

8 March 2022

Midwich Group plc
("Midwich" or the "Group")

Unaudited full year results

Record revenues and profits despite pandemic challenges

Midwich Group (AIM: MIDW), a global specialist audio visual ("AV") distributor to the trade market, today announces its unaudited full year results for the year ended 31 December 2021.

Statutory financial highlights

	Year to 31 December 2021 £m	Year to 31 December 2020 £m	Total growth %
Revenue	856.0	711.8	20.3%
Gross profit	131.3	101.8	28.9%
Operating profit	21.0	7.1	196%
Profit before tax	18.9	(1.0)	N/a
Profit after tax	13.5	(3.4)	N/a
Basic EPS - pence	14.11	(4.32)	N/a

Adjusted financial highlights¹

	Year to 31 December 2021 £m	Year to 31 December 2020 £m	Total growth %	Growth at constant currency %
Revenue	856.0	711.8	20.3%	22.9%
Gross profit	131.3	101.8	28.9%	31.6%
Gross profit margin %	15.3%	14.3%		
Adjusted operating profit	34.0	16.5	105.7%	110.4%
Adjusted profit before tax	31.9	14.2	125.4%	130.3%
Adjusted profit after tax	23.9	10.3	132.6%	138.6%
Adjusted EPS - pence	25.63	11.20	128.8%	

¹ Definitions of the alternative performance measures are set out in note 1

Financial highlights

- The Group achieved record revenue and adjusted profit before tax, whilst making further market share gains, despite ongoing disruption from the pandemic
- Revenue growth of 22.9% at constant exchange rates to £856.0 million, including 18.9% organic growth
- Gross margin recovered strongly to 15.3% (2020:14.3%)
- Adjusted profit before tax increased by 130.3% at constant exchange rates to £31.9m, ahead of pre-pandemic levels
- Adjusted EPS increased to 25.63p (2020: 11.20p)
- Proposed final dividend of 7.8p bringing the full year dividend to 14.1p (including special and interim dividends)
- Strong balance sheet, with year-end adjusted net debt to EBITDA of 1.4x (2020:0.9x), providing financial flexibility

Operational highlights

- Acquisitions made in 2020 and 2021 have been fully integrated and are delivering a positive contribution to the Group
- Entry into the strategically important Middle East market through the acquisition of NMK
- Two further acquisitions strengthen our unified communications and broadcast offerings
- Post-period end acquisitions:
 - Acquisition of Cooper Project Limited in January 2022, representing entry into the UK video security market
 - Acquisition of Nimans Limited in February 2022, a UK based specialist distributor of unified communications, telecoms, collaboration and audio visual technologies.
- Strong future acquisition pipeline across a number of regions and technologies.
- Trading since the year end in line with management expectations

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

"The Group has had a very strong year, achieving record revenues and adjusted net profits. This level of performance has required a monumental effort from all of our teams and the much-appreciated loyalty and support of our customers and vendors. The pandemic-related difficulties of 2020 continued through much of 2021. These included the practicalities of home and hybrid working, product shortages, unpredictable timing of inventory supplies, logistics cost increases and a number of higher margin end-user markets remaining largely closed.

We have continued to focus not only on delivering strong short-term performance, but also building the business for the long term. We have grown and strengthened our team during the year, including particularly in North America, and also in our group-wide IT capabilities. Our acquisition programme has continued, with three transactions completed in the year and two substantial deals announced post year end.

As markets start to open up once more, I believe our business is well placed to enjoy further growth and success."

Analyst meeting/webinar

There will be a meeting and webinar for sell-side analysts at 9.30am GMT today, 8 March 2022, the details of which can be obtained from FTI Consulting: midwich@fticonsulting.com.

For further information:

Midwich Group plc

Stephen Fenby, Managing Director
Stephen Lamb, Finance Director

Tel: +44 (0) 13 7964 9200

Investec Bank plc (NOMAD and Joint Broker to Midwich)

Carlton Nelson
Ben Griffiths

Tel: +44 (0) 20 7597 5970

Berenberg (Joint Broker to Midwich)

Ben Wright
Mark Whitmore
Alix Mecklenberg-Solodkoff

Tel: +44 (0) 20 3207 7800

FTI Consulting

Alex Beagley
Tom Hufton
Rafaella de Freitas

Tel: +44 (0) 20 3727 1000
midwich@fticonsulting.com

About Midwich Group

Midwich is a specialist AV distributor to the trade market, with operations in the UK and Ireland, EMEA, Asia Pacific and North America. The Group's long-standing relationships with over 600 vendors, including blue-chip organisations,

support a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, digital signage and professional audio. 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 over 20,000 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 around 1,300 employees across the UK and Ireland, EMEA, Asia Pacific and North America. 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

COVID-19 and its impact on our business

The coronavirus (“COVID-19”) pandemic represents the biggest shock known to our business sector. Throughout the crisis, we have taken decisive action which has allowed us to continue to successfully deliver our strategic objectives despite the unprecedented disruption.

Although the economic effect of COVID-19 has been significant across the world, our market strength, combined with the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets have enabled us to continue to grow and increase market share, highlighting the strength of our business model.

Despite further lockdowns and continued disruption to many of our end user markets, the Group improved revenues consistently throughout the year resulting in growth of 22.9%, at constant currency, to £856.0 million. This improvement, together with a partial recovery in gross margins, resulted in an adjusted profit before tax for the year of £31.9 million. This was significantly ahead of the Board’s original expectations at the beginning of the year and represents a record performance for the Group.

The impact on our strategy

The COVID-19 pandemic has shocked the global economy and how we live our lives. However, we believe that the AV industry is well placed for the future and see no overall change in the long-term prospects for the market, with growth forecast at 7.2% per annum for the five years to 2026 (Source: Avixa 2021). We believe the Group is the largest specialist AV distributor globally and remains well positioned to deliver on its long-term growth strategy.

During the year, the impact of COVID-19 continued to create short-term uncertainty from further lockdowns impacting end user demand through to significant disruption in the global supply chain. Whilst global uncertainties are expected to continue into 2022, the Group’s strategy remains focused on its core markets and product areas where it can leverage its value-add services, technical expertise and sales and marketing skills. Using its market knowledge and expertise, the Group provides its vendors with support to build and execute plans to grow market share. The Group supports its customers to deliver successful projects, from initial pitch through to execution.

A core component of the Group’s growth strategy remains further expansion of its international operations and footprint into strategically targeted jurisdictions, both organically and through acquisition. We continued our acquisition activity in the year with three acquisitions completed in 2021, including the strategic entry into the Middle East and the acquisition of a specialist Unified Communications business in Germany.

The effect on our end-markets

Throughout the pandemic, markets which are largely government funded (such as education, healthcare and defence) have remained relatively strong, albeit with some short-term disruption from lockdowns restricting the ability of customers to access sites. The corporate market is adapting to the increased uncertainty and new working patterns, such as hybrid working, with demand improving during the year.

Activity continues to be muted in live events and hospitality markets but, in the second half of the year, we began to see some events taking place and increased enquires as end users prepare for the end of restrictions. The emergence of the Omicron variant and associated restrictions at the end of the year delayed the recovery in live events and hospitality, but industry forecasts are for these sectors to fully recover in 2023.

The rapid recovery in demand for computer chips, combined with both disruption in parts of the world where AV equipment is manufactured, and global logistics challenges, resulted in significant uncertainty in our global supply chain during the year. The strength and breadth of our vendor relationships together with an exceptional performance by our teams allowed us to minimise this disruption to the business, however supply chain uncertainty has continued into 2022. We continue to work closely with our vendors to maintain product supplies and to support our customers and end users with as little disruption as possible.

The Board believes that current market conditions highlight more than ever the need for manufacturers to use a high-quality specialist distributor such as Midwich. Over the last two years, the Group launched an encouraging number of new vendor relationships, including with Neat, Jabra, Logitech, Sonos, Netgear, Poly and Huddly, and rolled out existing relationships, with Promethean, Barco, Biamp, Shure, DTEN and Absen, into new technology areas (such as the Barco ClickShare range in the UK & Ireland and France) and geographical markets (such as launching Shure in France). The

launch of new vendors is a core element of the Group's strategy and this has accelerated during the pandemic period as the Group continues to position its portfolio in exciting growth markets, such as unified communications.

How we are responding

Whilst we continue to monitor the effects of the pandemic and remain cautious in our outlook for 2022, we are optimistic about the future and our ability to successfully execute against our strategic objectives. Over the last two years we have launched new vendor relationships and further developed our expertise in the unified communications sector. Our acquisition programme has continued with the strategic entry into both North America (2020) and the Middle East (2021) and we have a number of exciting opportunities in the pipeline across various other geographies. After a very challenging 2020, the Group recovered exceptionally well in 2021, delivering record revenue and adjusted profit before tax.

What the long-term future looks like

The Board would like to thank our staff, customers and partners for their incredible support throughout the pandemic and looks forward to continuing our long-term growth trajectory.

Conflict in Ukraine and its impact on our business

The Group does not operate in Eastern Europe and has no direct exposure to either Russia or Ukraine. We do not believe that any of our major customers have a material exposure to these markets. The Board is monitoring the wider economic situation, but, at this time, does not anticipate any significant impact to the Group from the conflict.

Chairman's Statement

Against a backdrop of continuing disruption and uncertainty from the pandemic, I am pleased that the Group was able to achieve record results in 2021 and deliver against further strategic milestones.

Even though many of our end user markets are yet to fully recover, I am pleased to report that we achieved revenue of £856.0 million in the year, 20.3% ahead of 2020. The Pro AV market has picked up strongly during 2021, but remains below pre-pandemic levels with full recovery now expected in 2023. Against this backdrop, our results demonstrate the strength of our long-term strategy in achieving a record revenue and adjusted profit before tax performance, with Group revenue in 2021 up by twenty five percent compared to pre-pandemic levels. A strong close to the year saw the Group exceed the Board's expectations for full year revenue and adjusted profit while also ending the year with record order books.

An emerging theme of 2021 was supply chain disruption, with many factors affecting both the global economy and the AV industry. During the year we faced headwinds from price inflation, computer chip and product shortages, post-Brexit customs arrangements, labour shortages in logistics and even the blockage of the Suez canal. Our teams addressed these challenges with commitment and determination which, when combined with our strong AV market position and the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets, allowed us to successfully navigate these issues and achieve organic revenue growth of 18.9%. Whilst many of these uncertainties continue as we move into 2022, we remain very positive about the opportunity to deliver on our strategic growth priorities.

Our teams have demonstrated passion, flexibility and resilience over the last two years. Whilst the global vaccination programme provided end users with greater confidence to begin investing, each of the countries where we operate continued to see further lockdowns and restrictions during the year. Our teams have delivered exceptional service to vendors, customers and end users alike. I believe that we have the best team in the industry and that this has been the main driver of our market share gains and progressive improvement in trading throughout the year. Early in 2021, the Board decided to end the temporary restrictions put in place at the start of the pandemic and we were delighted to welcome all our staff back to work. As a result of the improved trading performance, the Board decided to repay furlough money received by the UK&I business for 2021.

Alongside recovery and organic growth, which were a major focus in 2021, I am pleased that the Group was also able to achieve further strategic milestones:

The Group's acquisition of a majority stake in NMK Group in January 2021 represented our entry into the Middle East, the world's fastest growing AV market. Based in the UAE and Qatar, NMK Group is a specialist audio and visual distributor with a strong heritage in the professional audio market where the business operates with high-end specialist brands, such as Shure and Bose. In April 2021, the Group acquired the Unified Communications ("UC") division of Hamburg-based eLink Distribution AG ("eLink"). Now fully integrated into our business in Germany, Austria and Switzerland ("DACH"), eLink provides audio visual communication and network solutions to trade customers and is renowned for its technical support and expertise. The business is an established value-added distributor of leading manufacturer partners such as Poly, Lifesize, and DTEN. Our Holdan professional video and broadcast business also welcomed the team from Intro2020 to the Group in July 2021. This small acquisition complements Holdan's broadcast and professional video solutions by adding a leading UK supplier of photo and pro-video equipment and an established client base in the professional photography segment.

During 2021, we further expanded our vendor relationships in support of our long-term organic growth objectives. New brands added by our businesses in the year enhanced our UC and education offerings and included Neat, Jabra, Logitech, Promethean, Aver, Lenovo and L-Acoustics.

After the period end, we completed the acquisition of a controlling stake in Cooper Projects Limited, the parent company of DVS Limited ("DVS"), a UK based distributor of video security products. This acquisition provides the Group with access to a significant segment of the AV market in which we have had little presence, and which is expected to grow at around 8% per annum for the next five years. We also completed the acquisition of Nimans Limited (and its subsidiaries) ("Nimans"), a UK based specialist distributor of unified communications, telecoms, collaboration and audio visual technologies. This deal allows the Group to grow its UC offering and brings further opportunities, in terms

of skills in new product and technology areas, service offerings to the trade, a large new customer base and new vendor relationships.

The pandemic has caused significant disruption to our end user markets. The business achieved an exceptional recovery in 2021 and industry data continues to show long-term growth in demand for AV products; exceeding GDP growth. The Board attributes our strong performance to continued focus on service, looking after our teams and continuing to deliver on our strategic goals. We believe that the business is well positioned for the future.

Dividend

The Board understands the importance of dividends for many of our investors and was grateful for their support and understanding when we took the difficult decision to suspend dividends in 2020. The strength of the Group's recovery allowed us to reinstate dividends earlier than anticipated and the Board was pleased to be able to pay a special dividend of 3 pence per share in July 2021. The Board is recommending a final dividend of 7.8 pence per share which, if approved, will be paid on 17 June 2022 to shareholders on the register on 6 May 2022. The last day to elect for dividend reinvestment ("DRIP") is 25 May 2022. With the interim dividend of 3.3 pence per share and the special dividend paid in July this represents a total dividend for the year of 14.1 pence per share. The combined value of the interim and proposed final dividends at 11.1 pence per share is covered 2.3 times by adjusted earnings.

The Board continues to support a progressive dividend policy to reflect the Group's strong growth and cash flow. While there is no hard or fixed target, in order to allow for continued investment in targeted acquisitions, the Board anticipates that future dividends will continue to be covered in the range of 2 to 2.5 times adjusted earnings per share.

Board

Membership of the Board has remained stable throughout the year, and we have continued to use our unified communications solutions for both our AGM and our Board and committee meetings. The Board met ten times during the year and received regular updates from the Executive Leadership Team ("ELT").

In line with prior years, the Board completed a self-evaluation exercise during 2021, reinforcing our commitment to, and success in, establishing a strong corporate governance framework. We took the opportunity of this review to confirm our strong and effective governance and reaffirmed the role of the Board and its individual members in ensuring compliance with the QCA code. There were no major issues or concerns raised about the effectiveness of the Board or its individual members. The Nominations Committee has reviewed the skills and experience of Board members individually and collectively and concluded that the size and composition of the Board remains appropriate at this stage of the Group's development.

In recent years, the Group has significantly expanded its international footprint with two thirds of its revenue coming from outside the UK & Ireland in 2021 (One third at IPO) and the Board welcomes the cultural diversity that this brings. The Midwich culture is an open and welcoming one and in 2021 we were named the "Best place to work" in the Inavation Awards. The Board understands the importance of diversity of gender and ethnicity and is committed to ensuring that diversity will be key consideration in the appointment of future directors and senior leaders.

The Group's approach to Environmental, Social and Governance ("ESG") matters is aligned to three key pillars: reducing our environmental impact; helping our local communities and charities; and supporting our people. The Board has determined that the Group's primary sustainability focus will be on carbon emissions. In 2021, we focused our environmental activity through the establishment of a carbon reduction programme supported by a Group wide team, with a desire to make a difference, led by an internal candidate with qualifications in sustainability. To support this team, and after a review of suitable candidates, the Board appointed Climate Partner GmbH as a specialist external adviser on carbon measurement and reduction.

The process for establishing our baseline CO2 emissions across the business commenced in 2021 and is making good progress. Although the absolute value of CO2 emissions is important, given the historical and planned growth of the Group, the Board considers that emissions divided by revenue is a more relevant KPI.

The Board intends to provide further progress updates on its environmental strategy later in 2022. This will include baseline CO2 data from the audit together with our agreed approach to becoming net zero with respect to scope 1 and 2 carbon emissions by 2030 or earlier. As an AIM listed company, the Task Force on Climate-related Financial

Disclosures (“TCFD”) are not yet applicable to the Group, but as a Board we have determined that we will progress towards the majority of the TCFD disclosures over the next two years.

The Group continues to apply the QCA code as its governance framework. The Board has reviewed all aspects of compliance and continues to believe that it meets or exceeds the requirements of the code. Over the last few years, we have enhanced our reporting including further ESG disclosure this year. We go beyond the QCA code requirements through the inclusion of a comprehensive directors’ remuneration report and an annual advisory vote on this at the AGM. We engaged with our largest shareholders as part of the 2021 AGM process and have included the conclusions and actions arising from these discussions in this year’s report.

The Board recognises its duty to have regard to broader stakeholder interests and, in addition to including both a separate Section 172 Statement and further ESG information in the annual report, we added further information about the Group to our website during the year and introduced a stakeholder newsletter from the start of 2021.

People

The success of any company is down to the quality of its leadership and its people. The team at Midwich has once again demonstrated immense skill, enthusiasm, commitment, drive and resilience over the last twelve months. Our people performed exceptionally in 2021, delivering industry leading customer service and acting as true partners to our vendors which has resulted in further market share gains across the Group. I recognise the enormous efforts made by our teams in supporting our recovery from the pandemic disruption and strongly believe that we have the best team in the industry and are well positioned for future growth.

During 2021, the Board has continued to interact with the Executive Leadership Team (“ELT”), which comprises the executive directors together with the managing directors of our key operating units. We have been delighted with the ELT’s success in delivering strategic goals at the same time as leading the Group’s record performance. This regional leadership model is working well and is fully aligned to the Group’s long-term growth ambitions.

On behalf of the Board, I would like to thank all employees and our partners for their commitment and hard work and congratulate them on achieving an impressive performance in an exceptionally challenging year.

Andrew Herbert
Non-executive Chairman

Managing Director's review

Overview

The challenges to our industry, business and people that were experienced in 2020 as a result of the COVID-19 pandemic, continued throughout 2021. Although the severity of lockdowns reduced generally, throughout the year governments advised their people to work from home for much of the time. Product shortages continued as did logistics issues and price inflation.

Our operations continued to perform to a high level despite these difficulties, and we believe that our efforts were rewarded by high market shares and growing order books. Our staff worked tirelessly in trying to marry product shortages and delivery unpredictability with the needs of our customers and their end users.

Strong organic revenue growth despite the ongoing challenges

Group revenue increased by 20.3% in the year, of which 18.9% was organic. This compares with AVIXA's estimated growth in the global AV market of 8.5% in 2021.

We saw substantial organic growth in our two core business regions – EMEA and the UK&I. Growth was modest in the APAC region as COVID restrictions remained strict for much of the year. In North America, our exit from a low margin fulfilment business at the end of 2020 meant that revenue dropped by 38%. Removing this fulfilment revenue from the prior year, our business in this region grew by over 25% in 2021 and Group revenue increased by over 30%.

Little change in end-user market demand profile

With lockdown cycles continuing throughout 2021, we did not see the changes to end user demand that were expected at the start of the year. In particular, the live events and entertainment sectors remained generally subdued. The corporate market, which comprises principally investment in existing and new offices, also remained more subdued than expected as many companies failed to settle on their future office and home working strategies. To counteract this, our expanded range of products addressing the corporate market (particularly in respect of UC solutions) resulted in this segment accounting for a slightly greater share of the overall business than in 2020.

The education sector remained strong throughout the year. We have a particularly strong offering for this market and believe that it accounts for around one third of overall revenues.

Overall gross margin improvement

The overall Group gross margin percentage improved from 14.3% to 15.3%, a significant step back towards the 16.5% achieved in 2019.

We believe that margins were negatively impacted in 2020 as a result of lower volumes and an adverse change in mix of products sold. During 2021, we saw a partial recovery in the volume related margin drop. As volumes recovered, the Group was more successful in achieving volume purchasing rebates from manufacturers. This was partially suppressed by ongoing product shortages, which reduced our ability to negotiate volume purchasing rebates.

We saw some improvement in the product mix, with around 43% of Group revenues now being accounted for by our more technical product areas. The positive impact on overall gross margins from this growth was suppressed somewhat by an ongoing lack of demand from certain higher margin end user markets, and also the fact that some of our newer product areas carry slightly lower margins.

In the last two years the Group has been particularly successful in growing some lower margin product areas, such as in sales of mainstream products into education. This success has contributed significantly to Group net profit and expanded market shares, but does have a suppressing impact on overall gross margins.

Managing the impact of ongoing product shortages

Throughout 2021 our industry experienced significant disruption to supply chains through a combination of the well-advertised global shortage of semi-conductors, manufacturing disruption caused by lockdowns, and a shortage of sea container capacity. Such disruption has impacted the business in a number of ways. Firstly, we believe there has been a suppressing impact on revenue for the year. Although this is difficult to quantify (and should be temporary in nature), the increase in customer back orders would suggest that this impact could have been quite significant. Secondly, in

order to provide the most consistent supply of product to customers, we have often held higher buffer stocks, where product has become available, which has an impact on working capital levels. Despite heightened inventories, it has been more difficult to maintain consistently high product availability to our customers across all ranges. Optimising our service level has involved often complex product scheduling and allocation, and significantly higher workloads for our staff.

We believe that significant product shortages remain ongoing, although there are some signs of this easing in the display market particularly.

Profitability and cash generation

Adjusted profit before tax increased by over 125% to reach £31.9 million – a record for the Group.

In addition to maximising profitability, we continued to focus on managing our cash flow. At the end of 2020, the Group's working capital, and hence net debt, was particularly low. The significant organic growth experienced in 2021, and also our decision to hold higher buffer stocks, meant that adjusted net debt increased from around £21 million to £58 million. At 31 December 2021, the ratio of adjusted net debt² to adjusted EBITDA was 1.4 times – well within the Board's comfort range.

1. Based on adjusted operating profit
2. Adjusted for lease liabilities

Group strategy remains unchanged

Our group strategy focuses on long term profit growth driven by increasing specialisation, expanding our geographical footprint and growing the scale of the business. The Board reviews the validity of this strategy on a regular basis and believes that it continues to provide a sound basis for the future development of the business.

Technologies³

In broad terms, we categorise our products into mainstream and specialist categories. Mainstream products cover displays and projectors, which comprised an aggregate of 50% of Group revenue in 2021 (54% in 2020). Specialist categories cover technologies which require greater pre and post-sales support and hence tend to carry higher margins. This group covers categories such as audio, technical video and broadcast and represented 43% of total sales in 2021 compared with 38% in 2020.

Our largest technology area is displays, a category which grew by 30% in 2021 compared with a fall of 14% in 2020. Growth was particularly strong in UK&I, which had seen the largest fall in 2020, but grew at over 40% in 2021 compared with the market growth of 14%.

Revenue from projector sales increased by 6% in 2021 following a fall of 7% in 2020, with the UK&I increase being the most significant amongst our territories. Whilst the overall projector market continues to be impacted by a shift towards displays, we believe that we gained market share in this category.

Within both mainstream categories the bulk of revenue is in more volume/commoditised products, which tend to carry lower margins. The market for higher end, and hence higher margin products, has remained fairly subdued as these tend to be sold into the live events, entertainment or high-end corporate markets.

Sales in our technical product categories increased by around 50% after being broadly flat last year. After a particularly strong growth in 2020, as expected, the broadcast segment grew at a slower rate in 2021. We saw particular growth in professional audio, boosted by the acquisition of NMK at the start of the year. Technical video products grew at 55%. This included some of the new ranges of UC products, which tend to be at slightly lower margins than some other specialist products.

3. This analysis excludes revenue from the fulfilment activity that Starin exited from at the end of 2020.

Outlook

Record revenues and profits were achieved in a year in which the business and our industry faced significant challenges. Although some of these challenges continue, there are signs of easing as economies open up. We have continued to invest in the business and position it for the long term – building strong foundations for the future. Midwich has been very successful in gaining and developing new vendor relationships and rolling these out across the Group. Our ongoing acquisition programme has enabled us to enter new geographical markets and expand our range of products.

With the global AV market expected by Avixa to grow at 7.2% per annum over the five years to 2026, I believe our Group is very well positioned for the future.

UK & IRELAND

Our UK&I business has made significant progress in its recovery, helped by new vendor launches and winning additional market share.

After a challenging start (due to severe lockdowns in early 2021) we achieved revenue of £286.1 million in the region (2020: £224.4 million) – an increase of 27.5%. Gross margins increased by 1.8% to 15.8%. The improvement in margin was across a number of different product categories. The gross margin should improve further as the trade rental business returns.

Adjusted operating profit increased substantially, from £3.9 million to £12.7 million. During renewed lockdowns at the beginning of the year the UK&I received £0.4 million from government furlough schemes, although this has been repaid subsequently.

EMEA

The EMEA region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy, Iberia, and the addition of the Middle East from the start of 2021.

Revenues, on a constant currency basis, increased by 41.8% to £455.4 million, with organic growth being 34.5%. The relative strength of Sterling to European currencies resulted in an exchange rate headwind that reduced reported revenue growth by 4.3% to 37.5%.

Our German and French businesses performed particularly well, with growth well in excess of 30% and 40% respectively. We believe that these two businesses have continued to gain profitable share in each of their markets.

We were very pleased with the contribution of NMK in the Middle East, and have commenced a programme of organic investment in that region.

Gross margins in EMEA increased by 0.9% to 14.7%. Margins improved across a number of mainstream and technical product categories. The mix of sales improved, with revenues in both display and projection categories increasing, but by less than the higher margin technical areas. Audio sales performed particularly well, helped by the acquisition of NMK.

Adjusted operating profit in EMEA more than doubled to £21.4 million (2020: £9.4 million).

ASIA PACIFIC

Our Asia Pacific region struggled to gain growth momentum in the year due to ongoing strict lockdowns. Revenue increased by 2% to £45.4 million in 2021. We believe that this performance was significantly ahead of the local market, indicating that we have gained share over the year.

The gross margin in APAC improved by 2.2% to 17.5% reflecting a recovery in rebate levels. In prior years, APAC margins have benefited from high value add, complex projects. These were adversely affected by Covid-19 in the last two years, although we have started to see the pipeline of projects building recently.

Adjusted operating profit increased marginally to £0.9 million.

NORTH AMERICA

When Starin, our North American business, became part of the Group on in February 2020, around half of its revenue was in a non-core fulfilment activity. We exited this low margin activity at the end of 2020. Revenue in North America was £69.1 million in 2021, compared with £111.8 million in the prior year. Excluding the fulfilment business, revenues increased by over 25% in the year.

We believe that the North American market holds significant potential for our business and have been investing accordingly. The US AV market is the largest in the world, although much of it is low margin fulfilment business. Our strategy in this market is to focus on more specialist AV products, supported by high value add customer service. Our gross margin in North America was 15.9% (2020 16.1%), which reflects this focused specialist approach. Adjusted operating profit was £4.6 million, representing 6.7% of sales.

Finance Director's Review

Despite ongoing disruption in the wider market, we achieved record revenue and adjusted profit before tax in 2021 with the Group making further market share gains.

Revenue increased in 2021 by 20.3% to £856.0 million (2020: £711.8 million). Excluding the impact of acquisitions and currency movements, organic revenue increased by 18.9% (2020: -14.1%). Gross profit margin increased by one percentage point to 15.3% (2020: 14.3%).

Adjusted operating profit of £34.0 million (2020: £16.5 million) was a Group record and up by 110.4% at constant currency (2020: -50.8%). Operating profit before adjustments was £21.0 million (2020: £7.1 million).

Statutory financial highlights

	Year to 31 December 2021	Year to 31 December 2020	Total growth
Revenue	£856.0m	£711.8m	20.3%
Gross profit	£131.3m	£101.8m	28.9%
Operating profit	£21.0m	£7.1m	196%
Profit before tax	£18.9m	£(1.0)m	N/a
Profit after tax	£13.5m	£(3.4)m	N/a
Basic EPS – pence	14.11p	(4.32)p	N/a

Adjusted financial highlights¹

	Year to 31 December 2021	Year to 31 December 2020	Total growth	Growth at constant currency
Revenue	£856.0m	£711.8m	20.3%	22.9%
Gross profit	£131.3m	£101.8m	28.9%	31.6%
Gross profit margin %	15.3%	14.3%		
Adjusted operating profit	£34.0m	£16.5m	105.7%	110.4%
Adjusted profit before tax	£31.9m	£14.2m	125.4%	130.3%
Adjusted profit after tax	£23.9m	£10.3m	132.6%	138.6%
Adjusted EPS – pence	25.63p	11.20p	128.8%	

1 Definitions of the alternative performance measures are set out in note 1 to the consolidated financial statements

Currency movements reduced Group revenue and adjusted operating profit in the year by 2.6% and 4.7% respectively. The currency impact in the prior year was negligible.

Organic growth in revenue was 18.9% (2020: -14.1%)

The Group's operating segments are the UK and Ireland, EMEA, Asia Pacific and North America. The Group is supported by a central team.

Regional highlights

	Year to 31 December 2021 £m	Year to 31 December 2020 £m	Total growth %	Growth at constant currency %	Organic growth %
Revenue					
UK & Ireland	286.1	224.4	27.5%	27.7%	27.7%
EMEA	455.4	331.1	37.5%	41.8%	34.5%
Asia Pacific	45.4	44.5	2.0%	1.4%	1.3%
North America	69.1	111.8	(38.2%)	(34.3%)	(37.8%)
Total Global	856.0	711.8	20.3%	22.9%	18.9%

Gross profit margin				
UK & Ireland	15.8%	14.0%	1.8ppts	
EMEA	14.7%	13.8%	0.9ppts	
Asia Pacific	17.5%	15.3%	2.2ppts	
North America	15.9%	16.1%	(0.2)ppts	
Total Global	15.3%	14.3%	1.0ppts	
Adjusted operating profit¹				
UK & Ireland	12.7	3.9	224.8%	225.8%
EMEA	21.4	9.4	127.4%	132.8%
Asia Pacific	0.9	0.8	12.9%	9.3%
North America	4.6	4.9	(7.2%)	(2.2%)
Group costs	(5.5)	(2.5)		
Total Global	34.0	16.5	105.7%	110.4%
Adjusted finance costs	(2.1)	(2.3)	(11.5%)	(8.4%)
Adjusted profit before tax¹	31.9	14.2	125.4%	130.3%

1. Definitions of the alternative performance measures are set out in note 1 to the consolidated financial statements.

The financial performance of each segment during the year was:

UK and Ireland

The UK and Ireland segment revenue increased by 27.5% (2020: -28.7%) to £286.1 million (2020: £224.4 million), generating gross profit of £45.3 million (2020: £31.3 million) at a gross profit margin of 15.8% (2020: 14.0%). This resulted in an adjusted operating profit of £12.7 million (2020: £3.9 million), an increase of 224.8% (2020: -80.3%).

EMEA

The EMEA segment revenue grew 37.5% (2020: 3.2%) to £455.4 million (2020: £331.1 million). Gross profit increased to £67.0 million (2020: £45.6 million) at a gross profit margin of 14.7% (2020: 13.8%), leading to an adjusted operating profit of £21.4 million (2020: £9.4 million) that increased 127.4% (2020: -33.4%). In constant currency, revenue grew 41.8% (2020: 2.2%) and adjusted operating profit increased 132.8% (2020: -33.9%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, increased by 34.5% (2020: -0.1%).

Asia Pacific

The Asia Pacific segment revenue grew by 2.0% to £45.4 million (2020: -12.1% to £44.5 million), generating gross profit of £8.0 million (2020: £6.8 million) at a gross profit margin of 17.5% (2020: 15.3%). Adjusted operating profit was £0.9 million (2020: £0.8 million). On constant currency basis, revenue increased by 1.4% (2020: -1.4%) and adjusted operating profit grew 9.3% (2020: -69.6%).

North America

The North America segment revenue was impacted by the end of fulfilment activity for a vendor relationship which ended in December 2020. Approximately half of the prior year revenue was attributable to this activity. Revenue from North America declined by 38.2% to £69.1 million (2020: £111.8 million). Gross profit margins at 15.9% were broadly in line with the prior year (16.1%) leading to an adjusted operating profit of £4.6 million (2020: £4.9 million).

Group costs

Group costs for the year were £5.5 million (2020: £2.5 million). The increase in cost was due to a mix of factors including the reversal of temporary reductions in salaries and bonuses in the prior year, attributable to the impact of COVID 19, stretch bonus achievement in the year and further investment in integration and IT capabilities.

Adjusted finance costs

Adjusted finance costs at £2.1 million (2020: £2.3 million) reflect the interest costs on borrowings for historic acquisition investments and working capital. Reported finance costs of £2.1 million (2020: £8.3 million) include interest costs on Group borrowings, the change in valuation of both deferred consideration and put and call options and the revaluation of loans and financial instruments.

Profit before tax

The Group reported a profit before taxation of £18.9 million (2020: £1.0 million loss), while adjusted profit before tax increased by 130.3% (2020: -54.7%), at constant currency, to £31.9 million (2020: £14.2 million).

Tax

The adjusted effective tax rate was 25.0% in 2021 (2020: 27.3%) which reflects a shift in the mix of profits arising in lower tax jurisdictions.

Earnings per share

Basic earnings per share is calculated on the total profit of the Group attributable to shareholders. Basic EPS for the year was 14.11p (2020: -4.32p). Adjusted EPS increased by 128.8% (2020: -60.7%) to 25.63p (2020: 11.20p).

Dividend

The Board has recommended a final dividend of 7.8 pence per share which, together with the interim dividend of 3.3 pence per share and special dividend of 3.0 pence per share, gives a total dividend for 2021 of 14.1 pence per share (2020:nil). If approved by shareholders at the annual general meeting the final dividend will be paid on 17 June 2022 to shareholders on the register on 6 May 2022. The last day to elect for dividend reinvestment ("DRIP") is 25 May 2022.

Cash flow

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Adjusted operating profit	34.0	16.5
Add back depreciation and unadjusted amortisation	6.1	6.2
Adjusted EBITDA	40.1	22.7
Decrease/(Increase) in stocks	(36.5)	34.9
Decrease/(Increase) in debtors	(12.5)	18.1
(Decrease)/Increase in creditors ¹	27.0	(31.6)
Adjusted cash flow from operations	18.1	44.1
Adjusted EBITDA cash conversion	45.2%	194.4%

1. Excluding the movement in accruals for employer taxes on share based payments.

The Group's adjusted operating cash flow conversion, calculated comparing adjusted cash flow from operations with adjusted EBITDA, was 45.2% compared to 194.4% for the prior year. The combination of strong growth combined with selected investment in buffer stocks to address supply chain risks resulted in cash conversion below the long-term average for the Group. The combined operating cashflow during the two financial years of the pandemic was 99.2%. Our expectation of long-term cash conversion remains between 70 and 80%.

Gross capital spend on tangible assets was £3.6 million (2020: £1.9 million) and included investment in a new office in the Middle East and a warehouse in Germany together with the resumption of rental assets purchases in the second half of the year. An investment of £2.4m in intangible fixed assets included £1.6 million (2020: £1.1m) in relation to the Group's new ERP solution.

Net debt

Reported net debt increased from £39.3 million at 31 December 2020 to £79.0 million at 31 December 2021. The Group's reported net debt continues to be impacted by the adoption of IFRS 16 in 2019 which results in approximately £21 million of lease liabilities (2020: £18.3m) being added to net debt. The biggest increase in lease liabilities in the year was the commencement of a new experience centre lease in the Middle East. As noted in the prior year, the Group's focus is net debt excluding leases ("Adjusted net debt"). The impact of leases on net debt is excluded from the Group's main banking covenants.

Adjusted net debt at 31 December 2021 was £58.0m (2020 £21.0 million). The increase was largely driven by the investment in working capital together with payments for acquisitions and deferred consideration.

In December 2021, the Group increased its revolving credit facility to £80 million (£50 million at 31 December 2020) to finance the acquisitions of DVS and Nimans. This facility has an adjusted net debt to adjusted EBITDA covenant ratio of 2.75 times. This is calculated on a historic 12-month basis and includes the benefit of the prior year's earnings of any businesses acquired.

Most of the Group's other borrowing facilities are to provide working capital financing. Whilst the use of such facilities is typically linked to trading activity in the borrowing company these facilities provide liquidity, flexibility and headroom to support the Group's organic growth. As at 31 December 2021, the Group has access to total facilities of over £185 million (2020: £170 million).

The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 1.4x (2020: 0.9x). This, combined with the Group's underlying cash generation, equips the Group well to fund short-term swings in working capital as the Group delivers organic growth as well as continue to pursue accretive acquisitions. The Group targets a long-term adjusted net debt to adjusted EBITDA (including proforma acquisition earnings) range of 1.5x–2.0x, although we may go above this in the short-term following acquisition investments.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £73.1 million (2020: £59.0 million) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2021, the Board believes there are no indications of impairment. The intangible assets arising from business combinations, for exclusive supplier contracts, customer relationships and brands, are amortised over an appropriate period.

Working capital

Working capital management is a core part of the Group's performance. Growth in working capital in the year was driven by organic growth, some additional investment in stock to address supply chain disruption and the impact of acquisitions. At 31 December 2021, the Group had working capital (trade and other receivables plus inventories less trade and other payables) of £106.1 million (2020: £79.3 million). This represented 12.4% of current year revenue (2020: 11.1%). The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value, including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from the receipt date. There was no change in this methodology in the year. At 31 December 2021 the Group's inventory provision was £15.2 million (11% of cost) (2020: £23.8 million; 22% of cost). The reduction in provision in 2021 included £5.8m associated with the disposal of fully written down stock due to the exit of fulfilment activity in North America.

Adjustments to reported results

	2021	2020
	£000	£000
Operating profit	20,980	7,090
Acquisition costs	486	526
Share based payments	4,416	2,562
Employer taxes on share based payments	904	130
Amortisation of brands, customer and supplier relationships	7,226	6,224
Adjusted operating profit	34,012	16,532
Profit/(loss) before tax	18,895	(995)
Acquisition costs	486	526
Share based payments	4,416	2,562
Employer taxes on share based payments	904	130
Amortisation of brands, customer and supplier relationships	7,226	6,224
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	(2,058)	2,282
Finance costs – deferred and contingent consideration	347	3,275
Finance costs – put option	1,696	154
Adjusted profit before tax	31,911	14,158

Profit/(loss) after tax	13,473	(3,387)
Acquisition costs	486	526
Share based payments	4,416	2,562
Employer taxes on share based payments	904	130
Amortisation of brands, customer and supplier relationships	7,226	6,224
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	(2,058)	2,282
Finance costs – deferred and contingent consideration	347	3,275
Finance costs – put option	1,696	154
Tax impact	(2,545)	(1,472)
Adjusted profit after tax	23,945	10,294
Profit/(loss) after tax	13,473	(3,387)
Non-controlling interest	1,044	364
Profit/(loss) after tax attributable to owners of the Parent Company	12,429	(3,751)
Number of shares for EPS	88,101,300	86,893,508
Reported EPS – pence	14.11	(4.32)
Adjusted EPS – pence	25.63	11.20

The directors present adjusted operating profit, adjusted profit before tax, and adjusted profit after tax as alternative performance measures in order to provide relevant information relating to the performance of the Group. Adjusted profits are a reflection of the underlying trading profit and are important measures used by directors for assessing Group performance. The definitions of the alternative performance measures are set out in note 1 of the notes to the financial statements.

Consolidated income statement for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue		855,973	711,754
Cost of sales		(724,712)	(609,961)
Gross profit		<u>131,261</u>	<u>101,793</u>
Distribution costs		(80,585)	(68,488)
Total administrative expenses		(34,871)	(28,225)
Other operating income		5,175	2,010
Operating profit		<u>20,980</u>	<u>7,090</u>
Comprising			
Adjusted operating profit		34,012	16,532
Costs of acquisitions	3	(486)	(526)
Share based payments		(4,416)	(2,562)
Employer taxes on share based payments		(904)	(130)
Amortisation and impairments of brands, customer and supplier relationships		(7,226)	(6,224)
		<u>20,980</u>	<u>7,090</u>
Finance income		108	172
Finance costs	4	(2,193)	(8,257)
Profit/(loss) before taxation		<u>18,895</u>	<u>(995)</u>
Taxation		(5,422)	(2,392)
Profit/(loss) after taxation		<u><u>13,473</u></u>	<u><u>(3,387)</u></u>
Profit/(loss) for the financial year attributable to:			
The Company's equity shareholders		12,429	(3,751)
Non-controlling interest		1,044	364
		<u><u>13,473</u></u>	<u><u>(3,387)</u></u>
Basic earnings per share	5	14.11p	(4.32)p
Diluted earnings per share	5	13.76p	(4.32)p

Consolidated statement of comprehensive income for the year ended 31 December 2021

	2021	2020
	£'000	£'000
Profit/(loss) for the financial year	13,473	(3,387)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	254	(4)
Items that will be reclassified subsequently to profit or loss:		
Net (loss)/gain on net investment hedge	-	(194)
Foreign exchange gains and (losses) on consolidation	(4,710)	3,542
Other comprehensive income for the financial year, net of tax	<u>(4,456)</u>	<u>3,344</u>
Total comprehensive income for the year	<u><u>9,017</u></u>	<u><u>(43)</u></u>
Attributable to:		
Owners of the Parent Company	8,384	(878)
Non-controlling interests	633	835
	<u><u>9,017</u></u>	<u><u>(43)</u></u>

Consolidated statement of financial position as at 31 December 2021

	Notes	2021	2020
		£'000	£'000
Assets			
Non-current assets			
Goodwill		21,163	15,350
Intangible assets		51,972	43,631
Right of use assets		19,826	17,102
Property, plant and equipment		11,792	11,206
Deferred tax assets		2,725	2,386
		<u>107,478</u>	<u>89,675</u>
Current assets			
Inventories		125,825	83,995
Trade and other receivables		124,256	107,082
Derivative financial instruments		492	24
Cash and cash equivalents		15,476	25,485
		<u>266,049</u>	<u>216,586</u>
Current liabilities			
Trade and other payables		(142,546)	(110,136)
Derivative financial instruments		-	(1,094)
Put option liabilities over non-controlling interests		(3,863)	(1,306)
Deferred and contingent considerations		(466)	(7,012)
Borrowings and financial liabilities	6	(34,053)	(30,045)
Current tax		(2,869)	(638)
		<u>(183,797)</u>	<u>(150,231)</u>
Net current assets		<u>82,252</u>	<u>66,355</u>
Total assets less current liabilities		<u>189,730</u>	<u>156,030</u>
Non-current liabilities			
Trade and other payables		(1,418)	(1,708)
Put option liabilities over non-controlling interests		(4,287)	(3,337)
Deferred and contingent considerations		(1,468)	(465)
Borrowings and financial liabilities	6	(60,399)	(34,719)
Deferred tax liabilities		(5,066)	(7,011)
Other provisions		(2,696)	(2,303)
		<u>(75,334)</u>	<u>(49,543)</u>
Net assets		<u><u>114,396</u></u>	<u><u>106,487</u></u>

Equity			
Share capital	8	887	886
Share premium		67,047	67,047
Share based payment reserve		7,879	4,472
Investment in own shares		(5)	(6)
Retained earnings		39,078	30,436
Translation reserve		(2,182)	2,117
Hedging reserve		-	-
Put option reserve		(7,784)	(4,813)
Capital redemption reserve		50	50
Other reserve		150	150
Equity attributable to owners of the Parent Company		<u>105,120</u>	<u>100,339</u>
Non-controlling interests		9,276	6,148
Total equity		<u><u>114,396</u></u>	<u><u>106,487</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 7 March 2022 and were signed on its behalf by:

Mr S B Fenby
Director

Company registration number: 08793266

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2021	886	67,047	(6)	30,436	1,976	100,339	6,148	106,487
Profit for the year	-	-	-	12,429	-	12,429	1,044	13,473
Other comprehensive income	-	-	-	254	(4,299)	(4,045)	(411)	(4,456)
Total comprehensive income for the year	-	-	-	12,683	(4,299)	8,384	633	9,017
Shares issued (note 8)	1	-	(1)	-	-	-	-	-
Share based payments	-	-	-	-	4,398	4,398	-	4,398
Deferred tax on share based payments	-	-	-	-	61	61	-	61
Share options exercised	-	-	2	1,051	(1,052)	1	-	1
Acquisition of subsidiaries	-	-	-	-	(3,866)	(3,866)	3,866	-
Dividends paid (note 12)	-	-	-	(5,568)	-	(5,568)	-	(5,568)
Acquisition of non- controlling interest (note 10)	-	-	-	476	895	1,371	(1,371)	-
Balance at 31 December 2021	887	67,047	(5)	39,078	(1,887)	105,120	9,276	114,396

For the year ended 31 December 2020

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2020	799	28,225	(5)	31,867	(2,891)	57,995	7,298	65,293
(Loss)/profit for the year	-	-	-	(3,751)	-	(3,751)	364	(3,387)
Other comprehensive income	-	-	-	(4)	2,877	2,873	471	3,344
Total comprehensive income for the year	-	-	-	(3,755)	2,877	(878)	835	(43)
Shares issued (note 8)	87	38,822	(7)	-	-	38,902	-	38,902
Share based payments	-	-	-	-	2,562	2,562	-	2,562
Deferred tax on share based payments	-	-	-	-	(232)	(232)	-	(232)
Share options exercised	-	-	6	1,855	(1,856)	5	-	5
Acquisition of non- controlling interest (note 10)	-	-	-	469	1,516	1,985	(1,985)	-
Balance at 31 December 2020	886	67,047	(6)	30,436	1,976	100,339	6,148	106,487

Consolidated statement of cash flows for the year ended 31 December 2021

	2021	2020
	£'000	£'000
Cash flows from operating activities		
Profit/(loss) before tax	18,895	(995)
Depreciation	5,793	5,991
Amortisation	7,502	6,429
Loss on disposal of assets	25	1,122
Share based payments	4,398	2,562
Foreign exchange losses	(1,026)	(295)
Finance income	(108)	(172)
Finance costs	2,193	8,257
Profit from operations before changes in working capital	<u>37,672</u>	<u>22,899</u>
(Increase)/decrease in inventories	(36,496)	34,939
(Increase)/decrease in trade and other receivables	(12,473)	18,097
Increase /(decrease) in trade and other payables	<u>27,943</u>	<u>(31,442)</u>
Cash inflow from operations	16,646	44,493
Income tax paid	<u>(5,151)</u>	<u>(4,372)</u>
Net cash inflow from operating activities	11,495	40,121
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	(16,836)	(18,393)
Purchase of intangible assets	(2,401)	(1,730)
Purchase of plant and equipment	(3,558)	(1,860)
Proceeds on disposal of plant and equipment	253	306
Interest received	<u>108</u>	<u>172</u>
Net cash used in investing activities	(22,434)	(21,505)
Net cash flows from financing activities		
Gross proceeds on issue of shares	-	39,724
Costs associated with shares issued	-	(822)
Proceeds on exercise of share options	1	5
Deferred consideration paid	(11,265)	(5,238)
Acquisition of non-controlling interest	(2,055)	(2,875)
Dividends paid	(5,568)	-
Invoice financing inflows/(outflows)	6,261	(32,191)
Proceeds from borrowings	23,222	4,796
Repayment of loans	(4,660)	(4,445)
Interest paid	(2,087)	(2,438)
Interest on leases	(439)	(362)
Capital element of lease payments	<u>(3,072)</u>	<u>(4,226)</u>
Net cash inflow/(outflow) from financing activities	338	(8,072)
Net (decrease)/increase in cash and cash equivalents	(10,601)	10,544
Cash and cash equivalents at beginning of financial year	23,795	11,497
Effects of exchange rate changes	<u>(1,555)</u>	<u>1,754</u>
Cash and cash equivalents at end of financial year	<u>11,639</u>	<u>23,795</u>
Comprising:		
Cash at bank	15,476	25,485
Bank overdrafts	<u>(3,837)</u>	<u>(1,690)</u>
	<u>11,639</u>	<u>23,795</u>

Notes to the consolidated financial statements

1. Accounting policies

General information and nature of operations

Midwich Group plc (“the Company”) is a public limited company incorporated in England and Wales and listed on the London Stock Exchange’s Alternative Investment Market (AIM). The principal activity of Midwich Group plc and its subsidiary companies (“the Group”) is the distribution of Audio Visual Solutions to trade customers.

Basis of preparation

The consolidated financial statements of Midwich Group plc have been prepared in accordance with UK adopted International Accounting Standards (“IAS”) in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared under the historical cost convention as modified for financial instruments at fair value and in accordance with applicable accounting standards.

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.

Basis of consolidation

The Consolidated Financial Statements incorporate the results of Midwich Group plc and entities controlled by the Company (its subsidiaries). A subsidiary is a Company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee’s returns. Income and expenses of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of control. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree’s financial statements prior to the acquisition. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately within the Group’s equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholders’ share of changes in equity since the date of the combination. Non-controlling interests are measured initially at fair value.

Acquisition-related costs are expensed as incurred and all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Acquisition of interests from non-controlling shareholders

Acquisitions of non-controlling interests in subsidiaries are accounted for as transactions between shareholders. There is no re-measurement to fair value of net assets acquired that were previously attributable to non-controlling shareholders.

Going concern

In considering the going concern basis for preparing the financial statements, the Board considers the Group’s objectives and strategy, its principal risks and uncertainties in achieving its goals and objectives which are set out in the Strategic Report. Given the ongoing global uncertainty, largely due to the impact of COVID-19, the Board has undertaken a review of going concern under three scenarios: 1) our base plan, 2) a downside scenario and 3) a reverse stress test for a period of at least 12 months from the date of this report. The directors consider the working capital and finance facilities of the business to be adequate to fund its operations and growth strategy. There are no material

uncertainties that cast significant doubt on the Group's ability to continue as a going concern and the Group continues to adopt the going concern basis in preparing consolidated financial statements. The Group's strategy remains unchanged and we will continue to focus on profitable organic growth complemented by targeted acquisitions.

Revenue

Revenue arises from the sale of goods and incidental ancillary services, and the rental of products.

Revenue from the sale of goods is recognised on despatch when control of the products is transferred to the customer. All performance obligations are met on despatch when the customer obtains control to direct the goods in the channel and incurs the risk of obsolescence. Ancillary services are not material to the Group and include installations, removals, support services, transport, warranties, and repairs. Revenue from ancillary services is recognised over time as the services are performed. Where contracts for the sales of ancillary services include multiple performance obligations the transaction price is allocated to each separate performance obligation within the contract. Revenue for each performance obligation is estimated based on expected cost-plus margin and is recognised over time as the service is performed.

Revenue from the rental of products via an operating lease is recognised on a straight-line basis over the lease term. Changes in the price or duration of a lease that were not part of the original terms and conditions are accounted for as a lease modification and recognised as a new lease from the effective date of the modification.

Proceeds from the sale of rental assets are recognised as sales of goods. Revenue for the sale of rental assets is recognised at the point in time when the control is transferred, at which point the customer obtains the ability to direct the goods in the channel and incurs the risk of obsolescence.

Finance income and costs

Interest income and expense is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability. Other finance costs include the changes in fair value of derivatives and other financial instruments measured at fair value through profit or loss.

Goodwill

Goodwill represents the future economic benefits arising from business combinations which are not individually identified and separately recognised. Goodwill is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses.

Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of other intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in administrative expenses.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Amortisation is calculated on a straight-line basis over the estimate useful life of the asset as follows:

- Patents and licences 3-10 years
- Software 3-10 years
- Brands 5-15 years
- Customer relationships 5-15 years

- Supplier relationships 5-15 years

Right of use assets

Right of use assets are recognised at the commencement date of the lease when the asset is available for use. Right of use assets are initially measured at cost including initial direct costs incurred and the initial value of the lease liability. Right of use assets are subsequently measured at cost less any accumulated depreciation, impairment losses, and adjustments arising from lease modifications that are not a termination of the lease.

Depreciation is calculated on a straight-line basis on all right of use assets as follows:

- Land and buildings Over the period of the lease up to a maximum of 50 years
- Rental assets Over the period of the lease up to a maximum of 10 years
- Plant and equipment Over the period of the lease up to a maximum of 10 years

Modifications to leases that decrease the scope of the lease are treated as a partial or full termination of a lease. A gain or loss on disposal is recognised when there is termination of a lease.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less any depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the income statement in the period in which they are incurred.

Depreciation is calculated on a straight-line basis on property, plant and equipment as follows:

- Land Not depreciated
- Freehold buildings 50 years
- Leasehold improvements Over the period of the lease up to a maximum of 50 years
- Rental assets 3-10 years
- Plant and equipment 3-10 years

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed. Each asset's estimated useful life has been assessed for limitations in its physical life and for possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively. The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

Impairment of non-financial assets including goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the Group that independent cash flows are monitored. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

At each reporting date, the Group reviews the carrying amounts of non-current assets excluding goodwill to determine whether there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the estimate is the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount, then the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss is recognised as an expense immediately. An impairment loss recognised for goodwill is not reversed in subsequent periods. Where an impairment loss on other non-financial assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would

have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the income statement immediately.

Inventory

Inventory is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items. Cost comprises purchase price and directly attributable costs incurred in bringing products to their present location and condition. Some goods are held on behalf of customers and are not included within the Group's inventory.

Financial instruments

Financial instruments are contracts that give rise to financial assets or financial liabilities and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Derivatives are financial instruments that have a value that changes in response to a specific external factor and do not have a significant initial investment.

Financial assets

Financial assets include trade and other receivables, cash and cash equivalents, and derivative financial instruments with a positive market value.

The Group classifies financial assets into two categories:

- financial assets measured at amortised cost; and
- financial assets measured at fair value through profit or loss.

The classification of a financial asset depends on the Group's business model for managing the asset and the contractual cash flow characteristics associated with the asset.

Financial assets measured at amortised cost are initially measured at fair value plus directly attributable transaction costs and subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial.

Financial assets measured at fair value through profit and loss are initially and subsequently measured at fair value. Transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss.

Investments in equity instruments that are not held for trading are classified as financial assets and are measured at fair value through profit and loss.

Financial assets with embedded derivatives are recognised as hybrid contracts and are classified in their entirety and not in separate components.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Financial liabilities

Financial liabilities include trade and other payables; deferred considerations; put option liabilities; borrowings; and derivative financial instruments with a negative market value.

The Group classifies financial liabilities into three categories:

- financial liabilities measured at amortised cost;
- financial liabilities measured at fair value through profit or loss; and
- contingent consideration recognised in a business combination.

Financial liabilities measured at amortised cost are initially measured at fair value minus directly attributable transactions costs and subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate.

Financial liabilities measured at fair value through profit or loss are initially and subsequently measured at fair value. Transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss.

Contingent consideration recognised in a business combination is initially and subsequently measured at fair value.

Financial liabilities with embedded derivatives are recognised as hybrid contracts and are classified in their entirety and not in separate components unless;

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the financial liability;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled, or expire.

Trade and other receivables

Trade and other receivables are financial assets recognised when the Group becomes party to the contractual provisions of the instrument. Included within trade and other receivables are vendor rebates. Vendor rebates are recognised on completion of the contractual obligation and recorded within cost of sales.

Trade and other receivables are initially measured at transaction price plus directly attributable transaction costs. Transaction price is equivalent to fair value for trade and other receivables that do not contain a significant financing component. Where trade and other receivables do contain a significant financing component the fair value is equivalent to the transaction price adjusted for the effects of discounting. The effects of discounting are not adjusted if it is expected at the inception of the contract that there will be a period of one year or less from when the goods or services are transferred to the customer to the payment date.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method less expected credit losses. Expected credit losses are calculated based on probability weighted amounts derived from a range of possible outcomes that are based on reasonable supporting information and discounted for the time value of money. The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses including where trade receivables contain a significant financing component. The effects of expected credit losses are omitted if immaterial.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from inception.

Borrowings

Borrowings include bank loans and overdrafts, loan notes, amounts advanced under invoice factoring arrangements, and leases. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are financial liabilities that are recognised when the Group becomes party to the contractual provisions of the instrument. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities.

Trade and other payables

Trade and other payables are financial liabilities recognised when the Group becomes party to the contractual provisions of the instrument. Trade and other payables are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument. Derivative financial instruments are initially and subsequently measured at fair value. Any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss. The fair values are determined by reference to active markets or using a valuation technique where no active market exists.

Put option liabilities

Put options to acquire non-controlling interests of subsidiaries are initially recognised at present value and subsequently measured at amortised cost, being the present value of future payments discounted at the original effective interest rate. Where the contractual cash flows of the put option liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate. Further details of the measurement of put options are given in the accounting judgements and key sources of estimation uncertainty accounting policy.

Foreign currency

The presentation currency for the Group's consolidated financial statements is Sterling. Foreign currency transactions by group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at rates in effect at the reporting date with any gain or loss on foreign exchange adjustments usually being credited or charged to the income statement within administrative expenses. The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate at the reporting date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve. The balance of the foreign currency translation reserve relating to a subsidiary that is partially or fully disposed of is recognised in the income statement at the time of disposal.

Current taxation

Current tax payable or recoverable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because some items of income or expense are taxable or deductible in different years or may never be taxable or deductible. The Group's liability for current tax is calculated using UK and foreign tax rates and laws that have been enacted or substantively enacted by the end of reporting period date.

Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax liabilities are provided in full and are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the reporting date, are recognised in accruals. Contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate. The Group operates defined benefit pension plans in the Netherlands and Switzerland, which require contributions to a separately managed funds. Both defined benefit pension plans are final salary pension schemes which provide members with a guaranteed income on retirement. Defined benefit pension scheme surpluses or deficits are calculated by independent qualified actuaries using actuarial assumptions applied to actual pension

contributions and salaries. The actuarial assumptions include return on assets, inflation, life expectancy, mortality rates and expected retirement ages. Actuarial assumptions are updated annually to reflect changes in market conditions and all actuarial gains and losses are recognised in other comprehensive income.

Leases

Assets and liabilities arising from a lease are initially measured at present value. The present value is comprised of fixed and variable payments discounted using the interest rate implicit in the lease unless it can't be readily determined, in which case payments are discounted using the incremental borrowing rate. Variable payments are payments that depend on a rate or index and are initially measured using the appropriate rate or index at the commencement date of the lease. Where a material variation to the initial measurement of lease payments occurs the lease liability is reassessed with a corresponding adjustment to the value of right of use asset.

Lease payments beyond a break clause or within an extension option are included in the measurement of present value provided it is reasonably certain that the lease will not be terminated before the respective break point or lease extension and there is no active plan to do so.

Finance costs are added to the lease liabilities at amounts that produce a constant periodic rate of interest on the remaining balance of the lease liabilities using the interest rates used to calculate the present value of the leases. Lease payments are deducted from the lease liability.

Short-term leases of less than 12 months or leases for low value assets are recognised on a straight-line basis as an expense in the income statement.

Government grants

Government grants are recognised when the conditions attached to the grant have been satisfied and after deducting any probable liability to repay the grant.

Government grants relating to costs incurred are offset against the cost to which the grant relates in the income statement. Government grants in relation to employment support are offset against the employee costs in the income statement. Government grants relating to the purchase of property, plant and equipment are deducted from the purchase price of the asset and credited to the income statement on a systematic basis over the expected useful life of the related asset.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents the amounts subscribed for share capital, net of issue costs, above the nominal value.
- "Investment in own shares" represents amounts of the Parent Company's own shares held within an Employee Benefit Trust.
- "Share based payment reserve" represents the accumulated value of share based payments expensed in the income statement, along with any accumulated deferred tax credits or charges recognised in other comprehensive income in respect of options that have yet to exercise.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Translation reserve" represents the exchange differences arising from the translation of the financial statements of subsidiaries into the Group's presentational currency.
- "Put option reserve" represents the initial present value of put options over shares in a subsidiary held by non-controlling interest shareholders that have not been exercised.
- "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.
- "Other reserve" relates to the Employee Benefit Trust.
- "Non-controlling interest" represents the share of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests.

Share based payments

Equity-settled share based payments are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of grant incorporating market based vesting conditions. The fair value of goods and services received is measured by reference to the fair value of options. The fair values of share options are measured using the Black Scholes model. The expected life used in the models is adjusted, based on management's

best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. Where an equity-settled award is forfeited during the vesting period, the cumulative charge expensed up to the date of forfeiture and is credited to the income statement.

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trusts (EBT) have been included in the Group financial statements. Any assets held by the EBT cease to be recognised on the group statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity’s Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Managing Director, at which level strategic decisions are made. Details of the Group’s reporting segments are provided in note 2.

New and amended International Accounting Standards adopted by the Group

The Group adopted the following standards, amendments to standards and interpretations, which are effective for the first time this year:

Annual improvements to IFRS standards 2018-2020;
Amendments to IFRS16 - COVID-19 related rent concessions IBOR reform phase 1 amendments;
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark reform phase 2;
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; and
IFRS 17 Insurance contracts.

The new standards have not had a material impact on the reported results and there is no adjustment to previously reported equity due to the implementation of the new standards.

International Accounting Standards in issue but not yet effective

The Group intends to adopt new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are not expected to have an impact on the Group’s reported financial position or performance.

Use of alternative performance measures

The Group has defined certain measures that it uses to understand and manage performance. These measures are not defined under IAS and they may not be directly comparable with other companies’ adjusted measures. These non-GAAP measures are not intended to be a substitute for any IAS measures of performance, but management has

included them as they consider them to be key measures used within the business for assessing the underlying performance.

Growth at constant currency: This measure shows the year on year change in performance after eliminating the impact of foreign exchange movement, which is outside of management's control.

Organic growth: This is defined as growth at constant currency growth excluding acquisitions until the first anniversary of their consolidation.

Adjusted operating profit: Adjusted operating profit is disclosed to indicate the Group's underlying profitability. It is defined as profit before acquisition related expenses, share based payments and associated employer taxes and amortisation of brand, customer and supplier relationship intangible assets.

Adjusted EBITDA: This represents operating profit before acquisition related expenses, share based payments and associated employer taxes, depreciation and amortisation.

Adjusted profit before tax: This is profit before tax adjusted for acquisition related expenses, share based payments and associated employer taxes, amortisation of brand, customer and supplier relationship intangible assets, changes in deferred or contingent considerations and put option liabilities over non-controlling interests, foreign exchange gains or losses on borrowings for acquisitions, fair value movements on derivatives for borrowings, and financing fair value remeasurements.

Adjusted profit after tax: This is profit after tax adjusted for acquisition related expenses, share based payments and associated employer taxes, amortisation of brand, customer and supplier relationship intangible assets, changes in deferred or contingent considerations and put option liabilities over non-controlling interests, foreign exchange gains or losses on borrowings for acquisitions, fair value movements on derivatives for borrowings, and financing fair value remeasurements and the tax thereon.

Adjusted EPS: Adjusted EPS is EPS calculated using the basis of adjusted profit after tax instead of profit after tax.

Adjusted net debt: Net debt is borrowings less cash and cash equivalents. Adjusted net debt excludes leases.

Accounting judgements and sources of estimation uncertainty

The preparation of financial statements in accordance with the principles of the IASs requires the directors to make judgements and use estimation techniques to provide a fair presentation of the Group's financial position and performance. Accounting judgements represent the accounting decisions made by the directors that have the most significant effect on amounts recognised in the financial statements. Sources of estimation uncertainty represent the assumptions made by management that carry significant risks of a material adjustment to the value of assets and liabilities within the next financial year. Judgements and estimates are evaluated based on historic experience, on-going developments within the Group, and reasonable expectations of future events. Judgements and estimates are subject to regular review by the directors.

The following are the significant accounting judgements made by the Group in preparing the financial statements:

Put options over non-controlling interests

As a result of some of the acquisitions the Group has issued several put options over non-controlling interests. The liability is recorded at the present value of the redemption amount and is accounted for as a separate component in equity on the basis that the directors have judged that the Group does not currently hold the risks and rewards associated with ownership of these shares. The key judgements in determining whether the risks and rewards regarding control have passed were the proportionate right to dividends and determining if there is exposure to changes in value of shares.

The following are the significant sources of estimation uncertainty facing the Group in preparing the financial statements:

Inventory write down

Inventory is written down to the lower of cost and net realisable value. To determine inventory write downs the Group is required to estimate the future sales volumes, sales prices, costs to sell inventory, and shrinkage.

The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from purchase date.

The only uncertainty with regards to inventory is the realisable value on sale or disposal of inventory, which applies to all inventory as disclosed in the inventory note. The ultimate sale or disposal of inventory results in a reversal of the write down against the cost of inventory disposed with a potential gain or loss depending upon the accuracy of the estimation. If the write down percentages applied to inventory were 10% higher or 10% lower the effect would be a decrease or increase of £1,520k respectively in profit before tax for the year.

Fair value of separately identifiable intangible assets in business combinations

The Group is required to calculate the fair value of identifiable assets and liabilities acquired in business combinations. To estimate the fair value of separately identifiable assets in business combinations certain assumptions must be made about future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. The fair values of assets and liabilities acquired in business combinations are disclosed in note 11.

Contingent considerations and put option liabilities

The Group is required to record contingent considerations at fair value. The Group initially measures put option liabilities at present value and subsequently measures put option liabilities at amortised cost using the effective interest rate method. The Group use a range of present valuation techniques including both the discount rate adjustment technique and the expected present value technique to determine the fair values of contingent considerations and the present values of put option liabilities.

2. Segmental reporting

Operating segments

For the purposes of segmental reporting, the Group's Chief Operating Decision Maker ("CODM") is the Managing Director. The Group is a distributor of audio visual solutions to trade customers. The Board reviews attributable revenue, expenses, assets and liabilities by geographic region and makes decisions about resources and assesses performance based on this information. Therefore, the Group's operating segments are geographic in nature.

2021	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	286,060	455,434	45,384	69,094	-	855,972
Gross profit	45,333	67,000	7,958	10,969	-	131,260
Gross profit %	15.8%	14.7%	17.5%	15.9%	-	15.3%
Adjusted operating profit	12,720	21,356	926	4,556	(5,546)	34,012
Costs of acquisitions	-	-	-	-	(486)	(486)
Share based payments	(1,599)	(1,384)	(366)	(45)	(1,022)	(4,416)
Employer taxes on share based payments	(249)	(401)	(33)	(5)	(216)	(904)
Amortisation of brands, customer and supplier relationships	(2,371)	(3,356)	(273)	(1,226)	-	(7,226)
Operating profit	8,501	16,215	254	3,280	(7,270)	20,980
Interest						(2,085)
Profit before tax						18,895
2021	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	106,426	203,066	21,489	41,987	559	373,527
Segment liabilities	(74,564)	(148,943)	(17,357)	(17,454)	(813)	(259,131)
Segment net assets	31,862	54,123	4,132	24,533	(254)	114,396
Depreciation	2,064	2,761	563	405	-	5,793
Amortisation	2,391	3,446	288	1,377	-	7,502
Other segmental information			UK £'000	International £'000		Total £'000
Non-current assets			25,575	81,903		107,478
Deferred tax asset			1,268	1,457		2,725
Non-current assets excluding deferred tax			24,307	80,446		104,753
2020	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	224,386	331,115	44,476	111,777	-	711,754
Gross profit	31,321	45,635	6,821	18,016	-	101,793
Gross profit %	14.0%	13.8%	15.3%	16.1%	-	14.3%
Adjusted operating profit	3,916	9,393	820	4,909	(2,506)	16,532

Costs of acquisitions	-	-	-	-	(526)	(526)
Share based payments	(1,141)	(799)	(218)	(3)	(401)	(2,562)
Employer taxes on share based payments	(46)	(31)	(7)	(-)	(46)	(130)
Amortisation of brands, customer and supplier relationships	(2,490)	(2,285)	(270)	(1,179)	-	(6,224)

Operating profit	239	6,278	325	3,727	(3,479)	7,090
Interest						(8,085)
Loss before tax						(995)

2020	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	94,627	150,167	21,039	40,130	298	306,261
Segment liabilities	(60,545)	(103,078)	(17,614)	(17,851)	(686)	(199,774)
Segment net assets	34,082	47,089	3,425	22,279	(388)	106,487
Depreciation	2,540	2,603	480	368	-	5,991
Amortisation	2,519	2,356	286	1,268	-	6,429

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	25,959	63,716	89,675
Deferred tax asset	730	1,656	2,386
Non-current assets excluding deferred tax	25,229	62,060	87,289

Revenue from the UK, being the domicile of the Parent Company amounted to £270,954k (2020: £208,601k). Revenue from Germany amounted to £228,487k (2020: £169,864k). There was no other revenue from a country that amounted to more than 10% of total revenue. Included within the international non-current assets excluding deferred tax is £15,709k (2020: £16,472k) for the USA. There were no other non-current assets excluding deferred tax in any country that amounted to more than 10%.

Segment revenues above are generated from external customers. The accounting policies of the reportable segments have been consistently applied. Segment profit represents the operating profit by each segment after amortisation of intangibles arising on consolidation.

In addition to the external revenue reported by segment the UK & Ireland segment made £496k (2020: £3,660k) of intercompany sales, the EMEA segment made £1,280k (2020: £1,278k) of intercompany sales, and the North America segment made nil (2020: £652k) intercompany sales.

Sales to the largest customer

Included in revenue is £21.5m (2020: £17.3m) that arose from sales to the Group's largest customer, which is based in the Germany (2020: USA). No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Administrative expenses

Administrative expenses in the period include £486k of acquisition related costs (2020: £526k). For details of acquisitions in the year see note 11.

4. Finance costs

	2021 £'000	2020 £'000
Interest on overdraft and invoice discounting	867	1,194
Interest on leases	439	362

Interest on loans	810	830
Fair value movements on foreign exchange derivatives	77	156
Other interest costs	15	4
Fair value movements on derivatives for borrowings	(1,244)	1,194
Foreign exchange gains on borrowings for acquisitions	(814)	1,088
Interest, foreign exchange and other finance costs of deferred and contingent considerations	347	3,275
Interest, foreign exchange and other finance costs of put option liabilities	1,696	154
	<u>2,193</u>	<u>8,257</u>

5. Earnings per share

Basic earnings per share is calculated by dividing the profit after tax attributable to equity shareholders of the Company by the weighted average number of shares outstanding during the year. Shares outstanding is the total shares issued less the own shares held in employee benefit trusts. Diluted earnings per share is calculated by dividing the profit after tax attributable to equity shareholders of the Company by the weighted average number of shares in issue during the year adjusted for the effects of all dilutive potential Ordinary Shares.

Profit/(loss) attributable to equity holders of the Group (£'000)	12,429	(3,751)
Weighted average number of shares in issue	88,101,300	86,893,508
Potentially dilutive effect of the Group's share option schemes	2,204,110	1,242,399
Weighted average number of diluted Ordinary Shares	<u>90,305,410</u>	<u>88,135,907</u>
Basic earnings per share	<u>14.11p</u>	<u>(4.32)p</u>
Diluted earnings per share	<u>13.76p</u>	<u>(4.32)p</u>

Diluted earnings per share excludes the antidilutive effects of potential Ordinary Shares that result in a decrease in the loss per share.

6. Borrowings

	2021 £'000	2020 £'000
Secured borrowings		
- Bank overdrafts and invoice discounting	30,856	22,448
- Bank loans	42,604	24,042
- Leases	20,992	18,274
	<u>94,452</u>	<u>64,764</u>
Current	34,053	30,045
Non-current	<u>60,399</u>	<u>34,719</u>
	<u>94,452</u>	<u>64,764</u>

Summary of borrowing arrangements:

The Group has overdraft borrowings which comprised £3,837k at the end of 2021 (2020: £1,690k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group has invoice discounting borrowings which comprised £27,019k at the end of 2021 (2020: £20,758k). The facilities comprise fully revolving receivables financing agreements which are secured on the underlying receivables. The facility has no fixed repayment dates and receivables are automatically offset against the outstanding amounts of the facility on settlement of the receivable. The Group retains the credit risk associated with the receivables. Acquisitions completed during the year were debt free and did not include invoice discounting facilities.

The Group has loans of £42,604k at the end of 2021 (2020: £24,042k). The loans are secured with fixed and floating charges over the assets of the Group. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has leases of £20,992k at the end of 2021 (2020: £18,274k). Acquisitions completed during the year did not include any finance leases.

Borrowings

	2021 £'000	2020 £'000
Short term borrowings	30,900	27,292
Long term borrowings	42,560	19,198
Leases	20,992	18,274
	<u>94,452</u>	<u>64,764</u>

Reconciliation of liabilities arising from financing activities

	2021 £'000	2020 £'000
At 1 January	64,764	82,995
Cash flows:		
Invoice financing inflows/(outflows)	6,261	(32,191)
Proceeds from borrowings	25,369	4,968
Repayment of loans	(4,660)	(4,445)
Capital element of leases	(3,072)	(4,226)
Non-cash:		
Acquisitions	-	13,334
New liabilities arising on leases	6,753	3,792
Disposals on modification or termination of leases	(297)	-
Foreign exchange gain or loss	(666)	537
At 31 December	<u>94,452</u>	<u>64,764</u>

7. Financial instrument risk exposure and management

The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk, interest rate risk, and foreign currency risk.

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them.

Credit risk

The Group's credit risk is primarily attributable to its cash balances and trade receivables. The Group does not have a significant concentration of risk, with exposure diversified over a substantial number of third parties. The risk is further mitigated by insurance of the trade receivables. Some specifically identified receivables have been provided for at 100%.

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A. The Group's total credit risk amounts to the total of the sum of the trade receivables and cash and cash equivalents. At 31 December 2021 total credit risk amounted to £124,564k (2020: £117,611k).

Interest rate risk

The interest on the Group's overdrafts, invoice discounting facilities and Revolving Credit Facility borrowings are variable. During the 2019 the Group entered into an interest rate swap contract in respect of the Group's variable interest rates in order to achieve a fixed rate of interest.

Foreign exchange risk

The Group is largely able to manage the exchange rate risk arising from operations through the natural matching of payments and receipts denominated in the same currencies. Any exposure tends to be on the payment side and is mainly in relation to the Sterling strength relative to the Euro or US Dollar. This transactional risk is considered manageable as the proportion of Group procurement that is not sourced in local currency is small. However, on occasions the Group does buy foreign currency call options and forward contracts to mitigate this risk.

The Group holds certain financial instruments in the currencies of foreign acquired operations to reduce the Group's exposure to fluctuations in the value of foreign currencies that have a negative effect on the value of foreign operations. However, the Group does not adopt hedge accounting and recognises gains and losses on foreign exchange in both the income statement and translation reserve. The underlying foreign exchange risk arising from trading activities is immaterial.

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

	Annual average		Year end	
	2021	2020	2021	2020
EUR/GBP	1.166	1.127	1.191	1.112
AUD/GBP	1.839	1.858	1.859	1.763
NZD/GBP	1.950	1.969	1.973	1.885
USD/GBP	1.374	1.287	1.348	1.365
CHF/GBP	1.257	1.207	1.231	1.220
NOK/GBP	11.864	12.086	11.893	11.627
AED/GBP	5.049	N/A	4.971	N/A
QAR/GBP	5.004	N/A	4.927	N/A

The following tables illustrate the effect of changes in foreign exchange rates in the EUR, AUD, NZD, USD, CHF, and NOK relative to the GBP on the profit before tax and net assets. The amounts are calculated retrospectively by applying the current year exchange rates to the prior year results so that the current year exchange rates are applied consistently across both periods. Changing the comparative result illustrates the effect of changes in foreign exchange rates relative to the current year result.

Applying the current year exchange rates to the results of the prior year has the following effect on profit before tax and net assets:

(Loss)/profit before tax

	2020	Revised	Impact	Impact
	£'000	2020 £'000	£'000	%
EUR	(995)	(734)	261	(26.2)%
AUD	(995)	(998)	(3)	0.3%
NZD	(995)	(993)	2	(0.2)%-
USD	(995)	(881)	114	(11.5)%
CHF	(995)	(1,022)	(27)	2.7%
NOK	(995)	(996)	(1)	0.1%
All currencies	(995)	(649)	346	(34.8)%

Net assets

	2020	Revised 2020	Impact	Impact
	£'000	£'000	£'000	%
EUR	106,487	109,838	3,351	3.2%
AUD	106,487	106,702	215	0.2%
NZD	106,487	106,500	13	-
USD	106,487	106,396	(91)	(0.1)%
CHF	106,487	106,487	-	-
NOK	106,487	106,534	47	-
All currencies	106,487	110,022	3,535	3.3%

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due, and ensuring adequate working capital using bank borrowing arrangements.

In managing liquidity risk, the main objective of the Group is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its liability payments as they fall due.

See note 6 for details of borrowing arrangements.

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2021 and 2020, on the basis of their earliest possible contractual maturity:

At 31 December 2021

	Total	Within 2 months	Within 2 -6 months	Between 6 – 12 months	Between 1-2 years	After than 2 years
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	106,376	96,167	10,209	-	-	-
Other payables	348	321	27	-	-	-
Deferred consideration	2,372	-	-	538	-	1,834
Put option liabilities	9,234	-	3,903	-	-	5,331
Leases	23,107	635	1,191	1,752	3,048	16,481
Accruals	25,333	20,980	2,586	349	23	1,395
Bank overdrafts, loans and invoice discounting	73,460	28,273	1,502	1,125	1,967	40,593
	<u>240,230</u>	<u>146,376</u>	<u>19,418</u>	<u>3,764</u>	<u>5,038</u>	<u>65,634</u>

At 31 December 2020

	Total	Within 2 months	Within 2 -6 months	Between 6 – 12 months	Between 1-2 years	After than 2 years
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	82,323	78,393	3,930	-	-	-
Other payables	125	39	-	86	-	-
Deferred consideration	7,625	7,015	-	-	-	610
Put option liabilities	4,892	-	-	1,363	3,529	-
Leases	19,732	487	1,062	1,512	2,786	13,885
Accruals	17,133	12,083	2,127	1,215	632	1,076
Bank overdrafts, loans and invoice discounting	46,490	24,988	1,093	1,211	1,291	17,907

178,320 123,005 8,212 5,387 8,238 33,478

8. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2021		2020	
	Number	£'000	Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	88,604,712	886	79,973,412	799
Shares issued	<u>130,900</u>	<u>1</u>	<u>8,631,300</u>	<u>87</u>
At 31 December	<u>88,735,612</u>	<u>887</u>	<u>88,604,712</u>	<u>886</u>

During the year the Company issued 130,900 shares to the Group's employee benefit trusts. During the prior year the Company issued 7,944,800 shares for total proceeds less issue cost of £38,902k and 686,500 shares to the Group's employee benefit trusts.

Employee benefit trust

The Group's employee benefit trusts were allocated the following shares to be issued on exercise of share options:

	2021		2020	
	Number	£'000	Number	£'000
At 1 January	593,600	6	476,700	5
Allocated during the year	130,900	1	686,500	7
Shares issued on exercise of options	<u>(206,200)</u>	<u>(2)</u>	<u>(569,600)</u>	<u>(6)</u>
At 31 December	<u>518,300</u>	<u>5</u>	<u>593,600</u>	<u>6</u>

9. Other reserves

Movement in other reserves for the year ended 31 December 2021

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2021	4,472	2,117	(4,813)	50	150	1,976
Other comprehensive income	-	(4,299)	-	-	-	(4,299)
Total comprehensive income for the year	-	(4,299)	-	-	-	(4,299)
Share based payments	4,398	-	-	-	-	4,398
Deferred tax on share based payments	61	-	-	-	-	61
Share options exercised	(1,052)	-	-	-	-	(1,052)
Acquisition of subsidiary (note 11)	-	-	(3,866)	-	-	(3,866)
Acquisition of non-controlling interest (note 10)	-	-	895	-	-	895
Balance at 31 December 2021	<u>7,879</u>	<u>(2,182)</u>	<u>(7,784)</u>	<u>50</u>	<u>150</u>	<u>(1,887)</u>

Movement in other reserves for the year ended 31 December 2020

	Share based payment reserve £'000	Translation reserve £'000	Hedging reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2020	3,998	(954)	194	(6,329)	50	150	(2,891)
Other comprehensive income	-	3,071	(194)	-	-	-	2,877
Total comprehensive income for the year	-	3,071	(194)	-	-	-	2,877
Share based payments	2,562	-	-	-	-	-	2,562
Deferred tax on share based payments	(232)	-	-	-	-	-	(232)
Share options exercised	(1,856)	-	-	-	-	-	(1,856)
Acquisition of non-controlling interest (note 10)	-	-	-	1,516	-	-	1,516
Balance at 31 December 2020	<u>4,472</u>	<u>2,117</u>	<u>-</u>	<u>(4,813)</u>	<u>50</u>	<u>150</u>	<u>1,976</u>

10. Acquisition of non-controlling interest

During the current year the Group acquired the remaining 35.0% non-controlling interest in Blonde Robot Pty limited, which had a value of £1,371k, for a consideration of £2,055k. £895k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

During the prior year the Group acquired the remaining 30.0% non-controlling interest in Gebroeders van Domburg BV, which had a value of £1,985k, for a consideration of £2,874k. £1,516k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

11. Business combinations

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

Subsidiaries acquired:

Acquisition ¹	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
NMK	Distribution of audio visual products to trade customers	1 January 2021	80%	15,463
Starin	Distribution of audio visual products to trade customers	6 February 2020	100%	20,961

Trade and assets acquired:

In addition to the acquisition of subsidiaries listed above the Group also acquired trade and assets from eLink Distribution AG (“eLink”), a company registered in Germany and Intro 2020 Limited (“Intro 2020”), a Company registered in England and Wales. In the prior year the Group acquired trade and assets from Vantage Systems Pty Limited (“Vantage”), a company registered in Australia.

Fair value of consideration transferred 2021	NMK £'000	eLink £'000	Intro 2020 £'000
Cash	11,350	7,441	702
Deferred contingent consideration	4,113	1,334	-
Total	<u>15,463</u>	<u>8,775</u>	<u>702</u>

Acquisition costs of £53k in relation to the acquisition of NMK, £29k in relation to the eLink acquisition of trade and assets, £199k in relation to the Intro 2020 acquisition of trade and assets, and £205k in relation to acquisitions

not completed by the year end were expensed to the income statement during the year ended 31 December 2021.

Fair value of acquisitions 2021	NMK £'000	eLink £'000	Intro 2020 £'000
Non-current assets			
Goodwill	3,769	2,634	20
Intangible assets - brands	721	172	-
Intangible assets - customer relationships	1,700	972	-
Intangible assets - supplier relationships	8,289	2,197	448
Property, plant and equipment	77	-	20
	<u>14,556</u>	<u>5,975</u>	<u>488</u>
Current assets			
Inventories	2,325	2,800	209
Trade and other receivables	4,673	-	28
Cash and cash equivalents	2,657	-	-
	<u>9,655</u>	<u>2,800</u>	<u>237</u>
Current liabilities			
Trade and other payables	(4,432)	-	(23)
	<u>(4,432)</u>	<u>-</u>	<u>(23)</u>
Non-current liabilities			
Deferred tax	(81)	-	-
Other provisions	(369)	-	-
	<u>(450)</u>	<u>-</u>	<u>-</u>
Non-controlling interests	<u>(3,866)</u>	<u>-</u>	<u>-</u>
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	<u>15,463</u>	<u>8,775</u>	<u>702</u>

Goodwill acquired in 2021 relates to the workforce, synergies and sales know how. Goodwill arising on the NMK acquisition and eLink acquisition of trade and assets has been allocated to the EMEA segment. Goodwill arising on the Intro 2020 acquisition of trade and assets has been allocated to the United Kingdom and Ireland segment.

Net cash outflows of acquisitions 2021

	NMK £'000	eLink £'000	Intro 2020 £'000
Consideration paid in cash	11,350	7,441	702
Less: cash and cash equivalent balances acquired	(2,657)	-	-
Net cash outflow	<u>8,693</u>	<u>7,441</u>	<u>702</u>
Plus: borrowings acquired	-	-	-
Net debt outflow	<u>8,693</u>	<u>7,441</u>	<u>702</u>

Post-acquisition contribution 2021

Acquired subsidiaries made the following contributions to the Group's results for the year in which they were acquired, from their respective acquisition dates:

	NMK £'000
Date acquired	1 Jan
Post-acquisition contribution to Group revenue	24,140
Post-acquisition contribution to Group profit after tax	3,093

Proforma full year contribution 2021

As the acquisition occurred on 1 January 2021 the acquired subsidiaries made a full year contribution to the Group's results for the year and the revenue and profit after tax¹ for the Group would have been no different if the subsidiaries were acquired earlier.

¹These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IAS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IAS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2021, together with the consequential tax effects.

Fair value of consideration transferred 2020	Starin £'000	Vantage £'000
Cash	18,872	506
Deferred contingent consideration	2,089	379
Total	20,961	885

Acquisition costs of £506k in relation to the acquisition of Starin and £20k in relation to the Vantage acquisition of trade and assets were expensed to the income statement during the year ended 31 December 2020.

Fair value of acquisitions 2020	Starin £'000	Vantage £'000
Non-current assets		
Goodwill	520	960
Intangible assets - brands	4,065	-
Intangible assets - customer relationships	2,884	-
Intangible assets - supplier relationships	9,189	-
Intangible assets - software	82	-
Right of use assets	743	-
Property, plant and equipment	515	5
Deferred tax	3	-
	18,001	965
Current assets		
Inventories	30,243	-
Trade and other receivables	20,951	129
Cash and cash equivalents	985	-
	52,179	129
Current liabilities		
Trade and other payables	(35,885)	(209)
Borrowings and financial liabilities	(12,728)	-
	(48,613)	(209)
Non-current liabilities		
Borrowings and financial liabilities	(606)	-
	(606)	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	20,961	885

Goodwill acquired in 2020 relates to the workforce, synergies and sales know how. Goodwill arising on the Starin acquisition has been allocated to the North America segment, goodwill arising on the Vantage trade and assets acquisition has been allocated to the Asia Pacific segment.

Net cash outflows on acquisitions 2020

	Starin £'000	Vantage £'000
Consideration paid in cash	18,872	506
Less: cash and cash equivalent balances acquired	(985)	-
Net cash outflow	17,887	506
Plus: borrowings acquired	13,334	-
Net debt outflow	31,221	506

Post-acquisition contribution 2020

Acquired subsidiaries made the following contributions to the Group's results for the year in which they were acquired, from their respective acquisition dates:

	Starin £'000
Date acquired	6 Feb
Post-acquisition contribution to Group revenue	111,777
Post-acquisition contribution to Group profit after tax	2,540

Proforma full year contribution 2020

Acquired subsidiaries would have made the following contributions to the Group's results for the year in which they were acquired if they were acquired on 1 January 2020:

	Starin £'000
Full year revenue ¹	130,502
Full accounting period profit after tax ¹	1,921

If the acquisitions had occurred on 1 January 2020, revenue of the Group for the year would have been £730,479k and loss after tax for the year would have been £4,006k.

¹These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IAS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IAS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2020, together with the consequential tax effects.

12. Dividends

On the 7 July 2021 the Company paid a special dividend of £2,650k, excluding the effects of waived dividends this equated to 3.00 pence per share. On 25 October 2021 the Company paid an interim dividend of £2,918k, excluding the effects of waived dividends this equated to 3.30 pence per share. The Company did not pay any dividends during the prior year.

13. Events after the reporting date

On 10 January 2022, the Group acquired 65% of the share capital of Cooper Projects Limited, the parent Company of DVS Limited, a Company based in Cardiff, United Kingdom. The business specialises in the distribution of video security products to the trade market. The initial consideration is £8.6m with a contingent consideration of up to £6.4m payable in 2023.

Put and call options are granted over the non-controlling interest in Cooper Project Limited to the holders of the non-controlling interest and Group respectively. The put and call options have an exercisable value in 2025 of up to £20m depending on the financial performance of the business during the 2022-2024 financial years.

On 7 February 2022, the Group entered a binding agreement to acquire 100% of the share capital of Nycomm Holdings Limited and all its subsidiaries, a group of companies based in Manchester, United Kingdom. The business is a specialist distributor of unified communications, telecoms, collaboration and audio visual technologies. The initial consideration is £16.5m with deferred considerations of £5.5m payable in 2023 and 2024 respectively.

Due to the proximity of the date of the announcement to the date these financial statements were authorised for issue, the Group considers it impracticable to produce disclosures required under IFRS 3 regarding the acquisition fair value of assets and liabilities to be acquired under the acquisition.