

12 September 2017

Midwich Group Plc
("Midwich" or "the Group")

Interim Results

Double digit revenue growth and strong net profits across all territories

Midwich, a specialist audio visual and document solutions distributor to the trade market, today announces its interim results for the six-months ended 30 June 2017.

	Note	Six Months Ended		% change
		30 June 2017	30 June 2016	
Revenue		211,564	158,349	34%
Gross Profit		32,433	24,641	32%
<i>Gross profit %</i>		15.3%	15.6%	
Operating profit		8,729	5,575	57%
Adjusted operating profit	12	10,533	7,872	34%
<i>Adjusted operating profit %</i>		5.0%	5.0%	
Profit before tax		8,033	3,825	110%
Adjusted profit before tax	12	10,253	7,563	36%
<i>Adjusted profit before tax %</i>		4.9%	4.8%	
Profit after tax		5,812	2,716	114%
Adjusted profit after tax	12	8,032	6,438	25%
Basic earnings per share		7.04p	3.47p	103%
Diluted earnings per share		7.03p	3.47p	103%
Adjusted basic earnings per share	12	9.84p	8.71p	13%
Adjusted diluted earnings per share		9.82p	8.71p	13%
Interim Dividend per Share	13	4.2p	1.5p	36%

Financial Highlights

- Revenue increased by 33.6% to £211.6 million (27.9 % on constant currency basis)
- Gross margin of 15.3%, in line with full year 2016
- Adjusted operating profit increased by 33.8 % to £10.5 million (27.8 % on constant currency basis)
- Adjusted profit before tax improved by 35.6% to £10.3 million (29.5 % on constant currency basis)
- Interim dividend declared of 4.17 pence per share (2016: 1.53 pence per share), an increase of 36.3% on a like for like basis.

Operational Highlights

- Recent acquisitions have performed ahead of expectations
- Positive full year effect of new distribution agreements
- Continued growth in the audio visual business

Post-Period Highlights

- Acquisition of Gebroeders van Domburg B.V. a Netherlands based audio visual distributor

Stephen Fenby, Managing Director of Midwich Group Plc, commented:

“The Group has performed strongly in the first six months of the year across all geographies with robust organic growth and contributions from recent acquisitions Holdan and Earpro.

“Our business in large format displays continues to grow strongly and we are pleased with progress in the developing specialist broadcast and audio segments.

“Profit margins have been maintained and cash generation is in line with our expectations at this stage of the year. We are pleased to declare an interim dividend of 4.17 pence per share, 36% ahead of prior year on a like for like basis.

“The strong performance reported in the first half year coupled with indications of positive sales momentum and strong contributions from recent acquisitions gives the Board confidence in reporting results for the full year in line with our expectations, which were upgraded at the time of the Group's trading statement on 21 July 2017.”

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Notes to editors

Midwich is a specialist AV and document solutions distributor to the trade market, with operations in the UK and Ireland, France, Germany, Iberia, and Australasia. The Group's long-standing relationships with over 300 vendors, including blue-chip organisations such as Samsung, LG, Epson, and NEC, support a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, digital signage and printers. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets. The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of approximately 10,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality. Although the Group does not sell directly to end users, it believes that the majority of its products are used by commercial and educational establishments rather than consumers.

Initially a UK only distributor, the Group now has over 600 employees across the UK and Ireland, Germany, France, Iberia, and Australasia. In the six months to 30 June 2017, 38 per cent of the Group's revenues were derived from outside the UK. A core component of the Group's growth

strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions.

For further information, please visit www.midwichgroupplc.com

MANAGING DIRECTOR'S REPORT

Overview

The Group has performed strongly in the first six months of 2017. Our business continues to develop in all markets, with double digit revenue growth being achieved in all territories, including the UK and Ireland - our most established segment.

Recent acquisitions have performed ahead of expectations, and have helped to grow our presence in the specialist broadcast and audio markets.

We saw strong growth in the displays (particularly large format and interactive displays), broadcast, audio and technical product categories.

Strategy

The Group's strategy for growth continues to be both organic and inorganic, reflecting the contributors to the successful growth track record in recent years.

The Group's organic growth strategy is focused on the provision of market leading support to its customers and vendors. As a distributor, the Group neither develops product nor does it sell to the end-users of those products. It is aware that both its vendors and customers generally have a choice of distribution partner. The Group's expertise is the provision of services which provide the greatest assistance to vendors in pushing product out into the market, and to help customers provide the highest level of support to their end-users.

Underpinning the Group's growth strategy is its success in sourcing, executing and integrating its chosen acquisitions. The Group takes a disciplined approach to acquisitions, seeking to add capital value without an adverse impact on the existing business. Acquisitions remain a fundamental aspect of the Group's strategy and it continues to pursue a strong pipeline of opportunities.

Acquisitions

On 27 March 2017, the Group completed the acquisition of EarPro S.A. ("Earpro"), a value-added distributor of audio, video and lighting solutions in Spain and Portugal. Integration of the business is progressing well and we are pleased with its performance since acquisition.

Post period end, on 6 September 2017 the Group completed the acquisition of Gebroeders van Domburg, a market leading specialist audio visual and lighting distributor in the Netherlands. The Group's robust balance sheet means it is well placed to continue its buy and build strategy both in new and existing territories.

Trading and Financial Review

Group turnover increased by 33.6% to £211.6 million for the period (H1 2016: £158.3 million). Significant double digit growth was achieved in all territories with Germany and Australasia growing at the fastest rates of 47% and 44% respectively. Our business in Germany has continued to gain share in the projection category and to develop its business in the large format and technical categories. Our businesses in Australasia benefited from the introduction of new technical vendors

and growth in existing vendors. The UK and Ireland business grew at 27% with Holdan, which was acquired in September 2016, performing strongly. Our business in France grew by 18% driven particularly by the projection category. Earpro had a strong first quarter, contributing nearly £5 million in sales, which was above the Board's original expectations.

The Group's gross margin for the half year fell by 0.3% to 15.3%, in line with the full year result for 2016. The gross margin in the UK business was 0.6% lower than in the first half of last year, partly as a result of one-off high margin document solutions sold in the prior period and partly due to the impact of product mix. The gross margins in Germany and France were also slightly below prior year as a result of product mix effects. Australasia grew its gross margin strongly as it extended its technical vendor base. The gross margin of the Earpro business in Iberia contributed positively to the overall Group result.

Operating profit increased by 56.6% to £8.7 million (H1 2016: £5.6 million). Adjusting for acquisition costs and amortisation, operating profit of £10.5 million represented growth of 33.8%. Adjusted operating profit increased by 28% in the UK & Ireland with particularly strong contributions from Holdan and the PSCo rental business. Operating profit in Australasia grew by nearly 70% and in Germany by nearly 20%. The only territory which experienced a fall in operating profit was France where we have invested in additional resources to support future growth.

Group turnover and adjusted operating profit both grew by 28% on a constant currency basis in the first half. The Group benefited from movements in currency in the first half and the positive impact on adjusted operating profit was approximately £0.4 million.

Taxation

The tax charge for the period was £2.2 million (H1 2016: £1.1 million) which represents an effective current tax rate of 22% (H1 2016: 21%) based on adjusted operating profits less net interest costs. The charge in H1 2017 includes a prior year debit of £0.1 million. The charge in 2016 included prior year credits amounting to £0.3 million.

Financial Position

The Group had a net cash inflow from operations before tax of £3.5 million for the period (H1 2016: outflow £1.2 million). The first half year is traditionally a more working capital intensive period than the full year and this performance was in line with management expectations. Net debt at 30 June 2017 was £22.8 million (£15.0 million at 31 December 2016).

Dividend

The Board is pleased to declare an interim dividend of 4.17 pence per share (H1 2016: 1.53 pence per share for the shortened interim period after the IPO), which will be paid on 27 October 2017 to those shareholders on the Company's register as at 22 September 2017.

Outlook

The strong performance reported in the first half year coupled with indications of positive sales momentum and strong contributions from recent acquisitions gives the Board confidence in reporting results for the full year in line with our expectations, which were upgraded at the time of the Group's trading statement on 21 July 2017 .

Stephen Fenby
Managing Director

Unaudited Consolidated Income Statement for the 6 months ended 30 June 2017

	Note	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Revenue		211,564	158,349	370,142
Cost of sales		(179,131)	(133,708)	(313,681)
Gross profit		32,433	24,641	56,461
Distribution costs		(20,841)	(16,001)	(35,520)
Total administrative expenses		(4,364)	(4,398)	(9,234)
Other operating income		1,501	1,333	2,780
Operating profit		8,729	5,575	14,487
Comprising				
Adjusted operating profit		10,533	7,872	18,542
Costs of flotation		-	(1,018)	(1,041)
Share based payments		(136)	-	(75)
Costs of acquisitions		(146)	-	(259)
Amortisation		(1,522)	(1,279)	(2,680)
		8,729	5,575	14,487
Finance income		14	-	1
Finance costs	5	(710)	(1,750)	(2,386)
Profit before taxation		8,033	3,825	12,102
Taxation		(2,221)	(1,109)	(3,542)
Profit after taxation		5,812	2,716	8,560
Profit for the period/financial year attributable to:				
The company's equity shareholders		5,595	2,461	8,216
Non-controlling interest		217	255	344
		5,812	2,716	8,560
Basic earnings per share	3	7.04p	3.47p	10.92p
Diluted earnings per share	3	7.03p	3.47p	10.91p

Unaudited Consolidated Statement of Comprehensive Income for 6 months ended 30 June 2017

	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Profit for the period/financial year	5,595	2,461	8,216
Other comprehensive income - items that may subsequently be reclassified to profit / loss			
Foreign exchange gains on consolidation	435	1,261	1,707
Other comprehensive income for the period/financial year, net of tax	435	1,261	1,707
Total comprehensive income for the period/financial year attributable to the Company's equity shareholders	6,030	3,722	9,923
Total comprehensive income for the period/financial year attributable to non-controlling interests	217	255	344
Total comprehensive income for the period/financial year	6,247	3,977	10,267

Unaudited Consolidated Balance Sheet as at 30 June 2017

	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Assets			
Non-current assets			
Goodwill	5,568	3,303	4,557
Intangible assets	19,725	18,370	18,820
Property, plant and equipment	5,978	3,424	5,035
	<u>31,271</u>	<u>25,097</u>	<u>28,412</u>
Current assets			
Inventories	56,514	40,351	48,142
Trade and other receivables	61,862	48,015	52,545
Cash and cash equivalents	20,597	14,880	20,164
	<u>138,973</u>	<u>103,246</u>	<u>120,851</u>
Current liabilities			
Trade and other payables	(64,786)	(51,870)	(58,299)
Financial instruments	(734)	-	(698)
Deferred consideration	(4,939)	-	(1,554)
Borrowings	(43,426)	(28,737)	(35,131)
Current tax	(2,260)	(1,995)	(2,062)
	<u>(116,145)</u>	<u>(82,602)</u>	<u>(97,744)</u>
Net current assets	<u>22,828</u>	<u>20,644</u>	<u>23,107</u>
Non-current liabilities:			
Financial instruments	(2,853)	-	(1,441)
Deferred consideration	-	-	(72)
Finance lease payables	-	(26)	-
Deferred tax	(3,817)	(3,378)	(3,414)
	<u>(6,670)</u>	<u>(3,404)</u>	<u>(4,927)</u>
Net assets	<u>47,429</u>	<u>42,337</u>	<u>46,592</u>
Capital and reserves			
Share capital	794	794	794
Share premium	25,855	25,857	25,855
Share based payment reserve	233	-	84
Investment in own shares	(5)	(5)	(5)
Retained earnings	19,753	15,220	19,765
Translation reserve	1,152	271	717
Put option reserve	(2,803)	-	(1,770)
Capital redemption reserve	50	50	50
Other reserve	150	150	150
	<u>45,179</u>	<u>42,337</u>	<u>45,640</u>
Equity attributable to owners of parent	<u>45,179</u>	<u>42,337</u>	<u>45,640</u>
Non-controlling interests	2,250	-	952
	<u>47,429</u>	<u>42,337</u>	<u>46,592</u>
Total equity	<u>47,429</u>	<u>42,337</u>	<u>46,592</u>

Unaudited Consolidated Statement of Changes in Equity for 6 months ended 30 June 2017

For the period ended 30 June 2017

	Share capital	Share premium	Investment in own shares	Share based payment reserve	Retained earnings	Translation reserve	Put option reserve	Capital redemption reserve	Other reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2017	794	25,855	(5)	84	19,765	717	(1,770)	50	150	45,640	952	46,592
Profit for the period	-	-	-	-	5,595	-	-	-	-	5,595	217	5,812
Other comprehensive income	-	-	-	-	-	435	-	-	-	435	-	435
Total comprehensive income for the period	-	-	-	-	5,595	435	-	-	-	6,030	217	6,247
Share based payments	-	-	-	136	-	-	-	-	-	136	-	136
Deferred tax on share based payments	-	-	-	13	-	-	-	-	-	13	-	13
Acquisition of Earpro SA (note 7)	-	-	-	-	-	-	(1,033)	-	-	(1,033)	1,081	48
Dividends paid	-	-	-	-	(5,607)	-	-	-	-	(5,607)	-	(5,607)
Balance at 30 June 2017 (Unaudited)	794	25,855	(5)	233	19,753	1,152	(2,803)	50	150	45,179	2,250	47,429

For the period ended 30 June 2016

	Share capital	Share premium	Investment in own shares	Retained earnings	Translation reserve	Put option reserve	Capital redemption reserve	Other reserve	Equity attributable to owners of the parent	Non-controlling interests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2016	1,398	-	(1,000)	8,652	(990)	(1,735)	50	1,145	7,520	4,858	12,378
Profit for the period	-	-	-	2,461	-	-	-	-	2,461	255	2,716
Other comprehensive Income	-	-	-	-	1,261	-	-	-	1,261	-	1,261
Total comprehensive income for the period	-	-	-	2,461	1,261	-	-	-	3,722	255	3,977
Bonus share issue*	663	-	(5)	(663)	-	-	-	5	-	-	-
Share capital reduction*	(1,392)	-	1,000	1,392	-	-	-	(1,000)	-	-	-
Issue of shares*	125	26,647	-	-	-	-	-	-	26,772	-	26,772
Costs of share issue*	-	(790)	-	-	-	-	-	-	(790)	-	(790)
Acquisition of non-controlling interest (note 8)	-	-	-	3,378	-	1,735	-	-	5,113	(5,113)	-
Transactions with owners	(604)	25,857	995	4,107	-	1,735	-	(995)	31,095	(5,113)	25,982
Balance at 30 June 2016 (Unaudited)	794	25,857	(5)	15,220	271	-	50	150	42,337	-	42,337

*See note 6

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For the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Share based payment reserve £'000	Retained earnings £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Equity attributable to owners of the parent £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2016	1,398	-	(1,000)	-	8,652	(990)	(1,735)	50	1,145	7,520	4,858	12,378
Profit for the year	-	-	-	-	8,216	-	-	-	-	8,216	344	8,560
Other comprehensive income	-	-	-	-	-	1,707	-	-	-	1,707	-	1,707
Total comprehensive income for the year	-	-	-	-	8,216	1,707	-	-	-	9,923	344	10,267
Bonus share issue*	663	-	(5)	-	(663)	-	-	-	5	-	-	-
Share capital reduction*	(1,392)	-	1,000	-	1,392	-	-	-	(1,000)	-	-	-
Issue of shares*	125	26,647	-	-	-	-	-	-	-	26,772	-	26,772
Costs of share issue*	-	(792)	-	-	-	-	-	-	-	(792)	-	(792)
Acquisition of non-controlling interest (note 8)	-	-	-	-	3,378	-	1,735	-	-	5,113	(5,113)	-
Share based payments	-	-	-	75	-	-	-	-	-	75	-	75
Deferred tax on share based payments	-	-	-	9	-	-	-	-	-	9	-	9
Acquisition of subsidiary	-	-	-	-	-	-	(1,770)	-	-	(1,770)	863	(907)
Dividends paid	-	-	-	-	(1,210)	-	-	-	-	(1,210)	-	(1,210)
Balance at 31 December 2016 (Audited)	794	25,855	(5)	84	19,765	717	(1,770)	50	150	45,640	952	46,592

*See note 6

Unaudited Consolidated Cashflow Statement for 6 months ended 30 June 2017

	30 June 2017 Unaudited £'000	30 June 2016 Unaudited £'000	31 December 2016 Audited £'000
Cash inflow from operating activities			
Profit before tax	8,033	3,825	12,102
Depreciation	733	604	1,229
Amortisation	1,522	1,279	2,680
(Gain) / loss on disposal of assets	(153)	(85)	183
Share based payments	136	-	75
Foreign exchange (gains)/losses	154	(15)	216
Finance income	(14)	-	(1)
Finance costs	710	1,750	2,386
Adjusted profit from operations before changes in working capital	11,121	7,358	18,870
Increase in inventories	(6,319)	(2,502)	(8,447)
Increase in trade and other receivables	(5,114)	(5,308)	(5,887)
(Decrease) / increase in trade and other payables	3,830	(755)	3,367
Cash flow from operations	3,518	(1,207)	7,903
Income tax paid	(2,186)	(1,664)	(4,281)
Net cash inflow / (outflow) from operating activities	1,332	(2,871)	3,622
Cash flow from investing activities			
Acquisition of businesses	(4,986)	-	(3,276)
Cash acquired within business combination	2,972	-	367
Purchase of intangible assets	(43)	(126)	(186)
Purchase of plant and equipment	(1,820)	(606)	(2,278)
Proceeds on disposal of plant and equipment	368	371	546
Interest received	14	-	1
Net cash outflow from investing activities	(3,495)	(361)	(4,826)
Net cash from financing activities			
Acquisition of non-controlling interest	-	(7,454)	(7,454)
Deferred consideration paid	(11)	-	(11)
Issue of shares net of issue costs	-	25,982	25,980
Dividends paid	(5,607)	-	(1,210)
Invoice financing inflows / (outflows)	7,380	(3,688)	256
Issue of loan to related party	-	-	(212)
Repayment received of related party loan	-	-	212
Repayment of loans	(14)	(13,424)	(13,696)
Interest paid	(295)	(390)	(657)
Interest paid on finance leases	-	(10)	(16)
Capital element of finance lease payments	(65)	(219)	(527)
Net cash inflow from financing activities	1,388	797	2,665
Net (decrease) / increase in cash and cash equivalents	(775)	(2,435)	1,461

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Cash and cash equivalents at beginning of period/year	17,201	14,351	14,351
Effects of exchange rate changes	280	1,222	1,389
Cash and cash equivalents at end of period/year	<u>16,706</u>	<u>13,138</u>	<u>17,201</u>

Comprising:

Cash at bank	20,597	14,880	20,164
Bank overdrafts	(3,891)	(1,742)	(2,963)
	<u>16,706</u>	<u>13,138</u>	<u>17,201</u>

Notes to the Interim Consolidated Financial Information**1. GENERAL**

The interim financial information for the period to 30 June 2017 is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

They do not include all the information required in annual financial statements in accordance with IFRS, and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2016.

2. ACCOUNTING POLICIES

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the year ended 31 December 2016, which complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

The financial information has been prepared on the basis of IFRS that the Directors expect to be applicable as at 31 December 2017.

The Directors have adopted the going concern basis in preparing the financial information. In assessing whether the going concern assumption is appropriate, the Directors have taken into account all relevant available information about the foreseeable future.

The statutory accounts for the year ended 31 December 2016, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified; did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, and did not include reference to any matters to which the auditor drew attention by way of emphasis.

3. EARNINGS PER SHARE

Basic earnings per share is based on the profit after tax for the period/year and the weighted average number of shares in issue during the period/year. Preference shares are non-participating and therefore excluded.

Diluted earnings per share is calculated by adjusting the average number of shares in issue during the period to assume conversion of all dilutive potential ordinary shares. Since July 2016, the Group has issued potentially dilutive shares relating to the long term incentive plan available to senior management and key members of staff.

	June 2017	June 2016	December 2016
Profit attributable to equity holders of the parent Company (£'000)	5,595	2,461	8,216
Weighted average number of shares in issue*	79,448,200	71,000,398	75,247,380
Basic earnings per share	<u>7.04p</u>	<u>3.47p</u>	<u>10.92p</u>

*The weighted average number of shares for the purpose of earnings per share has been based on the assumed number of shares as if the bonus issue on 6 May 2016 had occurred at the beginning of the earliest period presented.

Taking the Group's LTIP's into consideration in respect of the Group's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

	June 2017	June 2016	December 2016
Number of shares			
Dilutive (potential dilutive) effect of share options	134,338	-	93,852
Weighted average number of ordinary shares for the purposes of diluted earnings per share	79,582,538	71,000,398	75,341,232
Diluted earnings per share	<u>7.03p</u>	<u>3.47p</u>	<u>10.91p</u>

4. SEGMENTAL REPORTING

June 2017

£'000	UK & Ireland	France	Iberia¹	Germany	Australasia	Total
Revenue	139,420	17,123	4,927	35,495	14,599	211,564
Gross profit	22,090	2,165	1,316	4,327	2,535	32,433
Gross profit %	15.8%	12.6%	26.7%	12.2%	17.4%	15.3%
Adjusted operating profit	7,138	260	588	1,586	961	10,533
Costs of acquisitions	(146)	-	-	-	-	(146)
Share based payments	(136)	-	-	-	-	(136)
Amortisation	(1,215)	(15)	(71)	(196)	(25)	(1,522)
Operating profit	5,641	245	517	1,390	936	8,729
Net interest						<u>(696)</u>
Profit before tax						<u>8,033</u>
Segment assets	115,353	11,965	12,909	20,621	9,396	170,244
Segment liabilities	(95,931)	(10,312)	(4,288)	(6,303)	(5,981)	(122,815)
Depreciation and amortisation	1,788	94	75	212	86	2,255
Non-current assets				UK	ROW	Total
				23,173	8,098	31,271

¹Iberian subsidiary acquired 27 March 2017

MIDWICH GROUP PLC

June 2016

£'000	UK & Ireland	France	Germany	Australasia	Total
Revenue	109,532	14,536	24,157	10,124	158,349
Gross profit	17,961	1,915	3,220	1,545	24,641
Gross profit %	16.4%	13.2%	13.3%	15.3%	15.6%
Adjusted operating profit	5,595	357	1,349	571	7,872
Costs of flotation	(1,018)	-	-	-	(1,018)
Amortisation	(1,069)	(15)	(190)	(5)	(1,279)
Operating profit	3,508	342	1,159	566	5,575
Net interest					(1,750)
Profit before tax					3,825
Segment assets	93,520	10,561	17,799	6,463	128,343
Segment liabilities	(65,557)	(9,701)	(5,899)	(4,849)	(86,006)
Depreciation and amortisation	1,539	63	207	74	1,883
Non-current assets			UK 20,615	ROW 4,482	Total 25,097

December 2016

£'000	UK & Ireland	France	Germany	Australasia	Total
Revenue	246,972	33,414	64,258	25,498	370,142
Gross profit	39,319	4,526	8,495	4,121	56,461
Gross profit %	15.9%	13.5%	13.2%	16.2%	15.3%
Adjusted operating profit	12,001	1,059	3,881	1,601	18,542
Costs of flotation	(1,041)	-	-	-	(1,041)
Costs of acquisitions	(247)	-	-	(12)	(259)
Share based payments	(75)	-	-	-	(75)
Amortisation	(2,230)	(33)	(390)	(27)	(2,680)
Operating profit	8,408	1,026	3,491	1,562	14,487
Net interest					(2,385)
Profit before tax					12,102
Segment assets	109,614	11,303	19,634	8,712	149,263
Segment liabilities	(80,498)	(9,878)	(6,548)	(5,747)	(102,671)
Depreciation and amortisation	3,197	139	425	148	3,909
Non-current assets			UK 22,129	ROW 6,283	Total 28,412

5. FINANCE COSTS

	June 2017	June 2016	December 2016
	£'000	£'000	£'000
Interest on overdraft and invoice discounting	282	305	604
Interest on finance leases	-	20	27
Dividend on preference shares treated as borrowings	-	(14)	(14)
Interest on other loans	12	79	40
Interest & fair value movement on put option liability	416	1,360	1,729
	<u>710</u>	<u>1,750</u>	<u>2,386</u>

6. SHARE CAPITAL

The total allotted share capital of the company is:

Allotted, issued and fully paid

Classed as equity:	June 2017		June 2016		December 2016	
	Number	£'000	Number	£'000	Number	£'000
Ordinary shares of £0.01 each	79,448,200	794	79,448,200	794	79,448,200	794
Total equity	79,448,200	794	79,448,200	794	79,448,200	794

Share transactions effected during the 2017 interim period:

No shares have been issued during the 6 months ended 30 June 2017.

Share transactions effected during the 2016 interim period (see notes):Number of shares

	Opening 1 January 2016	Issue of B1 Ordinary shares*	Buy back of B5 Ordinary shares 4 February	Redemption of Preference shares 22 April	Write down of Preference, B3 and B5 shares 29 April	Re- designation to Ordinary shares 29 April	Bonus share issue 29 April	Issue of Ordinary shares 3 May	Closing 30 June 2016
Ordinary shares of £0.01	-	-	-	-	-	669,482	66,278,718	12,500,000	79,448,200
Ordinary shares of £1	396,000	-	-	-	-	(396,000)	-	-	-
Preference shares of £1	4,123,746	-	-	(3,123,746)	(995,193)	(4,807)	-	-	-
A Ordinary shares of £0.01	52,500	-	-	-	-	(52,500)	-	-	-
B1 Ordinary shares of £0.01	174,474	36,450	-	-	-	(210,924)	-	-	-
B3 Ordinary shares of £0.01	7,179	-	-	-	(4,331)	(2,848)	-	-	-
B5 Ordinary shares of £0.01	14,358	-	(7,179)	-	(4,776)	(2,403)	-	-	-
	<u>4,768,257</u>	<u>36,450</u>	<u>(7,179)</u>	<u>(3,123,746)</u>	<u>(1,004,300)</u>	<u>-</u>	<u>66,278,718</u>	<u>12,500,000</u>	<u>79,448,200</u>

Value of shares

	£'000									
	Opening 1 January 2016	Issue of B1 Ordinary shares*	Share capital reduction 13 April	Redemption of Preference shares 22 April	Write down of Preference, B3 and B5 shares 29 April	Re- designation to Ordinary shares 29 April	Bonus share issue 29 April	Issue of Ordinary shares 3 May	Closing 30 June 2016	
Ordinary shares of £0.01	-	-	-	-	-	-	663	125	794	
Ordinary shares of £1	396	-	(392)	-	-	(4)	-	-	-	
Preference shares of £1	4,124	-	(990)	(3,124)	(10)	(0)	-	-	-	
A Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	
B1 Ordinary shares of £0.01	2	-	-	-	-	(2)	-	-	-	
	4,522	-	(1,382)	(3,124)	(10)	-	663	125	794	

* Issue of B1 Ordinary shares took place on the following dates at a price of £21.20 per share:

13 January	10,000
18 January	20,000
4 February	3,700
10 March	2,750
	<u>36,450</u>

Notes on share capital movements during 2016

As explained further in the admission document, the following share capital changes (as illustrated in the above tables) took place during the period:

1. Issue of B1 Ordinary shares at £21.20 per share as noted above, creating share premium of £772,000
2. Buy back of 7,179 B5 Ordinary shares on 4 February 2016 for cancellation at par value
3. Share capital reduction on 13 April 2016, reducing the equity Preference share capital and Ordinary share capital from £1.00 per share nominal value to £0.01 per share nominal value
4. Redemption of Preference shares classified as a financial liability on 22 April 2016, settling the financial liability in full
5. Re-designation of the Preference shares', B3 shares' and B5 shares' percentages on 29 April 2016, and subsequently re-designation of these as Deferred shares, pursuant to which these Deferred shares were transferred in favour of the Company for nil consideration and then cancelled.
6. Re-designation of all remaining categories of shares as £0.01 Ordinary shares on 29 April 2016
7. Bonus share issue on 29 April 2016 in the proportion of 99 Ordinary shares for each existing Ordinary share
8. Placing of new shares on 3 May 2016 (date of admission to the AIM Market) at £2.08 per share, creating share premium of £25,875,000 less issue costs of £790,000

All reductions in value of existing share capital have created additional distributable reserves which have been recorded in retained earnings. The bonus issue of ordinary shares has used some of the additional distributable reserves created by the preceding share capital reductions.

Rights and obligations

Ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights. They do not confer any rights of redemption.

Employee benefit trust

As a result of the share changes described in the share capital movements notes 3,5,6 and 7 above, the employee benefit trust was allocated 480,700 ordinary shares. On 30 June 2016, 136,000 of these shares were distributed to the SIP trust, leaving 344,700 ordinary shares in the employee benefit trust as at 31 December 2016.

In May 2017 a further 105,000 were distributed to the SIP trust, leaving 239,700 £0.01 Ordinary shares in the employee benefit trust at 30 June 2017.

7. BUSINESS COMBINATIONS

Acquisitions have been completed by the Group during the period to increase scale, broaden its addressable market and widen the product offering.

Subsidiaries acquired:

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Fair value of consideration transferred £'000
Earpro SA	Distribution of audio visual products to trade customers	27 March 2017	88.50%	8,311

Fair value of consideration transferred

2017	Acquisition of Earpro SA £'000
Cash	4,986
Deferred contingent consideration	3,325
Total	8,311

Acquisition costs of £146,000 were expensed to the income statement in relation to the acquisition of Earpro SA.

2017	Acquisition of Earpro SA £'000
Non-current assets	
Goodwill	1,009
Intangible assets – key supplier exclusivity	1,488
Intangible assets – customer relationships	740
Intangible assets – brand name	104
Intangible assets – other	58
Plant and equipment	66
Deferred tax asset	4
Current assets	
Inventories	2,053
Trade and other receivables	4,004
Cash and cash equivalents	2,972
Financial Investments	201
Current liabilities	
Trade and other payables	(2,724)
Non-current liabilities	
Deferred tax	(583)
Non-controlling interests	<u>(1,081)</u>
	<u>8,311</u>

Goodwill acquired in 2017 relates to workforce, synergies and sales know how.

Goodwill arising on the acquisition of Earpro SA has been allocated to the Iberian operating segment and is not expected to be deductible for tax purposes.

	Acquisition of Earpro £'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	(4,986)
Less: cash and cash equivalent balances acquired	<u>2,972</u>
Net cash outflow	<u>(2,014)</u>

8. ACQUISITION OF NON-CONTROLLING INTEREST

On 9 May 2016, the Group exercised a call option to acquire the remaining 49% non-controlling interest in their subsidiary, Kern & Stelly Medientechnik GmbH for €9,237,000.

As a result of this acquisition, the put option liability and put option reserve have been derecognised and the non-controlling interests in equity have been extinguished.

As this company was previously consolidated as a subsidiary, no other changes in the net assets of the subsidiary included in the consolidated financial statements arise because no change in control has occurred.

9. CURRENCY IMPACT

The Group report in Pounds Sterling (GBP) but has significant revenues and costs as well as assets and liabilities that are denominated in Euros (EUR) and Australia Dollars (AUD). The table below sets out the prevailing exchange rates in the periods reported.

	Six months to 30 June		At 30 June		At 31 December
	2017	2016	2017	2016	2016
	Average	Average			
EUR/GBP	1.166	1.300	1.146	1.208	1.180
AUD/GBP	1.678	1.966	1.732	1.802	1.690

The impact of changes in the key exchange rates from the first half of 2016 to the first half of 2017 are summarised as follows:

£000	EUR	AUD
Impact on revenues	5,327	1,670
Impact on profit before tax	264	87
Impact on net debt	61	(44)

10. COPIES OF INTERIM REPORT

Copies of the interim report are available to the public free of charge from the Company at Vines Road, Diss, IP22 4YT.

11. POST BALANCE SHEET EVENTS

On 6 September the Group acquired 70% of Gebroeders van Domburg B.V, a specialist audio visual and lighting distributor in the Netherlands.

The initial consideration payable was €2.1m. The transaction also included an earn-out structure for the initial 70% stake which will be based on the business's performance in the period to 31 December 2018. The Group has options to acquire their remaining 30% stake over the next three years on a pre-determined methodology linked primarily to earnings growth.

12. ADJUSTMENTS TO REPORTED RESULTS

	Six months ended	
	30 June	30 June
	2017	2016
	£000	£000
Operating profit	8,729	5,575
Exceptional administrative costs	146	1,018
Share based payments	136	-
Amortisation	1,522	1,279
Adjusted operating profit	10,533	7,872
Profit before tax	8,033	3,825
Exceptional administrative costs	146	1,018
Share based payments	136	-
Amortisation	1,522	1,279
Finance costs – put and call option	416	1,360
Finance costs – interest on loan notes and preference shares	-	81
Adjusted profit before tax	10,253	7,563
Profit after tax	5,812	2,716
Exceptional administrative costs	146	1,018
Share based payments	136	-
Amortisation	1,522	1,279
Finance costs – put and call option	416	1,360
Finance costs – interest on loan notes and preference shares	-	81
Tax impact – at 20%	-	(16)
Adjusted profit after tax	8,032	6,438
Profit after tax	5,812	2,716
Non-controlling interest	(217)	(255)
Profit after tax attributable	5,595	2,461
Adjusted profit after tax	8,032	6,438
Non-controlling interest	(217)	(255)
Adjusted profit after tax attributable	7,815	6,183
Number of shares	79,448,200	71,000,398
Reported EPS – pence	7.04p	3.47p
Adjusted EPS – pence	9.84p	8.71p

13. INTERIM DIVIDEND

The 2016 interim dividend of 1.5 pence was related to profits earned in the period from completion of the Group's listing on AIM to 30 June 2016, a period of 55 days. As a result the 2016 interim dividend was reduced by 50%. The interim dividend proposed for the six months to 30 June 2017 of 4.17 pence is related to profits earned over that whole period. Reported like for like growth of 36% is after adjustment to gross up the 2016 number to a full six months on a pro rata basis.