

THE MISSION GROUP plc
("MISSION", "the Group")

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Robust response to challenging market conditions with continued resilient revenue growth underpinned by strong Client retention and strategic new business wins

28 March 2024

The **MISSION** Group (AIM: TMG), creator of **Work That Counts**TM, comprising a group of digital marketing and communications Agencies delivering real, sustainable growth for its Clients, announces its final results for the year ended 31 December 2023.

FINANCIAL HIGHLIGHTS

Year ended 31 December, Continuing operations	2023	2022	change
• REVENUE (OPERATING INCOME)	£86.3m	£79.6m	+£6.7m
• HEADLINE OPERATING PROFIT*	£6.5m	£8.8m	-£2.3m
• HEADLINE PROFIT MARGINS	7.5%	11.1%	-3.6%
• HEADLINE PROFIT BEFORE TAX*	£4.2m	£7.9m	-£3.7m
• REPORTED LOSS/PROFIT BEFORE TAX	-£10.9m	£3.7m	-£14.6m
• HEADLINE EARNINGS PER SHARE*	3.1p	6.9p	-3.8p
• HEADLINE DILUTED EARNINGS PER SHARE*	3.1p	6.9p	-3.8p

*Headline results are calculated before acquisition adjustments, start-up costs and exceptional restructuring costs (as set out in Note 3).

BUSINESS HIGHLIGHTS

Revenue growth on continuing operations of 9% (+2% like for like) reflects robust trading from Agencies despite challenging market conditions

- Strong and enduring Client retention across Agencies underpinned by strong focus on Client service - 53% revenue currently comes from Clients who have been with the Group for over 5 years
- Strategic new Client wins over the year include Post Office, Lumen, EasyJet, Beauty Pie, Pandora, Meta, Hawaiian Tropic and Brabantia.
- Successful launch of **MISSION HUBS** Program, extending Group access to new markets and revenue streams through trusted partner and affiliate relationships

Significant progress made against Value Restoration Plan ("VRP"), launched following trading updated on 23 October 2023 ("the Update")

- Headline profit before tax from continuing operations of £4.2m, in line with revised guidance in the Update
- Careful management of costs, which to date has seen an annualised projected £5.0m of profit improvements secured for 2024
- Disposal of Group's 80% shareholding in Pathfindr with proceeds used to pay down debt
- Net bank debt as at 31 December 2023 of £15.4m reflected a considerable improvement on previously stated guidance provided in the Update

Current trading and outlook remain in line with expectations

- Trading has started well and in line with expectations.
- A number of new business wins including Herta UK and global pharmaceutical company Doctor Reddy's were secured in January 2024 and the year brings a series of high profile

European and Global sporting events which should offer important new business opportunities

- Remain focussed on delivering further progress against VRP with further efficiencies still being achieved
- Net debt as at 29 February 2024 of £19.5m, excluding the remaining £1.8m HMRC Time to Pay creditor
- Successful refinancing of our existing debt facility with long-standing lender NatWest, strengthens the Group's balance sheet

David Morgan, MISSION's Non-Executive Chair, commented: "The difficulties encountered in 2023 as a result of the challenging trading backdrop have been well recorded. Nevertheless the year has still seen the Group continue to grow revenues with strong client retention and strategic new business wins.

"We have made quick progress in executing on our Value Restoration Plan, ensuring we have a platform from which Group profitability will improve in 2024 and remain focussed on continuing to strengthen our balance sheet. Trading in the new financial year remains in line with expectations and this further underpins our confidence for the year ahead and beyond."

ENQUIRIES

James Clifton, Chief Executive Officer
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NOTES TO EDITORS

MISSION is a collective of Creative and MarTech Agencies led by entrepreneurs who encourage an independent spirit. Employing over 1,100 people across 25 locations and 3 continents, the Group successfully combines its diverse expertise to produce **Work That Counts TM** for our Clients, whatever their ambitions. Creating real standout, sharing real innovation and delivering real growth for some of the world's biggest brands. www.themission.co.uk

Certain information contained within Note 21 (Further Information) in this announcement is deemed to constitute inside information as stipulated under the Market Abuse (Amendment) (EU Exit) Regulations 2019. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

CHAIR'S STATEMENT

The difficulties that we encountered in 2023 have been well recorded, suffice to say that we ended in a better place than was feared after our Trading Update in October. Nevertheless and with hindsight we should have reacted earlier and faster than we did but the response from the management in the final quarter was very impressive.

In returning to Chair the business in November, I learnt that despite those setbacks we have a robust and growing business which, given the structural and operational cost reductions we have implemented, is set fair for 2024 and beyond. I also learnt that we have a supportive Bank, exceptional Clients and Agencies that continue to punch above their weight. Capable of winning against whatever competition we come across.

In 2023 we had some great new business wins and two contributory factors to our downturn that I am pleased to report have already been rectified. We sold the Pathfinder business in December 2023 and thereby removed the losses in running costs for the current year. We have also turned around our US Technology Agency that had had a horrendous first six months in 2023 but showed some recovery over the final six months.

Structurally we have reassessed our operating model and tweaked or changed the way we do things, which as a Board will keep us risk averse and nimble. Whilst we remain confident that our long-term strategy remains sound we have streamlined our operations, ensuring we are leaner and more able to react to market conditions. Our Agencies will be supported by innovative specialisms from data to AI and behavioural to media. With innovative, ostrobogulous creativity, embedded in all that we do.

Board

I was pleased to be asked by the Board to return as Non-Executive Chair in November 2023. Despite the ongoing challenges for our industry, **MISSION** is made up of extremely dynamic, entrepreneurial Agencies managed by very talented people and I look forward to working closely with James, Giles and the senior team to help the Group consolidate its strategic progress and deliver long-term value for all our stakeholders.

On behalf of the Board and the wider team at **MISSION** I would also like to thank Julian Hanson-Smith for his contribution to the Group during his eight year tenure.

Dividend

In line with the Group's commitment to reducing its net debt position as soon as possible, as previously reported the Board took the decision to cancel the interim dividend of 0.87 pence per share (approximately £0.79m) that was due to go ex dividend on 2 November 2023 and be paid to shareholders on 1 December 2023. The Board has proposed that, whilst there will be no final FY2023 dividend, it remains committed to a progressive dividend policy once the balance sheet strength is restored.

Debt Refinancing

We have refinanced our existing debt facility with our long-standing lender NatWest. Further detail on this is included in Notes 20 and 21.

Outlook

With our new Value Restoration Plan in place we are confident of the future and have redefined our strategy against the goals that we are setting over the coming five years.

Through 2024 and 2025 our focus will be on debt reduction, rebuilding the balance sheet and delivering our profit targets. Thereafter we will look to expand faster under new initiatives but retain our focus of being a Group active in generalist and specialist areas whether that be sports, healthcare, property, technology or automotive.

I believe that we have the platform, the passion and the people in place to deliver sustained success in the years to come and I am delighted to be back among them.

David Morgan

Non-Executive Chair

CHIEF EXECUTIVE'S STATEMENT

The market challenges that both we and the industry experienced in 2023 have been well documented but it is important not to lose sight of the significant strategic progress that was achieved over the course of the year. The year saw us confirm strategic new Client wins that are not only testament to the creativity of our Agencies but also our commitment to deliver work that underpins real business growth and the growing strength of our Group capabilities, reinforced by the investments made to expand our Client service offering in both 2023 and previous years.

As previously stated the collapse of the US tech market in the first quarter of 2023 resulted in a sudden reduction and deferral of Client spending that proved difficult to quickly mitigate at a point when the

Group was fully resourced following a record 2022 in that sector, leaving no margin for error in the remainder of the year.

As soon as the resulting trading impact became clear in the third quarter, the Board promptly instigated a full strategic review of the business, putting in place a Value Restoration Plan ("VRP") through which progress was immediately made to drive significant cost saving initiatives and margin improvements.

The response of the business has been incredible, a testament to the 'can-do' and entrepreneurial culture inherent in **MISSION**. All Agencies have been tasked with delivering Agency-led plans to drive appropriate efficiencies whilst still maintaining our market-leading focus on Client service and business development. To date this has seen an annualised projected £5.0m of profit improvements secured for 2024.

Part of our VRP has also included a review of the Group's balance sheet with a focus on improving flexibility and resilience in order to support both our medium and long term plans.

The Group has identified the selected disposal of a non-core business and since the year end has been pleased to confirm the disposal of its 80% shareholding in Pathfindr Ltd with the initial proceeds of £1m being deployed to reduce debt.

Furthermore, the Board have taken a cautious view regarding the goodwill valuation of our agencies and in so doing have impaired the carrying value of the Story and Krow agencies, resulting in a £10.3m, non-cash write down in 2023.

Finally, we are pleased that we have refinanced our existing debt facility with NatWest.

Performance Review

Despite the challenges experienced throughout 2023 which, as previously mentioned, were particularly felt by our Agencies exposed to the Technology and Mobility sectors, our teams have remained nimble and quick to respond to new market opportunities as trading momentum improved in the final quarter of the year. This resulted in FY2023 operating income of £86.3m from continuing operations, representing growth of 9% on 2022 (2022: £79.6m) including the impact of 2023 acquisitions and ahead of Advertising Association expectations for 2023 of 2.6%.

Of the £6.8m increase in operating income from continuing operations, organic growth of £1.6 million was up 2% on the prior year driven by a particularly robust performance across our Property and Sports and Entertainment business segments. Client retention across the Group also continued to be excellent, a true testament to our teams' focus on excellent Client service, with 53% of operating income now coming from Clients who have been with the Group for over 5 years.

Whilst the wider new business landscape remained challenging we have continued to leverage the investments we have made in previous years to enhance **MISSION**'s service offering and capabilities. This has underpinned our success on several highly significant new business mandates. Our appointment to UK Post Office in September marked the Group's largest Client mandate to date and represents a fully integrated cross-Agency response. Other notable new Client wins secured over the course of the year included Lumen, EasyJet, Beauty Pie, Pandora, Meta, Hawaiian Tropic and Brabantia. Good momentum has continued into 2024 with further new Client wins including Herta UK for Speed and global pharmaceutical company Dr Reddy's for Bray Leino.

In line with our strategic areas of focus, the first half of the year saw us make selective investments in Data Science & Digital Analytics through the acquisition of Mezzo Labs and Growth Media through the launch of Turbine, an integrated Growth Media agency specialising in earned, owned and paid media for consumer brands. These, along with recent acquisitions Populate and Influence, continue to contribute new, profitable, revenue streams to the Group contributing £5.2m to the £6.8m increase in operating income growth from continuing operations in 2023, as well as underpinning our work for existing Clients. We look forward to realising the continued benefit of this enhanced service capability in 2024.

We continue to see multiple examples of AI infused work being created in our Agencies and as part of

We continue to see multiple examples of AI infused work being created in our Agencies and as part of our plans to define and hone our Group AI strategy have created an AI steering panel focused on addressing three key pillars of focus; ensuring AI literacy in every role to empower and enable everyone with AI learning; provide specialist centralised AI support and resources to work alongside our Agencies; and define guidelines to inform AI usage across the Group and ensure compliance and best practice.

The year also saw the Group launch its **MISSION** Hubs Program, an agency ecosystem with **MISSION** at its heart, connected to a series of Affiliates and Partners from around the globe. The Program provides the Group with extended access to new markets and revenue streams through trusted relationships. At the same time, Affiliates and Partners gain access to our 19 Agencies in 25 locations worldwide and the **MISSION** Advantage portfolio of strategic services including media, data & analytics, AI and production.

Making positive change

Following the launch of our Environmental, Social and Governance (ESG) manifesto 'Making Positive Change' in 2020, we have made further progress against our key commitments over the course of 2023.

Particular areas of progress have included the development of our Carbon Transition Plan which clearly outlines how we will transform existing assets, operations, and business models to transition towards achieving net-zero by 2050. Moving forward this plan will be reviewed annually to ensure we are assessing not just our progress against our net-zero target but are committed to action for change.

We are also pleased to be adopting a new approach in 2024 to re-evaluate our social targets. In order to ensure we can become a truly diverse and inclusive place to work we've designed four key areas that we'll focus on: workforce, workplace, marketplace and insight, and full details of this approach and our wider progress against our commitments can be found in our ESG Report which is available on our website within the Culture section under Making A Positive Change.

Current Trading and Outlook

On behalf of the Board I would like to thank all of our talented team for their commitment and dedication in 2023.

We remain focused on delivering further progress against our Value Restoration Plan and I am pleased that the efficiencies already realised are helping to restore profitable growth and reinforce the Group's balance sheet which, is now further underpinned by the completion of the successful bank refinancing.

Whilst the market is still somewhat subdued, trading in the current financial year has started well and in line with expectations. 2024 brings with it a number of high profile European and Global sporting events which should bode well for the marketer's calendar including the Olympics and UEFA European Championships and we are particularly pleased to have secured a number of early new business wins in January.

The opening of our new central London Head Office has also created a busy hub for the Group, the perfect home for continued collaboration and learning and it is really encouraging to see the benefit to our teams' growth and development, on a day to day basis.

In summary, the plan for the year ahead is simple. We remain focused on leveraging the continued success of **MISSION**'s integrated Group offering to expand our capabilities and market leading services for our Clients.

James Clifton
Group Chief Executive

CHIEF FINANCIAL OFFICER'S REVIEW

Trading performance

Growing revenues in a flat and often unpredictable market is not easy. The strong operating income growth delivered in 2023, despite a particularly challenging year for our Technology segment that weighed heavily on both profit and working capital, highlights both the successful integration of recent acquisitions and investments as well as the underlying resilience of our core agency portfolio.

Operating income growth in 2023 of 9% from continuing operations provided a helpful platform and was a significant achievement. However, managing operating expenditure levels in a changeable trading environment proved problematic as the fixed nature of our cost base rendered us over-resourced when revenue streams reduced suddenly in certain markets and geographies, most notably the US Technology market sector. The result of this was a reduction in headline operating margins on continuing operations to 7.5% (2022: 11.1%). Therefore, headline operating profit from continuing operations reduced to £6.5m (2022: £8.8m). A cautious review of the carrying value of our agency assets, primarily in relation to the Story and Krow agency groups, resulted in one-off impairment adjustment of £10.3m. This is described more fully below and set out in Note 3. This adjustment along with a number of other, smaller adjustments and an increase in borrowing costs led to a reported loss before tax of £12.0m (2022 £0.7m profit).

Another unusual dynamic experienced in the year as a result of the downturn in US Technology trading was a significant reduction in Client prepayments (deferred income), particularly through quarter 2 and quarter 3. Furthermore, the Group experienced a more general extension to the working capital cycle as assignments in most segments took considerably longer to get from 'bid' status through to purchase order, then billing and finally cash collection. These factors, combined with how late in the year many sales were delivered, put considerable pressure on working capital. This in turn lay heavy on net debt, pushing the Group to the limits of its banking facility in the later months of the year. The threat of exceeding these facilities and the risk of not passing banking covenants has seen the Group work with long-time, and highly supportive, lender NatWest plc on a refinancing plan.

This plan, the 'Value Restoration Plan', saw the Group review operational expenditure in order to make significant improvements to profitability on continuing operations going into 2024. The Group has also considered different strategies to reduce leverage, including divestments of non-core operations and as a result of this review disposed of Pathfindr Ltd for £1.3m in December. Furthermore, both accrued income and deferred income balances closed at similar levels to December 2022.

The Group has successfully refinanced its debt facility, further details of which are set out in Notes 20 and 21.

Billings and revenue

Turnover (billings) was 7% higher than the previous year, at £195.9m (2022: £182.7m), but since billings include pass-through costs (e.g. TV companies' charges for buying airtime), the Board does not consider turnover to be a key performance measure for its Agencies. Instead, the Board views operating income (turnover less third-party costs) as a more meaningful measure of activity levels. Taken as a whole, the Group's operating income (referred to as "revenue") from continuing operations for the year increased by 9% to £86.3m (2022: £79.6m).

Of this £6.8m growth in revenue, £1.6m (2%) was organic, reflecting the continued growth across a number of MISSION business segments, most notably Property (£1.7m increase in revenue) and Sports & Entertainment (£0.5m increase in revenue), and in so doing mitigated the dramatic and sudden reduction in revenues experienced in the Technology and Mobility segment in the first half of 2023 (£2.2m reduction in revenue). The revenue run rate from this segment was restored in the final quarter.

The remaining £5.2m of growth came in part from the benefit of a full year of Influence (acquired December 2022) and Populate (acquired October 2022) trading in the Sports and Entertainment segment. This was supplemented by the revenue impact of new MISSION Advantage agency Mezzo (acquired February 2023).

The Group has reviewed and restructured its operations as part of the Value Restoration Plan and as a

result the Board made the decision to dispose of its 80% share of Pathfindr Ltd. The disposal took place in December 2023 alongside the decision to withdraw from its Technology and Mobility operations in Singapore. The Group maintains a presence in SE Asia through Bray Leino Splash PTE.

One of the differentiating features of MISSION is the longevity and loyalty of its Client base exemplified by over 50% of income coming from Clients with whom MISSION has worked for more than five years. We believe this is due to the dynamic and Agency-driven culture which ensures Clients receive a boutique level of Client service but supported by the resources of a multi-national group.

Loss and margins

The Directors measure and report the Group's performance primarily by reference to headline results in order to avoid the distortions created by the one-off events and non-cash accounting adjustments relating to acquisitions that are detailed below. Headline results are therefore calculated before acquisition adjustments, exceptional items and losses from new ventures as described above and set out in Note 3.

The Group reported an operating loss across all operations this year of £9.7m compared to a £1.6m profit in 2022.

Reported profit before tax decreased by £12.8m, from £0.7m in 2022 to a £12.0m loss in 2023, resulting in a loss after tax of £11.9m (2022 £0.0m).

Adjustments to reported profits, detailed further in Note 3, totalled £14.8m (2022: £7.0m) a significant increase on the previous year. This was primarily due to the £10.3m impairment of the Story (£5.2m) and Krow (£5.1m) intangible assets following a cautious review of these long-held cash generating units. The charges of £5.3m in 2022 related to similar valuation-driven impairments on Splash and Pathfindr.

In addition to this the Group invested £1.8m in new ventures (2022: £0.8m) most notably the new performance marketing joint venture Turbine and the Livity youth-marketing offer as well as smaller investments in the MISSION Hubs venture and a MISSION office in China to serve Clients in the region.

Acquisition-related costs of £1.7m compared to £0.6m in 2022. The 2023 charge consists primarily of the amortisation of intangibles recognised on acquisitions of £0.9m (2022: £0.5m) as well as professional fees in support of the acquisitions such as Mezzo made in the year. Finally, there was an increase in fair value of contingent consideration of £0.4m in 2023 following the strong performance of recently acquired agencies, in contrast to a reduction in valuation in 2022 of £0.3m relating to historic acquisitions.

As part of the Value Restoration Plan there were, unfortunately, significant one-off headcount reductions late in 2023. The resultant one-off costs associated with this restructure £0.7m (2022: £0.4m). Bank refinancing costs of £0.5m have been provided for in 2023 (2022: £Nil).

Finally, the Group was pleased to record a profit on the disposal of the Pathfindr operation of £0.3m (2022: £Nil).

Adjusting for these items delivers a headline operating profit from continuing operations of £6.5m (2022: £8.8m).

The headline operating expenditure base from continuing operations increased in the year by 13% (from £70.8m in 2022 to £79.8m in 2023). On a like for like basis, removing the impact of Influence, Populate and Mezzo, this expenditure increased by £4.7m. Operating expenditure grew in the Property segment pro-rata with revenue (£1.3m increase) but also grew by £1.0m in Technology and Mobility despite reduced revenues. This anomaly occurred as a result of the sudden and extreme nature of the revenue reductions in early 2023 from a high base at the end of 2022. Operating expenditure also increased by £2.5m on a like for like basis in the MISSION Advantage platform as further services were shared across the agency base.

Interest charges of £2.5m increased significantly on 2022 (£1.0m) driven by the increased net debt levels alongside interest rate increases globally as central banks sought to curb inflationary pressures.

The resultant headline profit before tax from continuing operations for 2023 was £4.2m, a reduction of £3.7m on 2022 at £7.9m.

Taxation

The headline tax rate increased to 31.8% (2022: 21.1%), as a result of the increase in the corporation tax rate in 2023, an increase in non-deductible expenses, and lower levels of non-taxable income.

On a reported basis in 2023 the impact of the large one-off non-deductible expenditure primarily in relation to impairment of goodwill resulted in a tax credit of £0.2m on a reported loss before tax of £12.0m, a rate of 1.3%. This compares to the 95.2% tax rate reported in 2022, when the non-deductible impairment of goodwill increased the tax rate payable on a profit before tax of £0.7m.

The tax rate is generally expected to be consistently higher than the statutory rate (23.5% in 2023, an increase from the 19% in 2022) when the Group is profit making, since the amortisation of acquisition-related intangibles is not deductible for tax purposes and tax rates on our US operations are substantially higher than the UK corporation tax rate.

Earnings Per Share

After tax, the reported loss for the year was £11.9m (2022: £0.0m profit) and EPS was -13.4 pence (2022: 0.0 pence). On a diluted basis, EPS was -13.4 pence (2022: 0.0 pence).

However, after adjustments, Headline EPS from continuing operations was 3.1 pence (2022: 6.9 pence) and, on a diluted basis, was 3.1 pence (2022: 6.9 pence).

Dividend

The Board has historically adopted a progressive dividend policy, aiming to grow dividends each year in line with earnings but always balancing the desire to reward shareholders via dividends with the need to fund the Group's growth ambitions and maintain a strong balance sheet and healthy distributable reserves (2023: £33.7m, 2022: £41.0m).

As a consequence of the pressure on liquidity experienced in late 2023 and the resulting refinancing process the Board has made the decision to pause dividend payments until balance sheet strength is restored (2022: 2.50 pence per share). The Board will keep this decision under regular review.

Balance sheet

In common with other marketing communications groups the main features of our balance sheet are the goodwill and other intangible assets resulting from acquisitions made over the years and the debt taken on in connection with those acquisitions.

The Board undertakes an annual assessment of the value of all goodwill, explained further in Note 10. At 31 December 2023 the Board concluded that, in the case of the Story and Krow assets, an impairment adjustment would be required in order to provide a fairer reflection of value. These assets have delivered considerable cash inflows since their original acquisition and are still believed to have a value going forwards.

The level of intangible assets relating to acquisitions and internal investments decreased by £9.1m in the year. This movement being primarily a function of the acquisition of Mezzo in February netting off against the impairment of the Story and Krow goodwill and intangible assets. The level of 'total debt' (combined net bank debt and acquisition obligations) increased by £5.3m.

The Group's acquisition obligations at the end of 2023 were £5.5m (2022: £4.1m), to be satisfied by a mix of shares and cash in some instances, at the Group's discretion. All of this is dependent on post-acquisition earn-out profits. £1.7m is expected to fall due for payment in cash within 12 months and a further £2.8m which can be satisfied by a mix of shares and cash in the subsequent 12 months.

Dividend payments and expenditure on major capital projects such as acquisitions and investments have been paused until such time as the Directors believe that balance sheet strength is suitable.

The Directors therefore believe that the Group's current balance sheet can comfortably accommodate these acquisition obligations alongside the Group's commitments to standard capital expenditure (expected to run at similar levels to recent years).

Consolidated Net Current Assets closed at £5.6m (2022 £7.7m). This was in part the result of the increase in Acquisition Obligations noted above and in part a reduction in cash and short term deposits of £1.5m in comparison to 2022.

At the end of the year the Group's net bank debt stood at £15.4m (2022: £11.4m). On an adjusted basis (pre IFRS16) the leverage ratio of net bank debt to headline EBITDA was x2.0 at 31 December 2023 (2022: x1.2). The Group's adjusted ratio of total debt, including remaining acquisition obligations, to EBITDA at 31 December 2023 was x2.7 (2022: x1.6).

Cash flow

The cash flow in 2023 was defined by the highly unusual underlying working capital outflows, particularly across the second and third trading quarters.

The working capital movement is defined as the aggregate movement in receivables, stock and payables and was at an overall level reported as an inflow of £0.3m (2022: £1.1m). However, within this there were two key movements. The first relates to an increase in the Other tax and social security creditor, primarily as a result of £4.3m of delayed VAT and PAYE payments, a payment plan having been agreed with HMRC whereby all delayed payments will be repaid by the end of May 2024.

This inflow mitigates working capital outflows stemming from the increase in inventory (£0.8m), increase in prepayments (£1.0m) and an increase in trade receivables of £1.8m as a result of the late sales cycle in 2023, with more sales falling into November and December than in 2022.

As previously noted, banking headroom came under pressure during the later months of the year. One reason for this was the extended nature of the working capital cycle as assignments took considerably longer to get from 'bid' status through to purchase order, then billing and finally cash collection. The extension of this cycle, combined with how late in the year many sales were delivered put considerable pressure on working capital as the year progressed. This was mitigated almost entirely by the end of the year but nonetheless had a significant impact on the business especially when combined with a drastic reduction in deferred income balances across that same period, as occurred this year.

Capital expenditure in the year includes the refit of the new London offices (£1.6m).

The closing net bank debt position for 2023 was £15.4m. This represents an increase in net debt of £4.0m on the 2022 year-end net bank debt of £11.4m.

Headline operating profit from continuing operations of £6.5m (2022: £8.8m) converted into £1.8m (2022: £8.5m) of 'free cash flow' (defined as net cash inflow from operating activities less tangible and intangible capital expenditure).

Bank loans increased by £2.5m and this, coupled with the free cash flow and net proceeds from the disposal of Pathfinder provided funding for new acquisitions amounting to £0.4m (2022: £1.9m), the settlement of contingent obligations relating to the profits generated by previous acquisitions totalling £0.4m (2022: £0.8m) and dividends of £1.7m (2022: £2.2m).

Working capital days: Total debtor days and work in progress days both increased and creditors days remained in line with last year. Overall, the Group's total working capital days of 17.1 represents a deterioration from the 2022 equivalent (9.6 days), albeit fairly similar to 2021 (15.0 days).

Going concern

The Board believe that, through the actions taken in recent months and described above, the Group is well placed to recover previous levels of profitability, cash generation and facility headroom. However, further scenario modelling has been undertaken of the Group's net debt position into the reasonably foreseeable future. This modelling included cautious assumptions about trading performance, investment plans and acquisition consideration obligations. The principal uncertainty in the projections is the continued growth of the trading agencies in an unpredictable macro-economic environment and potential increases in cost base that are not proportionate to revenue growth.

The Directors have considered the resulting financial projections and cash flow projections for the Group alongside the availability of renewed committed bank facilities of £20m (expiring 5 April 2026), an overdraft facility of £9m (which will reduce to £3m in the event there is a deleveraging event - further information in note 20 to the financial statements), and the headroom afforded against Total Debt Leverage and Bank Debt Leverage covenant tests for the coming 12 months. This successful recent facility renewal is against the backdrop of the challenging trading conditions experienced in FY23 which resulted in significant strain on working capital particularly in the latter half of the year as described earlier. These conditions led to potential covenant compliance difficulties and a formal waiver of the covenant requirements before the year end as part of a package of measures ultimately resulting in the new facility. The revised position leaves the Group much better placed to navigate its funding needs going forward in the knowledge that the bank has been supportive of the measures already taken and demonstrates confidence in the strategies adopted by the Board to lower the overall debt position.

The Directors have also considered and understood the mitigating actions that would be required in the event of reduced revenue profiles and any further consequential difficulties with covenant compliance. Such potential mitigating actions would include a review of headcount, particularly in the areas impacted by any downturn. Furthermore the Group have considered actions that can be taken should increased headroom be required. This would most likely be the disposal of non-core or high value agency assets.

Against these scenarios, the Group was demonstrated to have adequate headroom against the facilities described above. This leads the Directors to become satisfied that, taking account of reasonably possible changes in trading performance, it is appropriate to adopt the going concern basis in preparing the financial statements.

Key performance indicators

KPIs are designed to monitor the Group's revenue and profit growth, within a safe capital structure.

The targets, along with the outcome for 2023 are as follows:

- Achieve organic revenue growth of at least 5% per year [delivered + 2%];
- Increase headline operating profit margins to 14% [delivered 8%];
- Grow headline profit before tax by 10% year-on-year; and [delivered a 47% reduction]
- Maintain the ratio of net bank debt to EBITDA* at or below x1.5 [delivered x2.0] and the ratio of total debt (including both bank debt and deferred acquisition consideration) to EBITDA at or below x2.0 [delivered x2.7].

*EBITDA is headline operating profit before depreciation and amortisation charges.

At the individual Agency level, the Group's financial KPIs comprise revenue and controllable profitability measures, predominantly based on the achievement of the annual budget. More detailed KPIs are applied within individual Agencies. In addition to financial KPIs, the Board periodically monitors the length of Client relationships, the forward visibility of revenue and the retention of key staff.

Outlook

We enter the year expecting 2024 to be another year of growth, albeit at a time of increasing global macro-economic & political uncertainty.

The year has started well and prospects for organic growth and recovery are good. We also expect to make additional margin improvements in spite of the cost pressures impacting our sector and we

make additional margin improvements in spite of the cost pressures impacting our sector and we anticipate reaping the benefits of our strategic review and the focus on the core operations, offerings and capabilities. Furthermore and as a result of the actions taken in 2023 this growth is well set to be highly cash generative.

Giles Lee

Group Chief Financial Officer

Consolidated Income Statement
For the year ended 31 December 2023

		Continuing operations 2023	Discontinued operations 2023	Total 2023	Continuing operations 2022	Discontinued operations 2022	Total 2022
	Note	£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER	2	195,450	438	195,888	182,324	361	182,685
Cost of sales		(109,130)	(208)	(109,338)	(102,767)	(104)	(102,871)
OPERATING INCOME	2	86,320	230	86,550	79,557	257	79,814
Headline operating expenses		(79,840)	(1,668)	(81,508)	(70,765)	(392)	(71,157)
HEADLINE OPERATING PROFIT / (LOSS)		6,480	(1,438)	5,042	8,792	(135)	8,657
Goodwill, business and intangible impairment	3	(10,409)	-	(10,409)	(2,396)	(2,861)	(5,257)
Profit on sale of Pathfinder (Note 17.3)		-	308	308	-	-	-
Start-up costs	3	(1,818)	-	(1,818)	(776)	-	(776)
Acquisition adjustments	3	(1,652)	-	(1,652)	(593)	-	(593)
Restructuring costs	3	(715)	-	(715)	(402)	-	(402)
Bank refinancing	3	(475)	-	(475)	-	-	-
OPERATING (LOSS) / PROFIT		(8,589)	(1,130)	(9,719)	4,625	(2,996)	1,629
Share of results of associates and joint ventures		150	-	150	160	-	160
(LOSS) / PROFIT BEFORE INTEREST AND TAXATION		(8,439)	(1,130)	(9,569)	4,785	(2,996)	1,789
Net finance costs	5	(2,472)	-	(2,472)	(1,046)	-	(1,046)
(LOSS) / PROFIT BEFORE TAXATION	6	(10,911)	(1,130)	(12,041)	3,739	(2,996)	743
Taxation	7	(225)	387	162	(1,273)	566	(707)
(LOSS) / PROFIT FOR THE YEAR		(11,136)	(743)	(11,879)	2,466	(2,430)	36
Attributable to:							
Equity holders of the parent		(11,283)	(743)	(12,026)	2,439	(2,430)	9
Non-controlling interests		147	-	147	27	0	27
		(11,136)	(743)	(11,879)	2,466	(2,430)	36
Basic earnings per share (pence)	9	(12.6)	(0.8)	(13.4)	2.7	(2.7)	0.0
Diluted earnings per share (pence)	9	(12.6)	(0.8)	(13.4)	2.7	(2.7)	0.0

Headline basic earnings per share (pence)	9	3.1	(1.2)	1.9	6.9	(0.1)	6.8
Headline diluted earnings per share (pence)	9	3.1	(1.2)	1.9	6.9	(0.1)	6.7

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2023

	Continuing operations 2023	Discontinuing operations 2023	Total Year to 31 December 2023	Continuing operations 2022	Discontinuing operations 2022	Total Year to 31 December 2022
	£'000	£'000	£'000	£'000	£'000	£'000
(LOSS) / PROFIT FOR THE YEAR	(11,136)	(743)	(11,879)	2,466	(2,430)	36
Other comprehensive income - items that may be reclassified separately to profit or loss:						
Exchange differences on translation of foreign operations	(271)	-	(271)	(688)	-	(688)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR	(11,407)	(743)	(12,150)	1,778	(2,430)	(652)
Attributable to:						
Equity holders of the parent	(11,561)	(743)	(12,304)	1,829	(2,430)	(601)
Non-controlling interests	154	-	154	(51)	-	(51)
	(11,407)	(743)	(12,150)	1,778	(2,430)	(652)

Consolidated Balance Sheet
As at 31 December 2023

	Note	As at 31 December 2023 £'000	As at 31 December 2022 £'000
FIXED ASSETS			
Intangible assets	10	90,628	99,741
Property, plant and equipment		3,209	2,090
Right of use assets	11	16,432	9,536
Investments, associates and joint ventures	12	587	437
		110,856	111,804
CURRENT ASSETS			
Stock		2,981	2,185
Trade and other receivables	13	44,676	41,255
Corporation tax receivable		447	-
Cash and short term deposits		4,632	6,153
		52,736	49,593
CURRENT LIABILITIES			
Trade and other payables	14	(45,388)	(39,667)
Corporation tax payable		-	(794)
Bank loans	15	(21)	(27)
Acquisition obligations	17.1	(1,745)	(1,371)
		(47,154)	(41,859)
NET CURRENT ASSETS		5,582	7,734
TOTAL ASSETS LESS CURRENT LIABILITIES		116,438	119,538
NON CURRENT LIABILITIES			

NON-CURRENT LIABILITIES			
Bank loans	15	(19,973)	(17,488)
Lease liabilities	16	(15,768)	(8,481)
Acquisition obligations	17.1	(3,720)	(2,772)
Deferred tax liabilities		(524)	(622)
		(39,985)	(29,363)
NET ASSETS		76,453	90,175
CAPITAL AND RESERVES			
Called up share capital	18	9,102	9,102
Share premium account		45,928	45,928
Own shares	19	(942)	(994)
Share-based incentive reserve		1,107	1,010
Foreign currency translation reserve		(888)	(610)
Retained earnings		21,967	35,558
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		76,274	89,994
Non-controlling interests		179	181
TOTAL EQUITY		76,453	90,175

Consolidated Cash Flow Statement
For the year ended 31 December 2023

	Continuing operation 2023	Discontinued operations 2023	Total 2023	Continuing operation 2022	Discontinued operations 2022	Total 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Operating (loss) / profit	(8,589)	(1,130)	(9,719)	4,625	(2,996)	1,629
Depreciation, amortisation and impairment charges	15,343	31	15,374	6,078	2,623	8,701
Increase / (decrease) in the fair value of contingent consideration	434	-	434	(334)	-	(334)
Profit on sale of Pathfinder Ltd (Profit) / loss on disposal of property, plant and equipment and software and intellectual property	-	(308)	(308)	-	-	-
Non-cash charge for share options, growth shares and shares awarded, net of awards settled in cash	94	-	94	(11)	21	10
(Increase) / decrease in receivables	79	-	79	73	-	73
(Increase) / decrease in payables	(2,945)	(67)	(3,012)	114	35	149
OPERATING CASH FLOWS	9,094	(2,794)	6,300	11,470	(259)	11,211
Net finance costs paid	(2,471)	-	(2,471)	(1,002)	-	(1,002)
Tax paid	(2,411)	637	(1,774)	(458)	(24)	(482)
Net cash inflow / (outflow) from operating activities	4,212	(2,157)	2,055	10,010	(283)	9,727
INVESTING ACTIVITIES						
Proceeds on disposal of property, plant and equipment	2	-	2	64	-	64
Purchase of property, plant and equipment	(2,340)	(3)	(2,343)	(1,019)	(73)	(1,092)
Investment in software and product development	(111)	-	(111)	(456)	(1,396)	(1,852)
Acquisitions of, or investments in, businesses	(397)	-	(397)	(1,893)	-	(1,893)
Payment relating to acquisitions made in prior years	(393)	-	(393)	(790)	-	(790)
Cash acquired with subsidiaries	71	-	71	271	-	271
Proceeds on disposal of Pathfinder	-	1,050	1,050	-	-	-
Costs of disposal of Pathfinder	-	(187)	(187)	-	-	-
Net cash (outflow) / inflow	(2,169)	860	(1,309)	(12,028)	(1,469)	(13,497)

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023
For the year ended 31 December 2023

[illegible]

[illegible]

operations									
Total Group	67,215	26,128	4,438	30,983	10,373	40,876	15,437	438	195,888
Operating income									
Continuing operations	20,785	18,195	3,949	15,038	6,675	15,084	6,594	-	86,320
Discontinued operations	-	-	-	-	-	-	-	230	230
Total Group	20,785	18,195	3,949	15,038	6,675	15,084	6,594	230	86,550
Headline operating profit / (loss)									
Continuing operations	2,831	1,322	712	2,303	1,368	165	(2,221)	-	6,480
Discontinued operations	-	-	-	-	-	-	-	(1,438)	(1,438)
Total Group	2,831	1,322	712	2,303	1,368	165	(2,221)	(1,438)	5,042
	Business & Corporate	Consumer & Lifestyle	Health & Wellness	Property	Sports & Entertainment	Technology & Mobility	MISSION Advantage & Central	Investments	Total
Year to 31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover									
Continuing operations	62,134	24,880	4,694	26,505	6,040	48,527	9,544	-	182,324
Discontinued operations	-	-	-	-	-	-	-	361	361
Total Group	62,134	24,880	4,694	26,505	6,040	48,527	9,544	361	182,685
Operating income									
Continuing operations	20,637	18,243	3,891	13,353	3,352	17,295	2,786	-	79,557
Discontinued operations	-	-	-	-	-	-	-	257	257
Total Group	20,637	18,243	3,891	13,353	3,352	17,295	2,786	257	79,814
Headline operating profit / (loss)									
Continuing operations	2,459	1,182	953	1,895	654	3,369	(1,720)	-	8,792
Discontinued operations	-	-	-	-	-	-	-	(135)	(135)
Total Group	2,459	1,182	953	1,895	654	3,369	(1,720)	(135)	8,657

As contracts typically have an original expected duration of less than one year, the full amount of the accrued income balance at the beginning of the year is recognised in revenue during the year. The vast majority of turnover is recognised over time.

Geographical segmentation

The following table provides an analysis of the Group's operating income by region of activity:

	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
UK	75,278	67,766
USA	7.688	9.156

Asia	3,340	2,667
Rest of Europe	244	225
	86,550	79,814

3. Reconciliation of Headline Profit to Reported Profit

The Board believes that headline profits, which eliminate certain amounts from the reported figures, provide a better understanding of the underlying trading of the Group.

	Year ended 31 December 2023		Year ended 31 December 2022	
	PBT £'000	PAT £'000	PBT £'000	PAT £'000
From continuing and discontinued operations				
Headline profit	2,720	1,855	7,771	6,130
Goodwill, business and intangible impairment	(10,409)	(10,381)	(5,257)	(4,697)
Profit on sale of Pathfindr (Note 17.3)	308	355	-	-
Start-up costs	(1,818)	(1,363)	(776)	(629)
Acquisition-related items (Note 4)	(1,652)	(1,453)	(593)	(443)
Restructuring costs	(715)	(536)	(402)	(325)
Bank refinancing costs	(475)	(356)	-	-
Reported (loss) / profit	(12,041)	(11,879)	743	36
From continuing operations				
Headline profit	4,158	2,953	7,906	6,229
Goodwill, business and intangible impairment	(10,409)	(10,381)	(2,396)	(2,366)
Start-up costs	(1,818)	(1,363)	(776)	(629)
Acquisition-related items (Note 4)	(1,652)	(1,453)	(593)	(443)
Restructuring costs	(715)	(536)	(402)	(325)
Bank refinancing costs	(475)	(356)	-	-
Reported (loss) / profit	(10,911)	(11,136)	3,739	2,466
From discontinued operations				
Headline loss	(1,438)	(1,098)	(135)	(99)
Goodwill, business and intangible impairment	-	-	(2,861)	(2,331)
Profit on sale of Pathfindr (Note 17.3)	308	355	-	-
Reported loss	(1,130)	(743)	(2,996)	(2,430)

In 2022 goodwill, business and intangible impairment costs related to Splash goodwill and the impairment of Pathfindr fixed assets and stock, following a review of the valuation of these cash generating units and assets, and the loss on disposal of the Fenturi investment in associate and write-off of intercompany balance. In 2023, goodwill, business and intangible impairment costs relate to the impairment of Story UK Ltd, Story Agency Ltd, Krow Agency Ltd and Krow Communications Ltd goodwill and the write off of the Mission Brand Bonding Index intangible asset.

Start-up costs derive from organically started businesses or loss-making businesses acquired and comprise the trading losses of such entities until the earlier of two years from commencement or when they show evidence of becoming sustainably profitable. Start-up costs in 2022 related to the trading losses of the new Livity youth-marketing offer as well as costs associated with the early-stage foundation of performance marketing and data science capabilities. Start-up costs in 2023 relate to Livity, the launch of Turbine, an integrated Growth Media agency, specialising in owned, earned and paid media for consumer facing brands, the trading losses of BLS China launched in 2023, as well as costs associated with the early-stage foundation of performance marketing and data science capabilities.

Restructuring costs in 2022 comprised costs associated with the major fundamental restructuring of the Splash business. In 2023, restructuring costs consist of costs of closing down the April Six Singapore office, and redundancy, PILON and TUPE related costs associated with restructuring and right sizing of various business units in the last quarter of the year following the downgraded full year profit expectation announced to the market.

Bank refinancing costs in 2023 consist of fees from various consulting and legal firms used to assist and advise the bank in the refinancing process, and other related costs associated with this process.

4. Acquisition Adjustments

	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Movement in fair value of contingent consideration	(434)	334
Amortisation of other intangibles recognised on acquisitions	(942)	(519)
Acquisition transaction costs expensed	(276)	(408)
	<u>(1,652)</u>	<u>(593)</u>

The movement in fair value of contingent consideration relates to a net upward (2022: downward) revision in the estimate payable to vendors of businesses acquired. Acquisition transaction costs relate to professional fees in connection with acquisitions made or contemplated.

5. Net Finance Costs

	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Interest on bank loans and overdrafts, net of interest on bank deposits	(1,795)	(656)
Amortisation of bank debt arrangement fees	(45)	(48)
Interest expense on lease liabilities	(632)	(342)
Net finance costs	<u>(2,472)</u>	<u>(1,046)</u>

6. Profit Before Taxation

Profit or loss on ordinary activities before taxation is stated after charging / (crediting):

	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Depreciation of owned tangible fixed assets	1,171	1,068
Depreciation expense on right of use assets	2,612	1,918
Amortisation of intangible assets recognised on acquisitions	942	519
Amortisation of other intangible assets	353	337
Expense relating to short term leases	388	376
Expense relating to low value leases	29	12
Income from subleasing right of use assets	(153)	(194)
Staff costs	63,095	55,032
Bad debts and net movement in provision for bad debts	(5)	386
Auditors' remuneration	267	238
Loss / (profit) on foreign exchange	589	(411)

7. Taxation

	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
Current tax:		
UK corporation tax at 23.52% (2022: 19.00%)	(123)	380
Adjustment for prior periods	45	(36)
Foreign tax on profits of the period	135	364
	<u>57</u>	<u>708</u>
Deferred tax:		
Current year originating temporary differences	(219)	(1)
Tax charge for the year	<u>(162)</u>	<u>707</u>

Factors Affecting the Tax Charge for the Current Year:

The tax assessed for the year is higher (2022: higher) than the standard rate of corporation tax in the UK. The differences are:

Year to	Year to
---------	---------

	31 December 2023	31 December 2022
	£'000	£'000
Profit before taxation	(12,041)	743
Profit on ordinary activities before tax at the standard rate of corporation tax of 23.52% (2022: 19.00%)	(2,832)	141
Effect of:		
Rate changes	(11)	(99)
Non-deductible expenses / income not taxable	2,696	562
Depreciation (lower than) / in excess of capital allowances	(5)	(76)
Differences in overseas tax rates	(23)	190
Adjustments in respect of prior periods	45	(36)
Other differences	(32)	25
Actual tax charge for the year	(162)	707

8. Dividends

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Amounts recognised as distributions to equity holders in the year:		
Interim dividend of nil (2022: 0.83 pence) per share	-	743
Final dividend of 1.67 pence (2022: 1.60 pence) per share	1,495	1,437
	1,495	2,180

The Board has made the decision to pause further dividend payments until balance sheet strength is restored.

9. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data, determined in accordance with the provisions of IAS 33: Earnings Per Share.

	Year to 31 December 2023	Year to 31 December 2022
	£'000	£'000
Earnings		
Reported (loss) / profit for the year		
From continuing and discontinued operations	(11,879)	36
Attributable to:		
Equity holders of the parent	(12,026)	9
Non-controlling interests	147	27
	(11,879)	36
From continuing operations	(11,136)	2,466
Attributable to:		
Equity holders of the parent	(11,283)	2,439
Non-controlling interests	147	27
	(11,136)	2,466
From discontinued operations	(743)	(2,430)
Attributable to:		
Equity holders of the parent	(743)	(2,430)
Non-controlling interests	-	-
	(743)	(2,430)
Headline earnings (Note 3)		
From continuing and discontinued operations	1,855	6,130
Attributable to:		
Equity holders of the parent	1,708	6,103
Non-controlling interests	147	27

	1,855	6,130
From continuing operations	2,953	6,229
Attributable to:		
Equity holders of the parent	2,806	6,202
Non-controlling interests	147	27
	2,953	6,229
From discontinued operations	(1,098)	(99)
Attributable to:		
Equity holders of the parent	(1,098)	(99)
Non-controlling interests	-	-
	(1,098)	(99)
Number of shares		
Weighted average number of Ordinary shares for the purpose of basic earnings per share	89,549,143	89,906,999
Dilutive effect of securities:		
Employee share options	341,144	617,992
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	89,890,287	90,524,991
Reported basis		
From continuing and discontinued operations		
Basic earnings per share (pence)	(13.4)	0.0
Diluted earnings per share (pence)	(13.4)	0.0
From continuing operations		
Basic earnings per share (pence)	(12.6)	2.7
Diluted earnings per share (pence)	(12.6)	2.7
From discontinued operations		
Basic earnings per share (pence)	(0.8)	(2.7)
Diluted earnings per share (pence)	(0.8)	(2.7)
Headline basis:		
From continuing and discontinued operations		
Basic earnings per share (pence)	1.9	6.8
Diluted earnings per share (pence)	1.9	6.7
From continuing operations		
Basic earnings per share (pence)	3.1	6.9
Diluted earnings per share (pence)	3.1	6.9
From discontinued operations		
Basic earnings per share (pence)	(1.2)	(0.1)
Diluted earnings per share (pence)	(1.2)	(0.1)

A reconciliation of the profit after tax on a reported basis and the headline basis is given in Note 3.

10. Intangible Assets

	31 December 2023	31 December 2022
	£'000	£'000
Goodwill	87,857	96,213
Other intangible assets	2,771	3,528
	90,628	99,741

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill. The review performed assesses whether the carrying value of goodwill is supported by the net present value of projected cash flows derived from the underlying assets for each cash-generating unit ("CGU"), discounted using an appropriate discount rate. It is the Directors' judgement that each distinct Agency represents a CGU. The initial projection period of four years includes the annual budget for each CGU based on insight into Clients' planned marketing expenditure and

the annual budget for each CGU, based on insight into clients planned marketing expenditure and targets for net new business growth derived from historical experience, and extrapolations of the budget in subsequent years based on known factors and estimated trends. The key assumptions used by each CGU concern revenue growth and staffing levels and different assumptions are made by different CGUs based on their individual circumstances. These assumptions are arrived at after considering factors such as historical client spend and levels of client retention, client wins secured and historical ratios of staff costs to revenue. Beyond this initial projection period, a generic long term growth rate of 1.0% is assumed for all units based on information published by market analysts. The resulting pre-tax cash flow forecasts were discounted using the Group's estimated pre-tax Weighted Average Cost of Capital ("WACC"), which is 9.9% (2022: 8.4%).

As a result of the performance and restructuring of the operations of Story Agency Ltd, Story UK Ltd, Krow Agency Ltd and Krow Communications Ltd, and having calculated the net present value of projected cash flows derived from these operations, the Directors considered it prudent to impair £10,296,000 of goodwill relating to these CGUs. No other impairments in goodwill were required.

The long-term growth rate assumed of 1.0% is lower than past UK averages and that historically used (2022: 2.0%), so provides natural headroom in the calculations. For example, an increase to the historical level used of 2% results in combined headroom of £2m for the impaired CGUs and £16m higher value in use across all operations. Any adverse movement in the assumptions used results in further impairment to goodwill due to the nature of the calculations, which record the operations at their forecast recoverable amounts (using the assumptions set out above).

11. Right of Use Assets

The Group leases several assets including property, office equipment, computer equipment and motor vehicles.

	Property	Office equipment, computer equipment and motor vehicles	Total
	£'000	£'000	£'000
Cost			
At 1 January 2022	15,551	2,169	17,720
Acquisition of subsidiaries	123	-	123
Additions	1,704	478	2,182
Disposals	(2,210)	(248)	(2,458)
At 31 December 2022	15,168	2,399	17,567
Additions	9,256	252	9,508
Disposals	(1,540)	(243)	(1,783)
At 31 December 2023	22,884	2,408	25,292
Depreciation			
At 1 January 2022	6,736	1,835	8,571
Charge for the year	1,638	280	1,918
Disposals	(2,210)	(248)	(2,458)
At 31 December 2022	6,164	1,867	8,031
Charge for the year	2,259	353	2,612
Disposals	(1,540)	(243)	(1,783)
At 31 December 2023	6,883	1,977	8,860
Net book value at 31 December 2023	16,001	431	16,432
Net book value at 31 December 2022	9,004	532	9,536

The increase in Right of Use Assets in 2023 relates to the entering into of new leases, most notably the new long term London office lease.

12. Investments, Associates and Joint Ventures

	Year to 31 December 2023 £'000	Year to 31 December 2022 £'000
At 1 January	437	517
Profit during the year	150	160

from selling the year

Disposal of Fenturi

At 31 December

-	(240)
587	437

13. Trade and Other Receivables

	31 December 2023 £'000	31 December 2022 £'000
Trade receivables	26,858	25,052
Accrued income	13,476	13,273
Prepayments	3,005	2,051
Other receivables	1,337	879
	44,676	41,255

An allowance has been made for estimated irrecoverable amounts from the provision of services of £25,000 (2022: £228,000). In 2022, one specific debtor was provided for which accounted for the majority of the allowance. This debtor was partially recovered in 2023 and the remaining balance written off, resulting in the decrease in provision for irrecoverable amounts in 2023. The estimated irrecoverable amount is arrived at by considering the historical loss rate and adjusting for current expectations, Client base and economic conditions. Both historical losses and expected future losses being very low, the Directors consider it appropriate to apply a single average rate for expected credit losses to the overall population of trade receivables and accrued income. Accrued income relates to unbilled work in progress and has substantially the same risk characteristics as the trade receivables for the same types of contracts. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

	31 December 2023 £'000	31 December 2022 £'000
Gross trade receivables	26,883	25,280
Gross accrued income	13,476	13,273
Total trade receivables and accrued income	40,359	38,553
Expected loss rate	0.1%	0.6%
Provision for doubtful debts	25	228

Trade receivables include £8.8m (2022: £6.5m) that is past due but not impaired, of which £1.0m (2022: £1.0m) is greater than 3 months past due.

14. Trade and Other Payables

	31 December 2023 £'000	31 December 2022 £'000
Trade creditors	14,026	14,454
Deferred income	8,533	8,903
Other creditors and accruals	11,163	10,771
Other tax and social security payable	9,683	3,957
Lease liabilities (Note 16)	1,983	1,582
	45,388	39,667

Other tax and social security increased as a result of delayed VAT and PAYE payments, with a payment plan having been agreed with HMRC whereby all delayed payments will be repaid by the end of May 2024.

15. Bank Overdrafts, Loans and Net Bank Debt

	31 December 2023 £'000	31 December 2022 £'000
Bank loan outstanding	20,049	17,575
Unamortised bank debt arrangement fees	(55)	(60)
Carrying value of loan outstanding	19,994	17,515
Less: Cash and short term deposits	(4,632)	(6,153)

Net bank debt	15,362	11,362
The borrowings are repayable as follows:		
Less than one year	21	27
In one to two years	20,023	17,521
In two to three years	5	22
In three to four years	-	5
	20,049	17,575
Unamortised bank debt arrangement fees	(55)	(60)
	19,994	17,515
Less: Amount due for settlement within 12 months (shown under current liabilities)	(21)	(27)
Amount due for settlement after 12 months	19,973	17,488

Bank debt arrangement fees, where they can be amortised over the life of the loan facility, are included in finance costs. The unamortised portion is reported as a reduction in bank loans outstanding.

Included in the above is £49,000 of bank loans owing by Populate Social Ltd, one of the companies acquired during 2022. These borrowings are repayable over a three year period.

At 31 December 2023, the Group's committed bank facilities comprised a revolving credit facility of £20.0m, with an option to increase the facility by £5.0m. On 8 March 2023 the Group exercised the option to extend by one year, the facility now expiring on 5 April 2025. Interest on the facility is based on SONIA (sterling overnight index average) plus a margin of between 1.50% and 2.25% depending on the Group's debt leverage ratio, payable in cash on loan rollover dates. On 27 March 2024, the Group agreed a new revolving credit facility of £20m, expiring on 5 April 2026. Interest on the new facility is based on SONIA (sterling overnight index average) plus a margin of between 2.25% and 4.90% depending on the Group's debt leverage ratio, payable in cash on loan rollover dates.

In addition to its committed facilities, the Group has available an overdraft facility of up to £9.0m with interest payable by reference to National Westminster Bank plc Base Rate plus 2.25%.

At 31 December 2023, there was a cross guarantee structure in place with the Group's bankers by means of a fixed and floating charge over all of the assets of the Group companies in favour of National Westminster Bank plc.

All borrowings are in sterling.

16. Lease Liabilities

Obligations under leases are due as follows:

	31 December 2023	31 December 2022
	£'000	£'000
In one year or less (shown in trade and other payables)	1,983	1,582
In more than one year	15,768	8,481
	17,751	10,063

17. Acquisitions

17.1 Acquisition Obligations

The terms of an acquisition provide that the value of the purchase consideration, which may be payable in cash or shares at a future date, depends on uncertain future events such as the future performance of the acquired company. The Directors estimate that the liability for contingent consideration payments is as follows:

31 December 2023			31 December 2022		
Cash	Shares	Total	Cash	Shares	Total
£'000	£'000	£'000	£'000	£'000	£'000

Less than one year	1,745	-	1,745	1,371	-	1,371
Between one and two years	2,830	-	2,830	53	-	53
In more than two years but less than three years	890	-	890	1,820	-	1,820
In more than three years but less than four years	-	-	-	899	-	899
	5,465	-	5,465	4,143	-	4,143

A reconciliation of acquisition obligations during the period is as follows:

	Cash £'000	Shares £'000	Total £'000
At 31 December 2022	4,143	-	4,143
Obligations settled in the period	(393)	-	(393)
Adjustments to estimates of obligations	434	-	434
New acquisitions	1,281	-	1,281
At 31 December 2023	5,465	-	5,465

17.2 Acquisition of Mezzo Labs Ltd

On 13 February 2023, the Group acquired the entire issued share capital of Mezzo Labs Ltd ("Mezzo"). Mezzo is a leading provider of innovative data services with over 16 years' experience in data strategy and architecture, web analytics, CX analytics, marketing automation, insights generation, data science, Conversion Rate Optimisation (CRO) and personalisation. Headquartered in London, the company also has operations in Singapore. The fair value of the consideration given for the acquisition was £1,678,000, comprising initial cash consideration and deferred contingent consideration. The deferred contingent consideration is to be satisfied by the issue of new ordinary shares up to a maximum of 40% at MISSION's discretion, with the balance payable in cash. Costs relating to the acquisition amounted to £81,000 and were expensed.

Maximum contingent consideration of £4,000,000 is dependent on Mezzo achieving a profit target over the period 1 January 2023 to 31 December 2024. The Group has provided for contingent consideration of £1,466,000 to date.

The book value of the net identifiable liabilities acquired was £594,000 resulting in goodwill and previously unrecognised other intangible assets of £2,272,000. Goodwill arises on consolidation and is not tax-deductible. Management carried out a review to assess whether any other intangible assets were acquired as part of the transaction. Management concluded that both a brand name and customer relationships were acquired and attributed a value to each of these by applying commonly accepted valuation methodologies. The goodwill arising on the acquisition is attributable to the anticipated profitability of Mezzo.

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Net assets acquired:			
Intangible assets	49	-	49
Fixed assets	19	-	19
Trade and other receivables	368	-	368
Cash and cash equivalents	71	-	71
Trade and other payables	(1,088)	-	(1,088)
Deferred tax	(13)	-	(13)
	(594)	-	(594)
Other intangibles recognised at acquisition	-	470	470
Deferred tax adjustment	-	(118)	(118)
	(594)	352	(242)
Goodwill			1,920
Total consideration			1,678
Satisfied by:			
Cash			397
Deferred contingent consideration			1,281
			1,678

Mezzo contributed turnover of £2,536,000, operating income of £2,369,000 and headline operating profit of £583,000 to the results of the Group in 2023.

17.3 Sale of Pathfindr Ltd

During the year, the Group considered different strategies to reduce leverage, including divestments of non-core operations. As a result of this review, on 29 December 2023, the Group disposed of its 80% share in Pathfindr Ltd. The consideration, assets disposed of and costs of disposal were as follows:

	£'000
Upfront cash consideration received	1,050
Working capital surplus payment to be received	250
Total consideration	1,300
Net assets disposed of:	
Fixed assets	68
Trade and other receivables	204
Stock	372
Corporation and deferred tax	366
Trade and other payables	(206)
	804
Disposal costs	188
Total cost of disposal	992
Profit on sale of Pathfindr	308

17.4 Pro-forma results including acquisitions

The Directors estimate that, had the Group consolidated the results of acquisitions made during the year, from the beginning of the year, the turnover, operating income and headline operating profit of the Group would not have been materially different to the numbers presented in the consolidated income statement.

18. Share Capital

	31 December 2023 £'000	31 December 2022 £'000
Allotted and called up:		
91,015,897 Ordinary shares of 10p each (2022: 91,015,897 Ordinary shares of 10p each)	9,102	9,102

Share-based incentives

The Group has the following share-based incentives in issue:

	At start of year	Granted/ acquired	Waived/ lapsed	Exercised	At end of year
TMMG Long Term Incentive Plan	393,221	-	-	(133,029)	260,192
Growth Share Scheme	3,200,000	-	(578,766)	-	2,621,234

The TMMG Long Term Incentive Plan ("LTIP") was created to incentivise senior employees across the Group. Nil-cost options are awarded at the discretion of, and vest based on criteria established by, the Remuneration Committee. During the year, 133,029 options were exercised at an average share price of 29.3p and at the end of the year 260,192 of the outstanding options are exercisable.

Shares held in an Employee Benefit Trust (see Note 19) will be used to satisfy share options exercised under the Long Term Incentive Plan.

A Growth Share Scheme was implemented in June 2021. Participants in the scheme subscribed for Ordinary B shares in The Mission Marketing Holdings Limited (the "growth shares") at a nominal value. These growth shares can be exchanged for an equivalent number of Ordinary Shares in **MISSION** if **MISSION**'s share price equals or exceeds 150p for at least 15 consecutive days during the period ending on the date the Company's financial results for the year ended 31st December 2023 are announced; if

not, they will have no value.

19. Own Shares

	No. of shares	£'000
At 31 December 2021	718,138	518
Own shares purchased	827,937	497
Awarded or sold during the year	(50,537)	(21)
At 31 December 2022	1,495,538	994
Awarded or sold during the year	(98,317)	(52)
At 31 December 2023	1,397,221	942

Shares are held in an Employee Benefit Trust to meet certain requirements of the Long Term Incentive Plan.

20. Post Balance Sheet Events

Debt Refinancing

On 20 December 2023, MISSION confirmed that it was in constructive dialogue with its long-standing lender, NatWest, with respect to the covenants and maturity of its banking facilities and that NatWest had agreed to waive the December 2023 covenant.

MISSION has now secured a new debt facility with NatWest, to replace its existing debt facility and extending the facility for a year to 5 April 2026. The Board is pleased with the ongoing support from NatWest.

The previous NatWest debt facility was a £20m Revolving Credit Facility and a £9m overdraft terminating in 2025. The new NatWest debt facility is a £20m Revolving Credit Facility, and a £9m overdraft which will reduce to £3m in the event there is a deleveraging event achieved by 30 June 2024 (the "New Debt Facility").

A deleveraging event is an equity raise (or other such deleveraging event to be agreed reasonably by NatWest) resulting in cash proceeds of no less than £4m to be undertaken by no later than 30 June 2024 (the "Deleveraging Event"). If the Deleveraging Event is not achieved by this deadline, this would not constitute an event of default under the New Debt Facility and the New Debt Facility would remain in place.

21. Further Information

Contingent Consideration

The Group has certain outstanding contingent deferred payment obligations in relation to past acquisitions subject to their post-completion financial performance.

A total of £1.75m in aggregate is due in late March and early April 2024 in relation to the previous acquisitions of Populate, Influence and Mezzo. In relation to the Mezzo and Influence acquisitions, the Board has determined that the split of consideration between cash and shares is up to £0.55m in MISSION shares, with the balance in cash. The final split of consideration will be announced once agreed with relevant sellers. The share element is expected to be part funded by shares held in MISSION's employee benefit trust with the balance as a new issue of shares by MISSION.

The Directors estimate that the additional contingent consideration payable in relation to previous acquisitions will be (i) 2025 - £2.8m; and (ii) 2026 - £0.9m. No contingent consideration in relation to previous acquisitions is payable after 2026. Certain of the contingent consideration payments may include an element of MISSION shares, which is subject to negotiation between the parties subject to certain contractual parameters.

Debt Refinancing

The following table sets out the interest margin above the Sterling Overnight Index Average ("SONIA") on the Revolving Credit Facility as part of the Current Debt Facility and the New Debt Facility at different leverage levels.

Senior Adjusted

Current Debt Facility

New Debt Facility

Senior Adjusted Leverage	Current Debt Facility, <£10m used >£10m used		New Debt Facility, <£10m used >£10m used	
3x-3.7x	2.00	2.25	4.65	4.90
2.5x-3x	2.00	2.25	3.50	3.75
2x-2.5x	2.00	2.25	3.25	3.50
1.5x-2x	1.75	2.00	3.00	3.25
1x-1.5x	1.75	2.00	2.50	2.75
<1x	1.50	1.75	2.25	2.50

The Group has received a covenant waiver for the March 2024 covenant test, and thereafter the covenants will be based on (i) senior adjusted leverage; (ii) adjusted leverage; and (iii) senior interest cover.

Senior adjusted leverage is calculated as Net debt (excluding acquisition obligations) / EBITDA (on a pre-IFRS 16 basis). Adjusted leverage is calculated as Net debt (including acquisition obligations) / EBITDA (on a pre-IFRS 16 basis). Senior interest cover is the ratio of EBITDA to finance charges (interest costs).

The covenant tests under the New Debt Facility before a Deleveraging Event are as follows:

	Senior Adjusted Leverage	Adjusted Leverage	Senior Interest Cover
March 2024	waived	waived	waived
June 2024	below 3.50:1	below 4.00:1	above 2.90:1
September 2024	below 3.70:1	below 4.20:1	above 3.20:1
thereafter	below 2.00:1	below 2.50:1	above 4.00:1

The covenant tests under the New Debt Facility after a Deleveraging Event are as follows:

	Senior Adjusted Leverage	Adjusted Leverage	Senior Interest Cover
March 2024	waived	waived	waived
June 2024	below 3.00:1	below 3.50:1	above 2.90:1
September 2024	below 3.00:1	below 3.50:1	above 3.20:1
thereafter	below 2.00:1	below 2.50:1	above 4.00:1

Engagement with shareholders and potential investors

In conjunction with the debt refinancing, MISSION engaged in discussions with certain shareholders and potential new investors in relation to a potential equity fundraising. Having considered the feedback from these discussions the Board has decided that now is not the appropriate time to raise additional equity capital, however the Board was pleased with the level of engagement and support from a number of investors.

Future Strategy

Following the 23 October 2023 trading update, the Board commenced a detailed operational review of the Group, including an immediate reassessment of financial expectations and resource allocation and the development and implementation of the Value Restoration Plan. The Group's operating model is focussed on the Group's key brand Agencies.

The Directors believe that focusing on the Group's key brand Agencies in 2024 and 2025 should improve profitability and enable a faster reduction in the Group's net debt. By 2026, the Group will look to accelerate earnings growth as enhanced offers and greater collaboration gain market share.

Five Year Financial Objectives

In conjunction with the work undertaken on the Value Restoration Plan and future strategy, the Board

have developed some longer-term targets, and the following five-year financial objectives have been adopted.

The target for the end of the 2028 financial year is to deliver £120m of revenue, £20m of adjusted EBITDA and the repayment of the Group's net debt, which the Directors believe will be driven by organic revenue growth at a compound annual growth rate of 6-7%, and the delivery of efficiencies by MISSION Advantage and MISSION Commercial, targeting a 14% operating margin in 2028, underpinned by careful cash management and capital allocation (the "2028 Target").

The Directors have considered the financial objectives comprised in the 2028 Group Target, which have been formulated by them after due and careful enquiry and confirm that they remain valid as at the date of this Announcement and that they have been properly compiled on the basis of the assumptions and accounting policies adopted by the Group.

Previous Approaches

The Board received a number of unsolicited preliminary takeover approaches from a potential offeror, both prior to and after the 23 October 2023 trading update, to acquire the Group. These proposals were considered thoroughly by the Directors, having sought independent financial advice, but were unanimously rejected as the Board felt that the proposals materially undervalued Mission, its business and prospects.

Non-Core Disposal

As announced on 20 December 2023, the Group has been in discussions regarding the potential disposal of two non-core business units, and on 5 January 2024 the Group confirmed the disposal of its 80% interest in Pathfinder for an initial consideration of £1m in cash.

In relation to the second non-core business unit, the Board believe that the terms offered by the potential acquirer of the business unit significantly undervalue the business unit and they do not believe that a disposal on these terms is in the best interests of the Group or its shareholders. Accordingly, discussions have now formally ceased with the potential acquirer.

CERTAIN INFORMATION CONTAINED ABOVE IN NOTE 21 "FURTHER INFORMATION" OF THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014 AS IT FORMS PART OF UK DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("MAR"), AND IS DISCLOSED IN ACCORDANCE WITH THE COMPANY'S OBLIGATIONS UNDER ARTICLE 17 OF MAR.

IN ADDITION, MARKET SOUNDINGS (AS DEFINED IN UK MAR) WERE TAKEN IN RESPECT OF CERTAIN OF THE MATTERS CONTAINED WITHIN THIS ANNOUNCEMENT, WITH THE RESULT THAT CERTAIN PERSONS BECAME AWARE OF INSIDE INFORMATION (AS DEFINED UNDER MAR). UPON THE PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THOSE PERSONS THAT RECEIVED INSIDE INFORMATION IN A MARKET SOUNDING ARE NO LONGER IN POSSESSION OF SUCH INSIDE INFORMATION, WHICH IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.



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