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26 September 2023

Videndum plc

2023 Interim 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 results for the half year ended 30 June 2023.

Results	**H1 2023**	**H1 2022[1]**	**% change**
Continuing operations[1]			
Revenue	£165.0m	£219.4m	-25%
Adjusted operating profit*	£15.2m	£32.1m	-53%
*Adjusted operating margin**	*9.2%*	*14.6%*	*-5.4%pts*
Adjusted profit before tax*	£10.1m	£29.1m	-65%
Adjusted basic earnings per share*	16.6p	49.3p	-66%
Free cash flow*	£(4.4)m	£23.4m	-119%
Net debt*	£216.1m	£194.1m	+11%
Statutory results from continuing and discontinued operations[1]			
Revenue	£169.9m	£223.6m	-24%
Operating (loss)/profit	£(44.3)m	£19.7m	-325%
Operating margin	*-26.1%*	*8.8%*	*-34.9%pts*
(Loss)/profit before tax	£(50.0)m	£16.4m	-405%
Basic (loss)/earnings per share	(100.0)p	28.0p	-457%

H1 2023 financial summary

- As previously highlighted, financial performance significantly impacted by ongoing macroeconomic headwinds and effects of destocking, and compounded by the US writers' strike[2]
  - Revenue from continuing operations down 25% year-on-year
  - Executed self-help actions to improve cost base, and to ensure business well positioned once market recovers
- Higher-than-expected covenant net debt to EBITDA of 2.9x reflecting H1 2023 trading conditions, though still within our lending covenant limits
- Given the ongoing strikes by the US writers and actors[3] ("the strikes"), no interim dividend declared; plan to resume dividend payments when appropriate to do so

Current trading, strategic positioning and outlook

- The Group is experiencing significantly more impact from the strikes in H2 2023 than anticipated at the time of its May Update. This is due to the prolonged writers' strike, the additional impact of the actors' strike, and the fact that there is less time for a recovery in the current year
- Additionally, the macroeconomic environment remains challenging. We are not yet seeing recovery in the consumer or ICC segments, and retailers are increasingly concerned about interest rates and working capital, and we are therefore still seeing some destocking. This is resulting in worse-than-expected trading conditions
- The Group has put additional mitigation plans in place to further reduce costs and conserve cash, and is proactively working to reduce leverage and recapitalise the business, which may require an equity raise
  - The Group has strong relationships with its lending banks

    - Agreed further lending covenant amendments for December 2023 to those announced in August
    - Committed lending facilities; £200 million RCF currently matures February 2026
    - Further detail is set out below in the H1 2023 financial overview
- Maintaining investment in key strategic initiatives, focusing more tightly on high-end professional content creation whilst exiting non-core markets
- Encouraging news about the strikes, however, it is not clear when productions will restart, therefore there is a wide range of potential outcomes for FY 2023, and it is difficult to provide financial guidance. Nonetheless, when productions restart, the Group remains well positioned and we expect to benefit from a significant recovery in revenue

Discontinued operations

The Group is 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 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 a core focus going forward, two businesses (Lightstream and Amimon) were held for sale at 30 June 2023 and reported as discontinued operations. If a sale of Amimon were to take place, Videndum would retain the exclusive rights to deploy its chipset technology in content creation markets. Intangible assets of the two businesses have been impaired by £46.9 million (Lightstream £18.9 million, Amimon £28.0 million).

Commenting on the results, Stephen Bird, Group Chief Executive, said:

"As expected, the first half of 2023 was exceptionally challenging for Videndum. The ongoing macroeconomic headwinds, compounded by the US writers' strike, significantly impacted our H1 2023 financial performance.

"The Group is also experiencing significantly more impact from the strikes in H2 2023 than anticipated at the time of our May Update. This is due to the prolonged writers' strike, the additional impact of the actors' strike, and the fact that there is less time for a recovery in the current year. Additionally, the macroeconomic environment remains challenging. We are not yet seeing recovery in the consumer or ICC segments, and retailers are increasingly concerned about interest rates and working capital, and we are therefore still seeing some destocking. This is resulting in worse-than-expected trading conditions.

"Management continues to be focused on tightly managing costs and preserving cash, while seeking to ensure that we are well placed to take advantage of the recovery once the strikes are over. We have excellent relationships with our banks and the Group is proactively working to reduce leverage and recapitalise the business, which may require an equity raise.

"Videndum remains well positioned in a content creation market which has attractive structural growth drivers and strong medium-term prospects; however, the current macroeconomic environment remains challenging, and although there is encouraging news about the strikes, it is not clear when productions will restart. Therefore, there is a wide range of potential outcomes for the full year, and it is difficult to provide financial guidance. Nonetheless, when productions restart, we expect Videndum to benefit from a significant recovery in revenue."

Notes

1. Following an extensive review of the Creative Solutions Division, two businesses (Lightstream and Amimon) were held for sale at 30 June 2023 and reported as discontinued operations; H2 2022 has been represented to ensure fair comparability. Results of discontinued operations can be found in note 13 to the condensed financial statements.
2. The Writers' Guild of America ("WGA"), combines two different US labour unions representing TV and film writers in New York and Los Angeles, and called a strike on 2 May 2023. The previous longest writers' strike was in 1988 and lasted 153 days (source: Moody's). 2023 writers' strike has been ongoing for 148 days so far.
3. The Screen Actors Guild and the American Federation of Television and Radio Artists ("SAG-AFTRA"), combines two US labour unions, and called a strike on 3 July 2023.
4. H1 2023 average exchange rates: £1 = $1.23, £1 = €1.14, €1 = $1.08, £1 = Yen166.
5. H1 2022 average exchange rates: £1 = $1.31, £1 = €1.19, €1 = $1.10, £1 = Yen159.
6. 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, re4.25porting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary.*

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Andrea Rigamonti, Group Chief Financial Officer
Jennifer Shaw, Group Communications Director

A video webcast and Q&A for Analysts and Investors will be held today, starting at 09.00am UK time. The presentation slides will be available on our website at 7.00am.

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"), gamers, 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, motion control, audio capture, and noise reduction equipment.

We employ around 1,700 people across the world in 11 different countries. Videndum plc is listed on the London Stock Exchange, ticker: VID.

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

LEI number: 2138007H5DQ4X8YOCF14

H1 2023 financial overview

During H1 2023, the macroeconomic environment remained challenging, particularly with low business confidence in the US. This affected our consumer segment (c.10% of Group revenue) as well as our ICC segment (c.35% of Group revenue), and led to continuing destocking.

In addition, the Writers' Guild of America ("WGA"), which combines two different US labour unions representing TV and film writers in New York and Los Angeles, called a strike on 2 May 2023. In the months prior, the speculation of a potential strike had caused some US cine/scripted TV productions to be paused, and from 2 May 2023, the majority of US cine/scripted TV productions were suspended. This significantly affected demand for our high-end cine and scripted TV products in the US during the period (c.20% of Group revenue).

Income and expense

The numbers below are presented on a continuing basis (unless stated) including H1 2022 re-presented to ensure fair comparability.

	Adjusted*			Statutory from continuing and discontinued operations	
	H1 2023	**H1 2022**	**% change**	**H1 2023**	**H1 2022**
Revenue	£165.0m	£219.4m	-25%	£169.9m	£223.6m
Operating profit/(loss)	£15.2m	£32.1m	-53%	£(44.3)m	£19.7m
Profit/(loss) before tax	£10.1m	£29.1m	-65%	£(50.0)m	£16.4m
Earnings/(loss) per share	16.6p	49.3p	-66%	(100.0)p	28.0p

The headwinds mentioned above resulted in Group revenue from continuing operations decreasing by 25% compared to H1 2022; a 28% decline on an organic, constant currency basis: destocking c.£20 million, the demand in consumer and ICC segments c.£20 million, and the writers' strike c.£20 million. Price rises successfully implemented in 2022 and again at the beginning of 2023 more than offset inflation.

The decline in revenue impacted adversely on adjusted gross margin*, which fell from 43.7% in H1 2022 to 41.8% in H1 2023, reflecting operating leverage. La Cassa Integrazione Guadagni Ordinaria ("CIGO"), the Italian government supported furlough programme, was applied in our Italian facilities to mitigate the lower demand whilst ensuring our employees were looked after and retained by the business.

Adjusted operating expenses* decreased by £9.9 million to £53.8 million (H1 2022: £63.7 million) due to self-help actions taken to reduce discretionary costs in the short-term, apply CIGO in Italy, and implement restructuring projects in all Divisions to ensure we have a lean organisation ready to capitalise once trading conditions improve.

The actions taken in cost of sales and operating expenses constrained that revenue drop through to adjusted operating profit* to c.30% (compared to a marginal contribution of c.50%).

Adjusted profit before tax* included a £1.3 million favourable foreign exchange effect after hedging compared to H1 2022, due to a stronger US Dollar and Euro than in H1 2022. The impact on H2 2023 adjusted profit before tax* from a one cent stronger/weaker US Dollar/Euro is expected to be an increase/decrease of approximately £0.2 million in each case. At current spot rates (22 September: £1 = $1.23, £1 = €1.15) there is expected to be a c.£2 million adverse impact on H2 2023 versus H2 2022.

Adjusted net finance expense* of £5.1 million was £2.1 million higher than in H1 2022. This was driven by higher debt, following the 2021/22 acquisitions, and rising interest rates; partly offset by net gains on the translation of intercompany loans and cash balances. In H2 2023, an average of c.55% of our borrowings will be fixed through swaps at an average rate of c.5% (including margin), partly mitigating the risk of further interest rate increases. Our floating debt currently has an average interest rate of c.7% (including margin). Net finance expense also includes interest on the lease liabilities and the defined benefit pension scheme, amortisation of loan fees, and net currency translation gains or losses.

Adjusted profit before tax* was £10.1 million; £19.0 million lower than H1 2022. On an organic, constant currency basis, adjusted operating profit* and adjusted profit before tax* were 56% and 70% down respectively on H1 2022.

Statutory loss before tax from continuing and discontinued operations of £50.0 million (H1 2022: £16.4 million profit) further reflects adjusting items from continuing operations of £7.0 million (H1 2022: £6.2 million) and a £53.1 million loss from discontinued operations (H1 2022: £6.5 million loss).

The adjusting items from continuing operations primarily relate to the amortisation of acquired intangibles, acquisition related charges, and restructuring. These charges were higher compared to H1 2022 primarily due to an impairment of property in the Production Solutions Division and restructuring activities across all Divisions, partly offset by lower transaction costs in relation to acquisitions compared to those in H1 2022. The loss at discontinued operations predominantly reflects a £46.9 million impairment of intangible assets (Lightstream £18.9 million, Amimon £28.0 million).

The Group's effective tax rate ("ETR") on adjusted profit before tax* was 23.8% (H1 2022: 22.0%). Statutory ETR from continuing and discontinued operations was a 7.0% credit on the £50.0 million loss (H1 2022: 21.3% debit of the £16.4 million profit before tax).

Adjusted basic earnings per share* was 16.6 pence. Statutory basic loss per share from continuing and discontinued operations was 100.0 pence.

Cash flow and net debt

Cash generated from operating activities was £11.5 million (H1 2022: £34.2 million) and net cash from operating activities was £0.5 million (H1 2022: £28.8 million).

Free cash flow* was £27.8 million lower than H1 2022 reflecting the lower adjusted operating profit* and higher interest, tax and restructuring costs. Cash conversion* was 93%, and across the last three years has cumulatively been 103%.

£m	**H1 2023**	H1 2022	Variance
Statutory operating (loss)/profit from continuing and discontinued operations	**(44.3)**	19.7	(64.0)
Add back discontinued operations adjusted operating loss*	**52.9**	6.6	46.3
Add back adjusting items from continuing operations	**6.6**	5.8	0.8
Adjusted operating profit*	**15.2**	**32.1**	**(16.9)**
Depreciation(1)	**10.5**	9.9	0.6
Adjusted working capital (inc)/dec*	**(4.4)**	(8.7)	4.3
Adjusted provisions inc/(dec)*	**(0.1)**	(0.4)	0.3
Capital expenditure(2)	**(7.8)**	(6.7)	(1.1)
Other(3)	**0.8**	4.1	(3.3)
Adjusted operating cash flow*	**14.2**	**30.3**	**(16.1)**
*Cash conversion**	***93%***	*94%*	*-1%pts*
Interest and tax paid	**(11.0)**	(5.3)	(5.7)
Earnout and retention bonuses	**(3.7)**	(0.3)	(3.4)
Restructuring and integration costs	**(3.3)**	(0.5)	(2.8)
Transaction costs	**(0.6)**	(0.8)	0.2
Free cash flow*	**(4.4)**	**23.4**	**(27.8)**

(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 £0.5 million (H1 2022: £28.8 million) comprises -£4.4 million free cash flow* (H1 2022: £23.4 million) plus £7.8 million capital expenditure from continuing operations (H1 2022: £6.7 million) less £0.1 million proceeds from sale of PP&E and software (H1 2022: nil) plus net cash from operating activities from discontinued operations of -£2.8 million (H1 2022: -£1.3 million)

Adjusted working capital* increased by £4.4 million in H1 2023. Inventory increased by £1.1 million in H1 as we applied effective control measures that largely offset the decrease in demand and the effects of the writers' strike, whilst we maintained stocks of critical electronic components to support the expected bounce back once the strikes end. Receivables decreased by £12.2 million and payables decreased by £15.5 million, both reflecting the lower level of trading.

Capital expenditure included:

- £1.9 million of property, plant and equipment compared with £3.2 million in H1 2022, reflecting actions to limit non-essential spend;
- £5.6 million capitalisation of development costs (H1 2022: £3.2 million) primarily at Production Solutions to develop our AI-driven talent tracking and sustainable portable power solutions based on sodium technology; and £0.3 million capitalisation of software (H1 2022: £0.3 million). Gross R&D was higher than H1 2022 reflecting the projects above and inflation. The percentage of revenue (6.6%) grew (H1 2022: 4.6%) but is a reflection of the lower revenue and expected to return to c.5% once markets recover.

£m	**H1 2023**	H1 2022	Variance
Gross R&D	**10.9**	10.0	0.9
Capitalised	**(5.6)**	(3.2)	(2.4)
Amortisation	**2.8**	2.3	0.5
P&L Impact	**8.1**	9.1	(1.0)

'Other' primarily relates to share-based payments.

Interest and tax paid increased by £5.7 million compared to H1 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 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)**
Continuing free cash flow*	(4.4)
Upfront loan fees, net of amortisation	(0.6)
Dividends paid	(11.6)
Employee incentive shares	(0.4)
Acquisitions	(1.6)
Free cash outflow at discontinued operations	(4.4)
Net lease additions	(6.2)
FX	6.6
June 2023 closing net debt* (£m)	**(216.1)**

Net debt* at 30 June 2023 was £22.6 million higher than at 31 December 2022 (£193.5 million) and £22.0 million higher than at 30 June 2022 (£194.1 million).

The ratio of net debt to EBITDA was 2.9x at 30 June 2023 (H1 2022: 2.2x), on the basis used for our loan covenants[1].

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

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

There was a £6.6 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 30 June 2023 totalled £62.9 million, comprising £45.0 million unutilised RCF (total facility of £200 million matures in February 2026) and £17.9 million of cash. We continue to have strong relationships with our banks and have agreed further lending covenant amendments for December 2023 (ratio of net debt to EBITDA[1] increased from 3.25x to 5.75x and interest cover[2] lowered from 4.0x to 2.0x) and amendments for June 2024 (ratio of net debt to EBITDA[1] increased from 3.25x to 3.75x and interest cover[2] lowered from 4.0x to 3.25x).

ROCE* of 15.8%[3] was lower than the prior year (H1 2022: 25.4%), which mainly reflects the lower adjusted operating profit*.

Material uncertainty

As a result of there being a plausible scenario whereby covenants are breached, the Board has determined that a material uncertainty exists that 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. The key judgements surrounding the material uncertainty are the length and depth of the ongoing writers' and actors' strikes, as well as the length of time over how long it takes to recover once the strikes end, and the recovery from the broader macroeconomic challenges faced by the Group. Further detail on the assessment of going concern can be found within note 1 to the condensed financial statements.

Adjusting items

Adjusting items in profit before tax from continuing operations were £7.0 million versus £6.2 million in H1 2022.

£m	**H1 2023**	H1 2022
Amortisation of acquired intangible assets that are acquired in a business combination	**2.1**	2.9
Acquisition related charges[4]	**0.7**	2.0
Integration and restructuring costs	**2.1**	0.9
Impairment of fixed assets	**1.7**	-
Finance expense – amortisation of loan fees on borrowings for acquisitions	**0.4**	0.4
Adjusting items	**7.0**	**6.2**

Discontinued operations

The Group is 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 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, two businesses (Lightstream and Amimon) were held for sale at 30 June 2023 and reported as discontinued operations.

£m	**H1 2023**	H1 2022
Revenue	**4.9**	4.2
Adjusted PBT*	**(3.0)**	(2.0)
Adjusting items	**(50.1)**	(4.5)
Statutory PBT	**(53.1)**	(6.5)

Revenue grew by 17% in discontinued operations, driven by medical sales at Amimon. Adjusted PBT* declined by £1.0 million partly as a result of increasing amortisation, with adjusted EBITDA* only declining by £0.4 million.

Adjusting items of £50.1 million mainly reflects a £46.9 million impairment of intangible assets (Lightstream £18.9 million, Amimon £28.0 million), and £2.1 million amortisation of acquired intangibles at Amimon and at Lightstream prior to the impairment.

Notes

1. Net debt is stated before arrangement fees and after leases of discontinued operations; EBITDA is based on adjusted EBITDA* for the applicable 12-month period (see Glossary), before non-cash share-based payment charges; and after interest on employee benefits and FX movements, and the amortisation of arrangement fees
2. Interest cover is calculated as adjusted 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)
3. Return on capital employed ("ROCE") is 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. H1 2022 has been restated to exclude the deferred tax asset, which was included in the H1 2022 calculation (see Glossary).
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

The content creation market continues to have strong medium-term prospects, with structural growth drivers, and Videndum is uniquely positioned to benefit with leading, premium brands. Our purpose is to: "enable the capture and sharing of exceptional content", and c.90% of our revenue comes from content creators who use our products to earn their living.

Although the consumer and ICC segments of the market are being impacted by the challenging macroeconomic environment, and US and some European cine/scripted TV productions are currently paused due to the strikes, we expect that the demand for, and investment in, original content (e.g. for live news, sport, reality and scripted TV shows, films, digital visual content for e-commerce and vlogging, etc.) will continue to grow in the medium term.

Our strategic priorities remain unchanged; however, we are focusing more tightly on our core markets, particularly for the high-end professional and B2B segments – where we see the greatest growth potential – and exiting non-core markets. We expect to come through this period with an enhanced competitive position, well placed to return to growth once the strikes are over and our markets recover. Our long-term strategy is to deliver organic growth, improve margins and to grow through M&A.

1. Organic growth

We are maintaining our investment in key strategic initiatives, focused more tightly on faster-growing, high-end professional content creation. Developing technologically advanced products which improve our customers' productivity, by reducing set up time and lowering operating costs, drives demand for new and replacement products. This enables our premium brands to maintain their already strong market positions and, in places, gain share.

Our key focus areas include robotics and AI-driven technology for broadcast studio automation, high-end audio capture, wireless video and transmission systems, and our new range of sustainable portable power solutions based on sodium technology.

2. Margin improvement, and short-term mitigating actions to manage costs and cash to offset prolonged strikes

The Group is actively managing the business to cut costs and to preserve cash while seeking to ensure we are well placed to take advantage of the recovery once the strikes end and productions restart. To offset the impact of the prolonged strikes, we are executing further significant and far-reaching actions to further reduce costs, whilst Government support in Italy (CIGO) will also continue to help preserve the long-term capabilities of the business.

Once the strikes are over and productions restart, we will see margin improvement as volumes return and we deliver operating leverage. We will continue to optimise our manufacturing and assembly portfolio, and to review opportunities to deliver cross-Divisional synergies to ensure that the business is well set up for long-term growth.

3. M&A activity

While we remain focused on proactively reducing leverage and therefore no acquisitions will occur in the near term, we will continue to review opportunities which could expand our addressable markets and enhance our technology capabilities.

Businesses 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 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, two businesses (Lightstream and Amimon) were held for sale at 30 June 2023 and reported as discontinued operations.

Amimon was acquired in 2018, giving Videndum sole and exclusive access to its chipset with zero delay wireless video transmission technology. It also enabled us to focus R&D investment on the 4K chipset for the cine/scripted TV industry. The Teradek team embedded the chipset into our products, which are tailored for the content creation market. Embedding the core technology is complete, and this successful strategy has enhanced our competitive position.

The Amimon team is now focused on adapting its technology and developing products for other vertical markets. While Videndum has succeeded in developing its medical business to date, strategically it is non-core, and we have started the process to seek offers for the business. If a sale of Amimon were to take place, Videndum would retain the exclusive rights to deploy its chipset in content creation markets. This would ensure our customers could continue to benefit from all future technology development. A disposal would allow the Creative Solutions' R&D investment and resource to be focused solely on their core markets of Cine, Broadcast and high-end Live Production which offer opportunities for significant organic growth and margin improvement when the strikes are over.

As previously announced, the Lightstream business is performing below expectations and is lossmaking, and the carrying value of the Group's investment in Lightstream has been fully written off. This 2021 acquisition was based on the continued growth in gaming, which instead declined materially in 2021 and is now flat. To grow this business would require significant additional investment offering lower returns than our core high-end markets. Following our technology conference in H2 2022, we had also planned to utilise the Lightstream technology in other parts of the Group, however these plans did not deliver to expectation during H1 2023.

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/videographers, independent content creators, vloggers/influencers, gamers, enterprises and professional musicians. This includes camera supports and heads, smartphone and vlogging accessories, lighting supports and controls, LED lights, motion control, audio capture and noise reduction equipment, camera bags and backgrounds, marketed under the most recognised accessories brands in the industry. Media Solutions represents c.50% of Group revenue.

Media Solutions' market drivers remain intact, driven by a mid-term increase in professional content creation, audio capture, retail commerce and vlogging; however, they are being impacted in the short-term by the challenging macroeconomic environment affecting business confidence.

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	
Media Solutions	**H1 2023**	**H1 2022**	**% change**	**H1 2023**	**H1 2022**
Revenue	£82.3m	£111.5m	-26%	£82.3m	£111.5m
Operating profit	£9.5m	£18.8m	-49%	£5.9m	£14.5m
Operating margin	11.5%	16.9%	-5.4%pts	7.2%	13.0%

** For Media Solutions, before adjusting items of £3.6 million (H1 2022: £4.3 million).*

As expected, market conditions continued to be tough for Media Solutions, with demand in the consumer segment (c.20%) remaining low and ICCs (c.55%) deferring spend. This was compounded by the destocking effect that impacted H2 2022 continuing into H1 2023 as retail and distribution partners looked to reduce cash tied up in stock.

The writers' strike impacted the high-end professional segment (c.25%) although there was still significant growth in Avenger lighting supports, with the Buccaneer and Long John Silver stands continuing to gain market share to more than offset the pause in the cine market due to the strikes.

CIGO was applied both at the Feltre factory and the Cassola divisional head office, which allowed us to reduce inventory and operating expenses. Short term actions were also taken to minimise discretionary spend, whilst wider restructuring actions helped reduce the cost base but will have more of an impact in H2.

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 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.

In addition to completing the restructuring, we successfully launched the new high-end Audix voice recording and podcasting microphone which has been extremely well received globally.

Adjusted operating margin* was down to 11.5% (H1 2022: 16.9%) reflecting operating leverage on the revenue decline, partly mitigated by the cost savings.

Statutory operating profit was £5.9 million (H1 2022: £14.5 million) reflecting £3.6 million of adjusting items (H1 2022: £4.3 million).

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 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.

Production Solutions' market drivers remain intact, driven by demand for automated production, on-location news and original content; however, they are being impacted in the short-term by the strikes.

Our strategy is focused on growth in professional equipment for on-location news and sporting events, innovative new technology like 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/scripted TV, including a new range of sustainable power solutions based on sodium technology.

	Adjusted*			**Statutory**	
Production Solutions	**H1 2023**	**H1 2022**	**% change**	**H1 2023**	**H1 2022**
Revenue	£51.7m	£67.5m	-23%	£51.7m	£67.5m
Operating profit	£7.3m	£15.0m	-51%	£4.6m	£14.9m
Operating margin	14.1%	22.2%	-8.1%pts	8.9%	22.1%

** For Production Solutions, before adjusting items of £2.7 million (H1 2022: £0.1 million).*

Continuing destocking also impacted Production Solutions, as did the writers' strike. The H1 2022 comparative includes the Winter Olympics, whereas 2023 does not have an event on the same scale. Overall, revenue was down 23%. Demand remains high for our flowtech tripods and systems, and we have recently upgraded our carbon cell facility in Bury St Edmunds to increase our capacity by up to 40%. Autoscript Voice prompting revenue continued to grow, driven by AI speech recognition.

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 in H2 in our Costa Rica facility; and the Vinten VEGA Control System, a robotics control system that can also be automated with AI-driven talent tracking.

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 14.1% (H1 2022: 22.2%).

Statutory operating profit was £4.6 million (H1 2022: £14.9 million) reflecting £2.7 million of adjusting items (H1 2022: £0.1 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.

Creative Solutions' market drivers remain intact, driven by streaming and demand for original content; however, they are being impacted in the short-term by the strikes.

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/scripted TV, high-end Live Production and Broadcast markets.

	Adjusted*			Statutory from continuing and discontinued operations	
Creative Solutions	**H1 2023**	**H1 2022**	**% change**	**H1 2023**	**H1 2022**
Revenue	£31.0m	£40.4m	-23%	£35.9m	£44.6m
Operating profit/(loss)	£3.7m	£7.0m	-47%	£(49.3)m	£(0.7)m
Operating margin	11.9%	17.3%	-5.4%pts	(137.5)%	(1.6)%

** For Creative Solutions, before adjusting items from continuing operations of £0.1 million (H1 2022: £1.1 million) and operating loss from discontinued operations of £52.9 million (H1 2022: £6.6 million loss)*

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

However, orders with Raytheon Technologies, a subcontractor for NASA, and Smart Video Group, our new European partner, saw sales of our Prism encoders and decoders nearly double compared to H1 2022. Our Prism product will further be improved by our ultra-low latency video over IP, known as Teradek Reliable Transport ("TRT", the evolution of the ART protocol), enabling us to take market share in the high-end live production market. At NAB we announced Ranger, our next generation licensed band zero delay wireless video system for live production and broadcast applications, which is now being shipped to customers.

Following the restructuring announced in 2022, the reduced cost base helped to mitigate the decline in revenue.

Adjusted operating margin* was down to 11.9% (H1 2022: 17.3%) reflecting operating leverage on the revenue decline, partly mitigated by the cost savings.

Statutory operating loss was £49.3 million (H1 2022: £0.7 million loss), which reflects £0.1 million of adjusting items from continuing operations (H1 2022: £1.1 million) and a £52.9 million loss from discontinued operations (H1 2022: £6.6 million loss) which includes £46.9 million impairment of intangible assets.

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	**H1 2023**	**H1 2022**	**% change**	**H1 2023**	**H1 2022**
Operating (loss)	£(5.3)m	£(8.7)m	-39%	£(5.5)m	£(9.0)m

** For corporate costs, before adjusting items of £0.2 million (H1 2022: £0.3 million).*

Corporate costs were below those in H1 2022 on an adjusted* basis mainly due to a decrease in charge for LTIPs as a result of a decreased EPS vesting expectations.

Interim dividend

Given the current circumstances, no interim dividend has been declared; the Board recognises the importance of dividends to the Group's shareholders and intends resuming dividend payments when appropriate to do so.

Responsibility

Videndum aims to be a sustainable business, minimising our impact on the environment and working to improve the societies in which we operate. Our strategy includes clear objectives and targets, prioritising actions that will deliver the greatest impact. We continue to focus on four key areas: the environment; our people; responsible practices; and giving back. Key focus areas for 2023 include continuing with the energy reduction pathways, better tracking of waste, a heavier focus on product sustainability and developing new/sustainable products, and expanding the supply chain programme.

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

The environment

Climate change scenario analysis is performed annually in respect of our main sites and supply chain activities in order to model the impact of climate change for three different warming scenarios. This year, we included more suppliers in our climate scenario analysis. Potential supply chain routes were also analysed, leading to discussions on alternative transport routes to be considered, where needed.

Reducing the Group's carbon footprint is a clear priority for Videndum. We have developed and set near-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. We have identified quantifiable measures to achieve these objectives. By implementing smarter ways of working and investing in infrastructure, we have already achieved a significant reduction across the Group's scope 1 and 2 emissions since 2019, excluding the impact of recently acquired businesses.

In H1 2023, we continued to install energy saving technology across our sites, such as further LED lighting installations, a power saving initiative in IT server rooms and conversion of company vehicles to electric or hybrid models. Compressed air efficiency improvements were completed in Cartago, Costa Rica, with intelligent controls installed, minimising wasted energy. Other carbon reduction initiatives include the installation of solar panels at Feltre, Italy; implementation started in July 2023 and we expect the system to be fully operational by the end of 2023. This will reduce the Group's CO_2 emissions by c.15% and Feltre annual electricity costs by c.10%. The ISO50001 certification for our Cartago, Costa Rica site passed the first stage, with stage two planned for October.

The Group is committed to reducing packaging and waste. We have improved our data capture systems to begin collating mass-based data relating to the purchase of packaging materials. Not only does this allow us to utilise more accurate emissions factors due to an improvement in the quality of activity-data, but also ensures that all packaging is being accounted for in Scope 3 Category 12 (end-of-treatment of sold products).

In H1 2023, we continued working towards eliminating single-use plastic and improving the recyclability of packaging and other product components. For example, Production Solutions has recently removed solvent waste from carbon cells, reducing waste output, and is now planning to start trials to replace plastic with paper packaging for spare parts. The Group aims to eliminate or replace 50% of current cardboard packaging consumption with sustainable, FSC grade cardboard.

We continue to focus on developing more sustainable products. In May this year, the Group's Production Solutions Division launched Salt-E Dog – a sustainable portable power source, in the form of a sodium battery designed and built for the cine/scripted TV industry. We have also made further progress in embedding product Life Cycle Assessment ("LCA") methodology into our top emitting products to identify opportunities to reduce the environmental impact, with our Production Solutions Division due to commence LCAs in H2 2023 for specific product groups (aktiv and flowtech).

Responsible practices

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 have developed a Group-wide Supply Chain Assessment process to engage with our top suppliers on their carbon emissions and wider ESG credentials.

Positively impacting the communities in which we operate

Despite the market challenges, the Group remains fully engaged in a range of community programmes. Production Solutions is well underway with their "Action-4-Good" initiative, having already delivered a careers fair, family walks and a movie makers club. As part of their "Creativity for Life" programme, Media Solutions launched a photography and videomaking educational course aimed at disadvantaged teenagers, focused on documenting sustainability success stories; whilst Creative Solutions donated equipment to Outlast's summer programming – an organisation that facilitates film education for Indigenous youth from rural communities in South Dakota, US.

2023 reporting

We will produce our third standalone ESG Report for our 2023 reporting period in accordance with the Global Reporting Initiative ("GRI"). We will also develop 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 ESG and TCFD reports will be available on our website at the end of March 2024.

Outlook

The Group is experiencing significantly more impact from the strikes in H2 2023 than anticipated at the time of our May Update. This is due to the prolonged writers' strike, the additional impact of the actors' strike, and the fact that there is less time for a recovery in the current year. Additionally, the macroeconomic environment remains challenging. We are not yet seeing recovery in the consumer or ICC segments, and retailers are increasingly concerned about interest rates and working capital, and we are therefore still seeing some destocking. This is resulting in worse-than-expected trading conditions.

Management continues to be focused on tightly managing costs and preserving cash, while seeking to ensure that we are well placed to take advantage of the recovery once the strikes are over. We have excellent relationships with our banks and the Group is proactively working to reduce leverage and recapitalise the business, which may require an equity raise.

Videndum remains well positioned in a content creation market which has attractive structural growth drivers and strong medium-term prospects; however, the current macroeconomic environment remains challenging, and although there is encouraging news about the strikes, it is not clear when productions will restart. Therefore, there is a wide range of potential outcomes for the full year, and it is difficult to provide financial guidance. Nonetheless, when productions restart, we expect Videndum to benefit from a significant recovery in revenue.

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 2022 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
- Acquisitions

At half-year, a material going concern uncertainty existed as a result of the ongoing US writers' strike, the ultimate impact of which is dependent on the duration of the strike, which is not known, and casts a significant doubt upon the Group's ability to specifically meet its loan covenant obligations. This issue is further compounded by macroeconomic headwinds, and destocking by some of our key retail customers. 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 has significantly increased in the last 6 months. The macroeconomic environment remains challenging, particularly with low business confidence in the US. This affected our consumer segment (c.10% of Group revenue) as well as our ICC segment (c.35% of Group revenue), and led to continuing destocking. In addition, the WGA called a strike on 2 May 2023. In the months prior, the speculation of a potential strike had caused some US cine/scripted TV productions to be suspended, and from 2 May 2023, the majority of US cine/scripted TV productions were paused. This strike, which has been compounded by the US actors' union strike action, has significantly affected demand for our high-end cine and scripted TV products in the US during the period (c.20% of Group revenue). While a number of specific segments (e.g. Lighting controls, flowtech, Audio) continue to perform strongly, the uncertainty regarding the duration of the strikes, and shape of any subsequent recovery, creates a material uncertainty for the going concern of the business.
- The risk relating to Foreign Exchange and Interest Rates continues to increase due to a higher interest charge and performance issues in 2023 impacting the Group's ability to reduce its debt. We are mitigating this through further restructuring and cost cutting activity (see below).
- The risk related to Restructuring is higher in 2023, due to several actions already underway to reduce costs and preserve cash. This includes short and long-term actions to increase purchasing synergies between the Divisions, combine site operations where possible, and other initiatives to reduce manufacturing costs, such as relocation of production and in-sourcing initiatives. The CIGO furlough initiative for Media Solutions in Italy has been extended to the end of October 2023. The Creative Solutions Division has implemented shorter hours for up to 100 employees to mitigate the financial impact of reduced activity levels.
- People risk is higher due to the increased pressure linked to restructuring initiatives and also measures to contain costs given pressures on the business including short time working which

may affect morale, and lead to greater employee turnover. Our transformation programmes are supported by strong communication and employee engagement plans.

- Reputation risk is greater as a result of increased external pressure and scrutiny. We remain committed to high standards of governance and compliance.
- Cyber Security 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.

Audit Tender 2023

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. Videndum's current external auditor, Deloitte LLP has confirmed that they will conduct the audit for the year ending 31 December 2023 which was approved by shareholders at the AGM on 11 May 2023.

Board Changes

The Board of Videndum plc announces that Ian McHoul, Chairman, has informed the Board of his intention not to seek re-election at the Company's 2024 AGM due to personal reasons. The Board respects Ian's wishes and thanks him for his service and his leadership over the last four years, navigating the Group through the pandemic, the strategic development of its portfolio, and more recently, the challenging macroeconomic environment and the strikes by the US writers and actors.

The Board has commenced a search process for a replacement that will be led by Richard Tyson, Senior Independent Director.

Ian McHoul was appointed to the Board on 25 February 2019 and succeeded as Chairman on 21 May 2019.

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.

Responsibility statement of the Directors in respect of the Half Year Results to 30 June 2023

We confirm that, to the best of our knowledge:

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Adoption of going concern basis

The Directors have made appropriate enquiries and challenge of the forecasts, judgements and mitigating actions available to the Group, and consider that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements. However, as a result of there being a plausible scenario whereby covenants are breached, the Board has determined that a material uncertainty exists that 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. The key judgements surrounding the material uncertainty are the length and depth of the ongoing writers' and actors' strikes, as well as the length of time over how long it takes to recover once the strikes end, and the recovery from the broader macroeconomic challenges faced by the Group. Further detail on the assessment of going concern can be found within note 1 to the condensed financial statements.

For and on behalf of the Board

Stephen Bird Group Chief Executive	Andrea Rigamonti Group Chief Financial Officer

INDEPENDENT REVIEW REPORT TO VIDENDUM PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the statement of changes in equity, the condensed consolidated statement of cash flows and related notes 1 to 14.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

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

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

Material Uncertainty Related to Going Concern

We draw attention to note 1 in the condensed set of financial statements, which indicates there is a plausible downside scenario considered by the Board, which would result in both the covenants being breached in one of the next couple of test dates and whereby liquidity drops to £nil in July 2024. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1 to the condensed set of financial statements, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our overall review conclusion is not modified in respect of this matter.

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

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

Responsibilities of the directors

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

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

Auditor's Responsibilities for the review of the financial information

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

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
25 September 2023

Condensed Consolidated Income Statement

For the half year ended 30 June 2023

	Notes	Half year to 30 June 2023	Half year to 30 June 2022[1]	Year to 31 December 2022[1]
		Unaudited	Unaudited	Audited
			£m	£m
Continuing operations				
Revenue	2	**165.0**	219.4	442.5
Cost of sales		**(96.9)**	(123.7)	(251.8)
Other Income		**0.4**	-	-
Gross profit		**68.5**	95.7	190.7
Operating expenses	3	**(59.9)**	(69.4)	(143.8)
Operating profit		**8.6**	26.3	46.9
Comprising				
- Adjusted operating profit		**15.2**	32.1	64.2
- Adjusting items in operating profit	4	**(6.6)**	(5.8)	(17.3)
Finance Income		**2.7**	0.7	3.0
Finance Expense		**(8.2)**	(4.1)	(9.8)
Net finance expense	5	**(5.5)**	(3.4)	(6.8)
Profit before tax		**3.1**	22.9	40.1
Comprising				
- Adjusted profit before tax		**10.1**	29.1	58.2
- Adjusting items in profit before tax	4	**(7.0)**	(6.2)	(18.1)
Taxation		**(0.7)**	(4.6)	5.3
Comprising taxation on				
- Taxation on adjusted profit	6	**(2.4)**	(6.4)	(15.0)
- Adjusting items in taxation	6	**1.7**	1.8	20.3
Profit for the period from continuing operations		**2.4**	18.3	45.4
Loss for the period from discontinued operations	13	**(48.9)**	(5.4)	(12.5)
(Loss)/Profit for the period attributable to owners of the parent		**(46.5)**	12.9	32.9

[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”

Earnings per share from continuing operations				
Basic earnings per share	7	**5.2p**	39.8p	98.6p
Diluted earnings per share	7	**5.1p**	38.4p	94.8p
Earnings per share from discontinued operations				
Basic earnings per share	7	**(105.2)p**	(11.8)p	(27.1)p
Diluted earnings per share	7	**(105.2)p**	(11.8)p	(27.1)p
Earnings per share from continuing and discontinued operations				
Basic earnings per share	7	**(100.0)p**	28.0p	71.5p
Diluted earnings per share	7	**(100.0)p**	27.0p	68.7p
Average exchange rates				
Euro		**1.14**	1.19	1.17
US$		**1.23**	1.31	1.24

Consolidated Statement of Comprehensive Income

For the half year ended 30 June 2023

	Half year to 30 June 2023	Half year to 30 June 2022	Year to 31 December 2022
	Unaudited	Unaudited	Audited
	£m	£m	£m
(Loss)/Profit for the period	**(46.5)**	12.9	32.9
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit schemes	**0.8**	7.2	9.1
Related tax	**(0.2)**	(1.8)	(2.1)
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency subsidiaries	**(14.0)**	19.6	22.6
Net investment hedges – net gain/(loss)	**2.4**	(4.0)	(5.8)
Cash flow hedges – reclassified to the Income Statement, net of tax	**(1.5)**	0.6	1.6
Cash flow hedges – effective portion of changes in fair value, net of tax	**2.2**	0.2	2.4
Other comprehensive (loss)/income, net of tax	**(10.3)**	21.8	27.8
Total comprehensive (loss)/income for the period attributable to owners of the parent	**(56.8)**	34.7	60.7

Condensed Consolidated Balance Sheet

As at 30 June 2023

	Notes	**30 June 2023**	30 June 2022	31 December 2022
		Unaudited	Unaudited	Audited
		£m	£m	£m
Assets				
Non-current assets				
Intangible assets		**155.8**	221.8	217.9
Property, plant and equipment		**60.2**	69.7	66.6
Employee benefit asset	8	**4.7**	2.6	3.9
Trade and other receivables		**5.0**	6.2	7.4
Derivative financial instruments	10	**3.6**	3.0	3.8
Non-current tax assets	6	**3.1**	3.0	3.0
Deferred tax assets	6	**43.7**	37.0	51.2
		276.1	343.3	353.8
Current assets				
Inventories		**102.0**	111.0	107.3
Trade and other receivables		**54.3**	66.4	68.9
Derivative financial instruments	10	**2.8**	0.1	2.3
Current tax assets		**5.3**	3.6	4.1
Cash and cash equivalents	9	**17.9**	31.3	15.8
Assets of the disposal group classified as held for sale	13	**22.6**	-	-
		204.9	212.4	198.4
Total assets		**481.0**	555.7	552.2

Liabilities				
Current liabilities				
Bank overdrafts		**4.3**	-	-
Interest-bearing loans and borrowings	9	**30.7**	28.7	36.0
Lease liabilities	9	**5.7**	6.2	6.0
Trade and other payables		**56.0**	90.6	81.3
Derivative financial instruments	10	**0.1**	2.0	0.9
Current tax liabilities		**13.8**	18.7	16.7
Provisions		**3.5**	3.8	5.5
Liabilities of the disposal group classified as held for sale	13	**6.5**	-	-
		120.6	150.0	146.4
Non-current liabilities				
Interest-bearing loans and borrowings	9	**162.8**	159.1	138.5
Lease liabilities	9	**30.5**	31.4	28.8
Derivative financial instruments	10	**-**	0.3	-
Other payables		**0.8**	0.8	1.8
Employee benefit liabilities		**2.7**	3.6	3.1
Provisions		**0.8**	0.9	2.4
Deferred tax liabilities		**7.2**	7.7	7.5
		204.8	203.8	182.1
Total liabilities		**325.4**	353.8	328.5
Net assets		**155.6**	201.9	223.7

Equity				
Share capital	11	**9.4**	9.4	9.4
Share premium		**24.4**	23.2	24.3
Translation reserve		**(12.4)**	(2.0)	(0.8)
Capital redemption reserve		**1.6**	1.6	1.6
Cash flow hedging reserve		**4.6**	0.7	3.9
Retained earnings		**128.0**	169.0	185.3
Total equity		**155.6**	201.9	223.7

Balance Sheet exchange rates				
Euro		**1.17**	1.16	1.13
US$		**1.27**	1.21	1.21

Consolidated Statement of Changes in Equity

For the half year ended 30 June 2023 (Unaudited)

	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 period	-	-	-	-	-	12.9	12.9
Other comprehensive income for the period	-	-	15.6	-	0.8	5.4	21.8
Total comprehensive income for the period	-	-	15.6	-	0.8	18.3	34.7
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(11.1)	(11.1)
Own shares purchased	-	-	-	-	-	(2.4)	(2.4)
Own shares sold		-	-	-	-	1.7	1.7
New shares issued	0.1	0.1	-	-	-	-	0.2
Share-based payment charge, net of tax	-	-	-	-	-	4.9	4.9
Balance at 30 June 2022	9.4	23.2	(2.0)	1.6	0.7	169.0	201.9

	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 2023	**9.4**	**24.3**	**(0.8)**	**1.6**	**3.9**	**185.3**	**223.7**
Loss for the period	**-**	**-**	**-**	**-**	**-**	**(46.5)**	**(46.5)**
Other comprehensive (expense)/income for the period	**-**	**-**	**(11.6)**	**-**	**0.7**	**0.6**	**(10.3)**
Total comprehensive (expense)/income for the period	**-**	**-**	**(11.6)**	**-**	**0.7**	**(45.9)**	**(56.8)**
Contributions by and distributions to owners							
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(11.6)**	**(11.6)**
Own shares purchased	**-**	**-**	**-**	**-**	**-**	**(1.6)**	**(1.6)**
Own shares sold	**-**	**-**	**-**	**-**	**-**	**1.1**	**1.1**
New shares issued	**-**	**0.1**	**-**	**-**	**-**	**-**	**0.1**
Share-based payment charge, of tax	**-**	**-**	**-**	**-**	**-**	**0.7**	**0.7**
Balance at 30 June 2023	**9.4**	**24.4**	**(12.4)**	**1.6**	**4.6**	**128.0**	**155.6**

Condensed Consolidated Statement of Cash Flows

For the half year ended 30 June 2023

	Notes	**Half year to 30 June 2023**	Half year to 30 June 2022	Year to 31 December 2022
		Unaudited	Unaudited	Audited
		£m	£m	£m
Cash flows from operating activities				
(Loss)/Profit for the period		**(46.5)**	12.9	32.9
Adjustments for:				
Taxation		**(3.5)**	3.5	(8.2)
Depreciation		**7.5**	7.5	15.3
Impairment of intangible and fixed assets	4	**48.6**	-	1.9
Amortisation of intangible assets		**8.7**	8.5	18.3
Net loss on disposal of property, plant and equipment and software		**0.2**	-	-
Fair value (gains)/losses on derivative financial instruments		**(0.3)**	0.2	0.1
Foreign exchange losses/(gains)		**-**	0.3	0.6
Share-based payment charge		**1.2**	4.6	8.9
Earnout charges and retention bonuses		**0.7**	2.0	4.5
Net finance expense		**5.7**	3.3	6.8
Cash generated from operating activities before change in working capital, including provisions		**22.3**	42.8	81.1
Increase in inventories		**(0.8)**	(12.1)	(8.0)
Decrease/(increase) in receivables		**10.3**	(1.9)	(5.0)
(Decrease)/Increase in payables		**(18.6)**	5.5	(5.6)
Decrease/(increase) in provisions		**(1.7)**	(0.1)	2.8
Cash generated from operating activities		**11.5**	34.2	65.3
Interest paid		**(6.2)**	(4.4)	(9.4)
Tax paid		**(4.8)**	(1.0)	(7.2)
Net cash from operating activities		**0.5**	28.8	48.7

Cash flows from investing activities				
Proceeds from sale of property, plant and equipment and software		**0.1**	-	-
Purchase of property, plant and equipment		**(2.0)**	(3.3)	(7.1)
Capitalisation of software and development costs		**(7.5)**	(6.2)	(13.1)
Acquisition of businesses, net of cash acquired		**(1.6)**	(33.3)	(33.2)
Net cash used in investing activities		**(11.0)**	(42.8)	(53.4)
Cash flows from financing activities				
Proceeds from the issue of shares		**0.1**	0.2	1.3
Proceeds from the sale of own shares		**1.1**	1.7	3.1
Own shares purchased		**(1.6)**	(2.4)	(5.8)
Principal lease repayments	9	**(3.5)**	(3.3)	(6.4)
Repayment of interest-bearing loans and borrowings	9	**(62.8)**	(27.5)	(93.8)
Borrowings from interest-bearing loans and borrowings	9	**85.7**	79.8	130.3
Dividends paid		**(11.6)**	(11.1)	(18.0)
Net cash from financing activities		**7.4**	37.4	10.7
(Decrease)/Increase in cash and cash equivalents		**(3.1)**	23.4	6.0
Cash and cash equivalents at 1 January		**15.8**	7.9	7.9
Effect of exchange rate fluctuations on cash held		**0.9**	-	1.9
Cash and cash equivalents at the end of the period	9	**13.6**	31.3	15.8

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. These condensed consolidated interim financial statements ("Financial Statements") as at and for the half year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation and statement of compliance

The half year financial information covers the six-month period ended 30 June 2023 and has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the United Kingdom (UK); and the Disclosure and Transparency Rules of the Financial Conduct Authority. This condensed set of financial statements comprises the unaudited financial information for the half years ended 30 June 2023 and 2022, together with the audited consolidated statement of financial position as at 31 December 2022. The half year financial information has been prepared applying consistent accounting policies to those applied by the Group for the year ended 31 December 2022 and are expected to be applicable for the year ending 31 December 2023. The annual financial statements will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards.

The re-stated comparative figures for the year ended 31 December 2022 do not constitute statutory accounts for the purpose of section 434 of the Companies Act 2006. The auditor has reported on the 2022 accounts, and these have been filed with the Registrar of Companies; their report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The half year amounts as at and for the half years ending 30 June presented in these condensed consolidated interim financial statements have been reviewed in accordance with International Standard on Review Engagements (UK and Ireland) 2410 but have not been audited.

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022. In addition to these, we have identified the following for the purpose of these half year accounts.

Estimates:

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. There was estimation and assumptions applied by Management in determining the recoverable amount of these assets.

Judgements:

Going concern assessment: There were material judgements made by the Board to determine if the Group is a going concern and the material uncertainty surrounding it. These judgements are disclosed under "going concern" in note 1 "Accounting policies". The key judgements surrounding the material uncertainty relate to the length and depth of the ongoing writers' and actors' strikes, as well as the length of time over how long it takes to recovery once the strikes end and the recovery from the broader macroeconomic challenges faced by the Group.

Asset held for sale and discontinued operations: The critical judgement is in relation to determining if the assets held for sale 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 both assets have met this requirement. See note 13 "Discontinued operations and non-current assets classified as held for sale".

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, 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 an IFRS measure where relevant.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 September 2023.

Impact of adoption of new accounting standards

There has been no material impact on the Group's consolidated financial statements of adopting new standards or amendments.

New standards and interpretations 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.

Going concern

Background and context

Following a record breaking 2022 financial year, Videndum entered 2023 facing headwinds. From late in 2022, the Group began to feel the impact of the pressure that consumers were facing on a macroeconomic level. The knock-on effect of this was that our customers began destocking the levels of inventory that they were holding from late in 2022. During the early part of the first half of 2023, contract renewal negotiations started between the Writers Guild of America ("WGA") and Alliance of Motion Picture and Television Producers ("AMPTP") which subsequently broke down and the WGA called a writers' strike for the first time since 2007. Whilst the strike officially commenced on 2 May 2023, the impact from the decline in orders received by Videndum was 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, entered into a strike. The WGA announced on Sunday 24 September that it had reached a tentative agreement with AMPTP on a new 2023 Minimum Basic Agreement ("MBA"), which is to say an agreement in principle on all deal points, subject to drafting final contract language and could end the writers' strike subject to approval from various stakeholders.

It is due to this challenging market that the Board has had a heightened level of interaction with Management, and as a result with the Divisions, and is monitoring scenarios around the Group's ability to meet its covenants and liquidity requirements. As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the half year 2023 financial statements, a range of scenarios have been modelled through to the end of December 2024. For this, the Directors have considered base case projections and a number of severe, but plausible, downside scenarios. The most material judgements made relate to the length of the ongoing writers' and actors' strikes and the length of time it will take to recover from both the strikes and the challenging macroeconomic trading market conditions.

Borrowing facilities and financial position as at 30 June 2023

The Group has the following committed facilities (see note 9 "Analysis of net debt"):

- £200 million Multicurrency Revolving Credit Facility ("RCF") with a syndicate of five banks until 14 February 2026;
- $55.0 million (£43.3 million) in total relating to two Term Loans amortising at six monthly intervals until November 2024 and January 2025 respectively. $25.0 million (£19.7 million) is repayable in February 2024, $15.0 million (£11.8 million) in June 2024, and $15.0 million (£11.8 million) across November 2024 and January 2025; and
- £0.6 million relating to an Italian government loan repayable from 2024 to 2027.

As at 30 June 2023:

- total committed facilities were therefore £243.9 million.
- net borrowings, being gross borrowings net of cash, were £181.0 million.
- liquidity was therefore £62.9 million, comprising £45.0 million unutilised RCF and £17.9 million of cash.

The Group's liquidity position as at 31 August 2023 is currently materially in line with its base case forecast at c.£42 million.

The covenants against all of the above committed facilities, except for the £0.6 million loan, which does not have covenants, relate to Net debt to EBITDA ("leverage") and EBITA to net interest ("interest cover"), (see note 14 "Glossary on Alternative Performance Measures from continuing operations ("APMs")) for the definition of these measures as defined by the lending agreements), which are tested at June and December each year, to be no higher than 3.25x and at least 4.0x respectively ("Existing Covenants"). At 30 June 2023 these ratios were 2.9x and 5.9x respectively (31 December 2022: 2.1x and 9.8x respectively).

Given the current macroeconomic climate, destocking, the uncertainty relating to ongoing strikes and the uncertainty relating to the timing and pace of the market recovery, the Group has been proactively discussing with its banks and considering options available to manage these risks.

The Group has had and continues to have very good and constructive dialogues with its lending banks who have been supportive throughout. As a result of this relationship, the Group has successfully managed to:

- obtain an extension of £35 million of its RCF from February 2025 to February 2026, which was confirmed on 19 July 2023 and brings 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);
- amend the "Existing Covenants" in August 2023 for the December 2023 and June 2024 testing periods; and
- further amend, in September 2023, the covenants relating to the December 2023 testing period.

The "New Covenants" are as follows:

- net debt:EBITDA to be no higher than 5.75x (December 2023) and 3.75x (June 2024); and
- EBITA:net interest of at least 2.0x (December 2023) and 3.25x (June 2024).

No restrictions apply to these New Covenants but new testing dates for March 2024 (net debt:EBITDA to be no higher than 4.25x and EBITA:net interest of at least 2.0x) 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 alongside a requirement to prepare a deleveraging plan by February 2024 if certain conditions have not been met.

Severe but plausible downside assessment

The Directors have reviewed the trading performance of the Group for the first half of 2023, as well as forecast scenarios as set out below. Due to the challenges being faced by the Group, including the strikes lasting longer than originally anticipated, during August 2023 the Board requested a reassessment of the full year forecast for both 2023 and 2024. The base forecast developed following the reassessment acknowledges the continued pressures facing the Group through the rest of 2023, however there is some level of recovery forecast in Q4 2023. This is partly offset by forecasting less destocking than H1 2023 coupled with a slight market improvement in Q4 2023. The forecast sees improvement in 2024, resulting from a recovery from both the strikes ending and an improvement to the overall worldwide economic environment.

Several plausible downside scenarios have been considered. The material judgements considered in these scenarios are:

- the length and quantum of the recovery from the challenging trading conditions,
- determining when the strikes are likely to end; and
- estimating the recovery from the strikes, both in terms of the length of the recovery and the quantum thereof.

The plausible downside scenarios consider the strikes ending at various stages in 2023.

The Group's latest forecast and most of the plausible downside scenarios modelled do not result in a breach of the New Covenants in respect of December 2023 or June 2024 as well as at the new testing dates of March 2024 and September 2024. These scenarios show sufficient liquidity (cash headroom) to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

The lowest point of cash headroom over the next 12 months within the severe but plausible scenario would be at July 2024. However, there is a plausible downside scenario which would result in both covenants being breached in one of the next couple of test dates and whereby liquidity drops to £nil in July 2024. This scenario assumes that the strikes last until December 2023, there is continued destocking, and no improvement in macroeconomic environment.

Mitigation plans

Resulting from the above, the Board is proactively managing the options available to the Group to mitigate these risks. Some of the key levers being discussed are detailed below:

- entering into a new committed lending facility;
- cost saving measures factored in the forecast and also exploring other potential options;
- disposal proceeds of discontinued operations;
- non-recourse factoring of receivables; and
- deleveraging the balance sheet through an equity raise.

Material uncertainty

To summarise, as a result of there being a plausible scenario whereby covenants are breached, the Board has determined that a material uncertainty exists that 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. The key judgements surrounding the material uncertainty are the length and depth of the ongoing writers' and actors' strikes, as well as the length of time over how long it takes to recover once the strikes end, and the recovery from the broader macroeconomic challenges faced by the Group.

2 Segment reporting

For the half year ended 30 June 2023

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, part of the Creative Solutions Division, have been classified as discontinued operations in the current period. Their performance in this period and comparative periods are therefore part of discontinued operations as presented in note 12 and are excluded from segmental performances below.

	For the half year to 30 June									
	Media Solutions		**Production Solutions**		**Creative Solutions**		**Corporate and unallocated**		**Group**	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
From continuing operations:										
Analysis of revenue from external customers, by location of customer										
United Kingdom	**6.9**	8.6	**5.7**	7.1	**1.8**	2.6	**-**	-	**14.4**	18.3
The rest of Europe	**26.8**	37.7	**11.8**	18.2	**4.0**	4.0	**-**	-	**42.6**	59.9
North America	**29.9**	40.8	**24.8**	30.6	**20.9**	29.2	**-**	-	**75.6**	100.6
Asia Pacific	**15.5**	20.0	**7.2**	8.3	**3.8**	4.2	**-**	-	**26.5**	32.5
The rest of the World	**3.2**	4.4	**2.2**	3.3	**0.5**	0.4	**-**	-	**5.9**	8.1
Total revenue from external customers	**82.3**	111.5	**51.7**	67.5	**31.0**	40.4	**-**	-	**165.0**	219.4
Inter-segment revenue [1]	**0.1**	-	**0.3**	0.3	**-**	0.1	**(0.4)**	(0.4)	**-**	-
Total revenue	**82.4**	111.5	**52.0**	67.8	**31.0**	40.5	**(0.4)**	(0.4)	**165.0**	219.4
Adjusted operating profit/(loss)	**9.5**	18.8	**7.3**	15.0	**3.7**	7.0	**(5.3)**	(8.7)	**15.2**	32.1
Amortisation of intangible assets that are acquired in a business combination	**(2.0)**	(2.2)	**(0.1)**	(0.1)	**-**	(0.6)	**-**	-	**(2.1)**	(2.9)
Impairment of fixed assets	**-**	-	**(1.7)**	-	**-**	-	**-**	-	**(1.7)**	-
Acquisition related charges	**(0.1)**	(2.0)	**(0.4)**	-	**-**	-	**(0.2)**	-	**(0.7)**	(2.0)
Integration and restructuring costs	**(1.5)**	(0.1)	**(0.5)**	-	**(0.1)**	(0.5)	**-**	(0.3)	**(2.1)**	(0.9)
Operating profit/(loss)	**5.9**	14.5	**4.6**	14.9	**3.6**	5.9	**(5.5)**	(9.0)	**8.6**	26.3
Net finance expense									**(5.5)**	(3.4)
Profit before tax									**3.1**	22.9
Taxation									**(0.7)**	(4.6)
Profit for the period									**2.4**	18.3

Segment assets	**215.3**	241.8	**115.0**	112.5	**46.2**	52.9	**12.0**	10.4	**388.4**	417.6
Unallocated assets										
Cash and cash equivalents							**17.9**	31.3	**17.9**	31.3
Non-current tax assets							**3.1**	3.0	**3.1**	3.0
Current tax assets							**5.3**	3.6	**5.3**	3.6
Deferred tax assets							**43.7**	31.5	**43.7**	31.5
Total assets									**458.4**	487.0
Segment liabilities	**50.9**	69.3	**31.2**	37.6	**13.8**	19.0	**4.2**	8.2	**100.1**	134.1
Interest-bearing loans and borrowings	**0.6**	0.6	**-**	-	**-**	-	**192.9**	186.8	**193.5**	187.4
Unallocated liabilities										
Bank overdrafts							**4.3**	-	**4.3**	-
Current tax liabilities							**13.8**	18.7	**13.8**	18.7
Deferred tax liabilities							**7.2**	6.1	**7.2**	6.1
Total liabilities									**318.9**	346.3

(1) Inter-segment pricing is determined on an arm's length basis. These are eliminated in the corporate and unallocated column.

The Group’s operations are located in several geographic locations and sell products and services to external customers around the world.

3 Operating expenses

	Half year to 30 June 2023	Half year to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Analysis of operating expenses			
- Adjusting items in operating expenses(1)	**6.1**	5.7	14.8
- Other administrative expenses	**24.3**	30.1	59.1
Adjusting items and administrative expenses	**30.4**	35.8	73.9
Marketing, selling and distribution costs	**21.4**	24.5	51.7
Research, development and engineering costs	**8.1**	9.1	18.2
Total from continuing operations	**59.9**	69.4	143.8
- Adjusting items in operating expenses(1)	**49.9**	4.5	11.1
- Other administrative expenses	**1.6**	1.6	2.8
Adjusting items and administrative expenses	**51.5**	6.1	13.9
Marketing, selling and distribution costs	**0.7**	0.9	2.0
Research, development and engineering costs	**3.1**	1.8	4.3
Total from discontinued operations	**55.3**	8.8	20.2

(1) Adjusting items in operating profit from continuing operations are £7.0 million (2022: £6.2 million) of which £6.1 million (2022: £5.7 million) are recognised in operating expenses, £0.5 million (2022: £0.1 million) in cost of sales, and £0.4 million (2022: £0.4 million) in finance expense.

Adjusting items in operating loss from discontinued operations are £50.1 million (2022: £4.5 million) of which £49.9 million (2022: £4.5 million) are recognised in operating expenses and £0.2 million (2022: £nil) in finance expense.

4 Adjusting items

The Group presents alternative performance measures ("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 the glossary to these financial statements. 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 and capitalised development costs:

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. 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) shall be adjusted for to ensure consistency between periods. No such impairments existed in the prior year.

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:

Upfront borrowing fees related to funding for 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.

No such items arose in the current or prior year.

- 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, adjusted profit before tax and adjusted profit 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.

	Half year to 30 June 2023	Half year to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Continuing operations			
Amortisation of intangible assets that are acquired in a business combination	**(2.1)**	(2.9)	(6.0)
Impairment of fixed assets	**(1.7)**	-	-
Acquisition related charges	**(0.7)**	(2.0)	(4.4)
Integration and restructuring costs	**(2.1)**	(0.9)	(6.9)
Adjusting items in operating profit from continuing operations	**(6.6)**	(5.8)	(17.3)
Finance expense - amortisation of loan fees on borrowings for acquisitions and other interests	**(0.4)**	(0.4)	(0.8)
Adjusting items in profit before tax from continuing operations	**(7.0)**	(6.2)	(18.1)
Discontinued operations			
Amortisation of intangible assets that are acquired in a business combination	**(2.1)**	(2.3)	(4.9)
Impairment of intangible assets(1)	**(46.9)**	-	-
Acquisition related charges	**(0.9)**	(2.2)	(4.9)
Integration and restructuring costs	**-**	-	(1.4)
Adjusting items in operating loss from discontinued operations	**(49.9)**	(4.5)	(11.2)
Finance expense - unwind of discount on liabilities and other interest	**(0.2)**	-	-
Adjusting items in profit before tax from discontinued operations	**(50.1)**	(4.5)	(11.2)
Adjusting items in profit before tax	**(57.1)**	(10.7)	(29.3)

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

(1) Following an impairment review just prior to their classification as held for sale, intangible assets were impaired by £46.9 million (2022: £nil) relating to Lightstream £18.9 million and Amimon £28.0 million.

5 Net finance expense

	Half year to 30 June 2023	Half year to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Finance income			
Fair value gain on interest rate swaps designated as cash flow hedges	**1.7**	-	0.7
Other interest income	**0.1**	-	-
Interest income on net defined benefit pension scheme	**0.1**	-	-
Net currency translation gains	**0.8**	0.7	2.3
	2.7	0.7	3.0
Finance expense			
Interest expense on lease liabilities	**(0.8)**	(0.7)	(1.4)
Interest expense on interest-bearing loans and borrowings(1)	**(7.4)**	(3.3)	(8.3)
Interest expense on net defined benefit pension scheme	**-**	(0.1)	(0.1)
	(8.2)	(4.1)	(9.8)
Net finance expense from continuing operations	**(5.5)**	(3.4)	(6.8)
Finance income - net currency translation gains from discontinued operations	**-**	0.1	0.1
Finance expense			
Interest expense on lease liabilities	-	-	(0.1)
Other interest expense	**(0.1)**	-	-
Unwind of discount on liabilities	**(0.1)**	-	-
	(0.2)	-	(0.1)
Net finance expense from discontinued operations	**(0.2)**	0.1	-

(1) Interest expense on interest-bearing loans and borrowings of £7.4 million (2022: £3.3 million) from continuing operations includes an amount of £0.3 million (2022: £0.4 million) relating to amortisation of loan fees on borrowings for acquisitions. See note 4 "Adjusting items".

6 Taxation

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

	Half year to 30 June 2023	Half year to 30 June 2022	Year to 31 December 2022
	£m	£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	**1.4**	4.2	8.5
Deferred tax	**(0.7)**	0.4	(13.8)
	0.7	4.6	(5.3)
Discontinued operations			
Current tax	**-**	-	-
Deferred tax	**(4.2)**	(1.1)	(2.9)
	(4.2)	(1.1)	(2.9)
Continuing and discontinued operations			
Current tax	**1.4**	4.2	8.5
Deferred tax	**(4.9)**	(0.7)	(16.7)
	(3.5)	**3.5**	**(8.2)**
Adjusting items			
Continuing operations			
Current tax	**(0.5)**	(0.8)	(1.7)
Deferred tax	**(1.2)**	(1.0)	(18.6)
	(1.7)	(1.8)	(20.3)
Discontinued operations			
Current tax	**-**	-	-
Deferred tax	**(3.6)**	(0.9)	(0.4)
	(3.6)	(0.9)	(0.4)
Continuing and discontinued operations			
Current tax	**(0.5)**	(0.8)	(1.7)
Deferred tax	**(4.8)**	(1.9)	(19.0)
	(5.3)	(2.7)	(20.7)

Before adjusting items			
Continuing operations			
Current tax	**1.9**	5.0	10.2
Deferred tax	**0.5**	1.4	4.8
	2.4	6.4	15.0
Discontinued operations			
Current tax	**-**	-	-
Deferred tax	**(0.6)**	(0.2)	(2.5)
	(0.6)	(0.2)	(2.5)
Continuing and discontinued operations			
Current tax	**1.9**	5.0	10.2
Deferred tax	**(0.1)**	1.2	2.3
	1.8	6.2	12.5

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 intra-group 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. Notwithstanding this development, management remain 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 30 June 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 utilised in the relevant jurisdictions. As of 30 June 2023, Videndum has recognised deferred tax assets of £43.7 million (2022: £37.0 million)

7 Earnings per ordinary 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 period divided by the weighted average number of ordinary shares in issue during the period.

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

The adjusted EPS measure is calculated based on adjusted profit 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:

	Half year to 30 June 2023	Half year to 30 June 2022
	£m	£m
Profit for the financial period from continuing operations		
Add back adjusting items, all net of tax:	**2.4**	18.3
Amortisation of intangible assets that are acquired in a business combination, net of tax	**1.6**	2.2
Impairment of fixed assets, net of tax	**1.3**	-
Acquisition related charges, net of tax	**0.5**	1.7
Integration and restructuring costs, net of tax	**1.6**	0.7
Finance expense - amortisation of loan fees on borrowings for acquisitions and other interest, net of tax	**0.3**	0.3
Current tax credit	**-**	(0.5)
Add back adjusting items from continuing operations, all net of tax	**5.3**	4.4
Adjusted profit after tax from continuing operations	**7.7**	22.7
Loss for the financial period from discontinued operations		
Add back adjusting items, all net of tax:	**(48.9)**	(5.4)
Amortisation of intangible assets that are acquired in a business combination, net of tax	**1.8**	1.9
Impairment of intangible assets	**43.8**	-
Acquisition related charges, net of tax	**0.7**	1.7
Finance expense - unwind of discount on liabilities and other interest and other interest, net of tax	**0.2**	-
Add back adjusting items from discontinued operations, all net of tax	**46.5**	3.6
Adjusted loss after tax from discontinued operations	**(2.4)**	(1.8)
(Loss)/profit for the financial period	**(46.5)**	12.9
Adjusted profit after tax	**5.3**	20.9

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	Half year to 30 June		Half year to 30 June		Half year to 30 June	
	2023 Number	2022 Number	**2023 pence**	2022 pence	**2023 pence**	2022 pence
From continuing operations						
Basic	**46,485**	46,003	**16.6**	49.3	**5.2**	39.8
Dilutive potential ordinary shares	**1,006**	1,700	**(0.4)**	(1.7)	**(0.1)**	(1.4)
Diluted	**47,491**	47,703	**16.2**	47.6	**5.1**	38.4
From discontinued operations[1]						
Basic	**46,485**	46,003	**(5.2)**	(3.9)	**(105.2)**	(11.8)
Dilutive potential ordinary shares	**-**	-	**-**	-	**-**	-
Diluted	**46,485**	46,003	**(5.2)**	(3.9)	(105.2)	(11.8)
From continuing and discontinued operations [2]						
Basic	**46,485**	46,003	**11.4**	45.4	**(100.0)**	28.0
Dilutive potential ordinary shares	**-**	-	**(0.2)**	(1.6)	**-**	(1.0)
Diluted	**46,485**	46,003	**11.2**	43.8	**(100.0)**	27.0

[1] 1,006,000 (2022: 1,700,000) potential ordinary shares are antidilutive for both statutory earnings per share and adjusted earnings per share.

[2] Potential ordinary shares are antidilutive for half year to 30 June 2023 statutory earnings per share but 1,006,000 (2022: 1,700,000) are dilutive for the purposes of adjusted earnings per share and half year to 30 June 2022 statutory earnings per share.

8 Employee benefit asset

The Group has employee benefit schemes in the UK, Italy, Germany, Japan and France. In the UK it is a defined benefit scheme which was closed to future accruals with effect from 31 July 2010.

The UK defined benefit scheme is in an actuarial surplus position of £4.7 million at 30 June 2023 (31 December 2022: £3.9 million) measured on an IAS 19 "Employee Benefits" basis). This surplus is as a result of actuarial movements during the period, including an increase in the discount rate from 4.8% at 31 December 2022 to 5.2% at 30 June 2023. 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 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	Other Cash and cash equivalents[2]	Half year to 30 June 2023
	£m	£m	£m	£m	£m
Opening at 1 Jan 2023	(174.5)	(34.8)	(209.3)	15.8	(193.5)
Other cash flows	-	-	-	(22.5)	(22.5)
Business combinations	-	-	-	-	-
Repayments	62.8	3.5	66.3	(66.3)	-
Borrowings	(85.7)	-	(85.7)	85.7	-
Leases entered into during the year	-	(6.8)	(6.8)	-	(6.8)
Leases - early termination	-	0.1	0.1	-	0.1
Fees incurred	-	-	-	-	-
Amortisation of fees	(0.6)	-	(0.6)	-	(0.6)
Foreign exchange differences	4.5	1.3	5.8	0.9	6.7
Discontinued operations	-	0.5	0.5	-	0.5
Closing at 30 June 2023 from continuing operations	(193.5)	(36.2)	(229.7)	13.6	(216.1)

(1) Interest bearing loans and borrowings are stated after deduction of unamortised loan fees of £1.1 million (31 December 2022: £1.7 million, 30 June 2022: £2.0 million).

(2) Other cash and cash equivalents include bank overdrafts of £4.3 million.

	Interest bearing loans and borrowings £m	Leases £m	Liabilities from financing sub-total £m	Other Cash and cash equivalents £m	Year to 31 December 2022 £m
Opening at 1 Jan 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	(174.5)	(34.8)	(209.3)	15.8	(193.5)

	Interest bearing loans and borrowings £m	Leases £m	Liabilities from financing sub-total £m	Other Cash and cash equivalents £m	Half year to 30 June 2021 £m
Opening at 1 Jan 2022	(122.8)	(30.3)	(153.1)	7.9	(145.2)
Other cash flows	-	-	-	(25.8)	(25.8)
Business combinations	-	(4.4)	(4.4)	0.2	(4.2)
Repayments	27.5	3.3	30.8	(30.8)	-
Borrowings	(79.8)	-	(79.8)	79.8	-
Leases entered into during the year	-	(4.1)	(4.1)	-	(4.1)
Leases - early termination	-	0.2	0.2	-	0.2
Fees incurred	0.5	-	0.5	-	0.5
Amortisation of fees	(0.7)	-	(0.7)	-	(0.7)
Foreign exchange differences	(12.5)	(2.3)	(14.8)	-	(14.8)
Closing at 30 June 2022	(187.8)	(37.6)	(225.4)	31.3	(194.1)

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 78% of the RCF as at 30 June 2023. 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 amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Savage. This facility will expire on 14 November 2024. Following the payment of 25% of the original amount during 2022 and 20% in June 2023, the outstanding balance of this Term Loan was US$29.1 million (£22.9 million) as at 30 June 2023. A further 25% of the original amount is due in February 2024, 15% due in June 2024 and the remaining 15% due November 2024.

On 7 January 2022, the Group signed a new US$47.0 million (£38.8 million) three-year amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Audix. This facility will expire on 7 January 2025. Following the payment of 25% of the original amount during 2022 and 20% in June 2023, the outstanding balance of this Term Loan was US$25.9 million (£20.4 million) as at 30 June 2023. A further 25% of the original amount is due in February 2024, 15% due in June 2024 and the remaining 15% due January 2025.

Two financial covenants, Net Debt to EBITDA ("leverage") and EBITA to net interest (“interest cover”), (see note 14 “Glossary on Alternative Performance Measures from continuing operations (“APMs”)) for the derivation of these measures as defined by the lending agreements, are applicable for the RCF and term loans. These are tested at June and December each year, to be no higher than 3.25x and at least 4.0x respectively (“Existing Covenants”). At 30 June 2023 these ratios were 2.9x and 5.9x respectively (31 December 2022: 2.1x and 9.8x respectively).

During August and September 2023, the Group has 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 5.75x (December 2023) and 3.75x (June 2024); and EBITA:net interest of at least 2.0x (December 2023) and 3.25x (June 2024). No restrictions apply to these New Covenants but new testing dates for March 2024 (net debt:EBITDA to be no higher than 4.25x and EBITA:net interest of at least 2.0x) 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.

10 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 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 eighteen months, therefore the cash flows and resulting effect on the Income Statement are expected to occur within the next eighteen months.

	Currency	**Nominal amounts as at 30 June 2023 millions**	**Weighted average exchange rate of contracts**	Nominal amounts as at 30 June 2022 millions	Weighted average exchange rate of contracts
Forward exchange contracts (buy/sell)					
GBP/USD forward exchange contracts	USD	**18.3**	**1.20**	26.6	1.28
EUR/USD forward exchange contracts	USD	**41.1**	**1.04**	33.3	1.11
GBP/EUR forward exchange contracts	EUR	**7.6**	**1.14**	25.3	1.16
GBP/JPY forward exchange contracts	JPY	**144.0**	**154.0**	27.0	156.1
EUR/JPY forward exchange contracts	JPY	**263.0**	**137.0**	246.6	130.4
CHF/GBP forward exchange contracts	CHF	**0.5**	**1.11**	**-**	-

During the period ended 30 June 2023 a net gain of £0.4 million (2022: £0.2 million net loss) relating to forward exchange contracts was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cash flows which affects 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 30 June 2023 millions**	**Weighted average fixed rate[1]**	**Maturity**	Nominal amounts as at 30 June 2022 millions
Interest rate swap contracts					
USD Interest rate swaps float (SOFR) to fix[2]	USD	55.0	1.01%	Sep-23	90.0
USD Interest rate swaps float (SOFR) to fix[2]	USD	35.0	4.89%	Sep-23	-
GBP Interest rate swaps float (SONIA) to fix	GBP	47.0	1.74%	Jan-25	37.0

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

[2] The two USD swaps maturing in September 2023 will be replaced by a $75m interest rate swap fixing at 5.19%, maturing 30 September 2024.

During the period ended 30 June 2023 a net gain of £1.7 million (2022: net loss of £0.2 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.

Fair value hierarchy

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

The Group's financial instruments measured at fair value are Level 2.

11 Share capital

Share capital as at 30 June 2023 amounted to £9.4 million. During the period, the Group issued 12,977 shares as part of a capitalisation issue to its shareholders. The capitalisation issue increased the number of shares in issue from 46,585,333 to 46,598,310.

12 Subsequent events

Other than as described below, there were no events after the Balance Sheet date that require disclosure.

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 $25 million (£19.7 million) amortisation payment relating to the two term loans is amended from December 2023 to February 2024. This amendment was agreed in September 2023.

During August and September 2023, the Group has 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 5.75x (December 2023) and 3.75x (June 2024); and EBITA:net interest of at least 2.0x (December 2023) and 3.25x (June 2024). No restrictions apply to these New Covenants but new testing dates for March 2024 (net debt:EBITDA to be no higher than 4.25x and EBITA:net interest of at least 2.0x) 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.

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

Discontinued operations

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", the assets and liabilities of the Lightstream and Amimon businesses which are part of the Creative Solutions Division, and certain property, plant and equipment of the Production Solutions division have been classified as a disposal group held for sale within the period.

Discontinued operations are businesses that have been sold, or which are held for sale.

The Group is 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 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, two businesses (Lightstream and Amimon) were held for sale at 30 June 2023 and reported as discontinued operations.

Both Lightstream and Amimon have been classified as discontinued operations in the current period. These operations meet the definition as a discontinued operation due to them both being separate major lines of business and are part of single coordinated plan to dispose of.

The table below shows the results of the discontinued operations which are included in the Condensed Consolidated Income Statement, Condensed Consolidated Statement of Cash Flows and Condensed Consolidated Balance Sheet respectively.

a) Income Statement - discontinued operations

	Notes	**Half year to 30 June 2023**	Half year to 30 June 2022	Year to 31 December 2022
		£m	£m	£m
Revenue		**4.9**	4.2	8.7
Expenses		**(57.8)**	(10.8)	(24.1)
Operating loss		**(52.9)**	(6.6)	(15.4)
Comprising				
- Adjusted operating loss		**(3.0)**	(2.1)	(4.2)
- Adjusting items in operating loss	4	**(49.9)**	(4.5)	(11.2)
Finance expense/(income)		**(0.2)**	0.1	-
Loss before tax		**(53.1)**	(6.5)	(15.4)
Comprising				
- Adjusted loss before tax		**(3.0)**	(2.0)	(4.2)
- Adjusting items in loss before tax	4	**(50.1)**	(4.5)	(11.2)
Taxation		**4.2**	1.1	2.9
Comprising taxation on				
- Taxation on adjusted loss		**0.6**	0.2	2.5
- Adjusting items in taxation		**3.6**	0.9	0.4
Loss after tax from discontinued operations attributable to owners of parent		**(48.9)**	(5.4)	(12.5)

b) Statement of Cash Flows - discontinued operations

	Half year to 30 June 2023	Half year to 30 June 2022	Year to 31 December 2022
	£m	£m	£m
Net cash used in operating activities	**(2.8)**	(1.4)	(4.3)
Net cash used in investing activities	**(1.6)**	(2.8)	(4.9)
Net cash from financing activities	**4.4**	4.2	9.2
Net cash used in discontinued operations	**-**	-	-

c) Effect of the disposal group on the Group Balance Sheet

	Half year to 30 June 2023 £m
Assets of the disposal group classified as held for sale	
Intangible assets	**5.4**
Property, plant and equipment	**3.6**
Deferred tax assets	**8.9**
Inventories	**1.6**
Trade and other receivables	**3.1**
	22.6
Liabilities of the disposal group classified as held for sale	
Interest-bearing loans and borrowings	**-**
Deferred tax liability	**-**
Lease liabilities	**(0.5)**
Trade and other payables	**(4.4)**
Provisions	**(1.6)**
	(6.5)

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.

APM	Closest equivalent IFRS measure	Definition & Purpose

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.

Income Statement measures from continuing operations

Adjusted gross profit — Closest equivalent IFRS measure: Gross profit

Calculated as gross profit before adjusting items.

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year to 31 December 2022 £m
Gross profit	**68.5**	95.7	190.7
Adjusting items in cost of sales	**0.5**	0.1	2.6
Adjusted gross profit	**69.0**	95.8	193.3

Adjusted gross profit margin — Closest equivalent IFRS measure: None

Calculated as adjusted gross profit divided by revenue.

Adjusted operating profit — Closest equivalent IFRS measure: Profit before tax

Calculated as 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, 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".

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year to 31 December 2022 £m
Profit before tax	**3.1**	22.9	40.1
Net finance expense	**5.5**	3.4	6.8
Adjusting items in operating profit	**6.6**	5.8	17.3
Adjusted operating profit	**15.2**	32.1	64.2

Adjusted operating profit margin — Closest equivalent IFRS measure: None

Calculated as adjusted operating profit divided by revenue. Progression in adjusted operating margin is an indicator of the Group's operating efficiency.

Adjusted operating expenses — Closest equivalent IFRS measure: Operating expenses

Calculated as operating expenses before adjusting items.
The table below shows a reconciliation:
See note 3 "Operating expenses".

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year to 31 December 2022 £m
Operating expenses	**59.9**	69.4	143.8
Adjusting items in operating expenses	**(6.1)**	(5.7)	(14.8)
Adjusted operating expenses	**53.8**	63.7	129.0

<table>
<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 and loan transaction costs on borrowings for acquisitions and other interest.

The table below shows a reconciliation:
<table>
<tr><td></td><td>Half year to 30 June 2023</td><td>Half year to 30 June 2022</td><td>Year to 31 December 2022</td></tr>
<tr><td></td><td>£m</td><td>£m</td><td>£m</td></tr>
<tr><td>Finance expense</td><td>(8.2)</td><td>(4.1)</td><td>(9.8)</td></tr>
<tr><td>Finance income</td><td>2.7</td><td>0.7</td><td>3.0</td></tr>
<tr><td>Adjusting finance expense - amortisation of loan fees and loan transaction costs on borrowings for acquisitions and other interest</td><td>0.4</td><td>0.4</td><td>0.8</td></tr>
<tr><td>Adjusted net finance expense</td><td>(5.1)</td><td>(3.0)</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 item. This is a key management incentive metric.

See Condensed Consolidated Income Statement and note 13 "Discontinued operations and non-current assets classified as held for sale" 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 and note 13 "Discontinued operations and non-current assets classified as held for sale" 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.

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 the sale of 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>
<tr><td>Adjusted operating cash flow</td><td>Net cash from operating activities</td><td>Free cash flow before payment of interest, tax, restructuring and integration costs, and transaction costs relating to the acquisition of businesses. 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.
<table>
<tr><td></td><td>Half year to 30 June 2023 £m</td><td>Half year to 30 June 2022 £m</td><td>Year to 31 December 2022 £m</td></tr>
<tr><td>Profit for the period from continuing operations</td><td>2.4</td><td>18.3</td><td>45.4</td></tr>
<tr><td>Add back:</td><td></td><td></td><td></td></tr>
<tr><td>Taxation and net finance expense</td><td>6.2</td><td>8.0</td><td>1.5</td></tr>
<tr><td>Adjusting items</td><td>6.6</td><td>5.8</td><td>17.3</td></tr>
<tr><td>Adjusted operating profit</td><td>15.2</td><td>32.1</td><td>64.2</td></tr>
<tr><td>Depreciation excluding effect of fair valuation of property, plant and equipment</td><td>7.2</td><td>7.1</td><td>14.6</td></tr>
<tr><td>Amortisation of capitalised software and development costs</td><td>3.3</td><td>2.8</td><td>5.9</td></tr>
<tr><td>Adjusted working capital movement (1)</td><td>(4.4)</td><td>(8.7)</td><td>(18.8)</td></tr>
<tr><td>Adjusted provision movement (1)</td><td>(0.1)</td><td>(0.4)</td><td>(0.8)</td></tr>
<tr><td>Other:</td><td></td><td></td><td></td></tr>
<tr><td>- Net loss on disposal of property, plant and equipment and software</td><td>0.2</td><td>-</td><td>-</td></tr>
<tr><td>- Fair value (gains)/losses on derivative financial instruments</td><td>(0.3)</td><td>0.2</td><td>(0.1)</td></tr>
</table></td></tr>
</table>

		- Foreign exchange losses	**-**	0.3	0.6
		- Share-based payment charges	**0.8**	3.6	6.9
		- Proceeds from sale of property, plant and equipment and software	**0.1**	-	-
		- Purchase of property, plant and equipment	**(1.9)**	(3.2)	(7.0)
		- Capitalisation of software and development costs	**(5.9)**	(3.5)	(8.3)
		Adjusted operating cash flow	**14.2**	30.3	57.2
		Interest paid	**(6.2)**	(4.3)	(9.3)
		Tax paid	**(4.8)**	(1.0)	(7.2)
		Payments relating to:			
		Restructuring and integration costs	**(3.3)**	(0.5)	(2.0)
		Earnout and retention bonuses	**(3.7)**	(0.3)	(0.3)
		Transaction costs	**(0.6)**	(0.8)	(1.4)
		Free cash flow	**(4.4)**	23.4	37.0
		Proceeds from sale of property, plant and equipment and software	**(0.1)**	-	-
		Purchase of property, plant and equipment	**1.9**	3.2	7.0
		Capitalisation of software and development costs	**5.9**	3.5	8.3
		Net cash from operating activities	**3.3**	30.1	52.3
		(1) See "adjusted working capital movement" and "adjusted provision movement" below for a reconciliation.			
Adjusted working capital movement	None	The adjusted working capital movement excludes movements in provisions, and movements relating to adjusting items.			
			Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year to 31 December 2022 £m
		Increase in inventories	**(1.0)**	(12.2)	(7.4)
		Decrease/(increase) in receivables	**12.2**	(1.6)	(4.9)
		(Decrease)/increase in payables	**(19.3)**	4.8	(4.8)
		Increase in working capital, excluding provisions	**(8.1)**	(9.0)	(17.1)
		Deduct inflows from adjusting charges:			
		Effect of fair valuation of acquired inventory	**(0.1)**	(0.1)	(0.5)
		Add back following outflows:			
		Adjustments for integration and restructuring costs, transaction costs relating to acquisition of businesses, and earnout and retention bonuses	**3.8**	0.4	(1.2)
		Adjusted working capital movement	**(4.4)**	(8.7)	(18.8)
Adjusted provisions movement	Increase/(decrease) in provisions	The adjusted provisions movement excludes movements relating to adjusting items.			
			Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year to 31 December 2022 £m
		(Decrease)/increase in provisions	**(1.5)**	(0.1)	1.0
		Adjustments for integration and restructuring costs	**1.4**	(0.3)	(1.8)
		Adjusted provision movement	**(0.1)**	(0.4)	(0.8)

Other measures from continuing operations

Return on capital employed (ROCE)	None	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 position of the 12 month applicable period.

	12 months ended 30 June 2023 £m	12 months ended 30 June 2022 £m	12 months ended 31 December 2022 £m
Adjusted operating profit for the last 12 months	**47.3**	58.2	64.2
Opening capital employed	**302.9**	155.9	181.5
Total assets	**458.4**	483.0	479.7
Current liabilities	**(115.2)**	(143.6)	(140.3)
Total assets less current liabilities	**343.2**	339.4	339.4
Less defined benefit asset	**(4.7)**	(2.6)	(3.9)
Less deferred tax assets	**(43.7)**	(31.5)	(43.5)
Add the current portion of interest-bearing liabilities	**30.7**	28.6	36.0
Less non-current lease liabilities	**(30.5)**	(31.0)	(28.5)
Closing capital employed	**295.0**	302.9	299.5
Average capital employed	**299.0**	229.4	240.5
ROCE %	**15.8%**	25.4%	26.7%

Constant currency	None	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 presented on a constant currency basis as this best represents the impact of volume and pricing on revenue growth.
Organic growth	None	Organic growth is the growth achieved year-on-year from existing business, and not from new mergers and acquisitions.
Cash conversion	None	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.
Adjusted EBITDA	None	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:

	12 months ended 30 June 2023 £m	12 months ended 30 June 2022 £m	12 months ended 31 December 2022 £m
Adjusted operating profit for the last 12 months	**47.3**	58.2	64.2
Add back depreciation excluding effect of fair valuation of property, plant and equipment	**14.7**	13.8	14.6
Add back amortisation of intangible assets	**11.6**	9.3	11.9
Less amortisation of acquired intangible assets	**(5.2)**	(4.3)	(6.0)
Adjusted EBITDA	**68.4**	77.0	84.7

Covenant EBITDA	None	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: **12 months ended 30 June 2023 £m** Adjusted EBITDA for the last 12 months **68.4** Add back share based payment charge **4.1** Add interest income unrelated to gross borrowings **2.1** **Covenant EBITDA 74.6** (1) See "Interest income/(expense) unrelated to gross borrowings" below for a reconciliation.
Covenant EBITA	None	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: **12 months ended 30 June 2023 £m** Covenant EBITDA for the last 12 months **74.6** Less depreciation excluding effect of fair valuation of property, plant and equipment **(14.7)** **Covenant EBITA 59.9**
Interest income/(expense) unrelated to gross borrowings	None	This is interest income/(expense) on net defined benefit pension scheme, currency translation gains/(losses), other interest income/(expense), and amortisation of loan fees on borrowings excluding those on borrowings for acquisitions. **12 months ended 30 June 2023 £m** Interest income on net defined benefit pension scheme **0.1** Net currency translation gains **2.4** Other interest income **0.1** Amortisation of loan fees and loan transaction costs on borrowings **(1.2)** Less amortisation of loan fees and loan transaction costs on borrowings for acquisitions **0.7** **Interest income unrelated to gross borrowings 2.1**
Covenant net interest	None	Calculated as adjusted net finance income/(expense)(1) for the last 12 months less interest income/(expense) unrelated to gross borrowings (1) **12 months ended 30 June 2023 £m** Adjusted net finance expense for the last 12 months **(8.1)** Less interest income unrelated to gross borrowings **(2.1)** **Covenant net interest (10.2)** (1) See "Adjusted net finance income/(expense)" and "Interest income/(expense) unrelated to gross borrowings" above for a reconciliation.
Net debt	None	See note 9 "Net debt" for an explanation of the balances included in net debt, along with a breakdown of the amounts.

Covenant net debt	None	Calculated as Net debt before unamortised loan fees on borrowings, and before lease liabilities from discontinued operations.	**Half year to 30 June 2023 £m**
		Net debt	**216.1**
		Add back unamortised loan fees and loan transaction costs on borrowings	**1.1**
		Add back lease liabilities from discontinued operations	**0.5**
		Covenant net debt	**217.7**