. Details of Alternative Performance Measures (APMs), including reconciliations to reported measures, are provided in the Financial Review.

The diluted earnings per share for the 26 weeks ended 24 September 2023 is based on a weighted average number of shares of 963,519,765 (H1 2022-23: 958,775,868) to take account of the potential issue of 186,297 (H1 2022-23: 437,680) ordinary shares resulting from the Deferred Share Bonus Plan (DSBP) and 6,766,251 (H1 2022-23: 2,408,279) ordinary shares resulting from the Long-Term Incentive Plan (LTIP). Management have historically elected to settle this scheme using shares purchased from the market.

The 526,257 (H1 2022-23: 263,566) shares held in an Employee Benefit Trust for the settlement of options and awards to current and former employees, are treated as treasury shares for accounting purposes. The Company, however, does not hold any shares in treasury.

8. Retirement benefit plans

Summary pension information

	26 weeks ended 24 September 2023 £m	26 weeks ended 25 September 2022 £m
Ongoing UK pension service costs		
UK defined benefit plans (including administration costs)[1]	**(129)**	(204)
UK defined contribution plan	**(66)**	(64)
UK defined benefit and defined contribution plans' Pension Salary Exchange employer contributions[2]	**(93)**	(96)
Total UK ongoing pension service costs	**(288)**	(364)
GLS pension costs accounted for on a defined contribution basis	**(5)**	(4)
Total Group ongoing pension service costs	**(293)**	(368)
Cash pension service costs[3]		
UK defined benefit plan's employer contributions[4]	**(127)**	(132)
Defined contribution plans' employer contributions	**(71)**	(68)
UK defined benefit and defined contribution plans' PSE employer contributions	**(93)**	(96)
Total Group cash flows relating to ongoing pension service costs	**(291)**	(296)
Pension charge adjustment excluding pension escrow release[5]	**(2)**	(72)

1. These pension service costs are charged to the income statement. They represent the cost (as a percentage of pensionable payroll – 14.8% (H1 2022-23: 23.3%)) of the increase in the defined benefit obligation due to members earning one more years' worth of pension benefits. They are calculated in accordance with IAS 19 and are based on market yields (high-quality corporate bonds and inflation) at the beginning of the reporting year. Also included are pensions administration costs for the RMPP of £6 million (H1 2022-23: £5 million) and the DBCBS of £2 million (H1 2022-23: £2 million).
2. Eligible employees who are enrolled into PSE opt out of making employee contributions to their pension and the Group makes additional contributions in return for a reduction in basic pay.
3. These values exclude the impact of any timing differences in pension payments and represent the equivalent cash costs of the amounts charged to the income statement in the period.
4. The employer contribution cash flow rate of 15.6% is paid in respect of the DBCBS (H1 2022-23: 15.6%). These contribution rates are fixed, with actuarial funding valuations carried out every three years to determine whether additional deficit contributions are required. These actuarial valuations are required to be carried out on assumptions determined by the Trustee and agreed by Royal Mail. The most recent triennial valuation at 31 March 2021 was completed in May 2022 and no additional contributions were required.
5. Excludes £130 million (H1 2022-23 £nil) adjustment in relation to the release of pension escrow, see Financial Review for further details.

Royal Mail Senior Executives Pension Plan (RMSEPP)

This scheme for executives closed in December 2012 to future accrual, therefore the Group makes no regular future service contributions.

In September 2018 an insurance policy was purchased in respect of all remaining pensioners and deferred members, following which it was decided to proceed to buy out and wind up the plan.

The wind-up of RMSEPP had previously been expected to complete in 2020-21, but it was delayed by the need for further clarity over the approach to GMP equalisation. This has now been resolved and the buy-out of this scheme was completed in June 2022, with the bulk annuity policies being exchanged for individual policies between the insurers and all remaining members. All the Group's obligations under the plan have now been fully extinguished and the Group has therefore de-recognised all liabilities under the scheme as well as the corresponding assets that had previously represented the value of the bulk annuity policies.

The Group expects to proceed to wind up the plan in the coming months. The scheme still holds residual assets which are expected to be returned to the Group following the wind up of the scheme, following the payment of any remaining closure expenses. This refund however will be subject to a withholding tax deduction of 35%, hence the surplus is presented on the balance sheet net of a £3 million adjustment which represents the tax that would be withheld on the surplus amount.

When wind-up was triggered in August 2021, the Schedule of Contributions ceased and no further contributions were payable.

Below is a summary of the combined plans' assets and liabilities on an accounting (IAS 19) basis.

8. Retirement benefit plans (continued)

	DBCBS		RMPP		RMSEPP	
	At 24 September 2023 £m	At 26 March 2023 £m	**At 24 September 2023 £m**	At 26 March 2023 £m	**At 24 September 2023 £m**	At 26 March 2023 £m
Fair value of plans' assets	**1,679**	1,652	**6,734**	7,604	**8**	8
Present value of plans' liabilities	**(1,927)**	(1,797)	**(4,341)**	(4,601)	**–**	-
(Deficit)/surplus in plans (pre-withholding tax payable)	**(248)**	(145)	**2,393**	3,003	**8**	8
Withholding tax payable[6]	**n/a**	n/a	**(838)**	(1,051)	**(3)**	(3)
(Deficit)/surplus in plans	**(248)**	(145)	**1,555**	1,952	**5**	5

6. Any reference to a withholding tax adjustment relates to withholding tax payable on distribution of a pension surplus.

Having taken legal advice with regard to the rights of the Group under the Trust deeds and rules, the Directors believe there is an obligation to recognise a pension surplus for the RMPP on an accounting basis. The surplus on an accounting basis will be different to the scheme's funding position. Under IAS 19 and IFRIC 14, it must recognise the economic benefit it considers to arise from either a reduction to its future contributions or a refund of the surplus at some point in the future, using current long-term accounting assumptions at the reporting date. This is a technical adjustment made on an accounting basis only.

This surplus is presented on the balance sheet net of a withholding tax adjustment of £838 million (at 26 March 2023: £1,051 million) in respect of the RMPP, which represents the tax that would be withheld on the surplus amount. Any actuarial surplus will remain in the RMPP for the benefit of members until the point at which all benefits have been paid out or secured.

Under the terms of the DBCBS, any surplus would be awarded to members and therefore if this section was found to be in surplus the defined benefit liabilities would increase to equal the asset value under IAS 19.

Major long-term assumptions used for accounting (IAS 19) purposes – RMPP, RMSEPP and DBCBS

IAS 19 assumptions are derived separately for the legacy RMPP and DBCBS, in particular taking into account the different weighted durations of the future benefit payments. No assumptions have been derived for RMSEPP at 24 September 2023 since the scheme has now been fully bought out and the liabilities extinguished.

The major assumptions used to calculate the accounting position of the pension plans are as follows:

	At 24 September 2023	**At 26 March** 2023
Retail Price Index (RPI) – RMPP[7]	**3.3%**	3.2%
Retail Price Index (RPI) – DBCBS	**3.4%**	3.2%
Consumer Price Index (CPI) – RMPP[7]	**3.0%**	2.9%
Consumer Price Index (CPI) – DBCBS	**3.0%**	2.8%
Discount rate – RMPP[7,8]		
– nominal	**5.3%**	4.7%
– real (nominal less RPI)	**2.0%**	1.5%
Discount rate – DBCBS[9]		
– nominal	**5.3%**	4.7%
– real (nominal less RPI)	**1.9%**	1.5%

7. 24 September 2023 assumptions are derived for RMPP and DBCBS only since the RMSEPP scheme has been fully bought out in the prior year.

8. The discount rate reflects the average duration of the RMPP benefits of around 19 years (At 26 March 2023: 20 years). The reduction in duration is primarily due to the increase in the liability discount rate.

9. The discount rate reflects the average duration of the DBCBS benefits of 13 years (At 26 March 2023: 13 years). The pension service cost applicable for 2023-24 is based on 27 March 2023 assumptions.

9. Acquisition of businesses

On 1 June 2023 GLS acquired 100% of the share capital of Altimax Courier Limited (‘Altimax’).

GLS also acquired 100% of the share capital of Versandmanufaktur GmbH (acquired on 1 April 2023) and S.I.T. & Management S.r.l. (‘ProntoPacco’ - acquired on 30 May 2023), and the assets of an Italian Franchisee (acquired on 1 April 2023) which are included in ‘Other’ below.

This information includes the provisional fair value of the assets and liabilities recognised as at the date of the acquisitions. Costs related to the acquisitions recognised as an expense within other operating costs in the income statement amounted to £1 million.

	Altimax £m	**Other £m**	**Total £m**
Property plant and equipment	**3**	**1**	**4**
Intangible assets recognised on acquisition	**12**	**4**	**16**
Trade and other receivables	**3**	**3**	**6**
Cash and cash equivalents	**2**	**-**	**2**
Goodwill recognised on acquisition	**10**	**17**	**27**
Total assets acquired	**30**	**25**	**55**
Trade and other payables	**(1)**	**(3)**	**(4)**
Loans and leases	**(3)**	**(1)**	**(4)**
Deferred tax liabilities	**(4)**	**(1)**	**(5)**
Net assets acquired	**22**	**20**	**42**
Cash paid during the year	**15**	**12**	**27**
Contingent consideration	**7**	**8**	**15**
Total consideration	**22**	**20**	**42**

The fair value of trade debtors is equal to the gross contractual amounts receivable. A review of trade debtors did not indicate any recoverability issues. The trade debtors of the Italian franchisee were not acquired.

The intangible assets recognised predominantly relate to customer relationships, IT software and brands. Of the £27 million goodwill arising on acquisition, none is tax deductible.

Revenue generated from these businesses since the date of acquisition is £17 million (Altimax: £7 million) and the loss is £1 million (Altimax: £nil loss). If these combinations had taken place at the beginning of the financial year, revenue generated would have been £21 million (Altimax: £11 million) and the loss would have remained at £1 million (Altimax: £nil loss).

The fair value of Altimax contingent consideration of £7 million comprises £5 million related to the expected achievement of EBITDA targets in each of the three years after acquisition date, and £2 million for indemnity holdbacks payable within eighteen months of the acquisition date. The fair value of contingent consideration is based on unobservable inputs and the projected outcome is classified as a level 3 fair value estimate under the IFRS fair value hierarchy. Any adjustments required to contingent consideration outside of the measurement period will be recorded in the income statement.

For the ‘Other’ acquisitions, contingent consideration is principally in respect of the expected achievement of EBITDA targets in the three years after acquisition date. The accounting principles explained for the Altimax acquisition above will also be applied to these ‘Other’ acquisitions.

10. Non-current assets held for sale

	At 24 September 2023 £m	At 26 March 2023 £m
Property assets held for sale	**3**	4
Total	**3**	4

During the reporting period, property assets with a carrying value of c.£1 million (mainly the remaining plot at the Nine Elms site) were sold. The £3 million carrying value of property assets held for sale at the balance sheet date mainly comprises the Parcelforce Worldwide depot at Royal College Street, Camden, London which is expected to be sold within the next 12 months.

11. Financial assets and liabilities

Classification, carrying amount and fair value of financial assets and liabilities

The following analysis shows the classification, carrying amount and fair value of the Group's financial assets.

	Level	Classification	**At 24 September 2023 Carrying amount £m**	**At 24 September 2023 Fair value £m**	At 26 March 2023 Carrying amount £m	At 26 March 2023 Fair value £m
Financial assets						
Cash	1		**477**	**477**	467	467
Cash held within cash pool			**98**	**98**	89	89
All other cash			**379**	**379**	378	378
Cash equivalent investments	1		**909**	**909**	431	431
Money market funds		FVTPL	**574**	**574**	349	349
Short-term deposits – bank		Amortised cost	**335**	**335**	82	82
Cash and cash equivalents			**1,386**	**1,386**	898	898
Current asset investments – short-term deposits – bank	1	Amortised cost	**109**	**109**	-	-
Pension escrow investments	1	FVTPL	**84**	**84**	208	208
Trade and other receivables[1]	2	Amortised cost	**1,375**	**1,375**	1,423	1,423
Derivative assets (current)	2	FVTPL	**25**	**25**	23	23
Derivative assets (non-current)	2	FVTPL	**3**	**3**	3	3
Total financial assets			**2,982**	**2,982**	2,555	2,555

1. Trade and other receivables excludes prepayments of £192 million (at 26 March 2023 £167 million).

11. Financial assets and liabilities (continued)

The following analysis shows the classification, carrying amount and fair value of the Group's financial liabilities.

	Level	Classification	**At 24 September 2023 Carrying amount £m**	**At 24 September 2023 Fair value £m**	At 26 March 2023 Carrying amount £m	At 26 March 2023 Fair value £m
Financial liabilities						
Bank overdrafts (in a cash pool)	1	Amortised cost	**(98)**	**(98)**	(89)	(89)
Lease liabilities (current)	2	Amortised cost	**(225)**	**(225)**	(220)	(220)
Interest-bearing loans and borrowings (current):						
€500 million 2024 bond	2	Amortised cost	**(317)**	**(312)**	-	-
Asset finance	2	Amortised cost	**(3)**	**(3)**	(3)	(3)
Derivative liabilities (current)	2	FVTPL	**(6)**	**(6)**	(13)	(13)
Interest-bearing loans and borrowings (non-current):						
€500 million 2024 bond	2	Amortised cost	**-**	**-**	(440)	(432)
€550 million 2026 bond	2	Amortised cost	**(477)**	**(434)**	(482)	(441)
€500 million 2028 bond	2	Amortised cost	**(432)**	**(438)**	-	-
€250 million 2030 bond	2	Amortised cost	**(248)**	**(255)**	-	-
Asset finance	2	Amortised cost	**(21)**	**(20)**	(22)	(21)
Lease liabilities (non-current)	2	Amortised cost	**(1,206)**	**(1,085)**	(1,142)	(1,022)
Trade and other payables[2]	2	Amortised cost	**(2,083)**	**(2,083)**	(1,894)	(1,894)
Derivative liabilities (non-current)	2	FVTPL	**(16)**	**(16)**	(22)	(22)
Total financial liabilities			**(5,132)**	**(4,975)**	(4,327)	(4,157)
Net total financial liabilities			**(2,150)**	**(1,993)**	(1,772)	(1,602)

2. Trade and other payables excludes advance customer payments of £234 million (at 26 March 2023 £250 million).

Derivatives that do not qualify for hedge accounting are classified as fair value through profit and loss (FVTPL) and any gains or losses arising from changes in fair value are taken directly to the income statement in the period.

The main purpose of these financial instruments is to raise finance and manage the liquidity needs of the business' operations. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from operations and are not considered further in this Note.

No speculative trading in financial instruments has been undertaken during the current or comparative reporting periods, in line with Group policy.

Fair value measurement of financial instruments

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Where there is no active market, fair value is determined using valuation techniques. These include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and discounted cash flow analysis and pricing models.

The Group determines whether any transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each reporting period. For the purposes of disclosing the Level 2 fair value of investments held at amortised cost in the balance sheet, in the absence of quoted market prices, fair values are calculated by discounting the future cash flows of the financial instrument using quoted equivalent interest rates as at close of business at the balance sheet date. For the bonds, the disclosed fair value is calculated using the closing market bond price (converting to Sterling using the closing spot Sterling/Euro exchange rate for the Euro-denominated bonds).

For the purposes of comparing carrying amounts to fair value, fair values have been calculated using current market prices (bond price, interest rates, forward exchange rates and commodity prices) and discounted using appropriate discount rates.

12. Provisions

	Charged as specific items		Charged in operating costs				
	Industrial diseases £m	Other £m	Voluntary redundancy £m	Property decomm-issioning £m	Litigation claims £m	Other £m	Total £m
At 26 March 2023	**(44)**	**(3)**	**(12)**	**(25)**	**(50)**	**(74)**	**(208)**
Released/(charged)	**2**	**-**	**(1)**	**1**	**(15)**	**-**	**(13)**
Reclassifications	**-**	**-**	**2**	**-**	**-**	**51**	**53**
Utilised	**2**	**-**	**11**	**-**	**15**	**11**	**39**
Unwinding of discount	**(1)**	**-**	**-**	**-**	**-**	**-**	**(1)**
At 24 September 2023	**(41)**	**(3)**	**-**	**(24)**	**(50)**	**(12)**	**(130)**
Disclosed as:							
Current	**(11)**	**-**	**-**	**(4)**	**(38)**	**(2)**	**(55)**
Non-current	**(30)**	**(3)**	**-**	**(20)**	**(12)**	**(10)**	**(75)**
At 24 September 2023	**(41)**	**(3)**	**-**	**(24)**	**(50)**	**(12)**	**(130)**
Disclosed as:							
Current	(10)	-	(12)	(3)	(38)	(66)	(129)
Non-current	(34)	(3)	-	(22)	(12)	(8)	(79)
At 26 March 2023	(44)	(3)	(12)	(25)	(50)	(74)	(208)

Specific items provisions

Royal Mail has a potential liability for industrial diseases claims relating to individuals who were employed in the former General Post Office Telecommunications company and whose employment ceased prior to October 1981. The provision is derived using estimates and ranges calculated by its actuarial consultant, based on current experience of claims, and an assessment of potential future claims, the majority of which are expected to be received over the next 25 to 35 years. Royal Mail has a rigorous process for ensuring that only valid claims are accepted. In the first half year, the rate by which liabilities are discounted increased by 79 bps, which resulted in a £2 million release of the provision at 24 September 2023. A further £2 million was utilised for claims settled in the period.

Operating costs provisions

In October 2022 Royal Mail announced a voluntary redundancy exercise as part of a plan to right-size the operational frontline, with the expectation of reducing full time equivalents by c.10,000 by the end of August 2023. During the period £11 million of the provision remaining from 2022-23 was utilised and £2 million was reclassified as accruals due to more certainty and timing of settlement of the liability in the current year.

Property decommissioning obligations represent an estimate of the costs of removing fixtures and fittings and restoring the leased property to its original condition.

Provisions for litigation claims, based on best estimates as advised by external legal experts, mainly comprise outstanding liabilities in relation to road traffic accident and personal injury claims.

Other provision movements mainly comprise £61 million relating to a one-off payment of £500 per person to frontline employees as part of the Business Recovery, Transformation and Growth Agreement. At the reporting date £7 million of this had been utilised and £52 million reclassified to accruals due to certainty of the amount and timing of settlement of the liability at the balance sheet date.

13. Contingent liabilities and contingent assets

Contingent liabilities

DAF Trucks Ltd damages award

In relation to Royal Mail's damages claim against DAF Trucks Limited ('DAF'), the UK Competition Appeal Tribunal ('CAT') passed judgment in favour of Royal Mail on 7 February 2023 and subsequently ordered DAF to pay Royal Mail £35 million in damages and interest. Royal Mail received this amount in full in 2022-23. Since then, DAF has been granted permission to appeal the CAT judgment to the Court of Appeal ('CoA') and the hearing is due in late December and judgment in mid-2024. There is a risk that the CoA may agree with some or all of DAF's grounds of appeal which may result in a reduction of the award by the CAT, which may result in Royal Mail having to return some of the £35 million to DAF (as well as some of the costs of the litigation – see below).

In late May 2023, the CAT ruled that DAF should reimburse Royal Mail for litigation costs that it had incurred, and ordered DAF to pay 70% (i.e. £9.2 million) up front on account, pending detailed assessment. This amount has since been received from DAF on 31 May 2023. Any remaining costs will be determined following the outcome of the appeal in December 2023. If DAF win on any of the grounds of appeal, there is a risk that Royal Mail may have to reimburse DAF some or all of the £9.2 million, and also some of DAF's costs. Management is of the view that presently, it is not possible to determine either the likelihood or amount of any possible reimbursement of costs to DAF.

Whistl Damages Claim

In October 2018, Whistl filed a damages claim against Royal Mail at the High Court relating to Ofcom's decision of 14 August 2018, which found that Royal Mail had abused its dominant position. Whistl's High Court claim was paused until after the completion of the appeal by Royal Mail against the Ofcom decision. Following the exhaustion of Royal Mail's appeal against the Ofcom decision, the stay on Whistl's related damages claim has been lifted, and in March 2023, the proceedings were transferred from the High Court to the Competition Appeal Tribunal. The parties have now exchanged their initial pleadings, but the case is in its early stages. Royal Mail believes Whistl's claim is without merit and will defend it robustly.

Contingent asset

Court awarded compensation

In 2016 and 2017, Royal Mail investigated a group of companies and individuals suspected of a long-running under-declaration fraud. A number of individuals were charged for conspiracy to commit (statutory) fraud and a further charge of conspiracy to commit false accounting. The main defendants have pleaded guilty and will be sentenced in the coming months. Assets held by the defendants have been restrained for a number of years and we are now seeking to confiscate them. Management have commenced assessing the extent of available assets and their potential value, however there is insufficient evidence as at 24 September 2023 to determine the likely recoverable amount.

14. Share capital and reserves

Authorised and issued	**At 24 September 2023 £m**	At 26 March 2023 £m
957,093,475 (2022-23 956,193,475) ordinary shares of £0.01 each	**10**	10
Total	**10**	10

On 24 July 2023 International Distributions Services plc (the 'Company') made an application to the UK Listing Authority and the London Stock Exchange for a block listing of 900,000 ordinary shares of £0.01 each in the Company (the 'Shares') to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. The Shares were subsequently admitted on 27 July 2023.

The Shares are being reserved under a block listing and will be issued in connection with vestings under the Company's Deferred Share Bonus Plan and Long Term Incentive Plans.

The issued Shares rank pari passu with the existing issued ordinary shares of the Company.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF YEAR FINANCIAL REPORT

The Directors confirm that to the best of our knowledge:

- The condensed set of financial statements, which has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK.

The Interim Management Report includes a fair review of the information required by:

- DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

- DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group during that period; and any changes in the related party transactions described in the last annual report that could do so.

The Directors of International Distributions Services plc are as listed in the International Distributions Services plc Annual Report and Financial Statements 2022-23, with the exception of the following changes:

Ingrid Ebner was appointed as a Non-Executive Director with effect from 28 June 2023.

A list of current Directors is maintained at https://www.internationaldistributionsservices.com/en/

By order of the Board

Mick Jeavons
Group Chief Financial Officer of International Distributions Services plc
15 November 2023

INDEPENDENT REVIEW REPORT TO INTERNATIONAL DISTRIBUTIONS SERVICES PLC

Conclusion
We have been engaged by International Distributions Services plc ('the Company') to review the condensed set of consolidated financial statements in the half-yearly financial report for the 26 week period ended 24 September 2023 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the half-yearly financial report for the 26 week period ended 24 September 2023 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ('the DTR') of the UK's Financial Conduct Authority ('the UK FCA').

Basis for conclusion
We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* ('ISRE (UK) 2410') issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the Group to cease to continue as a going concern, and the above conclusions are not a guarantee that the Group will continue in operation.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK-adopted international accounting standards.

The Directors are responsible for preparing the condensed set of consolidated financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of consolidated financial statements, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of consolidated financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities
This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Andrew Bradshaw

for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
15 November 2023

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements concerning the Group's business, financial condition, results of operations and certain Group's plans, objectives, assumptions, projections, expectations or beliefs with respect to these items. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as 'anticipates', 'aims', 'due', 'could', 'may', 'will', ‘would’, 'should', 'expects', 'believes', 'intends', 'plans', 'potential', 'targets', 'goal', ‘forecasts’ or 'estimates' or similar expressions or negatives thereof.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual financial condition, performance and results to differ materially from the plans, goals, objectives and expectations set out in the forward-looking statements included in this document.

All written or verbal forward-looking statements, made in this document or made subsequently, which are attributable to the Group or any persons acting on its behalf are expressly qualified in their entirety by the factors referred to above. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements. No assurance can be given that the forward-looking statements in this document will be realised; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Subject to compliance with applicable law and regulation, the Group does not intend to update the forward-looking statements in this document to reflect events or circumstances after the date of this document, and does not undertake any obligation to do so.