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23 April 2024

Videndum plc

2023 Full Year Results

Videndum plc ("the Company" or "the Group"), the international provider of premium branded hardware products and software solutions to the content creation market, announces its audited results for the year ended 31 December 2023.

Results	**2023**	**2022[1]**
Continuing operations[1]		
Revenue	£306.9m	£442.5m
Adjusted operating profit*	£12.8m	£66.2m
*Adjusted operating margin**	*4.2%*	*15.0%*
Adjusted profit before tax*	£1.3m	£60.2m
Adjusted basic earnings per share*	8.5p	96.8p
Free cash flow*	£(23.8)m	£40.3m
Net debt*	£128.5m	£193.5m
Statutory results from continuing and discontinued operations[1]		
Revenue	£315.0m	£451.2m
Operating (loss)/profit	£(65.2)m	£31.5m
Operating margin	*(20.7)%*	*7.0%*
(Loss)/profit before tax	£(79.7)m	£24.7m
Basic (loss)/earnings per share	(157.5)p	71.4p

Financial summary

- 2023 financial performance significantly impacted by three headwinds: strikes by US writers and actors[2] ("the strikes"); challenging macroeconomic environment; and destocking
- Revenue from continuing operations 31% lower year-on-year (H2 2023 36% lower vs H2 2022 as significantly more impact from the strikes in H2 than in H1)
- Adjusted operating expenses* from continuing operations £21.2 million (17%) lower vs 2022 partly due to self-help actions and synergies from site restructuring
- Adjusted operating profit* from continuing operations of £12.8 million (81% lower than 2022) reflecting a 39% dropthrough* on the lower revenue
- 84% cash conversion* from continuing operations
- In response to the headwinds, £125 million (£117.9 million net) equity raised to deleverage and enable delivery of the Group's strategy going forward
  - FY 2023 leverage of 3.3x, due to significantly depressed EBITDA; within lending covenant limit of 4.25x

Current trading and outlook

- Industry confidence in the post-strike recovery remains strong, however the significant pick up in the cine and scripted TV market anticipated in March did not materialise and is now expected from June
- Macroeconomic environment affecting the consumer and independent content creator segments remains challenging; nonetheless management believes that the rate of decline is starting to show signs of improvement, and that destocking is largely completed
- Broadcast TV segment performing well, with our market-leading robotics, AI autonomous presenter-tracking software and speech recognition prompting technology driving cost efficiencies

for studios; the Group's second half performance will benefit from the Summer 2024 Olympic Games and the US Presidential election.

- As a result of the slower than anticipated recovery in the cine and scripted TV market, trading in our traditionally smallest first quarter ended up being below our expectations
  - Net debt at 31 March 2024 was £122.4 million, £6.1 million lower than at 31 December 2023
  - Leverage at 31 March 2024 of 3.0x; within lending covenant limit of 4.25x. The Group continues to prioritise reducing leverage to its targeted range of below 1.5x
- The Board remains confident that the Group will benefit from a strong recovery in the second half of 2024 as the cine and scripted TV market gradually recovers, although the pace and shape of the post-strike recovery is uncertain
- The Group continues to control costs, capex and working capital tightly
- Videndum remains well positioned in a content creation market which has attractive structural growth drivers and good medium-term prospects

Commenting, Stephen Bird, Group Chief Executive, said:

"2023 was an exceptionally challenging year for Videndum and, in particular, the unprecedented length of the strikes by US writers and actors significantly impacted our financial performance. We acted quickly to reduce costs and manage cash, and, with the support of our shareholders, deleveraged through a capital raise, which has enabled us to preserve the long-term capabilities of the business.

"Although industry confidence in the post-strike recovery is strong, the cine and scripted TV market is taking more time than anticipated to recover. In addition, the macroeconomic environment remains challenging, and we have therefore maintained our relentless focus on managing costs tightly, and controlling capex and working capital.

"I am proud of the way our people have responded to an incredibly difficult market environment and am confident in the ability of the team to deliver a strong recovery over the next few years.

"We remain confident that the Group will benefit from a strong recovery in 2024, however, with an increased second half weighting as the cine and scripted TV market gradually recovers. Videndum is well positioned in a content creation market which has attractive structural growth drivers and good medium-term prospects."

Notes

[1] Amimon was held for sale at 31 December 2023 and Lightstream was sold on 2 October 2023; both are reported as discontinued operations. The operation at Syrp (the Media Solutions' motion controls R&D centre in New Zealand) was wound down so is reported in discontinued operations. FY 2022 has been re-presented to ensure fair comparability. Statutory Results from continuing and discontinued operations are per those reported in the 2022 Annual Report. Results of discontinued operations can be found in note 2 to the condensed financial statements.

[2] The Writers' Guild of America ("WGA") was on strike from 2 May to 27 September 2023 and the Screen Actors Guild and the American Federation of Television and Radio Artists ("SAG-AFTRA") were on strike from 14 July to 9 November 2023. WGA's contract ending the strike was ratified on 9 October 2023 and SAG-AFTRA's contract was ratified on 5 December 2023.

[3] 2023 average exchange rates: £1 = $1.24, £1 = €1.15, €1 = $1.08, £1 = ¥174.

[4] 2022 average exchange rates: £1 = $1.24, £1 = €1.17, €1 = $1.06, £1 = ¥161.

This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of Videndum plc is Jon Bolton, Group Company Secretary.

** In addition to statutory reporting, Videndum plc reports alternative performance measures from continuing operations ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to aid the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures and excluding discontinued operations, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary.*

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A video webcast and Q&A for Analysts and Investors will be held today, starting at 09:00am UK time. The presentation slides are available on our website.

Users can pre-register to access the webcast and slides using the following link:

https://videndum.com/investors/results-reports-and-presentations/

Notes to Editors:

Videndum is a leading global provider of premium branded hardware products and software solutions to the content creation market. We are organised in three Divisions: Videndum Media Solutions, Videndum Production Solutions and Videndum Creative Solutions.

Videndum's customers include broadcasters, film studios, production and rental companies, photographers, independent content creators ("ICC"), professional musicians and enterprises. Our product portfolio includes camera supports, video transmission systems and monitors, live streaming solutions, smartphone accessories, robotic camera systems, prompters, LED lighting, mobile power, carrying solutions, backgrounds, audio capture, and noise reduction equipment.

We employ around 1,600 people across the world in ten different countries. Videndum plc is listed on the London Stock Exchange, ticker: VID.

More information can be found at: https://videndum.com/

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2023 management and financial overview

2023 was an exceptionally challenging year for the Group, with three main headwinds. First, the macroeconomic backdrop led to weaker consumer confidence and customers delaying purchases. Second, concerns amongst our retailer customers and distribution partners regarding the global economy, high interest rates, and their working capital levels, led to destocking. These two headwinds affected our consumer segment as well as our ICC segment (together c.40-50% of Group revenue).

Third, the unprecedented and unforeseen impact from the lengthy US writers' and actors' strikes significantly affected demand for our high-end cine and scripted TV products (c.20% of Group revenue exposed to the US cine market, and a further c.10% to global cine markets). The writers' strike began in May and predominantly affected the US cine market; however, the speculation of a strike had caused some cine and scripted TV productions to be paused in the months prior. The actors commenced strike action in July and subsequently all productions ceased in the US and spread globally where US actors were involved. Both strikes impacted productions until the end of the year, having significantly more impact on the Group in the second half of 2023 than in the first of the year. In addition, the strikes meant that sales of some of our new product launches were delayed.

Against this challenging backdrop, the Group took significant mitigating actions, including agreeing covenant amendments with its lending banks, cost reductions including restructuring projects, and developed plans to conserve cash. The benefit of these actions was to reduce costs by c.£13 million versus 2022. The majority of the reduction will remain in 2024, with discretionary costs returning in a phased and controlled manner, as trading conditions improve.

The Group largely protected R&D investment to enable it to develop market-leading products to maximise our future growth potential. Gross R&D spend in 2023 was £19.3 million compared to £19.9 million in 2022.

Whilst the response of our teams was outstanding, the self-help actions only partly mitigated the weaker trading, and the low trailing 12-month EBITDA resulted in an increase in leverage[1] from 2.9x at 30 June 2023 to 4.2x at 30 September 2023. As a result, having reviewed all options, the Board decided that an equity raise was required and, through the support of our shareholders and new investors, £125 million was raised in December 2023, enabling the Group to deleverage despite reduction in EBITDA (to 3.3x at 31 December 2023), and help provide the platform to capture the post-strike recovery and deliver the Group's strategy.

Income and expense

The numbers below are presented on a continuing basis (unless otherwise stated) including 2022 re-presented to ensure fair comparability.

	Adjusted*			Statutory from continuing and discontinued operations	
	2023	2022	% change	2023	2022
Revenue	£306.9m	£442.5	-31%	£315.0m	£451.2m
Operating profit/(loss)	£12.8m	£66.2m	-81%	£(65.2)m	£31.5m
Profit/(loss) before tax	£1.3m	£60.2m	-98%	£(79.7)m	£24.7m
Earnings/(loss) per share	8.5p	96.8p	-91%	(157.5)p	71.4p

The headwinds mentioned above resulted in Group revenue from continuing operations decreasing by 31% compared to 2022; a 32% decline on an organic, constant currency basis. We estimate the revenue impact of the writers' and actors' strikes was c.£60 million, the reduction from destocking was c.£25 million, and the residual reduction of c.£50 million was from challenging trading conditions across our markets impacting demand in the consumer and ICC segments. Price rises successfully implemented in 2022 and again at the beginning of 2023 more than offset inflationary costs in the year.

The decline in revenue impacted adversely on adjusted gross margin*, which fell from 43.7% in 2022 to 38.7% in 2023, mainly reflecting operating leverage and inefficiencies with overheads that are unable to flex with lower volumes. Within adjusted gross profit* the Group incurred £2.2 million charge relating to an inventory provision for JOBY. La Cassa Integrazione Guadagni Ordinaria ("CIGO"), the non-refundable Italian government supported furlough programme, was applied in our Italian facilities to partly mitigate the lower demand whilst ensuring our employees were looked after and retained by the business.

Adjusted operating expenses* decreased by £21.2 million to £106.0 million (2022: £127.2 million) partly due to self-help actions taken to reduce discretionary costs in the short-term, including CIGO in Italy and shortened working hours at Creative Solutions, and implementation of restructuring projects across all Divisions to ensure we have a lean organisation ready to capitalise as trading conditions improve (together c.£12 million of the c.£13 million cost actions); as well as lower corporate costs, mainly due

to a decrease in charge for LTIPs as a result of a decreased EPS vesting expectations and not awarding an LTIP in 2023, and lower discretionary bonus accruals across the Group for 2023 (together c.£11 million). This was partly offset by c.£2 million of charges relating to one-off professional fees.

The actions taken in cost of sales and operating expenses constrained the revenue dropthrough* to adjusted operating profit* to 39% (compared to a c.50% marginal contribution on the lower sales).

Adjusted operating profit* included a £3.2 million favourable foreign exchange effect after hedging compared to 2022. The impact on 2024 adjusted operating profit* from a one cent stronger/weaker US Dollar/Euro is expected to be an increase/decrease of approximately £0.2 million and £0.3 million respectively. At current spot rates (19 April: £1 = $1.24, £1 = €1.17) there is expected to be a £0.6 million adverse impact on 2024 versus 2023.

Adjusted net finance expense* of £11.5 million was £5.5 million higher than in 2022. This was driven by higher borrowings, following the acquisitions in 2021 and 2022, and higher interest rates. In 2024, an average of c.60% of our borrowings will be fixed through swaps at an average rate of c.5% (including margin). Our floating debt currently has an average interest rate of c.7% (including margin). Net finance expense also includes interest on the lease liabilities, income from the accounting surplus of the defined benefit pension scheme, amortisation of loan fees, and net currency translation gains or losses.

Adjusted profit before tax* was £1.3 million; £58.9 million lower than 2022. On an organic, constant currency basis, adjusted operating profit* and adjusted profit before tax* were 85% and 98% down respectively on 2022.

Statutory loss before tax from continuing and discontinued operations of £79.7 million (2022: £24.7 million profit) further reflects adjusting items from continuing operations of £20.1 million (2022: £18.0 million) and a £60.9 million loss from discontinued operations after adjusting items (2022: £17.5 million loss).

The adjusting items from continuing operations primarily relate to the amortisation of acquired intangibles, acquisition related charges, impairment of assets, and restructuring. These charges were higher compared to 2022 primarily due to the exit from the motion controls market, exit costs of moving Wooden Camera operations to Costa Rica, the sale of property in the Production Solutions Division, and indirect costs associated with the capital raise and financing; partly offset by lower transaction costs in relation to acquisitions compared to those in 2022, and lower amortisation of acquired intangibles than in 2022. The loss at discontinued operations predominantly reflects a £50.2 million impairment of assets (Lightstream £19.2 million, Amimon £29.8 million, Syrp £1.2 million).

The Group's effective tax rate ("ETR") on adjusted profit before tax* was a credit of 223% (2022: 26% debit). Statutory ETR from continuing and discontinued operations was a 3% credit on the £79.7 million loss (2022: 33% debit of the £24.7 million profit before tax).

Adjusted basic earnings per share* was 8.5 pence (2022: 96.8 pence). Statutory basic loss per share from continuing and discontinued operations was 157.5 pence (2022: 71.4 pence earnings per share).

Cash flow and net debt

Cash generated from operating activities was £9.8 million (2022: £65.3 million) and net cash from operating activities was a £16.1 million outflow (2022: £48.7 million inflow).

Free cash flow* was £64.1 million lower than 2022 reflecting the lower adjusted operating profit* and higher interest, tax and restructuring costs. Cash conversion* was 84%, and across the last three years has cumulatively been 96%.

£m	2023	2022	Variance
Statutory operating (loss)/profit from continuing and discontinued operations	**(65.2)**	31.5	(96.7)
Add back discontinued operations statutory operating loss	**60.5**	17.5	43.0
Add back adjusting items from continuing operations	**17.5**	17.2	0.3
Adjusted operating profit*	**12.8**	**66.2**	**(53.4)**
Depreciation[(1)]	**20.5**	20.1	0.4
Adjusted trade working capital (inc)/dec*	**(1.1)**	(15.6)	14.5
Adjusted non-trade working capital (inc)/dec*	**(7.1)**	(2.4)	(4.7)
Adjusted provisions inc/(dec)*	**-**	(0.7)	0.7
Capital expenditure[(2)]	**(15.3)**	(15.4)	0.1
Other[(3)]	**1.0**	7.5	(6.5)
Adjusted operating cash flow*	**10.8**	**59.7**	**(48.9)**
*Cash conversion**	***84%***	*90%*	*-6%pts*
Interest and tax paid	**(25.7)**	(16.5)	(9.2)
Earnout and retention bonuses	**(3.6)**	(0.3)	(3.3)
Restructuring, integration costs and sale of impaired inventory	**(5.3)**	(2.0)	(3.3)
Transaction costs	**-**	(0.6)	0.6
Free cash flow*	**(23.8)**	**40.3**	**(64.1)**

(1) Includes depreciation, amortisation of software and capitalised development costs
(2) Purchase of Property, Plant & Equipment ("PP&E") and capitalisation of software and development costs
(3) Includes share-based payments charge (excluding retention) and other reconciling items to get to the adjusted operating cash flow*
Net cash from operating activities of £16.1 million outflow (2022: £48.7 million inflow) comprises -£23.8 million free cash flow from continuing operations* (2022: £40.3 million) plus £15.3 million capital expenditure from continuing operations (2022: £15.4 million) less £0.3 million from sale of PP&E and software from continuing operations (2022: nil) plus net cash from operating activities from discontinued operations of -£7.3 million (2022: -£6.9 million)

Adjusted trade working capital* increased by £1.1 million in 2023 (2022: £15.6 million increase). Inventory decreased by £2.0 million as we applied effective control measures to offset the decrease in demand, whilst we maintained stocks of critical electronic components to support the cine and scripted TV recovery. Trade receivables decreased by £17.1 million which included the benefit of £7.9 million from non-recourse factoring of receivables, and trade payables decreased by £20.2 million; both reflecting the lower level of trading. Adjusted non-trade working capital* increased by £7.1 million (2022: £2.2 million increase) mainly due to the non-accrual of discretionary bonuses relating to 2023.

Capital expenditure included:

- £4.6 million of property, plant and equipment compared with £7.0 million in 2022, reflecting actions to limit non-essential spend;
- £10.0 million capitalisation of development costs (2022: £7.4 million); including an increase at Production Solutions to develop our AI-driven talent tracking (Vinten Vega) and sustainable portable power solutions based on sodium technology (Salt-E Dog); and £0.7 million capitalisation of software (2022: £1.0 million). Gross R&D was slightly lower than 2022; the percentage of revenue (6.3%) grew (2022: 4.5%) but is a reflection of the lower revenue and is expected to return to c.5% in 2024.

£m	2023	2022	Variance
Gross R&D	**19.3**	19.9	(0.6)
Capitalised	**(10.0)**	(7.4)	(2.6)
Amortisation	**5.6**	4.7	0.9
P&L Impact	**14.9**	17.2	(2.3)

‘Other’ primarily relates to share-based payments whose reduction compared to 2022 is due to the lower vesting expectations of the adjusted EPS conditions and not awarding an LTIP in 2023.

Interest and tax paid increased by £9.2 million compared to 2022 mainly due to higher interest costs and the phasing of tax payments.

Earnout and retention bonuses relate to AUDIX, Savage and Quasar. Restructuring cash outflow mainly reflects the exit costs of the self-help actions taken to restructure in each of the Divisions.

December 2022 closing net debt* (£m)	**(193.5)**
Free cash flow from continuing operations*	(23.8)
Free cash flow from discontinued operations	(10.5)
Upfront loan fees, net of amortisation	(1.0)
Dividends paid (FY 22 final dividend)	(11.6)
Net proceeds from the equity raise	117.9
Employee incentive shares	(2.4)
Acquisitions/disposals	(2.5)
Net lease additions	(7.0)
FX	5.9
December 2023 closing net debt* (£m)	**(128.5)**

Net debt* at 31 December 2023 of £128.5 million was £65.0 million lower than at 31 December 2022 (£193.5 million).

Leverage[1] was 3.3x at 31 December 2023 (31 December 2022: 2.2x), on the basis used for our loan covenants, and well within the revised covenant of 4.25x. Interest cover[2] of 2.0x at 31 December 2023 was also above the revised covenant of 1.25x.

Free cash flow from discontinued operations includes Lightstream exit costs as well as operating losses.

The net proceeds from the equity raise reflects gross proceeds of £126.4 million from the capital raising including £1.3 million from the Director and Senior Management subscriptions; net of £8.5 million expenses.

Cash outflow on acquisitions relates to deferred consideration for the purchase of AUDIX.

Net lease additions were mainly the lease renewal for our Media Solutions headquarters in Cassola.

There was a £5.9 million favourable impact from FX, primarily from the translation of our US dollar debt, following the weakening of the US dollar against Sterling.

Liquidity at 31 December 2023 totalled £105.3 million, comprising £100.6 million unutilised RCF (total facility of £200 million which matures in February 2026) and £8.7 million of cash less £4.0 million utilised overdraft. We continue to have strong relationships with our banks and have agreed lending covenant amendments for March 2024 (leverage[1] of 4.25x and interest cover[2] of 1.5x), June 2024 (leverage[1] of 3.75x and interest cover[2] of 1.75x), and September 2024 (leverage[1] of 3.75x and interest cover[2] of 3.25x); before returning to original covenants at December 2024 (leverage[1] of 3.25x and interest cover[2] of 4.0x). The term loans taken out at the time of the acquisitions of Savage and AUDIX were fully repaid upon completion of the equity raise.

ROCE* of 4.4%[3] was lower than the prior year (2022: 25.5%), which mainly reflects the lower adjusted operating profit*.

Adjusting items from continuing operations

Adjusting items in profit before tax from continuing operations were £20.1 million versus £18.0 million in 2022. The £7.3 million impairment of assets (2022: £0.6 million) relates to the exit from the motion controls market, exit costs of moving Wooden Camera operations to Costa Rica, impairment of intangible assets at Savage, Quasar and Lowepro, and the sale of property.

£m	2023	2022
Amortisation of acquired intangible assets that are acquired in a business combination	**(4.0)**	(5.9)
Acquisition related charges[4]	**(1.3)**	(4.4)
Integration, restructuring costs, and other costs	**(4.9)**	(6.3)
Impairment of assets	**(7.3)**	(0.6)
Finance expense – amortisation of loan fees on borrowings for acquisitions, and other financing activities	**(2.6)**	(0.8)
Adjusting items	**(20.1)**	**(18.0)**

Discontinued operations

The Group is focusing more tightly on high-end professional content creation, where it has high market share, sales channel expertise and compelling growth opportunities. Consequently, the Board has decided to exit loss-making operations in non-core markets, specifically medical and gaming, to concentrate R&D investment on the content creation market. As a result, whilst the Creative Solutions Division as a whole remains core going forward, Amimon was held for sale at 31 December 2023 and Lightstream was sold on 2 October 2023 for a net cash consideration of £0.4 million; both are reported as discontinued operations. In addition, we wound down Syrp (the R&D centre in New Zealand).

£m	2023	2022
Revenue	**8.1**	8.7
Adjusted PBT*	**(6.4)**	(6.2)
Adjusting items	**(54.5)**	(11.3)
Statutory PBT	**(60.9)**	(17.5)

Revenue decreased by 7% in discontinued operations, due to the sale of Lightstream part-way through the year.

Adjusting items of £54.5 million (2022: £11.3 million) mainly reflects a £50.2 million impairment of assets (2022: £1.3 million) across Amimon (£29.8 million), Lightstream (£19.2 million) and Syrp (£1.2 million), and £2.2 million amortisation of acquired intangibles prior to the impairments (2022: £5.0 million).

Notes

1. Leverage is calculated as net debt before arrangement fees and after leases of discontinued operations, divided by covenant EBITDA for the applicable 12-month period (being adjusted EBITDA*, before share-based payment charges, and after interest on employee benefits, interest related net currency translation gains, and the amortisation of loan arrangement fees); see Glossary for further detail.

2. Interest cover is calculated as covenant EBITA for the applicable 12-month period (being adjusted EBITDA* less depreciation of PP&E) divided by adjusted net finance expense* (before interest on employee benefits and FX movements, and the amortisation of arrangement fees); see Glossary for further detail.

3. Return on capital employed ("ROCE") is calculated as adjusted operating profit* for the last twelve months divided by the average total assets (excluding non-trading assets of defined benefit pension and deferred tax), current liabilities (excluding current interest-bearing loans and borrowings), and non-current lease liabilities.

4. Includes earnout charges, retention bonuses, transaction costs relating to the acquisition of businesses, and the effect of fair valuation of acquired inventory.

Market and strategy update, and medium-term prospects

Videndum's purpose is to "enable our customers to capture and share exceptional content", and this is what guides us. Our strategy is to focus on the professional end of the content creation market, operating in defensible niches where our premium brands have strong share. Management estimates that approximately 90% of our revenue comes from content creators who use our products to earn their living and about 80% of our products are often considered to be mission critical to our customers.

The content creation market continues to have good medium-term prospects, with structural growth drivers, and Videndum is uniquely positioned to benefit. Although the cine and scripted TV market is taking more time than anticipated to recover from the strikes, and the consumer and ICC segments of the market are being impacted by the challenging macroeconomic environment, we expect that the demand for, and investment in, original content (e.g. for live news, broadcast sport, reality and scripted TV shows, films, digital visual content for e-commerce and vlogging, etc.) will grow in the medium term.

Our strategic priorities remain unchanged; however, we are focusing more tightly on our core markets, particularly for high-end, professional and B2B content creation – where we see the greatest growth potential – and exiting non-core markets. Our long-term strategy is to invest in areas where we can grow organically, while improving our margins and, over the longer-term, to grow through M&A.

1. Organic growth

We focus on the growth areas of the content creation market, and we have recently increased our product offering in the adjacent vertical market of audio capture. We estimate that c.75% of the Group's business is exposed to five main structural market growth drivers which we believe remain valid in the medium-to-long term. These are: (1) internet/e-commerce; (2) subscription TV/original content creation; (3) video sharing platforms such as TikTok/YouTube; (4) live streaming; and (5) increasing environmental consciousness in our markets.

We expect organic growth to be driven by these five drivers underpinned by technology advancement which reduces product replacement cycles. We use our customer-led R&D expertise to develop innovative, differentiated technology to improve customers' productivity by developing products which can lower operating costs and unlock creativity. Key focus areas include robotics and AI-driven technology for broadcast studio automation, high-end audio capture, wireless video transmission systems, heavy-duty lighting stands, and a new range of sustainable portable power solutions based on sodium technology (Anton/Bauer's Salt-E Dog) for the cine and scripted TV, broadcast and other markets. Salt-E Dog received the "Excellence in Sustainability" Award at the National Association of Broadcasters ("NAB") annual show in Las Vegas in April 2024. We also leverage our sales organisation to expand geographically where markets are growing, and our presence is low; whilst recognising barriers to entry of this strategy.

2. Margin improvement

The Group continues to manage costs tightly, and control capex and working capital. Long-term margin improvement drivers include targeted pricing increases to reflect product quality and brand strength, growing online sales, continued operating efficiencies, and capturing cross-Divisional synergies. Exiting non-core unprofitable segments (gaming and medical) will also deliver improved margins.

3. M&A activity

While we remain focused on post-strike recovery no acquisitions will occur in the near term. However, we will continue to review opportunities which could increase our addressable markets and expand our product portfolio, customer base and technology capabilities.

Disposal and business held for sale

Following an extensive review of the options for the Creative Solutions Division, the Board concluded that the Group will deliver the most long-term shareholder value by retaining the Division but focusing

more tightly on the high-end professional content creation market, where it has high market share, sales channel expertise and compelling growth opportunities. Consequently, the Board has decided to exit the non-core medical market, and has exited the non-core gaming market, to concentrate R&D investment on the content creation market. As a result, whilst the Creative Solutions Division as a whole remains core going forward, Amimon was held for sale at 31 December 2023 and reported as a discontinued operation. On 2 October 2023, certain trade and assets of Lightstream were sold to Xsolla (USA), Inc., a leading player in the gaming industry.

Divisional performances

Media Solutions

The Media Solutions Division designs, manufactures and distributes premium branded equipment for photographic and video cameras, and smartphones, and provides dedicated solutions to professional and amateur photographers and videographers, independent content creators, vloggers/influencers, enterprises, governments and professional musicians. This includes camera supports (tripods and heads), smartphone and vlogging accessories, lighting supports and controls, LED lights, audio capture and noise reduction equipment, carrying solutions and backgrounds. Media Solutions represents c.50% of Group revenue.

Our strategy is focused on developing innovative new products to improve our customers' productivity in order to grow our core professional business, as well as a focus on high-end audio capture and return to growth in vlogging accessories when the macroenvironment improves.

	Adjusted*			Statutory from continuing and discontinued operations	
Media Solutions	**2023**	**2022**	**% change**	**2023**	**2022**
Revenue	£153.7m	£217.8m	-29%	£153.7m	£217.8m
Operating profit/(loss)	£11.4m	£35.1m	-68%	£(4.8)m	£23.4m
Operating margin	7.4%	16.1%	-8.7%pts	(3.1)%	10.7%

** For Media Solutions, before adjusting items of £12.8 million (2022: £9.5 million) and operating loss from discontinued operations of £3.4 million (2022: £2.2 million loss)*

Market conditions were tough for Media Solutions, with demand in the consumer and ICC segments (together c.75%) remaining low. This was compounded by destocking as retail and distribution partners looked to reduce cash tied up in stock. The majority of the destocking effect occurred in the first half of the year and management believes destocking is now largely completed.

The strikes impacted the high-end professional segment (c.25%) including the Avenger lighting supports; although revenue was significantly above 2021 level despite the strikes, demonstrating the market share gained by the Buccaneer and Long John Silver stands over recent years.

CIGO was applied both at the Feltre factory and the Cassola divisional head office, which allowed us to flex manufacturing output to reduce inventory, and also reduce operating expenses. Actions were taken to minimise discretionary spend, whilst wider restructuring actions, focussed primarily on consolidating subsidiaries, helped reduce the cost base.

We restructured our operations to take advantage of location synergies following recent acquisitions. In the UK, our Rycote windshield production is now operating out of our Ashby-de-la-Zouch factory. This has expanded our manufacturing capacity by c.50% and enables us to upgrade our operations. Audio R&D and microphones production moved from the UK to our US audio centre of excellence in

Portland, and Media Solutions' US distribution moved out of New Jersey to our Savage facilities in Arizona.

Adjusted operating margin* was down to 7.4% (2022: 16.1%) reflecting operating leverage on the revenue decline, partly mitigated by the cost savings.

Statutory operating loss was £4.8 million (2022: £23.4 million profit) which reflects £12.8 million of adjusting items from continuing operations (2022: £9.5 million) and a £3.4 million loss from discontinued operations (2022: £2.2 million loss) which includes £1.2 million impairment of intangible assets at Syrp.

Production Solutions

The Production Solutions Division designs, manufactures and distributes premium branded and technically advanced products and solutions for broadcasters, film and video production companies, independent content creators and enterprises. Products include video fluid heads, tripods, LED lighting, batteries, prompters and robotic camera systems. It also supplies premium services including equipment rental and technical solutions. Production Solutions represents c.30% of Group revenue.

Our strategy is focused on growth in professional equipment for on-location news and sporting events, innovative new technology like AI-driven robotic camera systems and voice prompting to enable automation and cost efficiencies in TV studios, and high-end products for original content creation in cine and scripted TV, including a new range of sustainable power solutions based on sodium technology.

	Adjusted*			**Statutory**	
Production Solutions	**2023**	**2022**	**% change**	**2023**	**2022**
Revenue	£101.2m	£137.8m	-27%	£101.2m	£137.8m
Operating profit	£12.1m	£31.4m	-61%	£9.5m	£30.1m
Operating margin	12.0%	22.8%	-10.8%pts	9.4%	21.8%

** For Production Solutions, before adjusting items of £2.6 million (2022: £1.3 million).*

Lower demand in ICC and subsequent destocking also impacted Production Solutions, as did the strikes. The 2022 comparative includes the Winter Olympics, whereas 2023 did not have an event on the same scale. Despite the macroenvironment, demand remains high for our flowtech tripods and systems, and we upgraded our carbon cell facility in Bury St Edmunds during 2023 to increase our capacity by up to 40%.

We launched two exciting new products at the 2023 National Association of Broadcasters Show in Las Vegas ("NAB") and the CineGear Expo 2023 in LA ("CineGear"): the Anton/Bauer Salt-E Dog, a sustainable portable power solution based on sodium technology went into production at the end of the year at our Costa Rica facility; and the Vinten VEGA Control System, a robotics control system that can also be automated with AI-driven talent tracking. Salt-E Dog initially is targeted at the cine and broadcast markets and as such the launch was impacted by the strikes but we now have a strong pipeline of opportunities. We were able to demonstrate its capabilities and benefits at the Las Vegas F1 Grand Prix with Fox Sports, and this generated a lot of interest in the product.

Costs continued to be controlled closely albeit starting from a very lean cost base in 2022. The revenue decline subsequently resulted in the adjusted operating margin* falling to 12.0% (2022: 22.8%).

Statutory operating profit was £9.5 million (2022: £30.1 million) reflecting £2.6 million of adjusting items (2022: £1.3 million).

Creative Solutions

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for film and video production companies, independent content creators, enterprises and broadcasters. Products include wired and wireless video transmission and lens control systems, live streaming solutions, monitors and camera accessories. Creative Solutions represents c.20% of Group revenue.

Our strategy is focused on continuing to deliver the 4K/HDR replacement cycle as well as developing innovative new technology to improve our customers' productivity in the growing areas of remote monitoring, collaboration and streaming in the cine and scripted TV, high-end Live Production and Broadcast markets.

	Adjusted*			Statutory from continuing and discontinued operations	
Creative Solutions	**2023**	**2022**	**% change**	**2023**	**2022**
Revenue	£52.0m	£86.9m	-40%	£60.1m	£95.6m
Operating profit/(loss)	£0.8m	£16.7m	-95%	£(58.0)m	£(3.3)m
Operating margin	1.5%	19.2%	-17.7%pts	(96.5)%	(3.5)%

** For Creative Solutions, before adjusting items from continuing operations of £1.7 million (2022: £4.7 million) and operating loss from discontinued operations of £57.1 million (2022: £15.3 million loss)*

The writers' and actors' strikes had the largest effect on Creative Solutions, as expected, where the majority of products are used in cine and scripted TV. Live production revenue was materially down as we repositioned our brand towards the higher margin, higher end of the live production market.

However, orders with RTX, a subcontractor for NASA, and Smart Video Group, our new European partner, saw sales of our Prism encoders and decoders nearly double compared to 2022. At NAB we announced the latest version of the Teradek Ranger product, our next generation licensed and unlicensed band zero delay (<1ms) wireless video transmission system for live production and broadcast applications, which drove Ranger revenue to nearly double compared to 2022.

Restructuring actions announced at the end of 2022 and limiting discretionary spend helped to mitigate the decline in revenue. In the second half of the year, production of our Wooden Camera products was transferred from the US to our Production Solutions' Costa Rica facility and the Group benefitted from cross-divisional synergies.

Adjusted operating margin* was down to 1.5% (2022: 19.2%) reflecting operating leverage on the revenue decline, partly mitigated by the cost savings including shortened working hours.

Statutory operating loss was £58.0 million (2022: £3.3 million loss), which reflects £1.7 million of adjusting items from continuing operations (2022: £4.7 million) and a £57.1 million loss from discontinued operations (2022: £15.3 million loss) which includes £49.0 million impairment of intangible assets relating to Lightstream and Amimon.

Corporate costs

Corporate costs include Long Term Incentive Plan ("LTIP") and Restricted Share Plan ("RSP") charges used to incentivise and retain employees across the Group, as well as payroll and bonus costs for the Executive Directors and head office team, professional fees, property costs and travel costs.

	Adjusted*			Statutory	
Corporate costs	**2023**	**2022**	**% change**	**2023**	**2022**
Operating (loss)	£(11.5)m	£(17.0)m	-32%	£(11.9)m	£(18.7)m

** For corporate costs, before adjusting items of £0.4 million (2022: £1.7 million).*

Corporate costs were below those in 2022 on an adjusted* basis mainly due to a decrease in charge for LTIPs as a result of a decreased EPS vesting expectations and non-awarding of a bonus for 2023.

Dividend

Given the current circumstances, no dividend has been declared; the Board recognises the importance of dividends to the Group's shareholders and intends to resume payment of a progressive and sustainable dividend when appropriate to do so.

Responsibility

ESG Strategy

Despite the market challenges faced in 2023, the Group has continued to make good progress with our ESG programme. Videndum remains committed to operating as a sustainable business, aiming to minimise our impact on the environment, continuing to develop the ESG knowledge of our employees, and working to improve the communities in which we operate. Our ESG strategy includes clear objectives and targets, prioritising actions that will deliver the greatest impact. It is also designed to contribute positively to the success of the Group. We have prioritised seven key pillars, grouped under four areas:

Environment: Reduce carbon emissions; Reduce packaging and waste; Embed sustainability into our product life cycle

Our people: Continue to prioritise health and safety; Improve diversity and inclusion

Responsible practices: Formalise the integrity of our entire supply chain

Giving back: Positively impact the communities in which we operate

ESG Governance

The Videndum Board provides oversight and has overall responsibility for the Group's ESG programme, while the ESG Committee, chaired by the Group Chief Executive and comprising senior executives from across the Group, is responsible for driving ESG and climate-related performance. ESG and Climate Governance has been integrated into our existing processes and a part of the Group Chief Executive's remuneration is tied to the Group's ESG performance.

2023 Reporting

Our third standalone ESG Report for our 2023 reporting period, in accordance with the Global Reporting Initiative ("GRI"), is in production. We are also developing our third Task Force on Climate-related Financial Disclosures ("TCFD") Report, widening our climate scenario analysis and data collection processes to include recently acquired businesses and analysing a greater number of top suppliers, based on spend, than in 2022. Both Reports will be available on our website in May 2024.

2023 Progress

In 2023, our key focus areas included energy reduction pathways, enhanced tracking of waste, a significantly increased emphasis on product sustainability, the development of new sustainable products, and the expansion of our supply chain programme.

We recognise the significant and escalating threat of climate change, and are committed to addressing this global challenge. Our focus extends to providing sustainable products and services, ensuring ethical and environmentally friendly operations, including manufacturing, supply chain, distribution and support services. Climate scenario analysis is conducted annually on our main sites, key suppliers and supply routes, modelling the impact of climate change across three different warming scenarios. This year, we included more suppliers in our climate scenario analysis. To discuss the mitigation measures for each risk, various stakeholders within the business participated in Climate Risk Management Workshops in 2023. Clear objectives and targets guide our climate change commitment, emphasising actions with the most substantial impact. We rigorously collect detailed data to transparently report our progress to stakeholders. Each Division undertakes environmental projects tailored to its specific context, encompassing themes such as carbon emissions, sustainable operations and products, waste management, water stewardship, biodiversity and supply chain considerations.

Reducing the Group's carbon footprint is a clear priority for Videndum. We have set short-term targets as we journey to be carbon neutral for Scope 1 and 2 by 2025, net zero for Scope 1 and 2 by 2035, and for Scope 3 by 2045. By implementing smarter ways of working and investing in infrastructure, we have achieved a 30% reduction across the Group's scope 1 and 2 emissions since 2019, and a 13% reduction in 2023 using the location-based approach for scope 2. Using the market-based methodology, the reduction is 42% and 17% respectively, due to the majority of the Group's electricity contracts having been converted to renewable contracts.

In 2023, we continued to install energy saving technology across our sites, such as further LED lighting installations. Compressed air leak detection and repairs, along with heating and air conditioning controls have also been installed across many of our sites. Solar panels were installed at our largest manufacturing site in Feltre, Italy and became operational at the end of 2023, covering an estimated 25% of the site's total energy usage. As well as significantly reducing emissions, these solar panels will generate net annual expenditure savings exceeding €100k per annum, with a very short payback period. With this development, all three of our main manufacturing sites – Bury St Edmunds, UK, Cartago, Costa Rica and Feltre, Italy now have solar panels installed providing a substantial part of their energy needs. In addition, our site in Cartago, Costa Rica, was awarded the ISO 50001 energy management certification in 2023.

In 2023, the health and safety of our people remained of utmost importance, and we continued to operate to stringent health and safety standards across all our sites. Throughout the year, we recorded two accidents over three days which were subject to a rigorous review process to ensure that key learnings were taken and shared across the Group.

Taking a life cycle approach is a key goal for Videndum. We continue to work to embed sustainability into new product development and to have Product Life Cycle Assessments ("PLCA") for our top five selling products by 2025. Our Media Solutions Division already utilises PLCA and Sustainable Design Principles in its internal design processes, supporting research and development decisions regarding sustainability. Across core brands like Lowepro, Gitzo and Manfrotto, sustainable alternative products are explored, with ongoing assessments of each brand element to emphasise strengths in terms of sustainability and product life cycle. In 2023, the team engaged with an external consultancy to undertake a PLCA on three representative mechanical and electrical Supports products. The project commenced in September 2023 and was completed in February 2024.

Our Production Solutions Division commenced PLCAs in the second half of 2023. This started with the aktiv and flowtech product lines, and the project will also involve training Divisional employees to develop their skills further. In 2023, our Anton/Bauer brand, launched Salt-E Dog – a sustainable portable power source, in the form of a sodium battery designed and built for the cine and scripted TV industry. Salt-E Dog produces no harmful CO_2 or NOx emissions and offsets greenhouse gas emissions, resulting in cleaner air, a safer production experience and contributes to a greener future.

The Group is committed to reducing packaging and waste. In 2023, we improved our data capture systems to begin collating mass-based data relating to the purchase of packaging materials. This allows us to utilise more accurate emissions factors due to an improvement in the quality of activity-based data. Also, it ensures that all packaging is accounted for in Scope 3 Category 12 (end-of-treatment of sold products).

In 2023, we continued working towards eliminating single-use plastic and improving the recyclability of packaging and other product components. For example, our Teradek and SmallHD brands have incorporated 100% recycled poly bags into their operations. The Group aims to eliminate or replace 50% of current cardboard packaging consumption with sustainable, FSC grade cardboard by the end of 2024.

Upholding the right values and behaviours is central to the Group's governance and culture, and is reflected in our Code of Conduct, which was updated and relaunched in January 2024, and is available on our website.

As part of our focus on formalising the integrity of our entire supply chain, we conducted a review and gap analysis of existing supply chain assessment processes across the Group. Using the information gathered, we developed a Group-wide Supply Chain Assessment process to engage with our top suppliers on their carbon emissions and wider ESG credentials. A survey was developed and tailored to the key suppliers of the Group's three Divisions to obtain more granular information.

Videndum remains engaged in a range of community programmes and during the year, the Group positively impacted 560 disadvantaged people.

Key focus areas for our 2024 ESG programme include continuing with the energy and emission reduction pathways, improving the tracking of waste to reduce our output, further embedding sustainability into product lifecycle, and expanding the supply chain programme.

Risks and Uncertainties

Videndum is exposed to a number of risk factors which may affect its performance. The Group has a well-established framework for reviewing and assessing these risks on a regular basis; and has put in place appropriate processes and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate all risks.

The principal risks and uncertainties that may affect our performance are set out in the 2023 Annual Report and in summary are around:

- Demand for Videndum's products
- Cost pressure
- Dependence on key suppliers (including component shortages)
- Dependence on key customers
- People (including health and safety)
- Laws and regulations
- Reputation of the Group
- Foreign exchange and interest rates
- Business continuity including cyber security

- Climate change
- Restructuring and disposals
- Acquisitions

At the time of signing these financial statements, a material uncertainty on going concern exists in the event of a slower recovery in the cine and scripted TV market in 2024 and significantly worsening demand for our ICC/consumer products; that would cast a significant doubt upon the Group's ability to specifically meet its loan covenant obligations. Therefore, a number of the Group's principal risks have increased since the 2022 Annual Report and additional actions implemented to mitigate the impact / likelihood.

The risk relating to "Demand for Videndum's products" increased during 2023, This was due to a challenging economic outlook affecting our consumer-oriented brands, a downturn in the consumer electronics channel (and associated destocking), and an increasingly challenging geopolitical outlook. Our activity in 2023 was heavily impacted by the US writers' and actors' strikes. However, we expect the cine market to recover during 2024 as production returns to normal levels. As retailers' destocking comes to an end, we expect a normalisation of our consumer-related activity. We have partly mitigated the impact of this downturn through increased restructuring and cost control activity. We monitor closely the risks and opportunities related to the impact of Artificial Intelligence on Videndum's products.

People risk is higher due to the increased pressure linked to restructuring initiatives and measures to contain costs given pressures on the business, including short-time working, which may affect morale and lead to greater employee turnover. Variable incentive payments have significantly reduced.

Reputation risk is greater as a result of increased external pressure and scrutiny, linked to the poor performance in 2023.

Cyber risk remains elevated in view of the high number of cyber security breaches and ransomware activity affecting the corporate sector. We continue to focus on strengthening our cyber security defences and have increased budgets allocated to security. We keep our framework under review; however, this risk remains inherently high and cannot be eliminated.

Significant restructuring activity was conducted in 2023 with the closure of several operations. The impact will need to be carefully managed to ensure that operations continue to operate effectively.

Change of Auditor

As set out in the Annual Report 2022, the Audit Committee on behalf of the Board had undertaken to conduct a formal audit tender process during the second quarter of 2023. Following the completion of this process and the recommendation of the Audit Committee, the Board will appoint PricewaterhouseCoopers LLP ("PwC") as the Company's independent auditor for the financial year ending 31 December 2024, subject to approval by shareholders at the next Annual General Meeting ("AGM") to be held in 2024.

Forward-looking statements

This announcement contains forward-looking statements with respect to the financial condition, performance, position, strategy, results and plans of the Group based on Management's current expectations or beliefs as well as assumptions about future events. These forward-looking statements are not guarantees of future performance. Undue reliance should not be placed on forward-looking statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. The Company undertakes no obligation to publicly revise or update any forward-looking statements or adjust them for future events or developments. Nothing in this announcement should be construed as a profit forecast.

The information in this announcement does not constitute an offer to sell or an invitation to buy shares in the Company in any jurisdiction or an invitation or inducement to engage in any other investment activities. The release or publication of this announcement in certain jurisdictions may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.

This announcement contains brands and products that are protected in accordance with applicable trademark and patent laws by virtue of their registration.

Going concern and viability

Full detail on the assessment of going concern can be found within note 1 to the condensed financial statements.

2023 was an exceptionally challenging year for Videndum, with the Group suffering from the prolonged adverse impacts of three major headwinds. These headwinds were (1) the weakened macroeconomic climate, (2) destocking of inventory by retail customers and distribution partners, and (3) the US Writers' and Actors' strikes (together "the strikes").

The Board approved a budget for 2024 which acknowledges the challenges and opportunities being faced by the Group, and assumes a recovery in the cine and scripted TV segment following the ending of the strikes. It also assumes that the ICC/consumer segment continues to deteriorate, albeit at a lower rate than we saw in 2023.

Although industry confidence in the post-strike recovery remains strong, the Group did not see the significant pick up in the cine and scripted TV market that it was expecting to happen in the month of March 2024, and as a result trading in the first quarter was below the Group's expectations.

The Group has reforecast Q2 2024 ("Outlook"), in light of the unexpected weakness in Q1 2024 and current expectations from its Divisions, including a lower rate of recovery in the cine and scripted TV market which, in the Outlook, is anticipated to pick-up only from June 2024. The Outlook represents current expectations and lies within the range of plausible downside scenarios, and would not result in a breach of covenants at 30 June 2024.

Whilst most of the Group's modelled forecasts do not result in breaching covenants, there are severe but plausible downside scenarios which would result in a breach of the lending covenants at the test dates from 30 June 2024. The severe but plausible scenarios that exist assume (i) a slower recovery in the cine and scripted TV market in 2024, (ii) a worsening macroeconomic environment for our ICC/consumer products, and (iii) no additional mitigation.

In the absence of any further actions to mitigate risks and deliver cost and cash saving measures, the most severe downside scenario would result in a breach of the lending covenants at each of the 2024 test dates from 30 June 2024. If such a scenario were to occur, the Board would proactively manage the options available to the Group to mitigate risks and deliver cost and cash saving measures in addition to those factored in the forecast.

As a result of the challenging trading conditions experienced in Q1 2024, the Group has developed a set of actions being delivered during Q2 2024 that will reduce costs and secure incremental revenue opportunities in addition to those included in the Outlook set out above. Cost and revenue actions have currently highlighted Q2 operating profit benefits of £3.8 million, with £2.1 million being within the Group's control.

During the second quarter of 2024, the Group will negotiate with its banks an amendment and extension of its RCF. As part of this process, the Group will also endeavour to agree with its banks a new relaxation of its covenants, along with a reduction of the overall committed facility, currently £200 million.

The Board, in light of its experience, past practice and performance, and historical evidence, considers that (a) it is not possible to determine the length of time it will take to recover from the strikes, (b) there is limited forecasting visibility supportable by externally sourced market evidence, (c) the typical levels of the Group's order book are between one and two months' sales and (d) the impact of the macroeconomic environment on ICC and retailer customers and distribution partners remains uncertain.

The Board has, at the date of signing these financial statements, determined that given the sensitivities over the timeline and pace of recovery from the strikes and the financial impact on the Group (including potential covenant breaches) of a slower than expected recovery and worsening macroeconomic conditions, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the material uncertainty, the Board has, on balance of the available evidence and modelled scenarios, concluded that there is a reasonable prospect that improvements in the Group's performance, along with mitigating actions, will be achieved and it is appropriate to adopt the going concern basis of accounting in preparing the 2023 year-end financial statements.

The Directors have also assessed the longer-term viability of the Group over a three-year period, taking account of the Group's current position and prospects, its strategic plan, risk appetite and the principal risks and how these are managed. Based on this assessment, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over this period, subject to the Group retaining the ability to acquire funding in order to refinance its committed facilities when they fall due, which is expected to be the case.

For and on behalf of the Board

Stephen Bird
Group Chief Executive

Andrea Rigamonti
Group Chief Financial Officer

Condensed Consolidated Income Statement

For the year ended 31 December 2023

Continuing operations	Notes	2023 £m	2022[1] £m
Revenue	2	**306.9**	442.5
Cost of sales		**(193.0)**	(251.7)
Other income		**0.7**	-
Gross profit		**114.6**	190.8
Operating expenses	3	**(119.3)**	(141.8)
Operating (loss)/profit		**(4.7)**	49.0
Comprising			
- Adjusted operating profit	4	**12.8**	66.2
- Adjusting items in operating (loss)/profit from continuing operations	4	**(17.5)**	(17.2)
Finance income		**2.4**	3.0
Finance expense		**(16.5)**	(9.8)
Net finance expense	5	**(14.1)**	(6.8)
(Loss)/Profit before tax		**(18.8)**	42.2
Comprising			
- Adjusted profit before tax		**1.3**	60.2
- Adjusting items in (loss)/profit before tax from continuing operations		**(20.1)**	(18.0)
Taxation	6	**6.7**	4.7
Comprising			
- Taxation on adjusted (loss)/profit	6	**2.9**	(15.6)
- Adjusting items in taxation	6	**3.8**	20.3
(Loss)/profit for the year from continuing operations		**(12.1)**	46.9
Loss for the year after tax from discontinued operations	13	**(66.0)**	(14.0)
(Loss)/profit for the year attributable to owners of the parent		**(78.1)**	32.9
Earnings per share from continuing operations			
Basic earnings per share	7	**(24.4)p**	101.8p
Diluted earnings per share	7	**(24.4)p**	97.9p
Earnings per share from discontinued operations			
Basic earnings per share	7	**(133.1)p**	(30.4)p
Diluted earnings per share	7	**(133.1)p**	(30.4)p

Earnings per share from continuing and discontinued operations			
Basic earnings per share	7	**(157.5)p**	71.4p
Diluted earnings per share	7	**(157.5)p**	68.7p

[1] 2022 has been re-stated to present discontinued operations separately from the continuing operations. See note 13 "Discontinued operations and non-current assets classified as held for sale"

Average exchange rates		
Euro	**1.15**	1.17
US$	**1.24**	1.24

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023	2022
	£m	£m
(Loss)/profit for the year	**(78.1)**	32.9
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligation	**0.1**	9.1
Related tax	**-**	(2.1)
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency subsidiaries	**(12.2)**	22.6
Net investment hedges – net gain/(loss)	**-**	(5.8)
Fair value of cash flow hedges reclassified to the Income Statement	**(4.2)**	2.2
Effective portion of changes in fair value of cash flow hedges	**2.9**	3.2
Tax associated with changes in cash flow hedges	**0.3**	(1.4)
Other comprehensive (expense)/income, net of tax	**(13.1)**	27.8
Total comprehensive (expense)/income for the year attributable to owners of the parent	**(91.2)**	60.7

Condensed Consolidated Balance Sheet

As at 31 December 2023

	2023	2022
	£m	£m
Assets		
Non-current assets		
Intangible assets	**152.6**	217.9
Property, plant and equipment	**56.4**	66.6
Employee benefit asset	**4.2**	3.9
Trade and other receivables	**5.2**	7.4
Derivative financial instruments	**2.3**	3.8
Non-current tax assets	**3.1**	3.0
Deferred tax assets	**55.4**	53.2
Total non-current assets	**279.2**	355.8
Current assets		
Inventories	**94.5**	107.3
Contract assets	**2.0**	1.8
Trade and other receivables	**47.1**	67.1
Derivative financial instruments	**1.8**	2.3
Current tax assets	**5.7**	4.1
Cash and cash equivalents	**8.7**	15.8
Total current assets	**159.8**	198.4
Assets of the disposal group classified as held for sale	**12.3**	-
Total assets	**451.3**	554.2

Liabilities			
Current liabilities			
Bank overdrafts	10	**4.0**	-
Interest-bearing loans and borrowings	10	**0.2**	36.0
Lease liabilities	10	**5.6**	6.0
Contract liabilities		**2.4**	2.5
Trade and other payables		**42.5**	78.8
Derivative financial instruments		**0.1**	0.9
Current tax liabilities		**7.8**	16.7
Provisions		**3.1**	5.5
Total current liabilities		**65.7**	146.4
Non-current liabilities			
Interest-bearing loans and borrowings		**99.0**	138.5
Lease liabilities		**28.4**	28.8
Other payables		**1.2**	1.8
Employee benefit liabilities		**2.9**	3.1
Provisions		**0.8**	2.4
Deferred tax liabilities		**11.2**	9.5
Total non-current liabilities		**143.5**	184.1
Liabilities of the disposal group classified as held for sale		**4.6**	-
Total liabilities		**213.8**	330.5
Net assets		**237.5**	223.7
Equity			
Share capital		**18.9**	9.4
Share premium		**133.7**	24.3
Translation reserve		**(13.0)**	(0.8)
Capital redemption reserve		**1.6**	1.6
Cash flow hedging reserve		**2.9**	3.9
Retained earnings		**93.4**	185.3
Total equity		**237.5**	223.7
Balance Sheet exchange rates			
Euro		**1.15**	1.13
US$		**1.27**	1.21

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Translation reserve	Capital redemption reserve	Cash flow hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2022	9.3	23.1	(17.6)	1.6	(0.1)	157.6	173.9
Profit for the year	-	-	-	-	-	32.9	32.9
Other comprehensive income for the year	-	-	16.8	-	4.0	7.0	27.8
Total comprehensive income for the year	-	-	16.8	-	4.0	39.9	60.7
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(18.0)	(18.0)
Own shares purchased	-	-	-	-	-	(5.8)	(5.8)
Own shares sold	-	-	-	-	-	3.1	3.1
New shares issued	0.1	1.2	-	-	-	-	1.3
Share-based payment charge, net of tax	-	-	-	-	-	8.5	8.5
Balance at 31 December 2022 and 1 January 2023	9.4	24.3	(0.8)	1.6	3.9	185.3	223.7
Loss for the year	-	-	-	-	-	(78.1)	(78.1)
Other comprehensive (expense)/income for the year	-	-	(12.2)	-	(1.0)	0.1	(13.1)
Total comprehensive loss for the year	-	-	(12.2)	-	(1.0)	(78.0)	(91.2)
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(11.6)	(11.6)
Own shares purchased	-	-	-	-	-	(3.7)	(3.7)
Own shares sold	-	-	-	-	-	1.2	1.2
New shares issued, net of costs	9.5	109.4	-	-	-	(0.8)	118.1
Share-based payment charge, net of tax	-	-	-	-	-	1.0	1.0
Balance at 31 December 2023	**18.9**	**133.7**	**(13.0)**	**1.6**	**2.9**	**93.4**	**237.5**

Condensed Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Notes	**2023**	2022
		£m	£m
Cash flows from operating activities			
(Loss)/profit for the year		**(78.1)**	32.9
Adjustments for:			
Net finance expense		**14.5**	6.8
Taxation		**(2.6)**	(8.2)
Depreciation		**14.4**	15.3
Impairment of fixed assets		**53.8**	1.9
Amortisation of intangible assets		**14.0**	18.3
Net loss on disposal of property, plant and equipment		**0.3**	-
Fair value (gains)/losses on derivative financial instruments		**(0.2)**	0.1
Foreign exchange losses		**-**	0.6
Share-based payment charge		**1.5**	8.9
Earnout charges and retention bonuses		**1.7**	4.5
Loss on disposal of business before tax		**1.0**	-
Cash generated from operating activities before changes in working capital, including provisions		**20.3**	81.1
Decrease/(increase) in inventories		**7.6**	(8.0)
Decrease/(increase) in trade debtors		**16.3**	(6.8)
Decrease in other debtors and contract assets		**0.7**	1.8
(Decrease)/increase in trade creditors		**(20.5)**	1.3
Decrease in other creditors and contract liabilities		**(12.3)**	(6.9)
(Decrease)/increase in provisions		**(2.3)**	2.8
Cash generated from operating activities		**9.8**	65.3
Interest paid [(1)]		**(15.4)**	(9.4)
Tax paid		**(10.5)**	(7.2)
Net cash (used in)/from operating activities		**(16.1)**	48.7

	Note	2023	2022
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and software		**0.2**	-
Purchase of property, plant and equipment		**(4.8)**	(7.1)
Capitalisation of software and development costs		**(13.7)**	(13.1)
Acquisition of businesses, net of cash acquired		**(1.6)**	(33.2)
Disposal of business		**(0.9)**	-
Net cash used in investing activities		**(20.8)**	(53.4)
Cash flows from financing activities			
Proceeds from the issue of shares, net of costs		**118.1**	1.3
Proceeds from the sale of own shares		**1.2**	3.1
Own shares purchased		**(3.7)**	(5.8)
Principal lease repayments [1]		**(6.7)**	(6.4)
Repayment of interest-bearing loans and borrowings		**(313.9)**	(93.8)
Borrowings from interest-bearing loans and borrowings		**240.0**	130.3
Dividends paid		**(11.6)**	(18.0)
Net cash from financing activities		**23.4**	10.7
(Decrease)/increase in cash and cash equivalents	10	**(13.5)**	6.0
Cash and cash equivalents at 1 January		**15.8**	7.9
Effect of exchange rate fluctuations on cash held		**2.4**	1.9
Cash and cash equivalents and overdrafts at 31 December	**10**	**4.7**	15.8

[1] Total cash outflow for leases is £8.2 million (2022: £7.9 million) of which £1.5 million (2022: £1.5 million) relates to interest and £6.7 million (2022: £6.4 million) to principal lease repayments.

1. Accounting policies

Reporting entity

Videndum plc (the "Company") is a public company limited by shares incorporated in the United Kingdom under the Companies Act. The Company is registered in England and Wales and its registered address is Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom. The consolidated financial statements of the Company as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation

In reporting financial information, the Group presents Alternative Performance Measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information and enable an alternative comparison of performance over time. A glossary in Note 14 provides a comprehensive list of APMs that the Group uses, including an explanation of how they are calculated, why they are used and how they can be reconciled to a statutory measure where relevant.

The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Basis of consolidation

Subsidiaries are entities that are controlled by the Group. Control exists when the Group has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries sold or acquired during the year are included in the Financial Statements up to, or from, the date that control exists.

Going concern

Background and context

2023 was an exceptionally challenging year for Videndum, with the Group suffering from the prolonged adverse impacts of three major headwinds. These headwinds were (1) the weakened macroeconomic climate, (2) destocking of inventory by retail customers and distribution partners, and (3) the US Writers' and Actors' strikes (together "the strikes").

First, from late 2022, the Group's performance from its consumer and Independent Content Creator ("ICC") markets was impacted by macroeconomic conditions, mainly the increase in interest rates and inflation, which led to weakening demand and customers delaying purchases.

Second, concerns amongst the Group's retail customers and distribution partners regarding the global economy, higher interest rates, and their working capital levels, led to destocking. These two headwinds affected the consumer segment as well as the ICC segment (together c.40-50% of Group revenue).

Third, the unprecedented and unforeseen impact from the lengthy strikes significantly affected demand for the Group's high-end cine and scripted TV products (c.20% of Group revenue exposed to the US cine market, and a further c.10% to global cine markets). During the early part of the first half of 2023, demand from the cine/scripted TV markets weakened as contract renewal negotiations between the Writers Guild of America ("WGA") and Alliance of Motion Picture and Television Producers ("AMPTP") created uncertainty for the Group's customers. Negotiations subsequently broke down and the WGA called a strike for the first time since 2007. Whilst the WGA strike officially commenced on 2 May 2023, the impact from the decline in orders received by Videndum began to be noticed in the months leading up to May 2023. On 14 July 2023, the Screen Actors Guild – American Federation of Television and Radio Artists ("SAG-AFTRA"), the actors' union who had also been conducting its own contract renewal negotiations with the AMPTP, also started strike action. This resulted in all cine/scripted TV productions ceasing in the US and spreading globally where US actors were involved. In addition, the strikes meant that some of the Group's new product launches were delayed.

The adverse impact on revenue from continuing operations in 2023 from the strikes was c.£60 million, the reduction from destocking was c.£25 million, and the residual reduction of c.£50 million was from challenging trading conditions across our markets impacting demand in the consumer and ICC segments.

Against this challenging backdrop, the Group took significant mitigating actions, including agreeing covenant amendments with its lending banks, cost reductions including restructuring projects, and developed plans to conserve cash.

The Group has had, and continues to have, support from its lending banks which was evidenced in 2023 by the Group agreeing an extension of £35 million of its Revolving Credit Facility ("RCF"), as well as negotiating and agreeing Amended Covenants.

Self-help actions taken to reduce discretionary costs in the short-term included applying La Cassa Integrazione Guadagni Ordinaria ("CIGO"), the non-refundable Italian government supported furlough programme, in the Group's Italian-based facilities to partly mitigate the lower demand whilst ensuring employees were looked after and retained by the business. In addition, reduced marketing and travel spend was implemented across the Group, shortened working hours were implemented at the Creative Solutions Division, hiring freezes, and bonuses across the Group were not awarded.

The Group implemented several restructuring projects to reduce its cost base and focus on the more profitable areas. The most noticeable activities included the disposal of the Lightstream business, commencing the sale process of Amimon, the closure of the Syrp research and development centre in New Zealand and the exit from the motion controls market, moving Media Solutions' US distribution out of New Jersey into its Savage facilities in Arizona, transferring Wooden Camera operations from Texas to Costa Rica, and moving Rycote operations to the Ashby-de-la-Zouch factory in the UK.

The combined benefit of the self-help and restructuring actions was to reduce costs by c.£13 million in 2023 versus 2022. However, the actions only partly mitigated the weaker trading, and as a result, having reviewed all options, the Board decided that an equity raise was required. Videndum successfully completed an equity raise in December 2023, generating net proceeds of £117.9 million. Refer to note 12 "Share capital" for further information on the equity raise. The principal purpose of the equity raise was to repay indebtedness and improve the Group's capital position. These proceeds were used to reduce external debt, which meant that the two term loans were repaid (£44.0 million) and the remaining balance was used to reduce the drawn down amount on the RCF facility by £73.9 million.

Borrowing facilities and financial position at 31 December 2023 and at 31 March 2024

The Group has a committed £200 million Multicurrency Revolving Credit Facility ("RCF") with a syndicate of five banks with a term until 14 February 2026 (see note 10 "Analysis of net debt").

At 31 December 2023, liquidity (cash headroom) was £105.3 million, comprising £100.6 million unutilised RCF and £8.7 million of cash less £4.0 million utilised overdraft. Liquidity at 31 March 2024 totalled £112.1 million, comprising £94.7 million unutilised RCF and £17.4 million of cash with £nil utilised overdraft.

The RCF lending covenants relate to net debt:EBITDA and EBITA:net interest (see note 14 "Glossary of alternative performance measures" for the definition of these measures as set out in the RCF), which historically are tested at 30 June and 31 December, to be no higher than 3.25x and at least 4.0x respectively ("Existing Covenants").

During 2023, given the challenges facing the Group, particularly the unpredictability of the end of the strikes and uncertainty relating to the timing and pace of the market recovery, the macroeconomic climate and destocking, the Group proactively negotiated amended covenants ("Amended Covenants") to the RCF with its lending banks.

As a result of the good relationship between the Group and its lending banks, the Group agreed with its lending banks:

- an extension of £35 million of its RCF from 14 February 2025 to 14 February 2026, which was confirmed on 19 July 2023 and brought this commitment to be in line with the remainder of the RCF which matures at the same time in February 2026 (the total RCF facility is £200 million);
- to amend the “Existing Covenants” to the new “Amended Covenants” as follows:
    - net debt:EBITDA to be no higher than 4.25x (December 2023) and 3.75x (June 2024);
    - EBITA:net interest of at least 1.25x (December 2023) and 1.75x (June 2024).

No restrictions apply to these Amended Covenants, for example there are no restrictions on declaring a dividend but new testing dates for 31 March 2024 (net debt:EBITDA to be no higher than 4.25x and EBITA:net interest of at least 1.5x) and 30 September 2024 (net debt:EBITDA to be no higher than 3.75x and EBITA:net interest of at least 3.25x) were agreed. From 31 December 2024, the covenants are net debt:EBITDA to be no higher than 3.25x and EBITA:net interest of at least 4.00x. The test dates in 2025 are 30 June and 31 December.

At 31 December 2023 these ratios were 3.3x for net debt: EBITDA and 2.0x for EBITA:net interest (31 December 2022: 2.1x and 9.8x respectively). At 31 March 2024 these ratios were 3.0x for net debt: EBITDA and 2.2x for EBITA:net interest.

Base case

The Board is continuing to monitor the Group’s ability to meet its lending covenants. As part of the Board’s consideration of the appropriateness of adopting the going concern basis of accounting in preparing the 2023 year-end financial statements, a range of scenarios have been modelled over the 12 months following the signing of the Group’s Annual Report. For this, the Board has considered base case projections and several severe, but plausible, downside scenarios.

The base case follows the Board-approved budget for 2024 which acknowledges the challenges and opportunities being faced by the Group and assumes a recovery in the cine/scripted TV segment during 2024, following the ending of the strikes. It also assumes that the ICC/consumer segment will continue to deteriorate, albeit at a lower rate than 2023. The Board approved budget for 2024 is within the range of forecasts approved by the Directors as part of the equity raise.

The base case assumed a slower recovery in January and February 2024, with improvement thereafter. This forecast is partly supported by the contracted revenue relating to the 2024 Summer Olympic games and the typical seasonal uplift in Q2 and Q4.

The Q1 2024 budget assumed an improvement in revenue of 5% when compared to Q1 2023. The FY 2024 budget assumes an improved second half, including the assumptions of a recovery from the challenges previously discussed and the generation of revenue from new product launches. The recovery in H2 2024 forecasts revenue to be broadly in line with H2 2022. The overall budgeted revenue acknowledges the current challenges faced in 2024 and contains a judgement around the speed of recovery from the challenges faced in 2023. The 2024 budget therefore does not assume to reach 2022 levels.

The most material judgements for the 2024 budget relate to how long it will take for the Group’s financial performance to recover from the strikes and how much worse or better the macroeconomic environment might be in 2024 vs 2023. The Group does not plan to make any structural changes under the scenarios that have been modelled. The judgements and sensitivities are expanded on in further detail below. The base case does not forecast a breach of covenants in 2024. In terms of liquidity, the lowest point between the time of signing these financial statements and April 2025 is £113 million at 30 April 2024.

Current sell-side analysts’ forecasts are below this budget for 2024, as is typical for this stage in the financial year.

Severe but plausible downside assessment

In acknowledging the challenges faced in 2023, the Board has also modelled several severe but plausible downside scenarios. The material judgements considered in these scenarios are:

- estimating the recovery from the strikes, both in terms of the length of the recovery and the quantum thereof, which is at a slower pace than the base case;

- trading conditions and, in particular, the impact of the macroeconomic environment being worse than expected; and
- continuing self-help actions that would partly offset the effects of the above.

Whilst most of the Group's modelled forecasts do not result in breaching covenants, there are severe but plausible downside scenarios which would result in a breach of the Amended Covenants at the test dates from 30 June 2024. The severe but plausible scenarios that exist assume (1) a slower recovery in the cine/scripted TV market in 2024; (2) a worsening macroeconomic environment for the Group's consumer/ICC products; and (3) no additional mitigation.

The most severe modelled slower recovery assumes that the ICC/consumer segment declines by 30% on 2023 and that the cine/scripted TV market only recovers to 50% of 2022. Under these scenarios, there would be a breach of the Amended Covenant at each of the 2024 test dates from 30 June 2024. In the event that the results for Q2 2024 were to be the same as Q1 2024, this would result in a breach of the Amended Covenant at 30 June 2024. Albeit the average revenue uplift between the first and second quarters of the year over the last ten years, excluding 2020 (COVID-19), has been 22% and every Q2 has been higher than Q1.

The Board, in light of its experience, past practice and performance, and historical evidence and current trading, considers that (a) it is not possible to determine the length of time it will take to recover from the strikes, (b) there is limited forecasting visibility supportable by externally sourced market evidence, (c) the typical levels of the Group's order book are between one and two months sales, and (d) the impact of the macroeconomic environment on ICC and retail customers and distribution partners remains uncertain.

The Board is proactively managing the options available to the Group to mitigate risks and deliver cost and cash saving measures as set out in the "Mitigation plans" below.

Trading update for the first quarter of 2024

Although industry confidence in the post-strike recovery remains strong, the Group did not see the significant pick up in the cine/scripted TV market that it was expecting to happen in the month of March. As a result, although orders for the first quarter of 2024 were 6% ahead at constant currency than the same period of 2023 (strikes began in May 2023), revenue was 3% below at constant currency. Adjusted operating profit was £0.7 million behind the prior year, reflecting a consistent treatment for bonus accruals, with continuing tight control on costs, capex, and working capital. The macroeconomic environment for the sell-out from the Group's customers for its consumer/ICC products continued to decline, albeit at a slower rate than experienced throughout 2023.

Compared to base case, orders for the first quarter of 2024 were 9% below, at constant currency, with revenue 8% below, at constant currency. Revenue was £8.1 million below base case and, reflecting a consistent treatment for bonus accruals in both the base case and Q1 results, adjusted operating profit was £3.0 million below base case.

The Group has reforecast Q2 2024 ("Outlook"), in light of the unexpected weakness in Q1 2024 and current expectations from its Divisions, including a lower rate of recovery in the cine and scripted TV market which, in the Outlook, is anticipated to pick-up only from June 2024. The Outlook represents current expectations and lies within the range of plausible downside scenarios, would not result in a breach of covenants at 30 June 2024

Material uncertainty

The Board has, at the date of signing these financial statements, determined that given the sensitivities over the timeline and pace of recovery from the strikes and the financial impact on the Group (including potential covenant breaches) of a slower than expected recovery and worsening macroeconomic conditions, a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern such that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Mitigation plans

The Board implemented mitigating actions during 2023 to offset the lost revenue. These included the restructuring projects and cost reductions previously mentioned. The benefits of these actions was to reduce 2023 costs by c.£13 million versus 2022. The majority of the reduction will remain in 2024, with discretionary costs returning in a phased and controlled manner, as trading conditions improve.

The Board is proactively managing the mitigating options available to the Group. These include:

- cost and cash saving measures in addition to those factored into the forecast;
- incremental revenue generating activities; and
- renegotiating the committed facility, extension and quantum, and the lending covenants.

As a result of the challenging trading conditions experienced in Q1 2024, the Group has developed a set of actions being delivered during Q2 2024 that will reduce costs and secure incremental revenue opportunities in addition to those included in the Outlook set out above. Cost and revenue actions have currently highlighted Q2 operating profit of £3.8 million, with £2.1 million being within the Groups control.

During the second quarter of 2024, the Group will negotiate with its banks an amendment and extension of its RCF. As part of this process, the Group will also endeavour to agree with its banks a new relaxation of its covenants, along with a reduction of the overall committed facility, currently £200 million.

Notwithstanding the above material uncertainty, the Board has, on balance of the available evidence and modelled scenarios, concluded that there is a reasonable prospect that improvements in the Group's performance, along with mitigating actions, will be achieved and it is appropriate to adopt the going concern basis of accounting in preparing the 2023 year-end financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The following provides information on those policies that the Directors consider critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The Directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group’s performance and financial position.

Critical accounting judgements in applying the Group’s accounting policies

The following are critical accounting judgements that the Group makes, apart from those involving estimations (which are dealt with above), that the Directors have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Development costs
The Group capitalises development costs which meet the criteria under IAS 38 “Intangible Assets”. The Group makes significant judgements in the application of IAS 38, particularly in relation to its requirements regarding the technical feasibility of completing the asset and the Group’s ability to sell and generate future economic benefits from the intangible asset.

Going concern assessment
There were material judgements made by the Board to determine if the Group is a going concern. These judgements are disclosed under "going concern" in Note 1. The key judgements surrounding the going concern assessment relate to the recovery of the business from headwinds faced during 2023 by the Group.

Assets held for sale and discontinued operations
The critical judgement is in relation to determining if the assets held for sale and those that have been abandoned meet the criteria to be classified as a discontinued operation under IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", particularly if they represent either a separate major

line of business or a geographical area of operations. Management has deemed that all three assets have met this requirement and if this criteria was not met then it would not be accounted for as a discontinued operation. Amimon and Lightstream, were disclosed as a non-current asset held for sale as at 30 June 2023. Since then, a war broke out in the Middle East which has impacted the sales process and the Group has further impaired Amimon as at 31 December 2023. The intention as at 31 December 2023 and at the time of signing the 2023 financial statements, is to dispose of Amimon and generate as much value as possible. Lightstream was sold during 2023 and Syrp abandoned in 2023. See note 13 "Discontinued operations and non-current assets classified as held for sale".

Tax
In relation to tax, these include the interpretation and application of existing legislation. The Group's key judgement relates to the application of tax law in relation to the EU State Aid Investigation. Details in relation to this judgement are set out in note 6 "Tax".

Key sources of estimation uncertainty in applying the Group's accounting policies

The following are the key sources of estimation uncertainty that the Directors have made in the process of applying the Group's accounting policies and that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of discontinued operations
Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell. Estimations and assumptions were applied by Management in determining the recoverable amount of these assets. These estimations relate predominantly to the valuation and estimated disposal proceeds provided by an independent third-party, both of which impacted the final carrying value. The valuation provided an indicator as to how much the Amimon business could be sold for in an arm's length transaction. This valuation combined with additional relevant information, such as the macroeconomic climate and current situation in the Middle East, along with Amimon's balance sheet determined a reasonable estimate of fair value less costs to sell. This led to a range of potential valuations, ultimately leading to a further impairment being booked in the second half of 2023. The ultimate carrying value recorded on the balance sheet, is therefore sensitive to the possible range of net disposal proceeds. Further detail about the assumptions used and sensitivities are set out in note 13 "Discontinued operations and non-current assets classified as held for sale".

Pension benefits
The actuarial valuations associated with the pension schemes involve making assumptions about discount rates and life expectancy. All assumptions are reviewed at each reporting date.

Tax
The Group is subject to income taxes in a number of jurisdictions. Management is required to make estimates in determining the provisions for income taxes and deferred tax assets and liabilities recognised in the consolidated financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences and unused tax losses can be utilised. The most significant estimates made are in relation to the recognition of deferred tax assets arising from carried forward tax losses. The recovery of those losses is dependent on the future profitability of Group entities based in the jurisdictions with those carried forward tax losses, most significantly in the United States.

Impairment of acquired intangibles
The impairment of acquired intangibles involve making assumptions. The most judgemental assumptions include determination of the WACC, growth rates, operating leverage and operating cash conversion. All assumptions are reviewed at each reporting date.

Inventory
Provisions are required to write down slow-moving, excess and obsolete inventory to its net realisable value. Management assessed the level of inventory provisioning by category and judgements and estimates were made in determining if a provision was required and at what level. The key estimates relate to supply chains and their lead times, future selling price, anticipated future sales of products over particular time periods, the susceptibility of the underlying product to obsolescence and current

year trading performance. The anticipated level of future sales is determined primarily based on actual sales over a specified historic reference period, which has been enhanced to a period of between six and 24 months, which is determined by Management and is deemed appropriate to the type of inventory.

New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRS 17: "Insurance Contracts"

Amendments to IAS 1: "Presentation of Financial Statements" and IFRS Practice Statement 2: "Making Materiality Judgements"
Disclosure of accounting policies

Amendments to IAS 12: "Income Taxes"
Deferred tax relating to assets and liabilities arising from a single transaction - Following this amendment the deferred tax assets and deferred tax liabilities relating to lease liabilities and lease assets which were disclosed net in the prior year have been disclosed gross in both the current and prior year.
International tax reform. Pillar two model rules

Amendments to IAS 8: "Accounting Polices, Changes in Accounting Estimates and Errors"
Definition of accounting estimates

New standards and interpretations effective for future periods and not yet adopted

Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

At the date of authorisation of these financial statements, the Group has not applied any new or revised IFRS Accounting Standards that have been issued but are not yet effective. The standards applicable to the Group are shown below:

Amendments to IFRS 10 and IAS 28
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 1
Non-current Liabilities with Covenants
Classification of Liabilities as Current or Non-current

Amendments to IAS 7 and IFRS 7
Supplier Finance Arrangements

Amendments to IFRS 16
Lease Liability in a Sale and Leaseback

2. Segment reporting

The Group has three reportable segments which are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance.

The Lightstream and Amimon businesses, which are part of the Creative Solutions Division, and Syrp which is part of the Media Solutions Division, have been classified as discontinued operations in the current year. Their performance in this year and comparative years are therefore part of discontinued operations as presented in note 13 "Discontinued operations and non-current assets classified as held for sale".

	Media Solutions		Production Solutions		Creative Solutions		Corporate and unallocated		Continuing operations		Discontinued operations and non-current assets held for sale [4]		Continuing and discontinued operations	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Analysis of revenue from external customers, by location of customer														
United Kingdom	**11.9**	17.7	**11.0**	15.3	**3.1**	5.5	**-**	-	**26.0**	38.5	**-**	-	**26.0**	38.5
The rest of Europe	**51.7**	75.2	**21.9**	32.7	**7.1**	9.3	**-**	-	**80.7**	117.2	**0.5**	0.7	**81.2**	117.9
North America	**52.3**	74.4	**47.3**	63.3	**34.5**	60.6	**-**	-	**134.1**	198.3	**6.7**	6.4	**140.8**	204.7
Asia Pacific	**31.8**	42.8	**13.1**	16.3	**6.4**	10.1	**-**	-	**51.3**	69.2	**0.8**	1.2	**52.1**	70.4
The rest of the World	**6.0**	7.7	**7.9**	10.2	**0.9**	1.4	**-**	-	**14.8**	19.3	**0.1**	0.4	**14.9**	19.7
Total revenue from external customers	**153.7**	217.8	**101.2**	137.8	**52.0**	86.9	**-**	-	**306.9**	442.5	**8.1**	8.7	**315.0**	451.2
Inter-segment revenue [1]	**0.1**	0.1	**1.1**	0.4	**0.3**	0.1	**(1.5)**	(0.6)	**-**	-	**-**	-	**-**	-
Total revenue	**153.8**	217.9	**102.3**	138.2	**52.3**	87.0	**(1.5)**	(0.6)	**306.9**	442.5	**8.1**	8.7	**315.0**	451.2

Adjusted operating profit/(loss)	**11.4**	35.1	**12.1**	31.4	**0.8**	16.7	**(11.5)**	(17.0)	**12.8**	66.2	**(6.3)**	(6.2)	**6.5**	60.0
Amortisation of intangible assets that are acquired in a business combination	**(3.9)**	(4.3)	**(0.1)**	(0.2)	**-**	(1.4)	**-**	-	**(4.0)**	(5.9)	**(2.2)**	(5.0)	**(6.2)**	(10.9)
Impairment of assets	**(4.5)**	-	**(1.7)**	-	**(1.1)**	(2.3)	**-**	-	**(7.3)**	(2.3)	**(50.2)**	(1.3)	**(57.5)**	(3.6)
Acquisition related charges	**(1.0)**	(4.3)	**(0.3)**	(0.1)	**-**	-	**-**	-	**(1.3)**	(4.4)	**(1.4)**	(4.9)	**(2.7)**	(9.3)
Integration, restructuring and other costs	**(3.4)**	(0.9)	**(0.5)**	(1.0)	**(0.6)**	(1.0)	**(0.4)**	(1.7)	**(4.9)**	(4.6)	**(0.4)**	(0.1)	**(5.3)**	(4.7)
Operating profit/(loss)	**(1.4)**	25.6	**9.5**	30.1	**(0.9)**	12.0	**(11.9)**	(18.7)	**(4.7)**	49.0	**(60.5)**	(17.5)	**(65.2)**	31.5
Finance income									**2.4**	2.3	**-**	0.1	**2.4**	2.4
Finance expense									**(16.5)**	(9.1)	**(0.4)**	(0.1)	**(16.9)**	(9.2)
Net finance expense									**(14.1)**	(6.8)	**(0.4)**	-	**(14.5)**	(6.8)
(Loss)/profit before tax									**(18.8)**	42.2	**(60.9)**	(17.5)	**(79.7)**	24.7
Taxation									**6.7**	6.0	**(4.1)**	2.2	**2.6**	8.2
Loss on disposal of discontinued operation after tax									**-**	-	**(1.0)**	-	**(1.0)**	-
(Loss)/profit for the year									**(12.1)**	48.2	**(66.0)**	(15.3)	**(78.1)**	32.9
Segment assets	**206.8**	242.5	**112.7**	119.7	**40.2**	107.4	**6.4**	8.5	**366.1**	478.1	**12.3**	-	**378.4**	478.1
Unallocated assets														
Cash and cash equivalents							**8.7**	15.8	**8.7**	15.8	**-**	-	**8.7**	15.8
Non-current tax assets							**3.1**	3.0	**3.1**	3.0	**-**	-	**3.1**	3.0
Current tax assets							**5.7**	4.1	**5.7**	4.1	**-**	-	**5.7**	4.1
Deferred tax assets							**55.4**	53.2	**55.4**	53.2	**-**	-	**55.4**	53.2
Total assets									**439.0**	554.2	**12.3**	-	**451.3**	554.2

Segment liabilities	**47.2**	62.8	**26.5**	38.9	**7.8**	20.6	**5.5**	7.5	**87.0**	129.8	**4.6**	-	**91.6**	129.8
Interest-bearing loans and borrowings	**0.6**	0.6	**-**	-	**-**	-	**98.6**	173.9	**99.2**	174.5	**-**	-	**99.2**	174.5
Unallocated liabilities														
Bank overdrafts							**4.0**	-	**4.0**	-	**-**	-	**4.0**	-
Current tax liabilities							**7.8**	16.7	**7.8**	16.7	**-**	-	**7.8**	16.7
Deferred tax liabilities							**11.2**	9.5	**11.2**	9.5	**-**	-	**11.2**	9.5
Total liabilities									**209.2**	330.5	**4.6**	-	**213.8**	330.5
Non-current assets, by location														
United Kingdom	**10.0**	10.3	**31.2**	33.3	**-**	-	**1.4**	1.7	**42.6**	45.3	**2.5**	-	**45.1**	45.3
The rest of Europe	**38.9**	37.4	**0.3**	0.4	**-**	-	**-**	-	**39.2**	37.8	**-**	-	**39.2**	37.8
North America	**75.2**	85.8	**17.3**	20.4	**21.6**	42.7	**-**	0.5	**114.1**	149.4	**-**	-	**114.1**	149.4
Asia Pacific	**0.4**	2.4	**1.0**	0.8	**-**	-	**-**	-	**1.4**	3.2	**-**	-	**1.4**	3.2
The rest of the World	**8.3**	8.7	**8.6**	9.5	**-**	38.0	**-**	-	**16.9**	56.2	**7.1**	-	**24.0**	56.2
Total non-current assets [(2)]	**132.8**	144.6	**58.4**	64.4	**21.6**	80.7	**1.4**	2.2	**214.2**	291.9	**9.6**	-	**223.8**	291.9
Cash flows from operating activities [(3)]	**14.7**	26.5	**4.3**	30.5	**4.0**	14.2	**(31.8)**	(15.5)	**(8.8)**	55.7	**(7.3)**	(7.0)	**(16.1)**	48.7
Cash flows from investing activities	**(7.3)**	(39.9)	**(5.1)**	(5.3)	**(4.3)**	(3.3)	**-**	-	**(16.7)**	(48.5)	**(4.1)**	(4.9)	**(20.8)**	(53.4)
Cash flows from financing activities	**(2.9)**	(2.9)	**(2.1)**	(2.1)	**(0.9)**	(0.9)	**29.7**	17.5	**23.8**	11.6	**(0.4)**	(0.9)	**23.4**	10.7
Capital expenditure														
Property, plant and equipment	**2.6**	3.6	**1.9**	3.0	**0.1**	0.3	**-**	-	**4.6**	6.9	**0.2**	0.2	**4.8**	7.1
Software and development costs	**3.2**	3.2	**3.4**	2.4	**4.1**	2.8	**-**	-	**10.7**	8.4	**3.0**	4.7	**13.7**	13.1

[(1)] Inter-segment pricing is determined on an arm's length basis. These are eliminated in the Corporate column.

[(2)] Non-current assets exclude employee benefit asset, derivative financial instruments and non-current tax assets.

[3] A cash outflow of £1.5 million previously included in the 2022 Corporate and unallocated has been reclassified to Media Solutions Division (£0.7 million) and Discontinued operations (£0.8 million).

[4] In the Production Solutions division, certain land and buildings of £2.5 million have been classified as a disposal group held for sale within the year.

The Group's operations are located in several geographical locations and sell products and services on to external customers in all parts of the world.

The £60.5 million (2022: £17.5 million) operating loss of discontinued operations comprises £3.4 million (2022: £2.1 million) in Media Solutions division and £57.1 million (2022: £15.4 million) in Creative Solutions division.

No customer (2022: one) accounted for more than 10% of external revenue. In 2022, the total revenue from this customer, which was recognised in all three segments, was £60.8 million.

3. Operating expenses

	2023	2022
	£m	£m
Analysis of operating expenses		
Adjusting items in operating profit	**17.5**	17.2
Adjusting items in cost of sales [1]	**(4.2)**	(2.6)
- Adjusting items in operating expenses [1]	**13.3**	14.6
- Other administrative expenses	**49.8**	58.7
Adjusting items and administrative expenses	**63.1**	73.3
Marketing, selling and distribution costs	**41.3**	51.3
Research, development and engineering costs	**14.9**	17.2
Total operating expenses from continuing operations	**119.3**	141.8
- Adjusting items in operating expenses	**54.2**	11.3
- Other administrative expenses	**2.6**	3.2
Adjusting items and administrative expenses	**56.8**	14.5
Marketing, selling and distribution costs	**1.7**	2.4
Research, development and engineering costs	**5.6**	5.3
Total operating expenses from discontinued operations	**64.1**	22.2

[1] Adjusting items in (loss)/profit before tax from continuing operations are £20.1 million (2022: £18.0 million) of which £13.3 million (2022: £14.6 million) are recognised in operating expenses, £4.2 million (2022: £2.6 million) in cost of sales and £2.6 million (2022: £0.8 million) in finance expense.

Adjusting items in operating loss from discontinued operations are £54.5 million (2022: £11.3 million), of which £54.2 million (2022: £11.3 million) are recognised in operating expenses and £0.3 million (2022: £nil) in finance expense.
See note 4 "Adjusting items".

4. Adjusting items

The Group presents APMs in addition to its statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

APMs used by the Group and, where relevant, a reconciliation to statutory measures are set out in note 14 "Glossary of Alternative Performance Measures". Adjusting items are described below along with more detail of the specific adjustment and the Group's rationale for the adjustment.

The Group's key performance measures, such as adjusted operating profit, exclude adjusting items.

The following are the Group's principal adjusting items when determining adjusted operating profit:

Amortisation of acquired intangible assets:
Acquired intangibles are measured at fair value, which takes into account the future cash flows expected to be generated by the asset rather than past costs of development. Additionally, acquired intangibles include assets such as brands, know-how and relationships which the Group would not normally recognise as assets outside of a business combination. The amortisation of the fair value of acquired intangibles is not considered to be representative of the normal costs incurred by the business within the Group on an ongoing basis.

Amortisation of capitalised development costs:
On an ongoing basis, the Group capitalises development costs of intangible assets and the costs of purchasing software. These intangible assets are recognised at cost and the amortisation of these costs are included in adjusted operating profit.

Impairment charges:
The impairment of disposed entities or groups of asset(s) held for sale are adjusted for to ensure consistency between periods.

Impairment of goodwill, acquired intangible assets and capitalised development costs:
Impairments to acquired intangibles arose as a result of the estimated net present values of cash flows being lower than the carrying value at year end.

Within discontinued operations the impairment of goodwill, acquired intangibles and capitalised development costs resulted from the assets being classified as non-current assets held for sale, measured at the lower of the carrying amount and the expected fair value less costs to sell.

Impairment of property, plant and equipment:
Impairment of property, plant and equipment resulted from the asset being classified as non-current assets held for sale, measured at the lower of the carrying amount and the expected fair value less costs to sell.

Impairment of inventory:
The impairment of inventory relates to a discontinuation of product lines which are significant in nature and not considered by the Group to be part of the normal operating result of the business.

Acquisition related charges

Earnout charges and retention bonuses agreed as part of the acquisition:

Under IFRS 3, most of the Group's earnout charges and retention bonuses are treated as post combination remuneration, although the levels of remuneration generally do not reflect market rates and do not get renewed as a salary (or other remuneration) might. The Group considers this to be inconsistent with the economics reflected in the deals because other consideration for the acquisition is effectively included in goodwill rather than in the Income Statement. Retention agreements are generally entered into with key management at the point of acquisition to help ensure an efficient integration.

Transaction costs:
Transaction costs related to the acquisition of a business do not reflect its trading performance and so are adjusted to ensure consistency between periods.

Effect of fair valuation of acquired inventory:
As part of the accounting for business combinations, the Group measures acquired inventory at fair value as required under IFRS 3. This results in the carrying value of acquired inventory being higher than its original cost-based measure. The impact of the uplift in value has the effect of increasing cost of sales thereby reducing the Group's gross profit margin which is not representative of ongoing performance.

Effect of fair valuation of property, plant and equipment:
Under IFRS 3, acquired fixed assets are measured at fair value. This measure does not reflect the undepreciated cost of the acquired asset from the perspective of the acquiree and as such alters the

depreciation cost from the Group’s perspective after the acquisition. This does not reflect the ongoing profitability of the acquired business.

Grant payments in excess of the liability recognised on acquisition:
These are costs relating to pre-acquisition funding activity. As they are not relevant to understanding the in-year performance of the business, they are adjusted to ensure consistency between periods.

Integration and restructuring costs:

For an acquired business, the costs of integration, such as termination of third-party distributor agreements, severance and other costs included in the business’s defined integration plan, do not reflect the business’s trading performance and so are adjusted to ensure consistency between periods.

Restructuring and other associated costs arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business.

Finance expense:

Amortisation of loan fees on borrowings for acquisitions:
These are upfront borrowing fees related to funding for acquisitions and do not reflect the ongoing funding cost of the investment. Unwind of discount on liabilities and other interest: This is discount being unwound on the payment of deferred consideration, and interest charged on deferred retention payments, both relating to acquisitions.
The above are adjusted to ensure consistency between periods.

Unwind of discount on liabilities and other interest:
Unwinding of discounts and interest charged on deferred payments relating to acquisitions do not reflect the ongoing funding cost of the investment and so are adjusted to ensure consistency between periods.

Other adjusting items:
- profit/(loss) on disposal of businesses;
- past service charges associated with defined benefit pensions, such as gender equalisation of guaranteed minimum pension (“GMP”) for occupational schemes; and
- other significant initiatives not related to trading.

In addition to the above, the current and deferred tax effects of adjusting items are taken into account in calculating post-tax APMs. In addition, the following are treated as adjusting items when considering post tax APMs:

- significant adjustments to current or deferred tax which have arisen in previous periods but are accounted for in the current period; and
- the net effect of significant new tax legislation changes.

The APMs reflect how the business is measured and managed on a day-to-day basis including when setting and determining the variable element of remuneration of senior management throughout the Group (notably cash bonus and the Long Term Incentive Plan ("LTIP")).

Adjusted operating profit/(loss), adjusted profit/(loss) before tax and adjusted profit/(loss) after tax are not defined terms under IFRS and may not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for IFRS measures. All APMs relate to the current year results and comparative periods where provided.

	2023	2022
	£m	£m
Continuing operations		
Amortisation of intangible assets that are acquired in a business combination	**(4.0)**	(5.9)
Impairment of assets [1]	**(7.3)**	(2.3)
Acquisition related charges [2]	**(1.3)**	(4.4)
Integration, restructuring, and other costs [3]	**(4.9)**	(4.6)
Adjusting items in operating (loss)/profit from continuing operations	**(17.5)**	(17.2)
Finance expense - amortisation of loan fees on borrowings for acquisitions and other financing initiatives	**(2.6)**	(0.8)
Adjusting items in (loss)/profit before tax from continuing operations	**(20.1)**	(18.0)

[1] The impairment of assets of £7.3 million (2022: £2.3 million) relates to inventory: £3.7 million (2022: £1.7 million), which mainly comprises the discontinuation of the motion controls market and Wooden Camera inventory following the relocation to Costa Rica; land and buildings: £1.5 million (2022: £nil) which is predominantly the £1.3m impairment of the building which was classified as non-current assets held for sale; acquired intangible assets: £1.8 million (2022: £nil) and capitalised development costs: £0.3 million (2022: £0.6 million).

The two significant restructuring charges relate to:

Motion controls: During the second half of 2023, the Group took a strategic decision to close Syrp, its Media Solutions mechatronic research and development centre in New Zealand and exit from the lower margin motion control product category. A restructuring charge of £2.4 million (2022: £nil) was incurred reflecting inventory losses incurred and the write-down to net realisable value of the motion control inventory which has been reported within adjusting items.

During this period, the disposal of inventory, resulted in revenue of £1.2 million recognised within operating profit from continuing operations and associated cash flows of £1.1 million, which are not expected to be part of underlying operations of the business going forward. The remaining £0.9 million of inventory at hand, which has been written down to fair value is expected to be disposed during first half of 2024.

Wooden Camera: the restructuring project within Creative Solutions involved the relocation of Wooden Camera to Costa Rica from Texas and resulted in the scrapping of £1.0 million worth of inventory.

[2] Acquisition related charges of £1.3 million (2022: £4.4 million) comprise a retention payment charge of £1.1 million (2022: £3.4 million) relating to continued employment, transaction costs relating to the acquisition of Audix of £nil million (2022: £0.4 million), the effect of fair valuation of acquired inventory of £0.1 million (2022: £0.5 million), and the effect of fair valuation of acquired property, plant and equipment of £0.1 million (2022: £0.1 million).

The retention payment charge of £1.1 million relates to Quasar: £0.3 million, Savage: £0.6 million and Audix: £0.2 million. The charge incurred in 2022 was £3.4 million relating to Quasar: £0.1 million, Savage: £0.7 million and Audix: £2.6 million.

[3] Integration, restructuring and other costs of £4.9 million (2022: £4.6 million) relate mainly to site rationalisation and other restructuring activities of which employee related charges were £4.1 million (2022: £3.7 million); and corporate related initiatives £0.8 million (2022: £0.9 million). The most significant restructuring projects entered into in 2023 were:
Creative Solutions Division: exit costs relating to the migration of the Wooden Camera manufacturing plant from Texas to Costa Rica.
Media Solutions Division: exit costs relating to the closure of Videndum Media Distribution US ("VMD US") and incorporation of its operations into Savage, which involved moving from New Jersey to Phoenix; and the rationalisation of the UK operations of Rycote to Videndum Media Distribution UK ("VMD UK") within the UK. The consolidation of VMD US operations into Savage will result in improved efficiency and capability, delivering savings and new opportunities for further incremental synergies in the coming years, mainly within logistics. The rationalisation of Rycote to VMD UK will reduce costs and streamline production.
Corporate initiatives incurred relate to the multi-year rebranding initiative which commenced in 2022 and other one off projects.
Corporate: initiatives incurred in 2023 relating to corporate activities and rebranding.

An amount of £4.2 million (2022: £2.6 million) was adjusted from cost of sales. This related to the fair value uplift of £0.1 million (2022: £0.5 million) relating to acquired inventory sold by the Group since the business combination, inventory impairment was £3.7 million (2022: £1.7 million), and redundancy costs £0.4 million (2022: £0.4 million).

	2023	2022
	£m	£m
Discontinued operations		
Amortisation of intangible assets that are acquired in a business combination	**(2.2)**	(5.0)
Impairment of fixed assets (1)	**(50.2)**	(1.3)
Acquisition related charges (2)	**(1.4)**	(4.9)
Integration, restructuring, and other costs (3)	**(0.4)**	(0.1)
Adjusting items in operating loss from discontinued operations	**(54.2)**	(11.3)
Finance expense - unwind of discount on liabilities and other interest	**(0.3)**	-
Adjusting items in loss before tax from discontinued operations	**(54.5)**	(11.3)

See note 7 "Earnings per share" for the above, net of tax.

(1) The impairment of assets charge of £50.2 million (2022: £1.3 million) relates to goodwill: £26.8 million (2022: £nil), acquired intangible assets: £14.0 million (2022: £nil), capitalised development costs: £9.1 million (2022: £1.3 million), and land and buildings: £0.3 million (2022: £nil). The goodwill, acquired intangibles and capitalised development costs resulted from the recognition of Lightstream and Amimon as non-current assets held for sale at the half year 2023.

(2) Acquisition related charges of £1.4 million comprise a retention payment charge relating to continued employment of £1.1 million (2022: £2.5 million), transaction costs relating to the acquisition of businesses of £0.3 million (2022: £0.6 million), and grant payments in excess of liability recognised at acquisition of £nil (2022: £1.8 million).

(3) Integration, restructuring and other costs of £0.4 million (2022: £0.1 million), relates to the closure of the Syrp operations in New Zealand, within the Media Solutions Division.

To ensure fair review of the development and performance of the business and of the position of the Group from a cash flow standpoint, the table below shows a reconciliation from "Net cash (used in)/from operating activities" to "Adjusted net cash from continuing operating activities", considering the impact of cash flows from discontinued operations and cash flows associated with items disclosed as adjusting within the income statement.

	2023	2022
	£m	£m
Net cash (used in)/from operating activities	(16.1)	48.7
Add back:		
Adjusting items in net cash (used in)/from operating activities		
- Net cash used in operating activities from discontinued operations	7.3	7.0
- Earnout and retention bonuses	3.6	0.3
- Transaction costs	-	0.6
- Cash generated from the sale of impaired inventory	(1.1)	-
- Restructuring and integration costs	6.4	2.0
Adjusted net cash from continuing operating activities	0.1	58.6

5. Net finance expense

	2023	2022
	£m	£m
Finance expense		
Interest expense on interest-bearing loans and borrowings [1]	**(16.3)**	(8.3)
Fair value gain on interest rate swaps designated as cash flow hedges	**3.0**	0.7
Interest expense on net defined benefit pension scheme	**(0.1)**	(0.1)
Interest expense on lease liabilities	**(1.5)**	(1.4)
Other interest expense [2]	**(1.6)**	-
	(16.5)	(9.1)
Finance income		
Net currency translation gains	**2.0**	2.3
Other interest income	**0.2**	-
Interest income on net defined benefit pension scheme	**0.2**	-
	2.4	2.3
Net finance expense from continuing operations	**(14.1)**	(6.8)

Finance expense		
Interest expense on lease liabilities	**-**	(0.1)
Net currency translation losses	**(0.1)**	-
Unwind of discount on liabilities and other interest [3]	**(0.3)**	-
	(0.4)	(0.1)
Finance income - net currency translation gains	**-**	0.1
Net finance expense from discontinued operations	**(0.4)**	-

[1] Interest expense on interest-bearing loans and borrowings of £16.3 million (2022: £8.3 million) relates to interest expense of £14.4 million (2022: £7.0 million); amortisation of loan fees £0.7 million (2022: £0.5 million); and an adjusting amount of £1.2 million (2022: £0.8 million) relating to loan fees on borrowings for acquisitions of £0.6 million (2022: £0.8 million) and other financing initiatives of £0.6 million (2022: £nil). See note 4 "Adjusting items".

[2] Other interest expense of £1.6 million (2022: £nil) includes an adjusting amount of £1.4 million (2022: £nil) relating to other financing initiatives, not related to underlying trading that has been written off during the year. See note 4 "Adjusting items".

[3] Unwind of discount on liabilities and other interest of £0.3 million (2022: £nil) is an adjusting charge in loss before tax from discontinued operations. See note 4 "Adjusting items".

At the end of 2021, the Group entered into material Term Loans, refer to note 10 "Net debt" for further details, and following the increase in interest rates throughout 2023, this resulted in a material increase in finance expense.

6. Tax

	2023	2022
	£m	£m
The total taxation charge/(credit) in the Income Statement is analysed as follows:		
Summarised in the Income Statement as follows		
Continuing operations		
Current tax	**1.0**	9.0
Deferred tax	**(7.7)**	(13.7)
	(6.7)	(4.7)
Discontinued operations		
Current tax	**(0.6)**	(0.5)
Deferred tax	**4.7**	(3.0)
	4.1	(3.5)
Continuing and discontinued operations		
Current tax	**0.4**	8.5
Deferred tax	**(3.0)**	(16.7)
	(2.6)	(8.2)
Adjusting items		
Continuing operations		
Current tax	**(1.8)**	(1.7)
Deferred tax	**(2.0)**	(18.6)
	(3.8)	(20.3)
Discontinued operations		
Current tax	**(0.4)**	-
Deferred tax	**(5.2)**	(0.4)
	(5.6)	(0.4)
Continuing and discontinued operations		
Current tax [1]	**(2.2)**	(1.7)
Deferred tax [2]	**(7.2)**	(19.0)
	(9.4)	(20.7)

Before adjusting items		
Continuing operations		
Current tax	**2.8**	10.7
Deferred tax	**(5.7)**	4.9
	(2.9)	15.6
Discontinued operations		
Current tax	**(0.2)**	(0.5)
Deferred tax	**9.9**	(2.6)
	9.7	(3.1)
Continuing and discontinued operations		
Current tax	**2.6**	10.2
Deferred tax	**4.2**	2.3
	6.8	12.5

(1) Current tax credit of £2.2 million (2022: £1.7 million credit) was recognised in the year of which £1.6 million credit (2022: £0.7 million credit) related to restructuring and integration costs, £nil million charge (2022: £nil) related to tax on the acquisition and disposal of businesses, £0.6 million credit (2022 £0.2 million credit) related to financial expense and £nil relates to non-taxable foreign exchange (2022: £0.8 million credit).

(2) Deferred tax credit of £7.2 million (2022: £19.0 million credit) was recognised in the year of which £2.6 million credit (2022: £0.7 million credit) relates to restructuring and impairment costs, £0.7 million credit (2022: £1.7 million credit) to acquisitions, £3.9m million credit (2022: £2.3 million credit) to amortisation and impairment of intangible assets and £nil (2022: £14.3 million) credit relates to a deferred tax asset recognition.

EU State Aid investigation

In October 2017, the European Commission (EC) opened a State Aid investigation into the Group Financing Exemption in the UK controlled foreign company ("CFC") rules (an exemption introduced into the UK tax legislation in 2013). In common with other UK-based international companies whose intragroup finance arrangements are in line with current controlled foreign company rules, Videndum is affected by this decision.

In June 2019, the UK government submitted an appeal to the EU Commission against its decision. In common with a number of other affected taxpayers, Videndum has also filed its own annulment application.

In 2021 the Group received a Charging Notice and Interest Charging Notice from HMRC, and accordingly paid £3.0 million. The Group considers it probable that its appeal against the Charging Notice and/or its annulment application against the European Commission's ("EC") State Aid decision will be successful and as such has recorded a non-current asset in relation to the payment on the basis that it will ultimately be refunded.

It is considered possible, however, that the appeal and/or annulment might be unsuccessful which would result in a liability contingent on the outcome.

In 2022, the General Court of the European Union upheld the EC's original decision to the Court of Justice of the European Union ("CJEU"). The applicants in both of the lead cases making applications for annulment of which the Group's own annulment application is currently stood behind have appealed against this judgement.

On 11 April 2024, the Advocate General delivered an independent, but non-binding, opinion on the case, stating that the CJEU should set aside the judgement of the General Court and annul the EC's decision which found that the UK provided State Aid to certain multinational groups between 2013 and 2018. The final judgement is expected to be delivered in the coming months, although there is no prescribed timeframe for the issue of that final decision.

Management remains of the view that it is probable that its appeal and/or its annulment application will be successful based on the technical facts of the case.

The non-current tax asset at 31 December 2023 is £3.1 million which represents the £3.0 million described above plus £0.1 million interest receivable.

Deferred Tax Assets

Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits and deductible temporary differences can be utilized in the relevant jurisdictions. As of 31 December 2023, Videndum has recognised deferred tax assets of £55.4 million (£53.2 million as of 31 December 2022).

7. Earnings per share

Earnings per share ("EPS") is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year, but adjusted for the effects of dilutive share options.

A negative basic EPS is not adjusted for the effects of dilutive share options.

The adjusted EPS measure is calculated based on adjusted profit/(loss) and is used by Management to set performance targets for employee incentives and to assess performance of the businesses.

The calculation of basic, diluted and adjusted EPS is set out below:

	2023 **£m**	2022 £m
(Loss)/profit for the financial year from continuing operations	**(12.1)**	46.9
Add back adjusting items, all net of tax:		
Amortisation of intangible assets that are acquired in a business combination, net of tax	**3.3**	3.9
Impairment of fixed assets, net of tax	**6.2**	2.3
Acquisition related charges, net of tax	**1.1**	2.9
Integration, restructuring and other costs, net of tax	**3.7**	3.1
Finance expense - amortisation of loan fees on borrowings for acquisitions and other interest, net of tax	**2.0**	0.6
Current tax credit [(1)]	**-**	(0.8)
Deferred tax credit [(2)]	**-**	(14.3)
Add back adjusting items from continuing operations, all net of tax:	**16.3**	(2.3)
Adjusted profit after tax from continuing operations	**4.2**	44.6

Loss for the financial year from discontinued operations	**(66.0)**	(14.0)
Add back adjusting items, all net of tax:		
Amortisation of intangible assets that are acquired in a business combination, net of tax	**1.9**	4.8
Impairment of intangible assets	**45.5**	1.3
Acquisition related charges, net of tax	**0.9**	4.7
Integration, restructuring and other costs, net of tax	**0.3**	0.1
Finance expense - unwind of discount on liabilities and other interest, net of tax	**0.3**	-
Add back adjusting items from discontinued operations, all net of tax:	**48.9**	10.9
Add back loss on disposal of discontinued operation after tax	**1.0**	-
Adjusted loss after tax from continuing operations	**(16.1)**	(3.1)

(Loss)/profit for the financial year	**(78.1)**	32.9
Adjusted (loss)/profit after tax	**(11.9)**	41.5

(1) A current tax credit of £nil (2022: £0.8 million) relates to non-taxable foreign exchange gains.

(2) A deferred tax credit of £nil (2022: £14.3 million) relates to the recognition of deferred tax assets.

	Weighted average number of shares '000		**Adjusted earnings per share**		**Earnings per share**	
	2023	2022	**2023**	2022	**2023**	2022
	Number	Number	**pence**	pence	**pence**	pence
From continuing operations (1)						
Basic	**49,584**	46,064	**8.5**	96.8	**(24.4)**	101.8
Dilutive potential ordinary shares	**318**	1,850	**(0.1)**	(3.7)	**-**	(3.9)
Diluted	**49,902**	47,914	**8.4**	93.1	**(24.4)**	97.9
From discontinued operations(2)						
Basic	**49,584**	46,064	**(32.5)**	(6.7)	**(133.1)**	(30.4)
Dilutive potential ordinary shares	**318**	1,850	**-**	-	**-**	-
Diluted	**49,902**	47,914	**(32.5)**	(6.7)	**(133.1)**	(30.4)
From continuing and discontinued operations (2)						
Basic	**49,584**	46,064	**(24.0)**	90.1	**(157.5)**	71.4
Dilutive potential ordinary shares	**318**	1,850	**-**	(3.5)	**-**	(2.7)
Diluted	**49,902**	47,914	**(24.0)**	86.6	**(157.5)**	68.7

(1) For the year ended 31 December 2023, potential 318,000 ordinary shares are dilutive for the purposes of adjusted earnings per share but antidilutive for statutory earnings per share.

(2) 318,000 (2022: 1,850,000) potential ordinary shares are antidilutive for both adjusted earnings per share and statutory earnings per share.

8. Employee benefit asset

The Group has defined benefit pension schemes in the UK, Italy, Germany, Japan and France. The UK defined benefit scheme was closed to future benefit accrual with effect from 31 July 2010.

The UK defined benefit scheme is in an actuarial surplus position at 31 December 2023 (measured on an IAS 19 "Employee Benefits" basis) of £4.2 million (31 December 2022: £3.9 million). The surplus has been recognised on the basis that the Group has an unconditional right to a refund, assuming the gradual settlement of Scheme liabilities over time until all members have left the Scheme.

9. Dividend

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

Amounts arising in respect of the year	**2023** **£m**	2022 £m
Interim dividend for the year ended 31 December 2023 of nil pence (2022: 15.0p) per ordinary share	**-**	6.9
Proposed final dividend for the year ended 31 December 2023 of nil pence (2022: 25.0p) per ordinary share	**-**	11.6
	-	18.5
The aggregate amount of dividends paid in the year		
Final dividend for the year ended 31 December 2022 of 25.0p (2021: 24.0p) per ordinary share	**11.6**	11.1
Interim dividend for the year ended 31 December 2023 of nil pence (2022: 15.0p) per ordinary share	**-**	6.9
	11.6	18.0

10. Analysis of net debt

The table below analyses the Group's components of net debt and their movements in the period:

	Interest-bearing loans and borrowings [1]	Leases	Liabilities from financing Sub-total	Cash and cash equivalents [2]	Total
	£m	£m	£m	£m	£m
Opening at 1 January 2022	(122.8)	(30.3)	(153.1)	7.9	(145.2)
Other cash flows	-	-	-	(24.3)	(24.3)
Business combinations	-	(4.4)	(4.4)	0.2	(4.2)
Repayments	93.8	6.4	100.2	(100.2)	-
Borrowings	(130.3)	-	(130.3)	130.3	-
Leases entered into during the year	-	(4.8)	(4.8)	-	(4.8)
Leases – early termination	-	0.6	0.6	-	0.6
Fees incurred	1.0	-	1.0	-	1.0
Amortisation of fees	(1.3)	-	(1.3)	-	(1.3)
Foreign currency	(14.9)	(2.3)	(17.2)	1.9	(15.3)
Closing at 31 December 2022 and opening at 1 January 2023	(174.5)	(34.8)	(209.3)	15.8	(193.5)
Other cash flows	**-**	**-**	**-**	**67.1**	**67.1**
Repayments	**313.9**	**6.7**	**320.6**	**(320.6)**	**-**
Borrowings	**(240.0)**	**-**	**(240.0)**	**240.0**	**-**
Leases entered into during the year	**-**	**(7.7)**	**(7.7)**	**-**	**(7.7)**
Leases – early termination	**-**	**0.4**	**0.4**	**-**	**0.4**
Fees incurred	**0.3**	**-**	**0.3**	**-**	**0.3**
Amortisation of fees	**(1.3)**	**-**	**(1.3)**	**-**	**(1.3)**
Foreign currency	**2.4**	**1.1**	**3.5**	**2.4**	**5.9**
Discontinued operations	**-**	**0.3**	**0.3**	**-**	**0.3**
Closing at 31 December 2023 from continuing operations	**(99.2)**	**(34.0)**	**(133.2)**	**4.7**	**(128.5)**

[1] Interest bearing loans and borrowings include unamortised fees and transaction costs of 0.8 million (2022: £1.7 million)

[2] Cash and cash equivalents include bank overdrafts of £4.0 million (2022: £nil).

On 14 February 2020, the Group signed a new £165.0 million five-year (with one optional one-year extension) multicurrency RCF with a syndicate of five banks. On 12 November 2021, the Group signed an amendment and restatement agreement to change the underlying benchmark from LIBOR to the relevant risk-free rates (SONIA, SOFR, TONA), due to the cessation of LIBOR on 31 December 2021. The one-year extension was agreed with four syndicate banks in January 2022 and the fifth syndicate bank extended in July 2023, increasing the RCF maturity to 14 February 2026. In December 2022, a

£35.0 million accordion was agreed with four syndicate banks, resulting in the total commitments increasing to £200 million. The Group was utilising 51% of the RCF as at 31 December 2023.

During the second half of 2023, the Group agreed new covenants with its lending banks, that apply instead of the existing covenants for the following testing periods: net debt:EBITDA to be no higher than 4.25x (December 2023) and 3.75x (June 2024); and EBITA:net interest of at least 1.25x (December 2023) and 1.75x (June 2024). No restrictions apply to these new covenants but new testing dates were introduced for March 2024 (net debt:EBITDA to be no higher than 4.25x and EBITA:net interest of at least 1.5x) and September 2024 (net debt:EBITDA to be no higher than 3.75x and EBITA:net interest of at least 3.25x) have been agreed.

Under the terms of the RCF the Group expects to and has the discretion to roll over the obligation for at least 12 months from the Balance Sheet date, and as a result, these amounts are reported as non-current liabilities in the Balance Sheet.

On 14 November 2021, the Group signed a new US$53.0 million (£43.8 million) three-year (expiry 14 November 2024) amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Savage. Following the payment of 25% of the original amount during 2022 and 20% in June 2023, the outstanding balance of US$29.1 million (£23.3 million) was pre-paid on 11 December 2023 and the facility cancelled.

On 7 January 2022, the Group signed a new US$47.0 million (£38.8 million) three-year (maturity 7 January 2025) amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Audix. Following the payment of 25% of the original amount during 2022 and 20% in June 2023, the outstanding balance of US$25.9 million (£20.7 million) was pre-paid on 11 December 2023 and the facility cancelled.

The RCF was reduced by £73.9 million on 11 December 2023, following the receipt of the equity proceeds.

The Group has un-committed bank overdraft facilities totalling £4.3 million and a £5.0 million committed bank overdraft facility, which is carved out of the £200.0 million revolving credit facility when in use. As at 31 December 2023, £4.0 million bank overdrafts were in use.

Factoring of trade receivables

Trade receivables are derecognised through schemes with a financial institution, where the counterparty assumes the risk of non-payment by the customer. The transfer is on a limited recourse basis in which there is no obligation to the factor for non-payment by a customer and substantially all risks and rewards have been transferred.

Derecognition occurs when cash is received from the financial institution (less reverse factoring discount).

On 28 June 2023 the Group signed a €20.0 million (£17.3 million) un-committed evergreen receivables factoring facility. The amount of receivables factored at year end was £7.9 million (2022: £nil), maximum usage during the year was £8.2 million.

11. Derivative financial instruments

The fair value of forward exchange contracts and interest rate swap contracts is determined by estimating the market value of that contract at the reporting date. Derivatives with a positive fair value are recorded as assets and negative fair values as liabilities, and are presented as current or non-current based on their contracted maturity dates.

Forward exchange contracts

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next 24 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 24 months.

	Currency	**As at 31 December 2023 millions**	**Average exchange rate of contracts**	As at 31 December 2022 millions	Average exchange rate of contracts
Forward exchange contracts (buy/sell)					
GBP/USD forward exchange contracts	USD	**16.8**	**1.18**	27.8	1.21
EUR/USD forward exchange contracts	USD	**33.4**	**1.05**	58.6	1.05
GBP/EUR forward exchange contracts	EUR	**28.7**	**1.13**	15.3	1.15
GBP/JPY forward exchange contracts	JPY	**627.6**	**172.8**	288.0	155.6
EUR/JPY forward exchange contracts	JPY	**1,235.0**	**152.8**	656.0	138.4

A net gain of £1.2 million (2022: £2.9 million loss) relating to forward exchange contracts was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cash flows which affect the Income Statement.

Interest rate swaps

The following table shows the interest rate swap contracts in place at the Balance Sheet date. The interest is payable quarterly on 31 March, 30 June, 30 September and 31 December.

	Currency	**Nominal amounts as at 31 December 2023**	**Weighted average fixed rate[1]**	**Maturity**	**Nominal amounts as at 31 December 2022**
Interest rate swap contracts					
USD Interest rate swaps float (SOFR) to fix	USD	40.0	5.18%	Sep 24	35.0
GBP Interest rate swaps float (SONIA) to fix [1]	GBP	37.0	1.01%	Jan 25	47.0

[1] In addition to these fixed rates, the margin relating to the interest swapped of the underlying RCF or term loans continues to apply.

During the period ended 31 December 2023 a net gain of £3.0 million (2022: £0.7 million) relating to interest rate swaps was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cash flows which affects the Income Statement.

The Group entered into a new $40.0m floating-to-fixed interest rate swap to replace the maturing $35.0 million swap in September 2023. As at 31 December 2023, a total of £68.4m (£137.9 million 31 December 2022) remain in place following the maturity of the $35.0 million (£27.5 million) swap and the early closures of the $55.0 million (£44.0 million) and £10.0 million swaps, due to the underlying debt repayment following the equity raise. Swaps currently in place cover 69% of the variable loan principle outstanding.

Fair value hierarchy

The carrying values of the Group's financial instruments approximate their fair value.

The Group's derivative financial instruments are Level 2.

12. Share Capital

Equity Raise:

On 8 December 2023, the Company issued 47,329,954 new ordinary shares for an offer price of 267.0 pence, generating gross proceeds of £126.4 million. Expenses of £8.5 million were incurred and have been offset in the share premium account leaving net proceeds of £117.9 million.

13. Discontinued operations and non-current assets classified as held for sale

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of the Syrp business which is part of the Media Solutions Division, Amimon business which is part of the Creative Solutions Division, and certain land and buildings of the Production Solutions division have been classified as a disposal group held for sale within the year.

Discontinued operations are businesses that have been sold, abandoned, or which are held for sale and contribute to a separate major line of business or geographical area of operations. Amimon, Lightstream, and Syrp have all been classified as discontinued operations in the current year. These operations meet the definition as a discontinued operation due to them all being separate major lines of business, and are part of a single coordinated plan to dispose of.

As at 30 June 2023 Amimon was classified as an asset held for sale and a discontinued operation.

On 2 October 2023 the Group sold its Lightstream business based in the US for a cash consideration of $0.5 million (£0.4 million) resulting in a loss on disposal before tax of £1.0 million after taking into account £1.4 million costs of disposal. Immediately before the initial classification of Lightstream as held for sale, the carrying amounts of all the assets and liabilities in the disposal group were measured in accordance with applicable IFRSs. As a result of measuring the disposal group at the lower of carrying amount and fair value less costs to sell, an impairment charge of £19.2 million (goodwill: £11.2 million; acquired intangibles: £7.5 million; capitalised development costs: £0.5 million) was incurred.

On 31 December 2023 the Syrp business based in New Zealand was abandoned. Employee termination costs of £0.4 million were incurred and an impairment charge of £0.4 million was made to plant, machinery and vehicles. The property lease was terminated on 21 January 2024.

On 5 January 2024 certain land and buildings of the Production Solutions Division were sold for a net sale price of £2.5 million.

The tables below show the results of the discontinued operations which are included in the Consolidated Income Statement and Consolidated Statement of Cash Flows respectively, and the effect of the disposal group on the Group Balance Sheet.

Sensitivities

The key source of estimation uncertainty relates to the estimated disposal proceeds, which would have an impact on the final carrying value. There is a direct correlation between the estimated disposal proceeds and the final carrying value. A £2 million increase/decrease in estimated disposal proceeds would cause a £2 million increase/decrease in the carrying value.

a) Income Statement - discontinued operations

	Notes	**2023**	2022
		£m	£m
Revenue	2	**8.1**	8.7
Expenses		**(68.6)**	(26.2)
Operating loss		**(60.5)**	(17.5)
Comprising			
- Adjusted operating loss		**(6.3)**	(6.2)
- Adjusting items in operating loss	4	**(54.2)**	(11.3)
Finance expense		**(0.4)**	-
Loss before tax		**(60.9)**	(17.5)
Comprising			
- Adjusted loss before tax		**(6.4)**	(6.2)
- Adjusting items in loss before tax	4	**(54.5)**	(11.3)
Taxation		**(4.1)**	3.5
Comprising taxation on			
- Taxation on adjusted loss		**(9.7)**	3.1
- Adjusting items in taxation		**5.6**	0.4
Loss after tax from discontinued operations		**(65.0)**	(14.0)
Loss on disposal of discontinued operation after tax		**(1.0)**	-
Loss after tax from discontinued operations attributable to owners of parent		**(66.0)**	(14.0)

b) Statement of Cash Flows - discontinued operations

	2023	2022
	£m	£m
Net cash used in operating activities	**(7.3)**	(7.0)
Net cash used in investing activities	**(4.1)**	(4.9)
Net cash from financing activities	**(0.4)**	(0.9)
Net cash used in discontinued operations	**(11.8)**	(12.8)
Loss on disposal of discontinued operation after tax	**(1.0)**	-
Add back share-based payment charge	**0.1**	-
Disposal of business in cash flow	**(0.9)**	-

c) Assets and liabilities of the disposal group classified as held for sale

	2023 £m
Assets	
Intangible assets	5.5
Property, plant and equipment [1]	3.6
Inventories	1.0
Trade and other receivables	1.7
Other non-current receivables	0.5
	12.3
Liabilities	
Lease liabilities	(0.3)
Trade payables	(0.8)
Other payables	(1.9)
Current provisions	(0.6)
Non-current provisions	(1.0)
	(4.6)

[1] Property, plant and equipment of £3.6 million classified as assets held for sale within the year comprises land and buildings of £2.5 million in Continuing operations (Production Solutions division) and £1.1 million in Discontinued operations (Creative Solutions division).

14. Glossary on Alternative Performance Measures ("APMs")

The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information and enable an alternative comparison of performance over time.

The Group uses APMs to aid the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and Management for performance analysis, planning, reporting and incentive purposes. Where relevant, further information on specific APMs is provided in each section below.

The APMs refer to continuing operations; 2022 has been represented to ensure fair comparability.

<table>
<tr><th>APM</th><th>Closest equivalent IFRS measure</th><th>Definition and purpose</th></tr>
<tr><td colspan="3">Income Statement measures from continuing operations</td></tr>
<tr><td>Adjusted gross profit</td><td>Gross profit</td><td>Calculated as gross profit before adjusting items.

The table below shows a reconciliation:

See note 4 "Adjusting items".
<table>
<tr><td></td><td>2023
£m</td><td>2022
£m</td></tr>
<tr><td>Gross profit</td><td>114.6</td><td>190.8</td></tr>
<tr><td>Adjusting items in cost of sales</td><td>4.2</td><td>2.6</td></tr>
<tr><td>Adjusted gross profit</td><td>118.8</td><td>193.4</td></tr>
</table></td></tr>
<tr><td>Adjusted gross profit margin</td><td>None</td><td>Calculated as adjusted gross profit divided by revenue.</td></tr>
<tr><td>Adjusted operating expenses</td><td>Operating expenses</td><td>Calculated as operating expenses before adjusting items.
The table below shows a reconciliation:
<table>
<tr><td></td><td>2023
£m</td><td>2022
£m</td></tr>
<tr><td>Operating expenses</td><td>119.3</td><td>141.8</td></tr>
<tr><td>Adjusting items in operating expenses</td><td>(13.3)</td><td>(14.6)</td></tr>
<tr><td>Adjusted operating expenses</td><td>106.0</td><td>127.2</td></tr>
</table></td></tr>
<tr><td>Adjusted operating profit</td><td>(Loss)/profit before tax</td><td>Calculated as (Loss)/profit before tax, before net finance expense, and before adjusting items. This is a key management incentive metric.

Adjusting items include non-cash charges such as amortisation of intangible assets that are acquired in a business combination, impairment of disposed entities or groups of asset(s) and effect of fair valuation of acquired inventory and property, plant and equipment. Cash charges include items such as transaction costs, earnout, retention and deferred payments, and significant costs relating to the integration of acquired businesses.

The table below shows a reconciliation:
See note 4 "Adjusting items".
<table>
<tr><td></td><td>2023
£m</td><td>2022
£m</td></tr>
<tr><td>(Loss)/profit before tax</td><td>(18.8)</td><td>42.2</td></tr>
<tr><td>Net finance expense</td><td>14.1</td><td>6.8</td></tr>
<tr><td>Adjusting items in operating (loss)/profit</td><td>17.5</td><td>17.2</td></tr>
<tr><td>Adjusted operating profit</td><td>12.8</td><td>66.2</td></tr>
</table></td></tr>
</table>

<table>
<tr><td>Adjusted operating profit margin</td><td>None</td><td>Calculated as adjusted operating profit divided by revenue. Progression in adjusted operating margin is an indicator of the Group’s operating efficiency.</td></tr>
<tr><td>Adjusted net finance income/(expense)</td><td>None</td><td>Calculated as finance expense, less finance income, and less amortisation of loan fees on borrowings for acquisitions and other financing initiatives.

The table below shows a reconciliation:
<table>
<tr><td></td><td>2023
£m</td><td>2022
£m</td></tr>
<tr><td>Finance expense</td><td>(16.5)</td><td>(9.1)</td></tr>
<tr><td>Finance income</td><td>2.4</td><td>2.3</td></tr>
<tr><td>Adjusting finance expense - amortisation of loan fees on borrowings for acquisitions and other financing initiatives</td><td>2.6</td><td>0.8</td></tr>
<tr><td>Adjusted net finance expense</td><td>(11.5)</td><td>(6.0)</td></tr>
</table></td></tr>
<tr><td>Adjusted profit before tax</td><td>Profit before tax</td><td>Calculated as profit before tax, before adjusting items. This is a key management incentive metric and is a measure used within the Group’s incentive plans.

See Condensed Consolidated Income Statement for a reconciliation.</td></tr>
<tr><td>Adjusted profit after tax</td><td>Profit after tax</td><td>Calculated as profit after tax before adjusting items.

See Condensed Consolidated Income Statement for a reconciliation.</td></tr>
<tr><td>Adjusted basic earnings per share</td><td>Basic earnings per share</td><td>Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares outstanding during the period. This is a key management incentive metric and is a measure used within the Group’s incentive plans.

See note 7“Earnings per share” for a reconciliation.</td></tr>
<tr><td colspan="3">Cash flow measures from continuing operations</td></tr>
<tr><td>Free cash flow</td><td>Net cash from operating activities</td><td>Net cash from operating activities after proceeds from property, plant and equipment and software, purchase of property, plant and equipment, and capitalisation of software and development costs. This measure reflects the cash generated in the period that is available to invest in accordance with the Group’s capital allocation policy.

See "Adjusted operating cash flow" below for a reconciliation.</td></tr>
</table>

Adjusted operating cash flow	Net cash from operating activities	Free cash flow before payment of interest, tax, restructuring, integration and other costs, retention bonuses and transaction costs relating to the acquisition of businesses, and before proceeds from sale of impaired inventory. This is a measure of the cash generation and working capital efficiency of the Group's operations. Adjusted operating cash flow as a percentage of adjusted operating profit is a key management incentive metric.

	2023 £m	2022 £m
(Loss)/profit for the period from continuing operations	**(12.1)**	46.9
Add back:		
Taxation and net finance expense	**7.4**	2.1
Adjusting items in operating (loss)/profit	**17.5**	17.2
Adjusted operating profit	**12.8**	66.2
Depreciation excluding effect of fair valuation of property, plant and equipment	**14.0**	14.4
Amortisation of capitalised software and development costs	**6.5**	5.7
Adjusted trade working capital movement [1]	**(1.1)**	(15.6)
Adjusted non-trade working capital movement [1]	**(7.1)**	(2.4)
Adjusted provision movement [1]	**-**	(0.7)
Other:		
- Net loss on disposal of property, plant and equipment and software	**0.2**	-
- Fair value losses on derivative financial instruments	**(0.2)**	-
- Foreign exchange losses	**(0.3)**	0.6
- Share-based payments	**1.0**	6.9
- Proceeds from sale of property, plant and equipment and software	**0.3**	-
Purchase of property, plant and equipment	**(4.6)**	(7.0)
Capitalisation of software and development costs	**(10.7)**	(8.4)
Adjusted operating cash flow	**10.8**	59.7
Interest paid	**(15.3)**	(9.3)
Tax paid	**(10.4)**	(7.2)
Income/(payments) relating to:		
Restructuring and integration costs	**(6.4)**	(2.0)
Proceeds from the sale of impaired inventory	**1.1**	-
Retention bonuses	**(3.6)**	(0.3)
Transaction costs	**-**	(0.6)
Free cash flow	**(23.8)**	40.3
Proceeds from sale of property, plant and equipment and software	**(0.3)**	-
Purchase of property, plant and equipment	**4.6**	7.0
Capitalisation of software and development costs	**10.7**	8.4
Net cash (used in)/from operating activities	**(8.8)**	55.7

[1] See "Adjusted trade working capital movement" and "Adjusted non-trade working capital movement" and "Adjusted provision movement" below for a reconciliation.

APM	Closest equivalent statutory measure	Definition and purpose	2023 £m	2022 £m
Adjusted trade working capital movement	None	The adjusted trade working capital movement includes movements in inventories, trade debtors and trade creditors, excluding movements relating to adjusting items.	**2023 £m**	2022 £m
		Decrease/(increase) in inventories	**6.9**	(7.5)
		Decrease/(increase) in trade debtors	**17.1**	(6.7)
		(Decrease)/increase in trade creditors	**(20.2)**	0.8
		Decrease/(increase) in trade working capital	**3.8**	(13.4)
		Deduct inflows from adjusting charges:		
		Effect of fair valuation of acquired inventory	**(0.1)**	(0.5)
		Adjustments for integration, restructuring and other costs	**(3.7)**	(1.7)
		Proceeds from the sale of impaired inventory	**(1.1)**	-
		Adjusted trade working capital movement	**(1.1)**	(15.6)
Adjusted non-trade working capital movement	None	The adjusted non-trade working capital movement includes movements in other debtors, other creditors and contract assets/liabilities, excluding movements relating to adjusting items.	**2023 £m**	2022 £m
		Decrease in other debtors and contract assets	**0.5**	1.9
		Decrease in other creditors and contract liabilities	**(10.9)**	(4.6)
		Increase in non-trade working capital	**(10.4)**	(2.7)
		Deduct inflows from adjusting charges:		
		Adjustments for integration, restructuring and other costs, transaction costs relating to acquisition of businesses, and retention bonuses	**3.3**	0.3
		Adjusted non-trade working capital movement	**(7.1)**	(2.4)
Adjusted provisions movement	Increase/(decrease) in provisions	The adjusted provisions movement excludes movements relating to adjusting items.	**2023 £m**	2022 £m
		Increase/(decrease) in provisions	**(1.9)**	1.1
		Adjustments for integration, restructuring and other costs	**1.9**	(1.8)
		Adjusted provision movement	**-**	(0.7)

<table>
<tr><th colspan="3">Other measures from continuing operations</th></tr>
<tr><td>Return on capital employed (ROCE)</td><td>None</td><td>ROCE is calculated as annual adjusted operating profit for the last 12 months divided by the average total assets (excluding defined benefit pension asset and deferred tax assets), current liabilities (excluding current interest-bearing loans and borrowings), and non-current lease liabilities.

The average is based on the opening and closing of the 12 month period. See “Five Year Summary”.
<table>
<tr><th></th><th>2023
£m</th><th>2022
£m</th></tr>
<tr><td>Adjusted operating profit for the last 12 months</td><td>12.8</td><td>66.2</td></tr>
<tr><td>Capital employed at the beginning of the year</td><td>296.3</td><td>222.0</td></tr>
<tr><td>Capital employed at the end of the year</td><td>289.1</td><td>296.3</td></tr>
<tr><td>Average capital employed</td><td>292.7</td><td>259.1</td></tr>
<tr><td>Adjusted ROCE %</td><td>4.4%</td><td>25.5%</td></tr>
</table></td></tr>
<tr><td>Dropthrough</td><td>None</td><td>Dropthrough is the change in adjusted operating profit as a percentage of the change in revenue.</td></tr>
<tr><td>Organic revenue</td><td>None</td><td>Organic revenue is revenue from existing business, and not from new mergers and acquisitions.</td></tr>
<tr><td>Organic adjusted operating profit</td><td>None</td><td>Organic adjusted operating profit is adjusted operating profit from existing business, and not from new mergers and acquisitions.</td></tr>
<tr><td>Organic growth</td><td>None</td><td>Organic growth is the growth achieved year-on-year from existing business, and not from new mergers and acquisitions.</td></tr>
<tr><td>Constant currency</td><td>None</td><td>Constant currency variances are derived by calculating the current year amounts at the applicable prior year foreign currency exchange rates, excluding the effects of hedging in both years. Revenue growth is represented on a constant currency basis as this best represents the impact of volume and pricing on revenue growth.</td></tr>
<tr><td>Organic revenue at constant currency</td><td>None</td><td>Calculated as organic revenue at constant currency.
The table below shows a reconciliation:
See "Condensed Consolidated Income Statement"
See "Constant currency", "Organic revenue" and "Organic growth" above for definitions.
<table>
<tr><th></th><th>2023
£m</th></tr>
<tr><td>2022 Revenue</td><td>442.5</td></tr>
<tr><td>Add from acquisitions</td><td>0.1</td></tr>
<tr><td>2022 Organic revenue</td><td>442.6</td></tr>
<tr><td></td><td></td></tr>
<tr><td>2023 Revenue</td><td>306.9</td></tr>
<tr><td>Exclude effects of foreign currency exchange rates:</td><td></td></tr>
<tr><td>Translation effects</td><td>0.3</td></tr>
<tr><td>Transactional effects</td><td>(4.1)</td></tr>
<tr><td>2023 Organic revenue at constant currency</td><td>303.1</td></tr>
<tr><td>Organic growth at constant currency %</td><td>(32%)</td></tr>
</table></td></tr>
</table>

<table>
<tr><td>Organic adjusted operating profit at constant currency</td><td>None</td><td>Calculated as organic adjusted profit at constant currency.
The table below shows a reconciliation.
See “Condensed Consolidated Income Statement”.
See “Adjusted operating profit” above for a reconciliation.
See “Constant currency”, “Organic adjusted operating profit” and “Organic growth” above for definitions.
<table>
<tr><td></td><td>2023
£m</td></tr>
<tr><td>2022 Adjusted operating profit</td><td>66.2</td></tr>
<tr><td>Add from acquisitions</td><td>-</td></tr>
<tr><td>2022 Organic adjusted operating profit</td><td>66.2</td></tr>
<tr><td></td><td></td></tr>
<tr><td>2023 Adjusted operating profit [(1)]</td><td>12.8</td></tr>
<tr><td>Exclude effects of foreign currency exchange rates:</td><td></td></tr>
<tr><td>Translation effects</td><td>(0.4)</td></tr>
<tr><td>Transactional effects</td><td>(2.8)</td></tr>
<tr><td>2023 Organic adjusted operating profit at constant currency</td><td>9.6</td></tr>
<tr><td>Organic growth at constant currency %</td><td>(85%)</td></tr>
</table>
[(1)] See “Adjusted operating profit” above for a reconciliation</td></tr>
<tr><td>Cash conversion</td><td>None</td><td>Calculated as adjusted operating cash flow divided by adjusted operating profit. This is a key management incentive metric and is a measure used within the Group’s incentive plans as set out in the Remuneration report.</td></tr>
<tr><td>Adjusted EBITDA</td><td>None</td><td>Calculated as adjusted operating profit for the last 12 months before depreciation of tangible fixed assets and amortisation of intangibles (other than those already excluded from adjusted operating profit).
The table below shows a reconciliation:
<table>
<tr><td></td><td>2023
£m</td><td>2022
£m</td></tr>
<tr><td>Adjusted operating profit for the last 12 months</td><td>12.8</td><td>66.2</td></tr>
<tr><td>Add back:</td><td></td><td></td></tr>
<tr><td>Depreciation excluding effect of fair valuation of property, plant and equipment</td><td>14.0</td><td>14.4</td></tr>
<tr><td>Amortisation of capitalised software and development costs</td><td>6.5</td><td>5.7</td></tr>
<tr><td>Adjusted EBITDA</td><td>33.3</td><td>86.3</td></tr>
</table></td></tr>
<tr><td>Covenant EBITDA</td><td>None</td><td>Calculated as adjusted EBITDA for the last 12 months before share-based payment charge, and after interest income/(expense) unrelated to gross borrowings

The table below shows a reconciliation:
<table>
<tr><td></td><td>2023
£m</td></tr>
<tr><td>Adjusted EBITDA for the last 12 months</td><td>33.3</td></tr>
<tr><td>Add back share-based payment charge</td><td>1.0</td></tr>
<tr><td>Add back material items of an unusual nature</td><td>4.1</td></tr>
<tr><td>Add interest income unrelated to gross borrowings[(1)]</td><td>1.4</td></tr>
<tr><td>Covenant EBITDA</td><td>39.8</td></tr>
</table>
[(1)] See "Interest income/(expense) unrelated to gross borrowings" below for a reconciliation.</td></tr>
</table>

<table>
<tr><td>Covenant EBITA</td><td>None</td><td>Calculated as Covenant EBITDA for the last 12 months less depreciation of tangible fixed assets and amortisation of intangibles (other than those already excluded from adjusted operating profit).
The table below shows a reconciliation:
<table>
<tr><th></th><th>2023
£m</th></tr>
<tr><td>Covenant EBITDA for the last 12 months</td><td>39.8</td></tr>
<tr><td>Less depreciation excluding effect of fair valuation of property, plant and equipment</td><td>(14.0)</td></tr>
<tr><td>Covenant EBITA</td><td>25.8</td></tr>
</table></td></tr>
<tr><td>Interest income/(expense) unrelated to gross borrowings</td><td>None</td><td>This is currency translation gains/(losses), other interest income/(expense), interest income/(expense) on net defined benefit pension scheme, and amortisation of loan fees on borrowings, excluding those on borrowings for acquisitions, and other financing initiatives.
<table>
<tr><th></th><th>2023
£m</th></tr>
<tr><td>Net currency translation gains</td><td>2.0</td></tr>
<tr><td>Other interest income</td><td>0.2</td></tr>
<tr><td>Interest income on net defined benefit pension scheme</td><td>0.2</td></tr>
<tr><td>Interest expense on net defined benefit pension scheme</td><td>(0.1)</td></tr>
<tr><td>Other interest expense</td><td>(1.6)</td></tr>
<tr><td>Amortisation of loan fees on borrowings</td><td>(1.9)</td></tr>
<tr><td>Less amortisation of loan fees on borrowings for acquisitions, and other financing initiatives</td><td>2.6</td></tr>
<tr><td>Interest income unrelated to gross borrowings</td><td>1.4</td></tr>
</table></td></tr>
<tr><td>Covenant net interest</td><td>None</td><td>Calculated as adjusted net finance income/(expense)[1] for the last 12 months less interest income/(expense) unrelated to gross borrowings[1]
<table>
<tr><th></th><th>2023
£m</th></tr>
<tr><td>Adjusted net finance expense for the last 12 months</td><td>(11.5)</td></tr>
<tr><td>Less interest income unrelated to gross borrowings</td><td>(1.4)</td></tr>
<tr><td>Covenant net interest</td><td>(12.9)</td></tr>
</table>
[1] See "Adjusted net finance income/(expense)" and "Interest income/(expense) unrelated to gross borrowings" above for a reconciliation.</td></tr>
<tr><td>Net debt</td><td>None</td><td>See note 10 "Analysis of net debt" for an explanation of the balances included in net debt, along with a breakdown of the amounts.</td></tr>
<tr><td>Covenant net debt</td><td>None</td><td>Calculated as Net debt before unamortised loan fees on borrowings, and before lease liabilities from discontinued operations.
<table>
<tr><th></th><th>2023
£m</th></tr>
<tr><td>Net debt</td><td>128.5</td></tr>
<tr><td>Add back unamortised loan fees on borrowings</td><td>0.8</td></tr>
<tr><td>Add back lease liabilities from discontinued operations</td><td>0.3</td></tr>
<tr><td>Covenant net debt</td><td>129.6</td></tr>
</table></td></tr>
</table>