6 July 2023

TPXimpact Holdings PLC
("TPXimpact", "TPX" or the "Company")

Unaudited preliminary results for the year ended 31 March 2023

Results in line with the trading update made on 30 January 2023;
FY24 outlook unchanged

TPXimpact Holdings PLC (AIM: TPX), the technology-enabled services company focused on people-powered transformation, announces its unaudited preliminary results for the year ended 31 March 2023.

FY23 Financial highlights:

- Performance in line with market consensus[1]
- Strong momentum in new orders with £115m won in the year, including £36m in Q4
- Revenue up 5.0% to £83.7m (2022: £79.7m)
- Like-for-like revenue trends notably better in Q4 (-1.6%), with momentum continuing into FY24 (+5% in first two months). FY23 like-for-like revenues declined by 7.2%
- Adjusted EBITDA[2] of £2.5m (2022: £12.2m)
- Adjusted EBITDA margin of 3.0% (2022: 15.3%)
- Reported operating loss of £(19.4)m (2022: operating profit of £3.2m), after including £11.8m (2022: £Nil) non-cash impairment charge for goodwill/intangible assets
- Adjusted profit before tax on continuing operations of £0.7m (2022: £10.9m)
- Reported loss before tax on continuing operations of £(20.5)m (2022: profit before tax of £2.5m)
- Adjusted diluted earnings[2] per share from continuing operations of 0.7p (2022: 11.3p)
- Reported diluted loss per share from continuing operations of (21.1)p (2022: diluted earnings per share of 0.9p)
- Net debt[1] as at 31 March 2023 of £17.5m (31 March 2022: £10.1m)
- New banking arrangements agreed, providing a solid foundation for future goals

Operational and Impact highlights:

- New strategy, vision and branding launched as "People Powered Transformation"
- 72% of FY23 revenues from public services (2022: 72%)
- Staff retention rates showing marked improvement to current annualised run-rate of 84%
- Hub strategy enhanced with three new leases signed, including a single London office
- Integration of Peak Indicators and Swirrl acquisitions into a new Data & Insights Division
- Articles of Association amended so that our constitution now requires the Directors to consider the interests of all stakeholders in the Company, to support our journey to B-Corp certification
- Became a founding customer of CO2.com and have offset our entire historic carbon liability

Post-period trading and outlook:

- Trading for the first two months of FY24 in line with management expectations, with like-for-like revenue growth of over 5%
- Over £90m of new orders won in Q124 (including up to £49m four-year contract with His Majesty's Land Registry (HMLR) and up to £27.5m two-year contract with Department for Education)
- Over £80m of FY24 revenues are represented by committed (backlog) spend
- Net debt[1] at 31 May 2023 of £16.8m
- FY24 outlook unchanged with like-for-like revenue growth of 15-20% and Adjusted EBITDA margins of 5-6%
- Our three-year plan targets an Adjusted EBITDA margin of 10-12% in FY26

[1]Consensus figures for FY23: Revenue £83m, Adjusted EBITDA £2.5m
[2]*In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures, and include measures such as like-for-like revenue, adjusted EBITDA and net debt. All are defined in note 7.*

Bjorn Conway, Chief Executive Officer, commented:

"After a challenging year, TPXimpact has developed a clear strategy and a comprehensive three-year plan to leverage its strong foundations of successful client delivery and new business wins.

The start of FY23 marked the initiation of an internal change program aimed at achieving robust top-line growth in the medium to long term, through the consolidation of component businesses under a unified brand.

However, the change program faced challenges, and there were market disturbances due to national events and an uncertain political landscape, leading to revised market forecasts throughout the year. Despite these obstacles, I am pleased to report that the business met the revised forecast, with a robust order backlog exceeding £80m into FY24.

This achievement, driven by the exceptional performance of our business unit management teams, provides a solid foundation for improved business performance in FY24 and beyond. Since joining in October 2022, I have been impressed by the capability, passion, and commitment of our teams, as well as their positive impact on clients' organisations. It underscores the immense potential within TPXimpact to deliver value, foster entrepreneurialism, and achieve long-term growth while maintaining a sense of purpose."

TPXimpact will be hosting a webinar for analysts at 9:30am today. If you would like to register for the analyst webinar, please contact tpx@almapr.co.uk.

The Group will also be hosting a webinar for retail investors at 12.00 noon tomorrow. Retail investors can register for the webinar using the following link: https://bit.ly/TPX_FY23_webinar

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About TPXimpact

We believe in a world enriched by people-powered digital transformation. Working together in close collaboration, we want to help our clients reimagine their organisations, services and experiences to accelerate positive change and build a future where people, places and the planet are supported to thrive.

Led by passionate people, we care deeply about the work we do and the impact we have in the world. Working alongside our clients teams, we work to understand their unique challenges and find new ways forward together; challenging assumptions, testing new approaches and building capabilities, leaving them with the tools, the insight and the confidence to continue iterating and innovating.

Combining rich heritage and expertise in human-centred design, data, experience and technology, we bring over 15 years experience across the public, private and third sectors, creating sustainable solutions with the flexibility to learn, evolve and change.

The business is being increasingly recognised as a leading alternative digital transformation provider to the UK public services sector, with c.72% of its client base representing the public sector and c.28% representing the commercial sector.

More information is available at www.tpximpact.com.

Chairman's statement

Overview

FY23 has been a year of considerable change for TPXimpact in which the Group faced a combination of market issues and significant operational challenges as part of its integration project. The Board introduced a new management team in Björn Conway as Chief Executive Officer and Steve Winters as Chief Financial Officer to continue the good work of our co-founders, Neal Gandhi and Oliver Rigby.

I would like to reiterate my thanks to Neal and Olly for the exceptional leadership they showed in setting out their vision for TPXimpact to achieve its full potential through brand consolidation, and for their recognition in stepping down that a different type of leadership was required to take the Group forward.

Since my update on the HY23 interim results in November 2022, the focus for the Group has been navigating these internal operational challenges as we continue our process of consolidating under one brand. Nevertheless, TPXimpact's core go-to-market proposition is unchanged, with our teams continuing to deliver innovative end-to-end digital transformation across our four divisions: Consultancy, Digital Experience (DX), Data & Insight and International.

I am delighted with the way Björn and Steve have quickly embedded themselves within the heart of the organisation and have set about identifying those processes to help optimise our transition to one brand, as well as engaging with our teams across the Group. Following a tough first half which was significantly impacted by the scale of our consolidation project, and with trading below expectations into Q3, we were pleased to deliver a Q4 performance above our revised expectations, including a record number of new business wins and the signature of two significant contracts with two central government departments.

The Group continues to improve the efficiency of communication between our teams and systems. The Board remains convinced that this strategy to bring together our Group businesses under one unified brand is the correct and necessary decision, enabling TPXimpact to optimise its efficiency and support long-term and scalable growth.

It has been a particularly challenging year for the Group, and I would like to thank all our stakeholders – from our customers, our valued employees, and our shareholders – for their continued support throughout the year.

Market dynamics

Through its strong relationships across multiple sectors and extensive expertise in digital transformation services, TPXimpact is well-positioned in an attractive and rapidly expanding market.

More than ever across the public sector there is a need for organisations of all sizes to communicate more effectively and achieve efficiency savings. Across this complex and vast landscape, digital transformation services are poised to replace heritage and legacy systems. Equally, for those organisations in the commercial sector, there remains an ongoing need to drive efficiencies and maintain a competitive edge over their peers. The Group will seek to maintain a healthily diversified balance of work across Central Government, Local Government, Health, Charitable and Commercial sectors.

Our purpose

Despite the considerable change the Group has undergone operationally, at its core TPXimpact remains a purpose-led organisation committed to delivering a net benefit to the people, places and wider planet in which we operate. This sense of purpose is reflected in the values of the Group and through our colleagues, who care deeply about the need to accelerate positive change across society.

As part of our vision to support the next generation of talent, we are pleased to continue working with our fantastic charity partners; Apps for Good, Arkwright Scholars, In2Science and Telerik Academy. Each of these partnerships, alongside our own flagship Future Leaders programme have been supporting young people from diverse and underrepresented backgrounds to obtain the skills and support they need to be successful in the tech industry. This year our programmes reached over 870 beneficiaries.

Corporate governance

Throughout the challenges of FY23 we have maintained continuity as a Board. Neal Gandhi, founder and former CEO, joined the Board in a non-executive capacity and Oliver Rigby, founder and former CFO, provided transitional support and continues to support the ESG committee.

The Board of TPXimpact is committed to enhancing the governance of the organisation on an ongoing basis. We diligently monitor market conditions and regularly evaluate the key risks that affect the Group, while being mindful of the broader challenges faced by our end markets and stakeholders.

We deeply appreciate the trust and support of our shareholders, as we strive to create long-term value for them through purpose-driven initiatives. Ensuring that our shareholders are well-informed and actively involved is of utmost importance to us. Therefore, we prioritise regular updates and aim to enhance transparency in all our corporate communications.

People

The collective effort and commitment of all our colleagues throughout the year has been instrumental in navigating the challenges we faced, and I extend my gratitude to every member of our team for their support.

The new vision and strategy for the business has helped to re-engage employees and we are pleased to see the emphasis that the new management team has placed on open and transparent communication. The wider organisation has crowdsourced a new set of values to guide decision-making and behaviours in a more integrated Group.

Employee retention improved throughout FY23. The 12 month run-rate based on Q423 was c.84% and this improvement has continued into Q124. We are pleased to see the positive response and level of applicants for the new roles we have created within TPXimpact as the business grows to deliver the significant new contracts won in the latter part of FY23 and post-period.

We are pleased to report that our continued focus on D&I has seen progression during the period with our minority representation at a senior level increasing from 8% to 11%. We are pleased with the progress made and will continue to make TPXimpact a diverse and inclusive workplace for all employees.

Alongside the enhancement of diversity and inclusion in senior representation, we have achieved a reduction in both our gender pay gap and median ethnicity pay gap over the past year. Although there is more progress to be made in closing these gaps, our mean gender gap currently stands at 15%, aligning closely with the UK average for all employees in 2022 (14.9%).

We track employee satisfaction through regular pulse surveys and promptly address any areas for improvement.

Looking ahead

We are seeing the benefits of our broadened range of services coming through, enabling us to capitalise on the significant market opportunity available as the ongoing investment in digital transformation across both the public and commercial sectors continues.

Increased demand for our services is already being seen through the record post-period contract wins with the Department for Education and His Majesty's Land Registry, highlighting the value placed in our offering and the opportunity available as we increase efficiencies and operate as a unified brand.

As we continue to progress against our strategy, we are confident that we have the right team in place to achieve sustainable growth in an expanding market and build on the momentum seen so far in FY24.

Mark Smith

Chairman, TPXimpact

CEO Statement

After a challenging year, the Group now has a clear strategy and three-year plan to build on the already strong foundations of successful client delivery and new business wins

TPXimpact started FY23 with a plan to achieve strong top-line growth in the medium to long-term through an internal change programme to unify its component businesses under a single brand.

As reported in the September 2022 trading update, several challenges became evident as the change programme proceeded and our markets were disturbed by national events and an uncertain political landscape. As a result, our forecasts for the full year were revised. These forecasts were revised again in January 2023.

I am pleased to report that the business achieved the revised forecast with a strong order backlog of over £80m into FY24. This was on the back of a good Q4 performance by the business unit management teams and is a strong basis on which to build improved business performance in FY24 and beyond.

The teams at TPXimpact deliver amazing work for our clients, despite the business itself still requiring significant investment and development to better support our teams as they deliver good, predictable, outcomes for our stakeholders. The key challenge is to improve revenue conversion through to profit.

We have established a three-year strategy and plan to enhance appropriate governance, processes, systems, and inspiring leadership at all levels within the business to improve ways of working and, therefore, efficiency and profitability.

I am pleased with the progress the Group has made to date. We remain confident in the medium to long-term prospects for TPXimpact as we continue to appropriately integrate and streamline our businesses to deliver our services more efficiently to our clients – the organisations that underpin our society - and deliver sustainable change and tangible positive impact.

Demand for TPXimpact's differentiated service offering brings strong future growth opportunities

The market for TPXimpact's services and differentiated proposition remains strong. In combination with a more stable internal environment for our teams, this resulted in £115m of new business wins in FY23 and a good start to FY24 with over £90m of new business wins in the first quarter.

Operating under a single brand, TPXimpact has the scale to assist clients with large and strategically important programmes as well as offering the intimacy and adaptability to work alongside clients to improve their engagement with citizens, customers, and donors. We work right across the spectrum from early community and customer engagement, through service design and into delivery, and have the expertise and capability to deliver hybrid cloud solutions and support complex legacy platforms alongside our sector rich consulting capabilities.

In **Central Government**, we continue to see a substantial shift towards digital transformation to streamline and optimise service experiences and leverage Government data. Combined with the increasing use of Digital Marketplace frameworks enabling TPXimpact to compete directly with traditional large-scale suppliers this provides a growing market for our valuable services. The potential of our Central Government business and increasing client confidence in TPXimpact is evidenced by the growing scale of our contract wins, from low single digit millions at the start of FY23, to multi-year and tens of millions at the beginning of FY24.

Our **Local Government** clients look to TPXimpact to help them be future-ready and sustainable - whether that is accelerating the adoption of technology and digital solutions, addressing net zero targets, or improving financial resilience by helping to re-think long-term planning approaches, identify savings and develop flexible delivery models. Our work is led by data and insight and we are pro-active in collaborating to tackle the most complex client challenges. We have invested in our local Government client facing teams to improve access to our services and support growth.

In **Health and Social Care**, FY23 was dominated by the merger of NHS Digital, NHSx and Health Education England into NHS England. This diverted attention from delivery and in conjunction with increased scrutiny of the move towards Integrated Care Systems (ICSs) reduced the opportunities available for us to assist our clients. We used this period to diversify our business into frontline trusts and bring a wider range of capabilities to bear from across TPXimpact to support a more design-led approach to service transformation – a core, distinctive capability for TPXimpact. We see Health and Social Care as an exciting growth area over the next few years.

Our work with **NHS Wales**, delivered though our Red Cortex business, continued to be very strong during FY23 due to our long track record and deep relationships. We won additional contracts and a place on a new digital transformation framework as TPXimpact. We have seen some softness in spend at the start of FY24 but expect normal spending patterns to resume in the second half of the year.

In our **Commercial sector**, we see clients continue to prioritise operational efficiencies leading to a rise in demand for hybrid cloud solutions and a growing interest in Artificial Intelligence (AI) driven by media coverage of tools like ChatGPT. In FY23, we experienced strong demand from existing clients to develop solutions for resilient, scalable, and secure cloud architectures and for business intelligence expertise to enable them to make the best use of their data. As we move into FY24, we are bolstering our commercial client teams as we look to deploy our experience and expertise with new clients.

Our **fundraising, not for profit, and membership and visits** clients are the cornerstone of our Digital Experience (Dx) business. FY23 saw charities face challenging economic times with their audiences feeling the impact of cost-of-living pressures and a reduction in donor numbers. TPXimpact supports our clients to provide exceptional experiences and utilises insights from data to inform audience needs and behaviours to optimise engagement. Similarly in the memberships and visits sector, member engagement and meaningful connections help organisations differentiate themselves, and our deep understanding of their member communities and needs, enables us to co-develop engaging on-line experiences supported by our digital tools.

Strong delivery and growing client confidence across our customer sectors is evidenced by increased engagement sizes and backlog.

We aim to provide tailored, insight and craft led, high-value work with, and for, our clients at a fair price that balances our desire to deliver purposeful work within a commercially sustainable business model.

Our new strategy underpins our continuing client success and will simplify and improve the business

Our vision of the future is of a world enriched by what we call "people powered digital transformation" where, with our help, organisations improve lives in an equitable and responsible way.

The main strategic effort is to provide our already successful client-facing teams with efficient and effective support by removing points of friction in our business and improving our conversion of revenue to EBITDA. Our aim is to achieve 10-12% Adjusted EBITDA margins within 3 years.

Working effectively across its business units, TPXimpact draws together a unique blend of specialist capabilities to help clients transform and harness the best of digital technologies. This approach and the teams and capabilities that lie behind it are very much in demand with clients seeking better ways to engage with their customers, and to do so in a more cost-effective way.

The Change programme of early 2022 and subsequent Peak and Swirrl acquisitions has left the business operating through 7 units:

- The Consulting business unit
- The Dx (Digital Experience) business unit,
- The Data & Insights business unit, formed of the recently acquired Peak and Swirrl businesses
- Red Cortex
- KITS (Keep IT Simple)
- Questers
- TPXimpact Norway

Integration within business units was partially complete at the end of H1 FY23 and much of the work of the last few months has been bringing teams within these business units together.

During the latter part of FY23 we undertook a number of initiatives to improve the business:

- implemented formal performance reporting and reviews underpinned by budgets and business plans owned by Group businesses

- improved the forward looking data and information available to business leaders from our existing systems

- established an Operational Board to coordinate change and improve underlying processes and systems

- recruited a new Chief People Officer at the end of Q3 to improve recruitment, ensure our team member proposition is strong, equitable, and aligned with our values, and reinvigorate our Employee Representative Groups

- increased employee engagement through greater transparency and access to senior management. As CEO, I communicate to staff most weeks through a short video and members of the senior leadership team chair our Employee Forum by rotation

- identified a new London HQ building to co-locate our teams and rationalise our footprint. We also improved our Chesterfield and Manchester hub facilities

- commenced a market based pay project to start to tackle inequalities inherent in a business formed of many acquisitions.

To achieve our vision and improve business operations we have developed a three-year plan:

Year 1: focus and balance – establish the Consulting business as a scalable platform and complete the integration of three smaller agencies as the Digital Experience business.

Year 2: form and integrate – bring the Data & Insights, Red Cortex and KITS businesses onto the Consulting platform as an integrated Digital Transformation business.

Year 3: grow and differentiate – as a simpler, more coherent, and operationally mature business, accelerate our growth and purpose-led differentiation.

This staged approach is designed to further unify the unique capabilities of TPXimpact under a single brand, increase efficiencies, and capitalise on the increasing market opportunity. It also enables TPXimpact to become a platform for future growth options, both organic and through acquisition.

As we move through the latter part of FY24 and into FY25, and the work to simplify and improve the business progresses, we expect the Group to deliver stronger and more predictable performance.

Underpinning our vision and strategy we have developed a set of values that help guide all team members in the decisions they make day-to-day with clients and colleagues. The way our values show up in our work was crowdsourced from TPXimpact team members and collectively are our **'PACT'**:

Purpose – positive change with measurable impact

Accountability – self organisation and accountability

Craft – bringing our best capabilities to bear through a shared vision of excellence.

Togetherness – long lasting relationships built on honesty, openness, and trust.

Our purpose in action (ESG)

TPXimpact has been formed on a solid foundation of shared values. Our people, our clients and our investors are attracted to us because of this commitment to social responsibility. Our shared belief that the business that we are building is a good one, that will positively impact all stakeholders, has been invaluable through a challenging period of change.

This year we have seen a huge acceleration in Social Value commitments being embedded into our client contracts, bringing our commercial and ESG work closer than ever before. A key tenet of our work over the next year is better integration and balancing our purpose with commercial outcomes.

We continue to set ambitious targets that ensure our business operations are positively impacting all stakeholders; investing in innovative carbon measurement, reduction and removal programmes, ensuring that we are inclusive by design at every stage of the employee lifecycle and supporting our communities where possible with time, skills, funding and opportunities. We fulfilled our commitments to fully offset our historical CO_2 emissions, ran a successful Future Leaders programme and donated over 2,500 hours through volunteering programmes.

This year, as we prepare for B Corp certification, we have formalised our commitment to all stakeholders by amending our legal Articles of Association. These now enshrine our purpose-led approach into the legal structure of the business. As ever, we are committed to complete transparency when it comes to our ESG performance and we have made excellent progress this year across People, Planet and Places.

Future opportunities

Our current trading performance is encouraging, but there is still work to do to improve margin conversion and predictability.

As we progress against our strategy and improve the operational structure of the Company, we are putting in place the necessary measures to ensure TPXimpact will see growth driven by increasing demand for our services within the market. I am proud of how our people have faced the challenges during the period and I have every confidence that we are developing a strong team to achieve sustainable growth in the future.

Investment in digital transformation is continuing to grow at pace in the public and commercial sectors and it has become clear that this is now a necessity for all modern businesses. TPX has the right portfolio of service offerings to capitalise on the growing market demand for digital transformation and we have confidence in the prospects for the Group moving forward.

Post-period we were pleased to announce two digital transformation contracts with the Department for Education and His Majesty's Land Registry that will deliver a cumulative value of up to £77 million over a four-year period. The successful execution of these contracts, which reflect the capabilities we now possess through our consolidated service offering, represent the increasing momentum for the Group as we take on larger contracts and give the Board confidence in the Group's medium to long term prospects.

Through our vision of a 'world empowered by digital transformation' and our strategy to simplify, streamline, and balance our purpose and commercial outcomes, we will build a scalable, coherent and differentiated business capable of sustaining 10-15% CAGR revenue growth and 10-12% Adjusted EBITDA margin whilst delivering great outcomes for our clients, people, places and the planet.

Bjorn Conway

CEO, TPXimpact

Financial review

Prior period comparatives have been restated to exclude the results of Greenshoot Labs Limited, which was disposed of in May 2022.

Reported revenues were up 5.0% to £83.7m, reflecting the contribution of acquisitions, including Peak Indicators Limited and Swirrl IT Limited both of which completed in April 2022 (and which are now fully integrated into a new Data & Insights division), and RedCortex Limited which completed in December 2021. The performance of these businesses was very encouraging, with combined like-for-like revenue growth of almost 30% in the year.

Group revenues were, however, down 7.2% on a like-for-like basis. A number of factors contributed to this performance, including a lower-than-normal order book in certain parts of the business as they entered the financial year and client delays in implementing projects, which especially impacted Q2 and Q3. Sequentially, like-for-like revenue fell by 1.6% in Q1, 11.2% in Q2, 14.6% in Q3 and 1.6% in Q4.

New business wins showed increasing momentum in the second half of the year with £41m in Q3 and £36m in Q4, and £115m in total for the year. Since year-end, this encouraging trend has accelerated even further, with new orders in the first quarter of FY24 of over £90m, largely due to two significant wins: up to £49m with His Majesty's Land Registry (HMLR) over four years and up to £27.5m with the Department for Education over two years, both of which commenced in May 2023. These wins demonstrate the value our increasing scale can offer our clients, especially in the key strategic sector of Central Government.

Public sector clients represented 72% of revenue in the year ended 31 March 2023 and our top 10 clients represented 39% of revenue compared to 42% last year.

Gross profit of £20.9m was down 14.3% from £24.4m on a reported basis and down over 27% on a like-for-like basis. Cost of sales was £62.8m, an increase of 13.6% on a reported basis and 2.4% on a like-for-like basis, again reflecting the impact of acquisitions. Gross margins therefore reduced to 25.0% from 30.6% last year, and from 32.0% on a like-for-like basis.

The Group continually assesses the appropriate mix of permanent headcount and contractors within cost of sales, with a view to optimising efficiency in servicing the needs of our clients. In the first half of the year, however, this efficiency was more challenging to achieve due to client delays in implementing projects, which impacted utilisation rates, particularly in our Consulting division (40% of Group revenues). In view of the level of new business won in the second half of the year, Consulting has embarked on a major recruitment campaign to expand permanent staff resource, although the full benefit of this will not come through until FY24.

A new benefits package for permanent staff was introduced in April 2022, which included increases in holiday entitlements, pensions and other benefits. These enhanced benefits, together with the effect of salary reviews in March 2022, impacted gross margins. Nevertheless, management remain committed to offering our staff a highly attractive benefits package as one of a number of measures to attract and retain talent, and differentiate TPXimpact as an employer which truly values the contribution and well-being of our staff.

Utilisation rates improved markedly in Q4 and we are targeting continued improvement in FY24 and beyond. The turn-around in Q4 was entirely attributable to the tenacity and commitment of our people who are devoted to delivering meaningful insight and value to our clients. The healthy order book, combined with higher utilisation rates and capacity, should lead to improved gross margins in FY24. We are also seeing signs of improved staff retention rates over the last six months, particularly in Consulting, our largest business.

On a reported basis, the Group made an operating loss of £(19.4)m compared with an operating profit of £3.2m last year. This reflects the £3.5m reduction in gross profit explained above, as well as the effect of administrative costs increasing to £40.8m from £21.7m last year. Administrative costs include £11.8m (2022: £Nil) of non-cash impairment charges in relation to goodwill and intangible assets recognised on past acquisitions, due to management's reassessment of the likely future performance of certain businesses in the Group.

Staff costs included in administrative costs increased to £12.6m (2022: £9.0m), reflecting the acquisitions of Peak Indicators and Swirrl IT, as well as a continued investment in talent to support the needs of the business going forwards. On a like-for-like basis, total Group headcount of 798 (on an FTE basis) at 31 March 2023 compares with 659 people at 31 March 2022, an increase of 21.1%. Including contractors, the Group's aggregate workforce is currently approximately 1,100 people.

Administrative costs also include £2.5m of restructuring costs (2022: £1.8m) arising from integration and restructuring actions aimed at improving the long-term health and efficiency of the business and £7.1m (2022: £5.9m) of depreciation and amortisation charges, primarily in relation to acquired intangible assets, previously recognised on acquisitions.

Adjusted EBITDA of £2.5m compares with £12.2m last year, representing a margin of 3.0% against 15.3%. A reconciliation of Operating (loss)/profit to Adjusted EBITDA is provided in Note 7 to the unaudited preliminary results.

The Group made a reported loss before tax on continuing operations of £(20.5)m in the year (2022: profit of £2.5m), and an adjusted profit before tax on continuing operations of £0.7m (2022:

£10.9m). Finance costs were £1.1m in the year (2022: £0.7m), reflecting both higher net debt and increased interest rates.

Corporation tax amounted to a credit of £1.5m (2022: charge of £1.7m) due to the decrease in profitability of the Group. Adjusted profit after tax on continuing operations was £0.6m (2022: £10.0m).

The disposal of Greenshoot Labs gave rise to a gain on disposal of £1.6m which has been included in the income statement within income from discontinued operations.

Reported diluted earnings per share from continuing operations for the year was a loss of (21.1) pence per share (2022: earnings of 0.9 pence per share), reflecting the decrease in profitability in the year. On an adjusted basis, diluted earnings per share on continuing operations was 0.7 pence per share (2022: 11.3 pence per share).

During the year, the Board declared an interim dividend of 0.3 pence per share (2022: 0.3 pence per share), which was paid on 27 January 2023. In view of the Group's financial performance in the second half of the year, no final dividend will be declared or paid (2022: 0.6 pence per share). Therefore, total dividends declared and paid in respect of the year ended 31 March 2023 were 0.3 pence per share (2022: 0.9 pence per share). The Board is keen to reinstate a dividend when appropriate and will continue to keep dividend policy under review.

Cash flow and Net Debt

Net debt (excluding lease liabilities) at 31 March 2023 was £17.5m compared with £10.1m at 31 March 2022. The increase in net debt in the year of £7.4m includes £2.0m cash paid for acquisitions (net of cash acquired), £1.5m of corporate taxes paid, £1.1m of interest costs paid, £0.8m of dividends paid, £0.6m of capital expenditure (including intangible assets) and £0.5m of share repurchases into the Group's EBT. Working capital improved slightly year on year.

The Company secured a waiver of its lending covenants from its bankers at 31 March 2023 and agreed a further waiver at 30 June 2023. Amended covenants (based on minimum liquidity and Adjusted EBITDA levels) will apply until the quarter ending 30 September 2024, at which time the original leverage metrics will be reinstated (Net debt to Adjusted EBITDA of 2.5x and Adjusted EBITDA to interest cover at 4.0x). These new lending arrangements provide renewed stability and a sound basis for the business to reach its performance goals.

Current trading

For the first two months of FY24, trading was in line with management expectations, with like-for-like revenue growth of over 5%. With new business wins of over £90m in the first quarter, we are seeing increased momentum in new orders and are well-positioned for top-line growth in both the short and long term. At the same time, management are very aware of the need to convert top-line growth into meaningful margin improvement and have initiated a number of measures focussed on efficiency, cost control and profitability.

Net debt (excluding lease liabilities) was £16.8m at 31 May 2023, a £0.7m decrease on 31 March 2023, largely due to a continued focus on working capital management. The last remaining earnout liability in respect of historical acquisitions was settled in shares on 6 June 2023.

Outlook

There is no change to the Group's previously published targets for the year ending 31 March 2024, with like-for-like revenue growth of 15-20% and an Adjusted EBITDA margin of 5-6%, with margin improvement expected to be weighted to the second half of the year. Committed (or backlog) revenues in relation to the current financial year are over £80 million, significantly higher than at the same time last year.

With respect to FY25, management continue to target like-for-like revenue growth of 10-15% and a further improvement in Adjusted EBITDA margin of 2-3% on top of that targeted for FY24. Based on our three-year plan, we are targeting an Adjusted EBITDA margin of 10-12% in FY26.

TPXimpact has entered the new financial year with renewed vigour, whilst recognising there is scope to improve our operational processes to enhance profitability, and respond positively to a challenging wider economic environment. We continue to believe the digital transformation market in the UK – in both the public and private sectors – remains attractive, with plenty of potential for continued growth, and that the Group is well-placed to take advantage of these trends.

Steve Winters

CFO, TPXimpact

Consolidated Income Statement

For the year ended 31 March 2023

	Unaudited 2023 £'000	Audited 2022 £'000
Revenue	83,680	79,709
Cost of sales	(62,775)	(55,341)
Gross profit	**20,905**	**24,368**
Administrative expenses	(40,789)	(21,738)
Other income	519	579
Operating (loss)/profit	**(19,365)**	**3,209**
Finance costs	(1,105)	(683)
(Loss)/profit before tax from continuing operations	**(20,470)**	**2,526**
Taxation	1,467	(1,706)
(Loss)/profit after tax from continuing operations	**(19,003)**	**820**
Profit/(loss) after tax from discontinued operations	1,445	(723)
Net (loss)/profit	**(17,558)**	**97**

Other comprehensive income/(loss):		
Exchange difference on translation of foreign operations	20	(226)
Total comprehensive loss for the period	**(17,538)**	**(129)**

Earnings per share from continuing and discontinued operations		
Basic (p)	(19.5p)	0.2p
Fully diluted (p)	(19.5p)	0.1p
Earnings per share from continuing operations		
Basic (p)	(21.1p)	1.0p
Fully diluted (p)	(21.1p)	0.9p

Consolidated Statement of Financial Position

At 31 March 2023

	Unaudited 2023 £'000	**Audited 2022 £'000**
Non-current assets		
Goodwill	59,486	66,157
Intangible assets	23,458	28,493
Property, plant and equipment	473	297
Right of use assets	1,438	1,293
Other investments	2,188	-
Deferred tax assets	159	47
Total non-current assets	**87,202**	**96,287**
Current assets		
Trade and other receivables	17,812	16,924
Contract assets	2,999	3,840
Corporate tax asset	335	-
Cash and cash equivalents	6,772	7,914
Total current assets	**27,918**	**28,678**
Assets held for sale	-	708
Total assets	**115,120**	**125,673**
Current liabilities		
Trade and other payables	(8,943)	(7,718)

Contract liabilities	(3,608)	(4,536)
Other taxes and social security costs	(4,073)	(4,160)
Corporate tax liability	-	(1,214)
Deferred and contingent consideration	(225)	(3,173)
Lease liabilities	(564)	(416)
Borrowings	-	(20)
Total current liabilities	**(17,413)**	**(21,237)**
Liabilities directly associated with assets held for sale	-	(103)
Non-current liabilities		
Deferred tax liabilities	(5,796)	(6,696)
Deferred and contingent consideration	-	(198)
Borrowings	(24,317)	(18,000)
Lease liabilities	(909)	(878)
Total non-current liabilities	**(31,022)**	**(25,772)**
Total liabilities	**(48,435)**	**(47,112)**
Net assets	**66,685**	**78,561**
Equity		
Share capital	919	874
Own shares	(983)	(356)
Share premium	6,538	6,449
Merger reserve	85,621	78,705
Capital redemption reserve	15	15
Foreign exchange reserve	(72)	(92)
Retained earnings[1]	(25,353)	(7,034)
Total equity	**66,685**	**78,561**

[1] Prior year figures have been re-presented to include the share option reserve as part of retained earnings.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2023

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Own shares	Foreign exchange reserve	Retained earnings	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2022	874	6,449	78,705	15	(356)	(92)	(7,034)	78,561
Loss for the year	-	-	-	-	-	-	(17,558)	(17,558)
Exchange differences on translation of foreign operations	-	-	-	-	-	20	-	20
Transactions with owners								
Shares issued	45	89	6,916	-	(90)	-	-	6,960
Share utilisations	-	-	-	-	11	-	(11)	-
Dividends paid	-	-	-	-	-	-	(815)	(815)
Share-based payments	-	-	-	-	-	-	65	65
Own shares purchased by EBT	-	-	-	-	(548)	-	-	(548)
At 31 March 2023 (Unaudited)	**919**	**6,538**	**85,621**	**15**	**(983)**	**(72)**	**(25,353)**	**66,685**

For the year ended 31 March 2022

	Share capital	Share premium	Merger reserve	Capital redemption reserve	Own shares	Foreign exchange reserve	Retained earnings[1]	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 April 2021	804	5,691	60,926	5	-	134	(6,906)	60,654
Profit for the year	-	-	-	-	-	-	97	97
Exchange differences on translation of foreign operations	-	-	-	-	-	(226)	-	(226)
Transactions with owners								
Shares issued	80	257	17,779	-	(257)	-	-	17,859
Share cancellation	(10)	-	-	10	-	-	-	-
Dividends paid	-	-	-	-	-	-	(603)	(603)
Other adjustment	-	-	-	-	-	-	(49)	(49)
Share-based payments	-	-	-	-	-	-	427	427
Share options exercised	-	501	-	-	-	-	-	501
Own shares purchased by EBT	-	-	-	-	(99)	-	-	(99)
At 31 March 2022 (Audited)	**874**	**6,449**	**78,705**	**15**	**(356)**	**(92)**	**(7,034)**	**78,561**

[1] Prior year figures have been re-presented to include the share option reserve as part of retained earnings.

Consolidated Statement of Cash Flows

For the year ended 31 March 2023

	Unaudited 2023 £'000	Audited 2022 £'000
Cash flows from operating activities:		
(Loss)/profit before taxation from total operations	(18,971)	1,764
Adjustments for:		
Depreciation	706	584
Amortisation of intangible assets	6,347	5,347
Impairment of intangible assets	1,770	-
Impairment of goodwill	9,995	-
Share-based payments	65	427
Foreign exchange gains	(1)	(292)
Finance expense	1,105	683
Loss/(gain) from fair value movement in contingent consideration	188	(152)
Loss on disposal of property, plant and equipment	6	4
Gain on sale of discontinued operations	(1,606)	-
Working capital adjustments:		
Decrease/(increase) in trade and other receivables	1,271	(3,754)
(Decrease)/increase in trade and other payables	(1,141)	3,488
Net cash (used in)/generated from operations	(266)	8,099
Tax paid	(1,522)	(921)
Net operating cash (used in)/generated from continuing operating activities	(1,788)	7,178
Net cash used in discontinued operating activities[1]	-	(563)
Net operating cash flows from total operations	(1,788)	6,615
Cash flows from investing activities:		
Net cash paid on acquisition of subsidiaries	(1,969)	(6,840)
Disposal of subsidiaries	(127)	-
Deferred consideration payment	-	(467)
Purchase of property, plant and equipment	(340)	(249)
Additions to intangibles	(244)	(292)
Proceeds from sale of property, plant and equipment	-	6

Net cash used in investing activities from continuing operations	(2,680)	(7,842)
Net cash used in investing in discontinued operations[1]	-	(165)
Net cash used in investing activities for total operations	(2,680)	(8,007)
Cash flows from financing activities:		
New borrowings	6,300	5,000
Proceeds from exercise of share options	-	501
Purchase of own shares	(548)	(99)
Payment of lease liabilities	(445)	(362)
Interest paid	(1,146)	(683)
Dividends paid	(815)	(603)
Net cash generated from financing activities	3,346	3,754
Net (decrease)/increase in cash and cash equivalents	(1,122)	2,362
Cash and cash equivalents at beginning of the period	7,948	5,734
Effect of exchange rate fluctuations on cash held	(54)	(148)
Cash and cash equivalents including cash from discontinued operations	6,772	7,948
Cash from discontinued operations	-	(34)
Cash and cash equivalents at end of the year	6,772	7,914
Comprising:		
Cash at bank and in hand	6,717	7,864
Cash held by trust	55	50
Cash and cash equivalents at end of the year	6,772	7,914

[1] The cash flows of discontinued operations are immaterial to the Consolidated Statement of Cash Flows for the year ended 31 March 2023 and so have not been presented separately for the current financial year.

Notes to the Consolidated Financial Statements

1. General information

TPXimpact Holdings plc is a public limited company incorporated in England and Wales under the Companies Act 2006 with registered number 10533096. The Company's shares are publicly traded on AIM, part of the London Stock Exchange.

The address of the registered office is 7 Savoy Court, London, England, WC2R 0EX. The principal activity of the Group is the provision of digitally native technology services to clients within the commercial, government and non-government organisation (NGO) sectors.

The financial information set out in this announcement does not comprise the Group’s statutory accounts as defined in section 434 of the Companies Act 2006 for the year ended 31 March 2023. The statutory accounts for the year ended 31 March 2023 have not yet been delivered to the Registrar of Companies, nor have the auditors yet reported on them. This preliminary announcement does not constitute statutory accounts under section 435 of the Companies Act 2006.

2. Basis of preparation

The unaudited consolidated preliminary financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) in conformity with the Companies Act 2006 and the AIM rules for Companies.

The financial statements are presented in pound sterling (GBP), which is the functional currency of the parent company.

Going concern

The Company secured a waiver of its lending covenants from its bankers at 31 March 2023 and agreed a further waiver at 30 June 2023. Amended covenants (based on minimum liquidity and Adjusted EBITDA levels) will apply until the quarter ending 30 September 2024, at which time the original leverage metrics will be reinstated (Net debt to Adjusted EBITDA of 2.5x and Adjusted EBITDA to interest cover at 4.0x)

After reviewing the budgets and cash projections for the next twelve months and beyond, the Directors believe that the Company has adequate resources to continue operations for the foreseeable future and to meet the requirements of its debt covenants. For this reason they continue to adopt the going concern basis in preparing the financial statements.

3. Accounting policies

The accounting policies used in the preparation of the unaudited preliminary consolidated financial statements for the year ended 31 March 2023 are in accordance with the recognition and measurement criteria of IFRS and are consistent with those which were adopted in the annual statutory financial statements for the year ended 31 March 2022.

The Group disposed of its subsidiary Greenshoot Labs Limited (‘GSL’) on 24 May 2022 to OpenDialog AI Limited (ODAL). Consideration of £2.2 million was received through the allotment and issue of ordinary shares by ODAL and is presented as an “Other investment” on the Group’s consolidated statement of financial position. The operations of GSL is presented as discontinued operations with the comparatives and related notes restated accordingly. The disposal generated a gain of £1.6 million included in the profit after tax on discontinued operations in the year ended 31 March 2023.

4. Business combinations

On 6 April 2022, the Group acquired the entire issued share capital of Swirrl IT Limited ("Swirrl"), a software and services business.

On 7 April 2022, the Group acquired the entire issued share capital of Peak Indicators Limited ("Peak"), a visionary data science and analytics consultancy offering services such as analytics, data engineering and data science.

5. Borrowings

In July 2022 HSBC extended their revolving credit facility with the Group to £30 million with a £15 million accordion. The new facility is a sustainability-linked revolving credit facility that incorporates targets which align with the Group's long-term ESG objectives.

6. Earnings per share

	2023 Number of shares '000	2022 Number of shares '000
Weighted average number of shares for calculating basic earnings per share	90,185	86,211
Weighted average number of dilutive shares	3,839	1,768
Weighted average number of shares for calculating diluted earnings per share	94,024	87,979

	2023 £'000	2022 £'000
(Loss)/profit after tax from continuing operations	(19,003)	820
Profit/(loss) after tax from discontinued operations	1,445	(723)
(Loss)/profit after tax from total operations	(17,558)	97
Adjusted profit after tax from continuing operations[1]	644	9,951

Earnings per share is calculated as follows:

	2023	2022
Basic earnings per share		
Basic earnings per share from continuing operations	(21.1p)	1.0p
Basic earnings per share from discontinued operations	1.6p	(0.8p)
Basic earnings per share from total operations	(19.5p)	0.2p
Adjusted basic earnings per share from continuing operations	0.7p	11.5p
Diluted earnings per share		
Diluted earnings per share from continuing operations[2]	(21.1p)	0.9p
Diluted earnings per share from discontinued operations[2]	1.6p	(0.8p)
Diluted earnings per share from total operations[2]	(19.5p)	0.1p
Adjusted diluted earnings per share from continuing operations	0.7p	11.3p

[1] Adjusted profit after tax on continuing operations is defined in note 7.

[2] In the year ended 31 March 2023, the weighted average shares used in the basic EPS calculation has also been used for reported diluted EPS due to the anti-dilutive effect of the weighted average shares calculated for the reported diluted EPS calculation.

7. Alternative performance measures (unaudited)

In measuring our performance, the financial measures that we use include those which have been derived from our reported results in order to eliminate factors which distort period-on-period comparisons. These are considered non-GAAP financial measures, and include measures such as like-for-like revenue, adjusted EBITDA and net debt. We believe this information, along with comparable GAAP measurements, is useful to shareholders and analysts in providing a basis for measuring our financial performance.

Reconciliation of net debt (excluding lease liabilities):

	2023 £'000	2022 £'000
Cash and cash equivalents	**6,772**	**7,914**
Borrowings due within one year	-	(20)
Borrowings due after one year	(24,317)	(18,000)
Net debt	**(17,545)**	**(10,106)**

Reconciliation of operating (loss)/profit to adjusted EBITDA:

	2023 £'000	2022 £'000
Operating (loss)/profit	**(19,365)**	**3,209**
Amortisation of intangible assets	6,347	5,347
Depreciation	706	584
Loss/(gain) from fair value movement in contingent consideration	188	(152)
Impairment of intangible assets	1,770	-
Impairment of goodwill	9,995	-
Share-based payments	65	427
Costs directly attributable to business combinations	229	1,013
Costs related to business restructuring	2,541	1,769
Adjusted EBITDA	**2,476**	**12,197**

Reconciliation of (loss)/profit before tax to adjusted profit after tax:

	2023 £'000	2022 £'000
(Loss)/profit before tax on continuing operations	**(20,470)**	**2,526**
Amortisation of intangible assets	6,347	5,347
Loss/(gain) from fair value movement in contingent consideration	188	(152)
Impairment of intangible assets	1,770	-
Impairment of goodwill	9,995	-
Share-based payments	65	427
Costs directly attributable to business combinations	229	1,013
Costs related to business restructuring	2,541	1,769
Adjusted profit before tax on continuing operations	**665**	**10,930**
Tax (excluding impact of amortisation of intangible assets)	(21)	(979)
Adjusted profit after tax on continuing operations	**644**	**9,951**