Midwich Group Plc

Delivering experiences
Beyond expectations

Annual Report and Financial Statements
For the year ended 31 December 2019

Midwich Group Plc

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Midwich Group

Is a specialist audio visual distributor to the trade market

Our Purpose
To help our customers win and then deliver successful projects, and our manufacturers to reach a broad market

Our Values
We value honesty, trust, hard work, humility and creativity

Our Culture
Our people are passionate, collaborative, supportive, ambitious and service-minded

Operational highlights

1. **Acquisitions made in 2018 fully integrated and delivering favourable Group contribution in 2019**
2. **The four businesses acquired in 2019 have increased both our geographic presence and specialist audio and lighting capabilities**
3. **Entered two new markets through organic investment**
4. **Investments in IT, compliance, acquisition and integration capabilities support the Group's growth strategy**
5. **Established an Executive Team responsible for determining and driving operational strategy across the Group**
6. **Post-period end, the Group completed two acquisitions:**
   - Starin Marketing, Inc., a value-add AV distributor with a reputation for technical excellence and pre and post-sales support, giving the Group a foundation in North America; and
   - Vantage Systems, a specialist Unified Communications business based in Australia
   - Successful equity fundraising of £39.7m in connection with the acquisition of Starin Marketing, Inc.
7. **Continue to have a strong acquisition pipeline across a number of regions**

Financial highlights

Revenue
£686m
2018: £574m

Gross profit
16.5%
2018: 16.5%

Final dividend[6]
11.05p
2018: 10.60p

Adjusted operating profit % growth[1]
11.0%
2018[2]: 20.5%

Adjusted profit before tax[3]
£31.2m
2018[2]: £28.9m

Adjusted profit after tax[4]
£23.8m
2018[2]: £22.2m

EBITDA cash conversion %
69.5%
2018[2]: 92.3%

Adjusted net debt (excluding leases)[5]
£53.3m
2018: £25.4m

1. At constant currency.
2. Restated to reflect the adoption of IFRS 16. Adjusted measures are also restated to include amortisation of patents and software.
3. 2019 profit before tax of £23.8m adjusted for amortisation of £4.9m, acquisition costs of £0.3m, non operational finance costs of (£1.1m) and share based payments (including employer taxes) of £3.3m. 2018 profit before tax of £21.0m adjusted for amortisation of £3.6m, acquisition costs of £0.4m, non operational finance costs of £2.5m, and share based payments (including employer taxes) of £1.4m.
4. 2019 profit after tax of £18.2m adjusted for amortisation of £4.9m, acquisition costs of £0.3m, non operational finance costs of (£1.1m), share based payments (including employer taxes) of £3.3m and the negative tax impact of these adjustments of £(1.8)m. 2018 profit after tax of £15.3m adjusted for amortisation of £3.6m, acquisition costs of £0.4m, non operational finance costs of £2.5m, share based payments (including employer taxes) of £1.4m and the tax impact of these adjustments of £(1.0)m.
5. Total net debt at 31 December 2019 was £70.0m (2018: £36.3m). Adjusted net debt is stated excluding leases as a proxy for the net debt before the impact of IFRS 16 adoption.
6. Total dividend of 15.90p (15.20p) for the year ending 31 December 2019.

Comprehensive technology portfolio

Display
Projection
Technical
Broadcast
LED
Audio
Lighting
Unified Comms

Contents

Group at a Glance

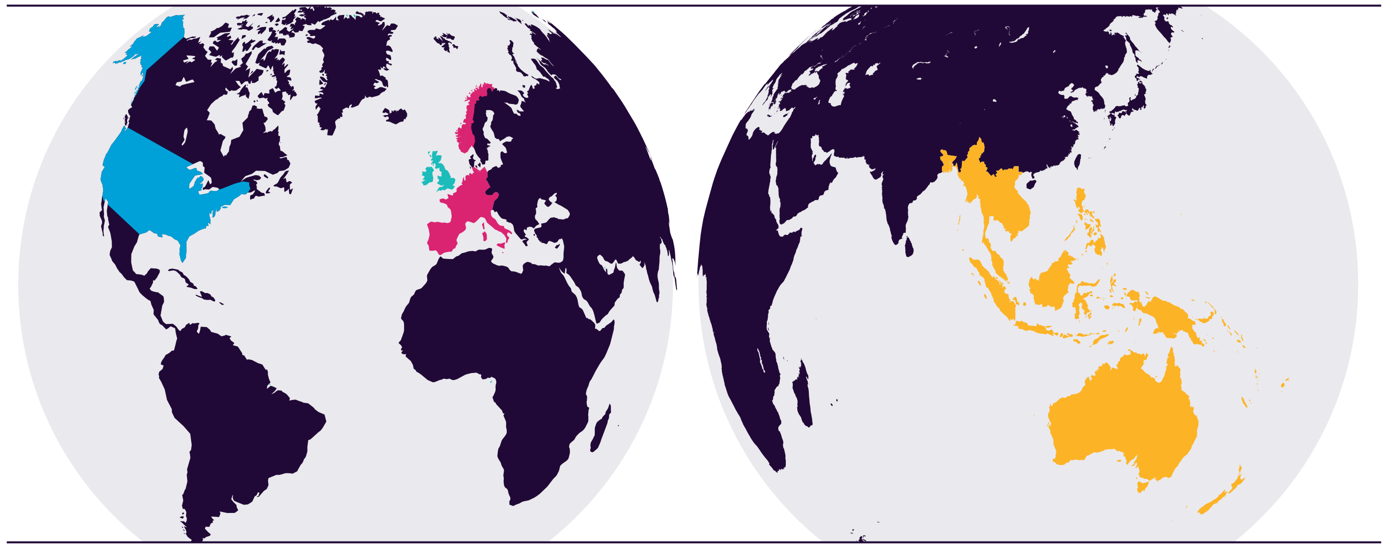
Midwich Group's strengths

Leading scale and market reach

The Group operates as the sole or largest in-country distributor for a number of its vendors.

With the 2019 acquisitions in Europe, Midwich now has a presence in countries representing over 80% of the European AV market. Due to our capabilities, size and reach, we believe Midwich is seen as the de facto distributor of choice for customers and vendors involved in complex, technically challenging audio visual projects across a wide array of sectors.

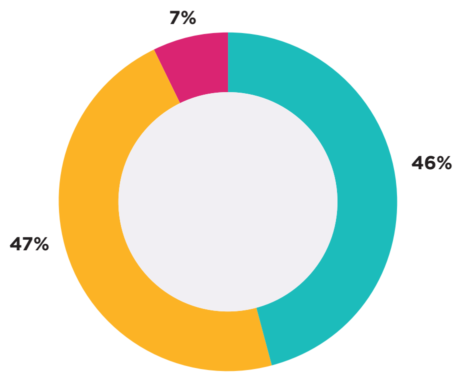
Following the year end the Group acquired Starin Marketing, Inc, a leading value-add AV distributor based in the US. This acquisition is a material strategic development for the Group and gives the Midwich Group access to the world's largest AV market, along with a significant strengthening of our presence in the unified communications and audio markets.



A global presence

Midwich operates on a global scale, with operations in UK and Ireland, Europe, North America[1] and Asia Pacific.

Revenue split between divisions



- UK and Ireland
- Continental Europe
- Asia Pacific

1. The Group entered North America after the period end.

17
SHOWROOM / DEMO FACILITIES

27
OFFICES

18
COUNTRIES OF OPERATION

1,000+
STAFF MEMBERS

20,000+
CUSTOMERS SERVICED

500+
VENDOR RELATIONSHIPS

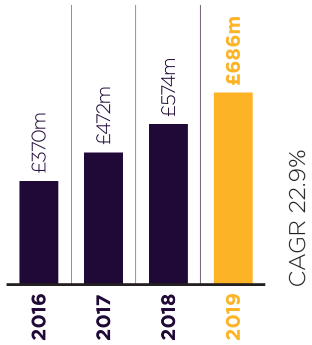
Numbers inclusive of Starin Marketing.

Solid financial track record

Consistent growth in revenue, gross margin and operating profit

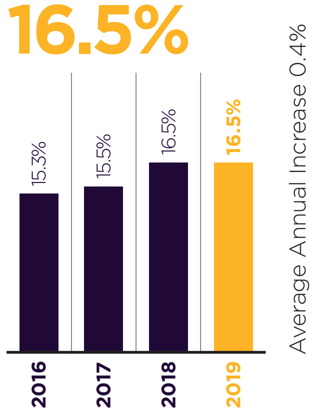
Revenue

£686m



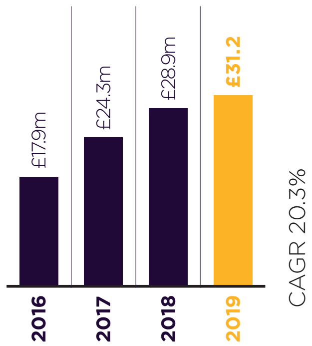
Gross profit margin

16.5%



Adjusted profit before tax[2]

£31.2m



2 Restated to reflect the adoption of IFRS 16. Adjusted measures are also restated to include amortisation of patents and software.

Proven acquisition capability

Midwich has a history of entering new geographies and product markets through acquisition and then substantially growing the acquired businesses.

14 ACQUISITIONS SINCE IPO

2013
Kern & Stelly Germany

2015
PSCo UK

2016
Holdan UK
Wired New Zealand

2017
Earpro Spain and Portugal
Van Domburg Partners the Netherlands
Sound Technology UK

2018
Bauer and Trummer GmbH Germany, Austria, Switzerland
Sound Directions France France, Switzerland
Blonde Robot Asia Pacific region

2019
Mobile Pro Switzerland
Prase Italy
AV Partner AS Norway
EES Spain

2020
Starin Marketing USA
Vantage Systems Australia

Chairman's Statement

Strong results and continued growth

I am pleased to report that the Group delivered strong results in 2019, achieving both revenue and profit growth while successfully completing four acquisitions.

Record revenue of £686.2 million, 19.6% ahead of prior year (20.1% at constant currency), reflecting an impressive level of organic growth across the Group, alongside contributions from acquisitions made during the year and the full year impact of acquisitions completed in 2018. Our strategy of growing the geographic reach of the Group has resulted in our Continental European revenues exceeding those of the UK and Ireland for the first time in 2019. Elsewhere, in February 2020, the Group entered the North American market, through the acquisition of Starin Marketing, Inc. ("Starin"), which gives us a presence in the world's largest AV market and increases our direct representation in the global AV market to over 50%. Starin is a value-add AV distributor with a reputation for technical excellence and a high level of pre and post-sales support.

Despite a challenging economic backdrop in some key markets, gross profit margin was in line with the prior year and adjusted operating profit grew by 10.6% to £33.5 million reflecting the strong revenue growth. Adjusted earnings per share increased by 4.7% to 28.5 pence per share.

A healthy operating cash flow performance, broadly in line with our long-term average, helped us maintain a strong balance sheet. After the period end the Group raised gross proceeds of £39.7 million in cash through a placing of 7,944,800 new ordinary shares (approximately 9.9% of existing issued share capital) (the "Placing"). The net proceeds of the Placing were used to fund the acquisition of Starin, with the remaining funds expected to provide additional resources to fund further acquisitions. The Placing received a high level of demand from existing and new investors and we thank our shareholders for their continuing support.

The Board remains focused on delivering profitable growth and enhancing the capabilities and geographical reach of the Group in its core business areas through organic growth and targeted acquisitions.

Organic growth in revenues, before the impact of acquisitions made in the last two years, was 6.0% reflecting a strong performance and market share gains in difficult market conditions, especially in Continental Europe. The Group also delivered growth in all key product categories during the year, with particularly strong contributions from LED and technical products as a result of our strategic focus on value added AV solutions.

During 2019, we further expanded the reach of the Group through four acquisitions, adding mainstream AV businesses in Switzerland and Norway, an audio business in Italy and a specialist lighting business, located in Spain. These businesses add to our capabilities and their successful integration means they are already contributing to both sales and profit. The Group also acquired the trade and assets of Vantage Systems Pty Limited ("Vantage") in February 2020, a specialist Unified Communications ("UC") business based in Australia. I'm delighted to welcome our new team members from around the world into the Group.

"The Board remains focused on delivering profitable growth and enhancing the capabilities and geographical reach of the Group in its core business areas through organic growth and targeted acquisitions."

Andrew Herbert
Chairman

Looking forwards, our strategy of delivering organic growth while adding capability and scale to the business through acquisition is unchanged and we continue to pursue a good pipeline of opportunities.

Dividend

The Board is recommending a final dividend of 11.05 pence per share (2018: 10.60 pence per share), which if approved will be paid on 19 June 2020 to shareholders on the register on 15 May 2020. With the interim dividend declared in September 2019, this represents a total dividend for the year to 31 December 2019 of 15.90 pence per share and growth of 4.6% on the prior year's 15.20 pence per share. The proposed dividend is covered 1.79 times by adjusted earnings.

The Board continues to support a progressive dividend policy to reflect the Group's strong earnings growth and cash flow. While there is no hard or fixed target, in order to allow for continued investment in targeted acquisitions, the Board's intentions are unchanged with future dividends expected to move towards a cover range of 2 to 2.5 times adjusted earnings.

Board

Membership of the Board has remained stable throughout the year and our programme of holding at least two Board meetings each year in subsidiary company locations continues to broaden our range of contacts and exposure to the business.

In line with prior years, the Board completed a self-evaluation exercise during 2019, reinforcing our commitment to, and success in, establishing a strong corporate governance framework. We took the opportunity of this review to confirm strong and effective governance and reaffirmed the role of the Board and its individual members in ensuring compliance with the provisions of the QCA code. There were no major issues or concerns raised about the effectiveness of the Board or its individual members.

Opening of Innovation House, Bracknell, UK

The Group continues to apply the QCA code (as revised April 2018) 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 two years we have enhanced our reporting by including a detailed Directors' Remuneration Report and corporate social responsibility information; we also chose to introduce an advisory vote on the Directors' Remuneration Report at the AGM held in May 2019.

The Board recognises its duty to have regard to broader stakeholder interests and this year we have included a separate Section 172 Statement within the strategic report.

People

The success of any company is down to the quality of its leadership and its people. The team at Midwich continues to demonstrate great skill, commitment and drive and it is our people that are the key to the Group's strong track record and continued success.

During 2019, the Board has reviewed and approved changes in organisational structure and capability. This resulted in the formalisation of an executive leadership team (the "Executive Board"), which comprises the executive directors together with the managing directors of the three regional operating units. The Executive Board is charged with driving operational performance and ensuring implementation of agreed strategy.

On behalf of the Board, I would like to thank all employees and our partners for their commitment and hard work and congratulate them all on achieving strong growth in a challenging market.

Andrew Herbert
Chairman

Read more about
Our Performance on page 13

Van Domburg – Netherlands

Customer showroom and demonstration facilities

Strategic Report

Our Marketplace

Our addressable market in professional audio visual solutions covers areas such as sound, video and lighting.

These solutions are prevalent and relied upon in many areas of daily life – at home, in transit, at the workplace and in a wide range of retail, leisure and recreational uses. The application of AV systems is found in areas such as workplace collaboration, conferencing and digital signage solutions, with end users broadly covering the corporate, events, government, education, retail, hospitality, healthcare and residential markets.

Key trends in the AV market

Growing use of AV products and technology

The global pro AV market has grown and evolved significantly over the last 25 years with both cultural and technological changes increasing the demand for AV solutions.

There are multiple demand drivers in the AV industry including:

- **Cost savings** – reducing people costs, for example using touch screens to take orders in food outlets, and reducing waste by eliminating single use marketing materials
- **Improved effectiveness/efficiency** – improved learning, for example collaborative solutions give teachers real time analysis of students' understanding of lessons
- **Competitive advantage** – improved customer proposition, for example, extensive use of innovative AV solutions enhances audience experience at live events
- **Environmental considerations** – reduced carbon footprint, for example, unified communications allow highly productive meetings to take place without the need for people to travel
- **User expectations/social trends** – people now expect to use technology in both the workplace and in their interactions with retail/leisure providers
- **Safeguarding** – improved safety solutions, for example, the use of high-end audio solutions to improve evacuation procedures at large venues

Continued research and development in the sector is expected to create further advances, increasing applications and therefore use of AV.

In addition, there is an established renewal cycle for AV products, ensuring a base level of demand.

Economic recovery since the global recession has also been beneficial for the AV market, albeit even a more benign corporate and consumer investment environment failed to significantly dampen growth in the market. Fundamentally, we believe that the multiple demand drivers for AV solutions have an appeal in periods of economic growth and more challenging times.

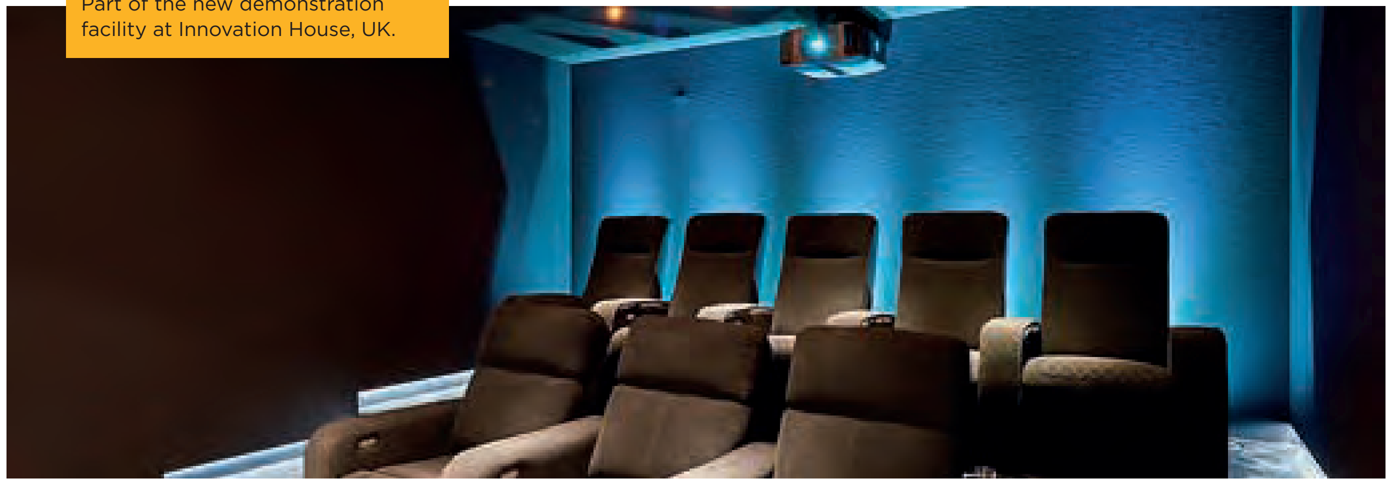
Industry forecasts indicate that the global market for AV is expected to grow at a compound annual growth rate of 5.7% over the five years to 2024.

How we're responding

Midwich is a specialist distributor serving only the trade market and specialising in AV equipment.

We believe that our primary role is to facilitate growth in the markets in which we operate and that our ability to help our manufacturer partners to gain access and grow their businesses is a particular strength of the Group.

The Group has a long-standing programme of supplementing its organic growth with the acquisition of smaller businesses which provide it with access to new products, sectors and geographical markets.



Home Cinema Room
Part of the new demonstration facility at Innovation House, UK.

Our general strategy is to acquire businesses which not only add to the Group's capabilities, but which provide exciting opportunities for growth and widen our addressable market. We continue to have significant success with this strategy.

The Group accesses new technologies and applications through close contact with innovative manufacturer partners. Our intimate knowledge of the AV market and trends means that we are able to feed into manufacturer product development programmes. This helps our partners to develop and exploit commercially focused products.

The organisation of our sales and marketing operations, backed by strong product and technical knowledge, helps us to develop markets for technologies at the early stage of their life cycle.

The Group continues to invest in training facilities which we use to educate our customers in specific technologies and market development opportunities.

Increased use of distributors as intermediaries in the AV supply chain by large manufacturers

The use of distributors is well established in the AV market and has increased in recent years. The distribution model allows the manufacturers to reach a large and fragmented customer base without the need for investment in substantial sales and marketing, technical support and logistics activities. A value added distributor helps manufacturers grow faster whilst reducing their costs and financial risk.

In addition, the distribution model helps AV integrators develop the right solutions for their customers, which are often made up of products from multiple vendors. This enhances the growth of the overall AV industry and increases customer satisfaction. It also allows the distributor to share broad market feedback with the manufactures which helps inform long-term product development.

How we're responding

The Group's long-standing relationships with over 500 vendors, including blue-chip organisations such as Samsung, LG, Epson and NEC, supports a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, technical and professional video, audio and digital signage. The Group operates as the sole or largest in-country distributor for many of its vendors in their respective product sets. We attribute this position to the Group's technical expertise, extensive product knowledge, focused sales capability and strong customer service offering built up over many years.

The Group offers a range of support to our customers, including demonstrating products, training their staff, providing technical advice, logistics, and post-sales support. We have 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.

Case study

Custom LED Sphere at Queensland University of Technology

The Sphere is the 5m diameter, 3.5 tonne centrepiece of the Education Faculty building on QUT's Kelvin Grove campus. It might look like a giant show stopper but its intent is to do more than blow visitors' minds; rather, it's a legitimate data visualisation and research tool for teacher training.

Gavin Winter is QUT's Visualisation and eResearch Manager: "My mantra is to make a high-impact and memorable experience for our end users and The Sphere is doing that. It's probably the most complicated object we've been given to create and we're yet to totally bed it in, but it's already performing."

"The Sphere is so imposing that you have to engage with it differently"

Gavin Winter
QUT's Visualisation and eResearch Manager

Our Business Model

The audio visual equipment industry value chain

Midwich Group is part of a larger value chain in the audio visual equipment industry. This is shown below, along with the value exchange between each member of the value chain.

AV manufacturers

Develop and manufacture products across multiple AV categories, such as displays, projectors, video, audio and digital signage.

Midwich Group

Midwich Group distributes AV products to the trade market.

Trade market

The AV trade market is formed of professional AV integrators and IT resellers. AV integrators assess their clients' needs and develop an integrated solution, utilising various AV products.

End users

End users of AV products broadly cover the corporate, events, government, education, retail, hospitality, healthcare and residential markets.

Value exchange

Value that AV manufacturers get from Midwich:

- Market focus and scale
- Support, attention and market intelligence
- Profiled customer base with targeted sales and marketing
- Industry leading events to interact with customers and end users
- Ability to support multi-national projects
- Efficient logistics and product support

Value that Midwich gets from AV manufacturers:

- Access to high quality products to distribute to its customers, often on an exclusive or number one basis
- Ability to influence product development and early access to new technology
- AV product training, informing users of the value proposition

Value exchange

Value that the trade market gets from Midwich:

- Proactive help to sell and deliver successful projects
- Unrivalled depth of product and technical expertise
- Widest product range and an ability to offer complete solutions
- Demonstration and training facilities
- Credit team knowledge and support
- Technical specifications and marketing for different vertical markets
- Strong relationship management skills
- 100% trade focus builds high customer trust

Value that Midwich gets from the trade market:

- Customers for AV products
- Opportunities to support multi-national customers across geographies
- Market knowledge and end user feedback

Value exchange

Value that the trade market gets from end users:

- Customers for the AV products
- Feedback on their needs from the AV market

Value that the end user gets from the trade market:

- Advice and assistance on the AV products and the solution that they require to meet their needs
- Integration and installation of the AV products to ensure that all the products work well together as one solution
- Ongoing monitoring and support of AV installations

Midwich Group's business model

Key resources and capabilities

Broad geographic footprint
Midwich is a specialist distributor serving only the trade market and specialising in audio visual equipment. With initial operations in the UK, the Group has expanded its footprint to include Ireland, Continental European (Benelux, France, Germany, Switzerland, Norway, Italy and Iberia), North America (the US) and Asia Pacific (Australia, New Zealand, Hong Kong, Malaysia and Singapore).

Relationships with AV manufacturers
Long-standing relationships with over 500 vendors, including blue-chip organisations such as Samsung, LG, Epson and NEC, support a comprehensive product portfolio across major AV categories such as large format displays, projectors, technical and professional video, audio and digital signage.

Relationships with over 20,000 trade customers
We have 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.

Acquisition track record
The Group has a long-standing programme of supplementing its organic growth with the acquisition of smaller businesses which provide it with access to new products, sectors and geographical markets.

Technical expertise and product knowledge
We believe that we have the largest team of AV industry experts in the world, which allows us to differentiate our business and add value to both our manufacturers and our customers.

Financial capital
The Group's strong balance sheet and cash conversion record provide capital to invest in further growth.

Activities

Market leading AV distribution
The Group operates as the sole or largest in-country distributor for many of its vendors in their respective product sets. We attribute this position to the Group's technical expertise, extensive product knowledge, focused sales capability and strong customer service offering built up over many years.

Working with customers to understand their requirements and assist with delivering projects
The Group offers a range of support to our customers, including demonstrating products, training their staff, providing technical advice, logistics, and post-sales support.

Integrating and growing acquired companies
We work closely with acquired companies to integrate them into the Group while retaining their entrepreneurial spirit.

We acquire businesses which not only add to the Group's capabilities, but that we can help to provide exciting opportunities for growth and widen our addressable market.

Researching and keeping up to date with trends in the AV market
We have a strong team of business management experts whose roles includes the identification and assessment of new products and technologies.

Working capital management
We use our expertise and propriety tools and analysis to help all our businesses maintain a disciplined approach to working capital management and cash generation.

Value created for stakeholders

Trade customers
The depth and breadth of expertise within the Group ensures that our customers receive high quality advice on products and technical applications, backed by training and demonstration facilities, broad and deep inventory holdings and efficient logistics. This helps our customers to win and deliver successful projects.

AV manufacturers
Through our distribution reach, we can grow the market share of the products of our AV manufacturer partners in addition to providing critical market feedback.

Employees
We offer training and development to our employees, which keeps them engaged with the Group and also ensures that our employees develop the technical expertise and product knowledge required to service our customers, as well as providing career opportunities.

Shareholders
The Group is financially successful, with a track record of growing revenue and operating profit.

From IPO (2016) to the end of 2019, the Group has created over £250m of increased shareholder value through market capitalisation growth and dividends.

Our
Strategy

The Group's growth strategy has been, and continues to be, both organic and inorganic.

Our success in sourcing, executing and integrating our chosen acquisitions underpins this growth strategy. The Group takes a disciplined approach to acquisitions, seeking to add capital value without an adverse impact on the existing business. We have a strong ongoing pipeline of opportunities.

Technology, product and vendor selection in established markets, in order to maximise the value we can add to customers

Providing value added solutions to our vendors and customers to improve gross margin in our established markets.

Progress

- Long-term track record of gross margin improvement as the Group has increased its mix of technical and value add sales.
- Sales of technical products (which required greater expertise to sell and support) have been growing as a proportion of overall revenue.

Future Focus

- Continued focus on value added AV solutions that enhance the Group's offering and gross margins.

Link to risks

1 3 4

Gaining profitable market share in developing markets

Increase our share of less mature markets with an emphasis on higher margin value added technical solutions.

Progress

- Midwich has a track record of acquiring complementary businesses and then assisting them to grow.
- In the last few years, the Group has completed complementary acquisitions in developing markets that have accelerated growth and added to our technical product offerings.

Future Focus

- Further work with our manufacturer partners to rapidly develop our offering in these countries and widen our addressable market.

Link to risks

1 2 5

Identifying profitable new markets (whether geographical, customer or technology) which the Group can enter, either through acquisition or through a new start-up

Carefully selected and vetted opportunities to enter new geographies that help us grow our vendor and customer base and support the growth plans of our international manufacturers and AV integrator partners.

Progress

- Strategic entry into ten new countries in the last three years, including three new countries in 2019 (Italy, Switzerland and Norway).
- Small organic start-ups in both South East Asia (Core AV) and Benelux (Broadcast) in 2019.
- Entry into the North American market post year end.

Future Focus

- Ongoing geographic expansion through acquisition of carefully selected complementary specialist AV businesses.

Link to risks

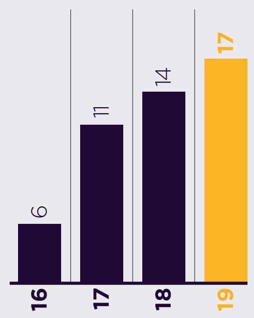
2 5 6

Read more about Our Risks on page 22

Key performance indicators
How we performed in 2019

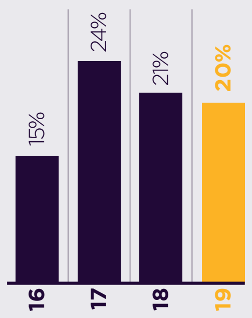
1 Countries with a presence

17[1]



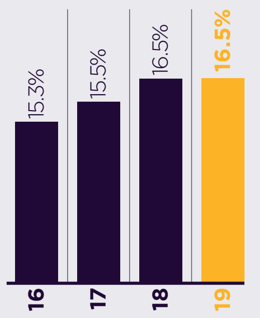
2 Revenue growth

20%



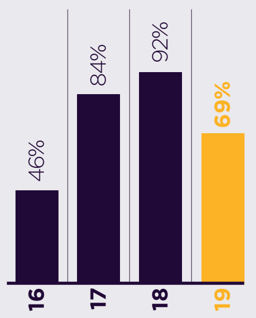
3 Gross margin

16.5%



4 Cash flow conversion[2]

69%



1. After the year end the Group entered North America bringing the number of total countries with a presence to eighteen
2. Restated to reflect the adoption of IFRS 16. Adjusted measures are also restated to include amortisation of patents and software

The number of countries in which the Group has operations

Why we use this measure
Geographic footprint is an indicator of our ability to support customers, end users and vendors with global project roll-outs, in addition to scale and the opportunity to further grow revenue.

Performance
The Group continued to increase its international presence in 2019, both broadening its product range with a specialist lighting acquisition in Spain and entering new geographies through acquisitions in Italy, Switzerland and Norway and opening an office in Singapore. After the period end we also entered the North American market through the acquisition of Starin, which gives us a presence in the world's largest AV market and increases our direct representation in the global AV market to over 50%.

Target
Entry into at least one new geographical market per annum.

Change in total revenue vs prior year at constant currency

Why we use this measure
Revenue growth (at constant currency) is often an indicator of the financial health of the Group. It may indicate the Group is participating in a growing market or has gained market share, or both.

Performance
The Group continued to grow strongly in 2019 with total growth of 20.1%, made up of 6.0% organic growth and a strong contribution from acquisitions made in 2018 and 2019.

Target
The Group aims to grow its revenue at a faster rate than the overall market to increase its market share.

Gross profit as a percentage of revenue

Why we use this measure
An increase in the gross margin would suggest an improved competitive positioning from year to year either through carrying a greater range of products that require a technical sale, stronger relations with customers and vendors, or greater buying power, or a combination of each.

Performance
The majority of the Group's revenue growth in 2019 was achieved in the slightly lower margin Continental Europe region. Despite this, and in the context of a tough economic backdrop, the Group was pleased to maintain gross margin at prior year levels, which had increased strongly on 2018.

Target
Maintain or increase gross margin each year.

Adjusted operating cash flow as a percentage of adjusted EBITDA

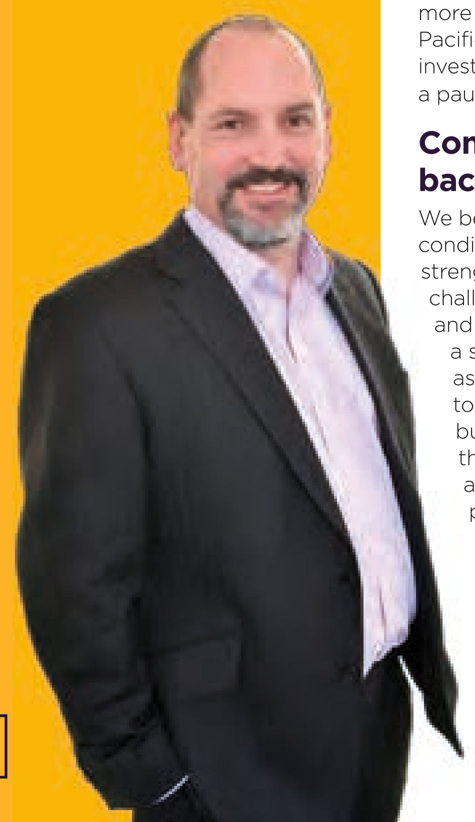
Why we use this measure
Cash flow conversion measures the ability of the Group to generate cash from its operations as a function of turning stock to sales to cash quickly. It gives an indication as to the ability of the Group to pay its dividend and self-fund investments.

Performance
Despite challenging market conditions towards the end of 2019, the operating cash conversion was broadly in line with our expectations and the long-term average.

Target
Over 70% of EBITDA.

Our Managing Director's Review

In 2019, Midwich celebrated its 40th anniversary. Growing organically, and by acquisition, the Board believes that Midwich Group is the largest specialist AV distributor in the world.



Celebrating 40 years

In 2019, Midwich celebrated its 40th anniversary. The business started in 1979 as a distributor of computers and computer components and was initially run out of a converted barn in the East of England. Midwich started to sell AV products when the first projectors came onto the market in the mid-1990s. Around fifteen years ago the Board decided to focus the business on the AV market – initially in the UK and then expanding across the globe.

Growing organically, and by acquisition, the Board believes that Midwich Group is the largest specialist AV distributor in the world.

Operating in a more challenging market

The AV industry has experienced a long-term average annual growth rate of around 4%, with stronger years being interrupted by occasionally tougher years. The market in 2019 was one of those tougher years, with global macro factors such as the US/China trade dispute impacting the world economy, with a knock-on impact on our industry. Having been relatively resilient to the uncertainty of Brexit, the UK AV market slowed significantly in the latter half of the year. In Continental Europe, political uncertainty in countries such as Spain and Italy, and a slowdown in the German manufacturing sector contributed to more challenging conditions. In Asia Pacific, after many years of strong capital investment, the Australian economy took a pause for breath.

Consistency of service backed by strong finances

We believe that tougher market conditions highlight the underlying strengths of our business. In a challenging market, our customers and vendors need the support of a strong specialist distributor, such as Midwich, more than ever. Operating to a consistently high level, the business grew strongly in a market that we believe was at best flat, and in many cases down on the previous year. Internally, one of our key measures is of the share of our vendors' business that we represent. In this respect we believe that many of our market shares grew significantly in the year, illustrating the strength of our performance relative to the market as a whole.

Continued investment strengthens our offering for the future

In order to continue to build a successful long-term business, the Group has a strategy of continual and measured investment. In 2019 we invested in a number of areas, the main benefits of which we expect to realise in future years:

- Four acquisitions expanded our presence in Continental Europe, in addition to strengthening our position in the lighting and audio markets;
- We opened a major new UK facility in Bracknell ("Innovation House"). This 50,000 square foot showroom and office is believed to be the largest multi-vendor experience centre in the UK, and houses extensive training rooms and dedicated repairs and maintenance facilities in addition to space for eighty technical personnel;
- We opened new offices in Singapore and the Netherlands;
- Successfully migrated the first Group company onto our new ERP system; and
- Continued to develop our central team in order to support our acquisition strategy, in addition to providing further compliance resource.

Continued evolution of the management structure

Any fast-growing international business needs to constantly review its management structures. At the start of 2019 we established an Executive Board responsible for determining and driving operational strategy across the Group. This team comprises the Group Managing and Finance Directors as well as the Managing Directors for each of our three operating units.

Strong financial performance

Midwich delivered strong growth in 2019, with revenue for the year of £686.2 million (2018: £573.7 million), an increase of 20.1% on a constant currency basis. This performance resulted from strong revenue growth in Continental Europe (45.2%) and Asia Pacific (44.1%), with the UK and Ireland being relatively flat year on year due to previously identified tough market conditions. Of the overall 20.1% revenue growth, 6% was organic, with strong growth in Continental Europe of 15.2% being offset to some extent by low growth in Asia Pacific and a flat UK and Ireland.

Group gross profit increased by 19.6% to £113.1 million (2018: 29.3% to £94.6 million). The growth in gross profit was in line with the increase in revenue. The Group's gross margin remained at 16.5%, having increased substantially from 15.5% in 2018.

Our adjusted operating profit margin reduced from 5.3% to 4.9%, with investments in the central support team and in start-up businesses accounting for a substantial portion of the reduction. Adjusted profit before tax increased by 8.5% (at constant currency) to £31.2 million. Adjusted profit after tax increased 7.3% to £23.8 million (2018: £22.2 million) and adjusted earnings per share increased 4.7% (2018: 19.3%) to 28.49 pence (2018: 27.20 pence). Reported profit before tax increased by 13.1% to £23.8 million (2018: £21.0 million) and reported earnings per share increased by 17.1% to 21.67 pence (2018: 18.5 pence).

Key events in 2019

2019 saw a number of important events for our business, including:

- Continued development of our broadcast, lighting and audio capabilities;
- Entry into three new European territories through acquisition – Italy (Prase), Norway (AV Partner) and Switzerland (MobilePro) – and strengthening our lighting business in Spain through the acquisition of EES; and
- Further development of the South East Asian market through the establishment of an office in Singapore.

We acquired Zurich-based market leading AV distributor MobilePro in January 2019. The acquisition gave us access to the Swiss market and now forms part of our DACH region (Austria, Germany, and Switzerland) alongside Kern & Stelly and New Media. We have started to add new brands into the business since the acquisition.

AV Partner is an Oslo-based distributor of largely mainstream AV products, with a particular focus on projection. The company has a very experienced team and was acquired in May 2019.

Prase is a highly regarded Italian audio and video distributor operating in the install, rental, broadcast and musical instrument channels. The company is based in Venice and its team of 41 has undertaken an impressive list of blue-chip projects. Prase joined the Group in February 2019.

Entertainment Equipment Supplies ("EES") is based in San Sebastian, northern Spain and is a value-add distributor of lighting and lighting infrastructure products, with particular focus on the live events and retail sectors. The company was acquired in July 2019 and represents a strong strategic fit with our existing Spanish business Earpro.

Covid-19

At the time of writing, incidents of the Covid-19 virus are growing outside China. Although we have seen little impact on the business to date, the Board considers that the situation represents a potential challenge to product supply, customer demand and our operations in 2020. We consider that Midwich is a financially sound business, with a strong market position and management team and the Board will continue to closely monitor the situation and react accordingly.

Outlook

Market conditions since the end of 2019 have continued to be challenging, although we have seen an increase in the level of customer enquiries and quotations across a number of territories.

We continue to see growth opportunities across all of our markets and geographies driven by increasing demand from end users as well as continued innovation and new products from our manufacturer partners. There is also a continued trend in the increasing use and need for high quality distributors such as Midwich to support the professional AV market. As a result, we continue to exploit a significant number of organic growth opportunities from targeting new vendors while continuing to grow our customer base.

We are pursuing acquisition opportunities that fit within our strategic focus of adding new product ranges, capabilities or geographies to our existing portfolio. At present, excluding any potential impact of the Covid-19 virus, the Board's expectations for the full year remain unchanged.

In February 2020, Midwich acquired the entire issued share capital of Starin. Based in Chesterton, Indiana, the acquisition of Starin represents the Group's entry into the US market – the largest in the world. Starin has a particular strength in audio, technical video and UC technologies. We believe that this acquisition not only gives Midwich access to the US market (the largest in the world and around 20% greater than the whole European market) but also improves our capacity to support international roll-out projects and strengthens our capabilities in the growing unified communications market. After the period end, we also completed the acquisition of the trade and assets of Vantage Systems Pty Limited, an Australian UC business.

Simultaneously with the acquisition of Starin, the Company raised £39.7 million through a placing with existing and new shareholders. The net proceeds of the Placing were used to repay the debt facilities drawn down in relation to the acquisition of Starin and will provide additional resources to fund further acquisitions as part of the Group's ongoing targeted acquisition strategy.

The Board is continuing to pursue its established strategy and is pleased with the progress made during 2019 despite tough market conditions. Trading in the first two months of 2020 has been stable and gives the Board confidence in delivering 2020 performance in line with its existing expectations.

Stephen Fenby
Managing Director

Our
Operational Review

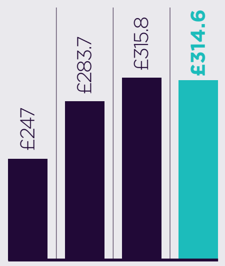
UK and Ireland

The UK and Ireland division is our most established region. We achieved revenue of £314.6 million, broadly in line with last year (2018: £315.8 million) despite tough market conditions in the second half of the year. The UK and Ireland segment saw a 4% underlying growth in core AV products and improved its share of business with a number of major vendors. Total revenue was impacted by the exit of a small range of consumer products and the managed reduction of the Document Solutions business, which represented less than 7% of the segment's revenue in 2019.

The displays (particularly LED) and broadcast product sets grew particularly strongly in the UK and Ireland segment. Such changes to the product mix in the UK & Ireland led to further improvement in the gross profit margin from 17.4% to 17.6%. The increase in adjusted operating profit of 1.6% was positively impacted by the improved gross profit margin and negatively impacted by certain one-off property costs along with the investments in Innovation House.

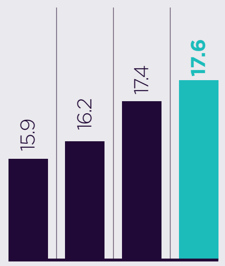
Revenue

£314.6m



Gross profit

17.6%



Subsidiaries

midwich, squareone, invision, holdan, PSCo, sound technology

Continental Europe

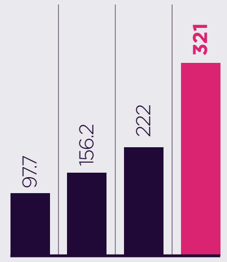
The Continental European region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy and Iberia.

We improved revenue by 44.6% to £321.0 million (2018: 42.2% to £222.0 million), helped by the acquisitions of Prase, Mobile Pro, AV Partners and EES, together with the full year effect of prior year acquisitions. Underlying revenue growth (excluding the effects of acquisitions and currency changes) was 15.2% (2018: 20.4%).

All product categories grew strongly in Continental Europe, with technical video, audio and lighting showing the greatest improvement. The gross margins in each of these categories are above average for the region. Overall changes to the country and product mix in Continental Europe led to an improvement in the gross profit margin from 14.9% to 15.2% and an increase in the adjusted operating profit of 37.3% to £14.1 million (2018: 36.9% to £10.3 million).

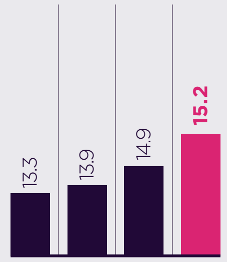
Revenue

£321m



Gross profit

15.2%



Subsidiaries

Kern & Stelly, mobilePRO, earPRO, PRASE, newmediaAV, sidev, van Domburg Partners, AV Partner, EES Entertainment Equipment Supplies

Asia Pacific

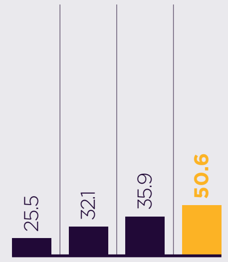
Our Asia Pacific region achieved a 41.2% (2018: 11.8%) growth in sales to £50.6m (2018: £35.9 million) with the biggest contribution coming for the acquisition of Blonde Robot in December 2018.

The gross margin percentage reduced from 18.4% to 17.7% as the exceptional level of high margin project activity in 2018 was not repeated.

Adjusted operating profit, which included start-up costs for the launch of a South East Asia AV business during the year, declined by 7.5% (2018: +14%) from £2.9 million to £2.7 million.

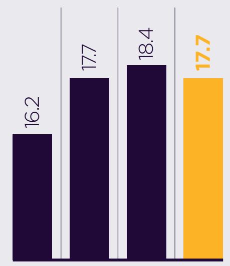
Revenue

£50.6m



Gross profit

17.7%



Subsidiaries

midwich, blonde robot

Technologies

The Displays category is the largest technology category for the Group, accounting for 39.8% of Group revenue in 2019 (2018: 43.3%). This category grew 10.2% (2018: 23.7%) in the year, with strong growth in interactive sales across the Group and large format displays in Germany, the Benelux and Iberia

Projection represented 17.4% of Group revenue (2018: 18.4%), with sales increasing by around 13% in the year mostly due to the acquisition of AV Partner. We believe that the overall long-term trend is for certain parts of the projector market to be replaced by displays, and we are well placed to capitalise on that trend

Sales of technical products, which include Audio, Broadcast, Lighting, LED and Technical Video rose by an aggregate of 43.2% (2018: 54.7%). In aggregate, these technical product categories constituted 31.9% of Group sales in the year (2018: 26.4%), with most technical product categories enjoying gross margins in excess of the Group average. We believe that our technical expertise, focus and scale mean that the Group is the de facto distributor of choice for customers and vendors involved in complex, technically challenging projects.

Display, Projection, Technical, LED, Broadcast, Audio, Lighting, Unified Comms

Our Financial Review

We achieved further strong growth in 2019, generated strong operating cash flow and added to our debt facilities to enable further acquisition growth.

We achieved further strong growth in 2019 with revenue increasing by 19.6% to £686.2 million (2018: £573.7 million). Excluding the impact of acquisitions and currency movements, organic revenue growth was 6.0% (2018: 8.7%). Gross profit margin was in line with the prior year at 16.5%.

Adjusted operating profit of £33.5 million (2018: £30.3 million) increased by 11.0% at constant currency (2018: 20.5%). Operating profit before adjustments was £24.9 million (2018: £24.9 million).

Statutory financial highlights

	Year to 31 December 2019 £m	Year to 31 December 2018[1] £m	Total growth %
Revenue	**686.2**	573.7	19.6
Gross profit	**113.1**	94.6	19.6
Operating profit	**24.9**	24.9	0.0
Profit before tax	**23.8**	21.0	13.1
Profit after tax	**18.2**	15.3	19.3
Basic EPS – pence	**21.67**	18.50	17.1

Adjusted financial highlights[2]

	Year to 31 December 2019 £m	Year to 31 December 2018[1] £m	Total growth %	Growth at constant currency %
Revenue	**686.2**	573.7	19.6	20.1
Gross profit	**113.1**	94.6	19.6	20.1
Gross profit margin %	**16.5%**	16.5		
Adjusted operating profit	**33.5**	30.3	10.6	11.0
Adjusted profit before tax	**31.2**	28.9	8.0	8.5
Adjusted profit after tax	**23.8**	22.2	7.3	7.7
Adjusted EPS – pence	**28.49**	27.20	4.7	

1. Restated to reflect the adoption of IFRS 16. Adjusted measures are also restated to include amortisation of patents and software.
2. Definitions of the alternative performance measures are set out on page 85.

Currency movements had a limited impact across the Group in 2019. On a constant currency basis, growth in revenue was 20.1% (2018: 21.4%) and growth in adjusted profit after tax was 7.7% (2018: 19.8%).

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

Regional highlights

	Year to 31 December 2019 £m	Year to 31 December 2018[1] £m	Total growth %	Growth at constant currency %	Organic growth %
Revenue					
UK and Ireland	**314.6**	315.8	(0.4)	(0.3)	(0.3)
Continental Europe	**321.0**	222.0	44.6	45.2	15.2
Asia Pacific	**50.6**	35.9	41.2	44.1	4.4
Total Global	**686.2**	**573.7**	**19.6**	**20.1**	**6.0**
Gross profit margin					
UK and Ireland	**17.6%**	17.4	+0.2 ppts		
Continental Europe	**15.2%**	14.9	+0.3 ppts		
Asia Pacific	**17.7%**	18.4	(0.7) ppts		
Total Global	**16.5%**	**16.5**			
Adjusted operating profit[2]					
UK and Ireland	**19.9**	19.6	1.6	1.6	
Continental Europe	**14.1**	10.3	37.3	37.9	
Asia Pacific	**2.7**	2.9	(7.5)	(5.2)	
Group costs	**(3.2)**	(2.5)			
Total Global	**33.5**	**30.3**	**10.6**	**11.0**	
Adjusted finance costs	**(2.3)**	(1.4)			
Adjusted profit before tax[2]	**31.2**	**28.9**	**8.0**	**8.5**	

1. Restated to reflect the adoption of IFRS 16. Adjusted measures are also restated to include amortisation of patents and software.
2. 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 reduced by 0.4% (2018: +11.3%) to £314.6 million (2018: £315.8 million) generating gross profit of £55.3 million (2018: £54.9 million) at a gross profit margin of 17.6% (2018: 17.4%). This resulted in an adjusted operating profit of £19.9 million (2018: £19.6 million), an increase of 1.6% (2018: 17.2%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period was -0.3% (2018: 1.8%).

Continental Europe

The Continental Europe segment revenue grew 44.6% (2018: 42.2%) to £321.0 million (2018: £222.0 million). Gross profit increased to £48.8 million (2018: £33.1 million) at a gross profit margin of 15.2% (2018: 14.9%) leading to an adjusted operating profit of £14.1 million (2018: £10.3 million) that increased 37.3% (2018: 36.9%). In constant currency, revenue grew 45.2% (2018: 40.5%) and adjusted operating profit grew 37.9% (2018: 35.6%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, increased by 15.2% (2018: 20.4%).

Asia Pacific

The Asia Pacific segment revenue grew 41.2% to £50.6 million (2018: £35.9 million) generating gross profit of £9.0 million (2018: £6.6 million) at a gross profit margin of 17.7% (2018: 18.4%). A change in project mix and the impact of investment in South East Asia resulted in an adjusted operating profit of £2.7 million (2018: £2.9 million), a decrease of 7.5% (2018: +14.0%). On constant currency basis, revenue grew by 44.1% (2018: 18.0%) and adjusted operating profit fell 5.2% (2018: +20.4%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, increased by 4.4% (2018: 13.4%).

Our Financial Review continued

Group costs

Group costs for the year were £3.2 million (2018: £2.5 million). The increase largely reflects the full year effect of additional investments in legal, compliance, information technology and acquisition and business integration capabilities to support the Group's growth strategy made in in the prior year.

Adjusted finance costs

Adjusted finance costs increased from £1.4 million to £2.3 million in 2019 as a result of additional interest costs attributable to the level of acquisition activity in the year and the associated increase in net debt.

Profit before tax

Profit before tax for the year increased 13.1% (2018: 11.5%) to £23.8 million (2018: £21.0 million), while adjusted profit before tax increased 8.5% (2018: 19.9%), at constant currency, to £31.2 million (2018: £28.9 million).

Tax

The adjusted effective tax rate was 23.7% in 2019, representing a small increase on (2018: 23.3%) which reflects an increase in the mix of profits arising in higher 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 21.67p (2018: 18.50p), representing growth of 17.1% (2018: 9.0%). Diluted EPS was 21.31p (2018: 18.33p). Adjusted EPS grew by 4.7% (2018: 19.3%) to 28.49p (2018: 27.20p).

Dividend

The Board has recommended a final dividend of 11.05 pence per share (2018: 10.60 pence per share) which, together with the interim dividend of 4.85p paid in October 2019 gives a final dividend of 15.90 pence per share for 2019 (2018: 15.20 pence per share). If approved by shareholders at the general meeting, the final dividend will be paid on 19 June 2020 to those shareholders on the register on 15 May 2020.

Cash flow

	Year to 31 December 2019 £m	Year to 31 December 2018[1] £m
Adjusted operating profit	**33.5**	30.3
Add back depreciation and unadjusted amortisation	**5.5**	4.3
Adjusted EBITDA	**39.0**	34.6
Increase in stocks	**(5.1)**	(9.4)
Increase in debtors	**(7.7)**	(3.2)
Increase in creditors[2]	**0.9**	10.0
Adjusted cash flow from operations	**27.1**	32.0
EBITDA cash conversion	***69.5%***	*92.3%*

1. Restated to reflect the adoption of IFRS 16.
2. 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 69.5% compared to 92.3% for the prior year. The performance for the current year reflects typical working capital movements for the business and is broadly in line with our long-term average of between 70 and 80%.

Gross capital spend on tangible assets was £5.8 million (2018: £2.4 million). Rental assets accounted for £1.8 million (2018: £1.3 million) of this spend. Capital expenditure included £1.5 million on our new UK facility and £1.0 million on plant and equipment (2018: £1.0 million). Intangible asset additions in 2019 include £1.8 million (2018: £0.6m) in relation to the Group's new ERP solution.

Net debt

The Group's reported net debt was impacted by the retrospective adoption of IFRS 16 during the year. IFRS 16 increased the net debt position previously reported for 31 December 2018 from £25.7 million to £36.3 million. Going forward the Group will focus on net debt excluding leases ("Adjusted net debt") as a proxy for net debt prior to IFRS 16 adoption. The impact of IFRS 16 on net debt is excluded from the Group's main banking covenants.

Adjusted net debt at 31 December 2019 was £53.3m (2018: £25.4 million) with the increase largely attributable to the increase in the Group's acquisition activity during 2019. The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 1.4 (2018: 0.7). 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. Total net debt including lease liabilities was £70.0m at 31 December 2019 (2018: £36.3m).

Year-end bank borrowings of £66.3 million (2018: £42.1 million) compare to facilities totalling over £115 million (2018: £92 million) at that date. During the year the Group increased its revolving credit facility from £15 million to £20 million to support its buy and build acquisition strate e. This was increased to £50 million after the year end. The Group targets an adjusted net debt to EBITDA range of 1.5x–2.0x.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £45.3 million (2018: £36.3 million) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2019, 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. At 31 December 2019, the Group had working capital (Trade and other receivables plus inventories less trade and other payables) of £ 85.8 million (2018: £59.1 million). This represented 12.5% of current year revenue (2018: 10.3%).

Adjustments to reporting results

	2019 £m	2018 £m
Operating profit	**24,934**	24,941
Acquisition costs	**356**	365
Share based payments	**2,874**	1,120
Employer taxes on share based payments	**427**	221
Amortisation	**4,871**	3,620
Adjusted operating profit	**33,462**	**30,267**
Profit before tax	**23,781**	21,031
Acquisition costs	**356**	365
Share based payments	**2,874**	1,120
Employer taxes on share based payments	**427**	221
Amortisation	**4,871**	3,620
Deriviative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**(104)**	–
Finance costs – deferred and contingent consideration	**(949)**	2,219
Finance costs – put option	**(48)**	311
Adjusted profit before tax	**31,208**	**28,887**
Profit after tax	**18,200**	15,257
Acquisition costs	**356**	365
Share based payments	**2,874**	1,120
Employer taxes on share based payments	**427**	221
Amortisation	**4,871**	3,620
Deriviative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**(104)**	
Finance costs – deferred and contingent consideration	**(949)**	2,219
Finance costs – put option	**(48)**	311
Tax impact	**(1,840)**	(948)
Adjusted profit after tax	**23,787**	**22,165**
Profit after tax	**18,200**	15,257
Non-controlling interest	**(1,018)**	(561)
Profit after tax attributable to owners of the Parent Company	**17,182**	**14,696**
Number of shares for EPS[1]	**79,275,480**	79,448,200
Reported EPS – pence	**21.67**	18.50
Adjusted EPS – pence	**28.49**	27.20

1. The number of shares for EPS now excludes shares held in trust in respect of share awards not yet exercised.
2. Restated to reflect the adoption of IFRS 16. Adjusted measures are also restated to include amortisation of patents and software.

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 on page 85.

Managing Risk

Our Risk Management Process

The Board is responsible for maintaining and reviewing the effectiveness of our risk management activities from a strategic, financial, and operational perspective. These activities are designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives or to successfully deliver our business strategy.

The risk management process is designed to identify, assess, respond to, report on and monitor the risks that threaten our ability to achieve our business strategy and objectives, within our risk appetite.

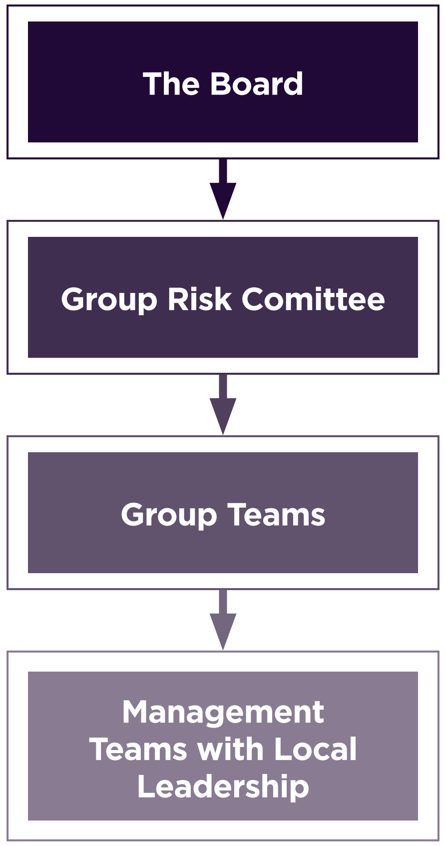
Our approach to risk management is a combination of local and Group-wide activities. Risks are owned and managed within our businesses and reviewed by the Group Risk Committee, which reports key matters to the Board half yearly. At a Group level our teams review risks and controls, including those relating to information security and regulatory compliance. Delegated authorities are in place across the Group to facilitate local ownership, but within an agreed risk framework.

When we acquire new companies, we conduct detailed assessments of commercial, tax, legal and regulatory risks as part of our due diligence process. Our integration process includes early establishment of delegated authorities and key controls.

While the Group does not have a dedicated internal audit function the Group team conducts local reviews of tax and compliance matters. The Group team also has a direct relationship with the auditors of each business.

Risk Management Framework

Risk Management Framework to identify, asses, respond to, report on and monitor



Trend key Decreased risk Increased risk Unchanged risk

1 Dependence on key personnel (Decreased risk)

Risk description
The Group is dependent upon key senior management personnel who have extensive experience and knowledge of the Group, the Group's markets, product and service offering, vendor portfolio and customer base. The successful delivery of the Group's strategy depends on the continuing availability of senior management and the Group's ability to attract, motivate and retain other qualified employees.

Mitigation
The Group actively measures the retention of talent within the business, and engages with employees by focusing on training and development. We conduct an annual assessment of remuneration packages to ensure market position is maintained. In addition, the Group has adopted share plans to align the interests of senior management and the broader employee workforce with those of shareholders.

The Board has made succession planning and leadership development a key agenda item.

Change in the risk during the year
After establishing a regional operating model in 2018, this year we have taken steps to broaden the leadership of the Group through the creation of an executive leadership team.

We have also started a senior leadership development programme.

This has increased visibility across the Group to the senior leaders and ensures greater collaboration across regions.

We have also broadened participation in the Group's LTIP scheme to key senior leaders. Especially those in businesses acquired in the previous two years.

2 Expected benefits from acquisitions may not be realised (Unchanged risk)

Risk description
The Group intends to continue executing its strategy of entering new jurisdictions through carefully targeted acquisitions. The Group also intends to pursue targeted acquisitions in its current markets in order to bolster product offerings and sector penetration, increase scale and to gain access into new market segments.

Acquisitions give rise to inherent execution and integration risk. The process of integration may produce unforeseen operating difficulties and expenditures, and may absorb significant attention of the Group's management. They also may involve unforeseen liabilities, difficulties in realising costs or revenues, loss of key employees and customer relationship issues. A poorly implemented acquisition could damage the Group's reputation, brand and financial position.

Mitigation
The Group only enters into acquisitions after a thorough due diligence exercise which will involve a detailed review of operational resource, financial trends and forecasts, as well as a thorough analysis of the target's compliance record. Numerous personal visits to the target will take place in order to establish the viability of accommodating it and its senior management into the Group. The structure of most acquisitions will involve a significant financial incentive for departing shareholders to perform toward certain financial targets in the first three years after acquisition in order to maximize their disposal value.

Full business appraisal and diligence reports are prepared and presented to the Board.

Change in the risk during the year
The Group acquired four businesses during the year.

Our approach to acquisitions is considered a core capability which we seek to evolve and improve as we do more deals.

While we cannot eliminate risk in this the investments that we have made in the Group team in recent years has allowed us to reduce the risk in this area year on year.

Acquisition appraisals and due diligence findings were reviewed by the Board. The Board also conducted a post acquisition review of deals completed in the last five years.

Managing Risk continued

Trend key Decreased risk Increased risk Unchanged risk

3 Loss of key customers

Risk description
Most of the Group's customers contract with the Group on a deal by deal basis with no formal ongoing purchasing commitment. As such they have a voluntary right to terminate their contractual relationships with the Group without notice or penalties. There is therefore a lack of certainty in respect of the retention of existing customers who may elect not to continue contracting with the Group.

Mitigation
The Group has a very large customer base of over 20,000 AV integrators and IT resellers many of whom have long-term relationships with it. The diversity of the Group's customer base is demonstrated by the fact that no customer accounted for more than 2.0% (2018: 2.0%) of overall Group revenues for the year ended 31 December 2019. By providing a best in class service in terms of stock availability, logistics and credit capacity, the Group intends to continue to keep our customer base satisfied.

Change in the risk during the year
While the competitive risk to our business remains high, we believe our mitigation efforts limit this risk and have allowed us to deepen our customer relationships increase our market share in a number of key territories in 2019.

We are proactive in our efforts to support our customers. During the year we added a new experience centre in the UK which gives our customers the opportunity to see our capabilities. It also provides a high-quality training environment.

In addition, we added a global sales lead to the Group which brings dedicated support for our multinational customers and allows us to partner with them on complex projects across our different geographies.

4 Loss of key vendors

Risk description
There is no formal ongoing contractual commitment to the Group by the majority of vendors. As such they have a right to terminate their contractual relationships with the Group without notice or penalties. In addition, certain vendors provide the Group with incentives in the form of rebates, marketing developments funds, early payment discounts and price protections which enable the Group to manage profitability. There can be no assurance that the Group will continue to receive the same level of income in future.

Mitigation
Many of the Group's vendor relationships are long-term, established and now cover a number of territories. By bringing projects to our vendors and enabling them to fulfil their market share aspirations the Group will continue to maintain strong relationships with its vendors.

Change in the risk during the year
The Group's vendor position remained stable during the year, with no significant vendors lost.

Through our acquisitions we added further vendors to the Group and strengthened our relationship with a number of existing ones.

5 Regulatory risk

Risk description
The Group is subject to an increasingly complex regulatory environment. A failure to follow regulatory laws, orders and codes of practice requirements will expose the Group to regulatory sanction and subsequent reputational damage.

Mitigation
The Group has defined policy statements which articulate the protocols adopted to minimise the risk of a breach. Staff training takes place on a regular basis to ensure behavioural alignment with these policies. Acquired businesses are subject to a post-acquisition onboarding process which includes improvement of compliance protocols where necessary. The Board is regularly updated on compliance matters. This includes a full review across the Group on an annual basis.

Change in the risk during the year
The regulatory environment has been relatively stable across the Group during the year.

We continue to monitor the regulatory backdrop for changes that will affect the Group and adapt our internal policies and procedures accordingly.

6 Brexit

Risk description
The Group operates across multiple geographies and relies on the availability of physical goods, the majority of which are manufactured outside of the European Union ("EU"), but distributed within the EU by its vendors. A "hard" Brexit could lead to disruption in the availability of goods to the Group's UK and Ireland businesses (46% of Group revenue in 2019).

Mitigation
The Board is monitoring Brexit risks and reviewing action plans, although the outcome of Brexit negotiations is currently subject to a high degree of uncertainty.

In the short term, disruption to the supply of products could affect the ability of UK and Ireland operations to meet customer demand. The UK business expects to hold approximately two months' inventory at the time of Brexit and is working closely with key vendors to maintain availability of goods during any initial post-Brexit disruption.

Longer-term risks include tariffs and divergence of regulation and standards between the UK and the EU. Whilst the range of tariffs for our principal products under World Trade Organisation rules is from 0% to 14%, the average tariff is approximately 1.5%. This is expected to affect the wider AV industry consistently. The Group is, and will continue to, work closely with its vendors to minimise any Brexit related disruption.

Based on the Board's review of the current Brexit risks the directors do not believe, at this time, that Brexit will result in any impairment of Group assets or materially impact the Group's ability to continue as a going concern

The Group currently services its Republic of Ireland business from the UK. Following a review of alternatives, this model is expected to continue, although direct EU to Ireland options will be evaluated in the event of material tariffs or permanent disruptions to the UK to Ireland supply chain.

The Group's European businesses each operate locally, with export sales from the UK to Continental Europe representing less than 5% of UK revenue. There are no significant dependencies on migrant labour, cross border financing or centralised infrastructure.

Change in the risk during the year
During the year we invested substantial time and effort across the Group to monitor and plan for Brexit.

While there were a number of practical changes made to areas such as Group vendor and banking agreements, Brexit planning did not have a material effect on the Group's operations during the year.

We believe that Brexit and political uncertainty affected the wider AV market. There are indications that Brexit uncertainty led to delayed purchasing decisions in both the UK&I and Continental Europe. There was also some disruption to the usual season trends around the proposed Brexit dates in March and October.

Our Stakeholder Engagement

Board Meeting at the registered office in Diss, Norfolk.

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

When making decisions, the Board of directors of Midwich Group plc must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006).

The Company has a clearly defined strategy (as summarised on page 12 to and the Board takes into account the long-term consequences of its decisions in the context of this. When making decisions the Board considers a number of factors including:

- The AV marketplace (see pages 08 to 09) – specifically ensuring that the Group continues to build on its reputation for high standards as a value-add AV specialist.
- The translation of the strategy into both longer-term goals and annual plans with regular updates reviewed by the Board throughout the year.
- How the Group's objectives influence its employees, customers, suppliers and shareholders together with the Group's wider impact on the environment and the communities where it operates. Further details on stakeholder engagement are set out below and in the CSR section on pages 29 to 33.
- Our Risk Management Framework which, as a distributor, places our relationships with wider stakeholders at the centre of our decision making (see pages 22 to 25).

During the year specific significant decisions made by the Board included the decision to enter the North American market, the approval of acquisition investments and organic entry into certain markets, approval of additional debt facilities and the allocation of share awards to our employees. The Board members also met with customers, vendors, our staff and our shareholders through both informal and structured events, for example, attending trade shows, investor meetings and office visits.

As a Board, our intention is to behave responsibly toward our stakeholders and treat them fairly and equally, so that they all benefit from the successful delivery of our strategy. The Board of directors has overall responsibility for determining the Company's purpose, values and strategy and for ensuring high standards of governance. The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. As a specialist distributor, we add value by developing and maintaining in-depth understanding of our vendors' and customers' needs.

Our business model is predicated on strong long-term relationships with high-end brand manufacturers, offering value-added service to trade-only customers.

Customers

Why it is important to engage
Midwich operates a strictly business-to-business model so our customers are also a value-adding part of the supply chain.

Ways we engage
We have a dedicated sales and support organisation with responsibility for both day-to-day and more strategic communication. We receive regular feedback through these channels, together with the results of formal customer surveys, on customer needs, our performance, product performance and satisfaction of the ultimate end-user.

Customer feedback informs our decisions on the product portfolio and helps us to engage effectively with vendors; suggesting product enhancements and reporting on performance issues. Customer feedback also informs our decisions on support and how we organise resources to provide an effective and efficient service. Matters pertaining to customers and the internal support organisation are reported to the Board regularly.

Stakeholders' key interests
- Market knowledge and AV industry trends
- Customer service and value-added support and advice
- Product range and availability
- High quality logistics
- Long-term relationships and trust
- After sales and ongoing support

Vendors

Why it is important to engage
Midwich is a value-added distributor of Audio Visual products, representing over 500 high end manufacturers. Vendor relationships are critical to the long-term success of our business.

Ways we engage
Vendor relationships are managed across all levels of the organisation with regular communication on both strategic matters and day-to-day engagement. Midwich prides itself on the longevity of many of these relationships and the key position it holds in the commercial operation of its vendors. The Board maintains an overview of vendor relationships through regular reporting and presentations from management.

Stakeholders' key interests
- Market focus and scale
- Support, attention and market intelligence
- Profiled customer base with targeted sales and marketing
- Industry leading events to interact with customers and end users
- Ability to support multi-national projects
- Efficient logistics and product support

Employees

Why it is important to engage
Our employees are integral to the success of our value-add strategy. Knowledge, skills and experience are vital to ensure both vendor and customer satisfaction and, therefore, staff recruitment, retention and reward are critical.

Ways we engage
We have increased investment in training year on year including dedicated in-house training resources.

We hold regular open communication sessions with staff at all levels via management briefings and 'town hall' meetings in all locations.

Staff surveys are conducted periodically, and staff members have individual annual appraisals.

The Board receives regular reports from the Group Head of Human Resources on staff matters including the results and action plans from our staff surveys.

Stakeholders' key interests
- Alignment with Group strategy
- Understanding purpose, culture and values
- Feeling part of the Company through share ownership
- Communication
- Training and career development
- Responding to employee feedback
- An enjoyable and rewarding place to work

Our Stakeholder Engagement continued

Shareholders

Why it is important to engage
As a publicly listed company we need to provide fair, balanced and understandable information to instil trust and confidence and allow informed investment decisions to be made.

Ways we engage
The Company engages with its shareholders through formal meetings, informal communications and through stock exchange announcements.

Management (typically the Group Managing Director and Group Finance Director) meet formally with institutional shareholders, usually after the interim and full year results announcements, presenting Company results, articulating strategy and updating shareholders on progress.

In addition, the Chairman meets separately with institutional shareholders to discuss matters pertaining to business performance and governance and receive shareholder feedback on any issues or concerns.

Trading and other statements are made via the stock exchange during the year and the Company holds its Annual General Meeting (AGM), at which all shareholders can attend and speak with management.

Shareholders also communicate with the Company via email and by telephone and we respond to their specific questions and inputs as required. Company contact details are included in all announcements and are available on the Company website.

Stakeholders' key interests
- Annual reports
- RNS announcements
- Annual General Meetings
- Investor presentations
- Corporate website
- One-on-one meetings
- Company visits and events

Enviroment

Why it is important to engage
As part of the wider AV industry, we want to promote the use of AV technology for environmentally sound purposes while minimising any adverse effects.

Ways we engage
The Company supports the use of AV technology as an enabler of more efficient and effective working, for example our products are increasingly being used as a sustainable alternatives to one-off actions, such as video conferences instead of travel to meetings or digital signage as an alternative to printed marketing materials.

We are also focused on reducing our impact on the environment and embedding a sustainable approach into all areas of the business. For example, the use of solar energy generation on our buildings in the UK or reducing our consumption of single-use plastic and non-recyclable containers across the Group.

Stakeholders' key interests
- Alignment of Company values with environmental concerns
- Actions to reduce environmental impact
- Investments in sustainability

Communities

Why it is important to engage
We are a significant employer across a number of countries, and we aim to contribute positively to the communities and environment in which we operate.

Ways we engage
In line with our people-orientated ethos and ethical values, we continued to support the local communities in which our offices are based; committing to making a real difference.

Under the "Midwich Loves..." brand we support our chosen charities and community activities. We provide our staff with time and support to volunteer for good causes.

Supporting local communities also comes in the form of using local suppliers for our offices, where possible.

Stakeholders' key interests
- Impact of Group activities on the wider community
- Support for the local economy
- Staff time and engagement with good causes

Corporate Social Responsibility and Sustainability

midwich loves ...giving back

We take our commitment to Corporate Social Responsibility seriously across the Group. In our 2018 annual report, we started a process of defining this, setting out our four key global areas of focus: our local environments; supporting charities close to our hearts; reducing our environmental impact; and supporting our people.

During 2019, we have made progress across these areas and have taken steps to define our focus areas across our global business into four pillars: **The community, The environment, Charity support** and **Our people.**

These pillars will be adopted in relevant ways within each of the different countries, providing a framework for supporting local activities.

Our four pillars

- **The Community**
- **The Environment**
- **Charity Support**
- **Our People**

Corporate
Social Responsibility and Sustainability

THE COMMUNITY

Generosity amplified. We will give our time and focus to support important initiatives in our communities.

To promote our ethical values, we actively encourage and support community involvement. We are dedicated to making a real difference to the communities in which we operate across the Group.

We respect and value the things that make our people individuals and recognise that they care about different causes within their communities.

In recognition of this, we support and provide time off for our people to regularly engage in volunteering for their chosen causes.

Our Pledge

Throughout 2020, we will be supporting local worthwhile community projects, as voted for by our staff members.

In 2019:

Staff at our head office volunteered more than 100 hours of their time working in the local shop of their chosen charity Mind, which offers information and advice around mental health issues. They also picked 22 kilograms of litter around the local area.

Many members of staff across the Group are board members for local charities, offering business advice and using their knowledge and experience to make a positive impact to causes they care about. Across the globe, Group employees joined in a wide range of local charity events, sports teams and cultural activities, cultivating the culture of inclusion that Midwich represents.

Midwich UK ran a 'Power-Up Your Local School' competition, working with vendors to donate £10,000 of classroom technology to a local school.

Supporting local communities also comes in the form of buying local, for example Kern and Stelly buy fruit from a local grower and juices from a local charity whose workforce is formed of people who are deprived of the opportunities enjoyed by most in society.

Preventing 135,000 disposable cups going into landfill

THE ENVIRONMENT

We are committed to reducing negative environmental impact directly and indirectly across our supply chain.

We are conscious of our broader environmental responsibilities and focused on improving our energy efficiency, reducing packaging, managing our waste responsibly and reducing our carbon emissions.

For example, as a distributor of video conferencing (VC) equipment, we have utilised this technology across our Group by installing VC capabilities and meeting spaces, reducing the need for our people to travel for meetings.

We are also supporting several initiatives across the Group designed to change our mentality to 'sustainability for the future'.

Our Pledge

We are committed to creating a positive impact on the environment and reducing any negative impact.

With this in mind, we will increase the number of external energy audits across our office locations to identify energy reductions.

We have committed to ensure our marketing material is 100% recyclable and at the same time, reduce the overall quantity of printed literature distributed to stakeholders.

In 2019:

We took a number of actions to reduce our waste going to landfill and reduce our consumption of single-use plastic and non-recyclable containers. For example, at our UK head office we provided every member of staff with a ceramic mug, preventing almost 135,000 disposable cups going to landfill.

Across the Group there was a concerted effort to improve recycling facilities and minimise waste. For example, in Germany, Kern & Stelly made a move towards organic and environmentally friendly foods and soaps.

We acted to reduce the environmental footprints of all our offices.

2019 saw the construction of Innovation House, our 50,000sqft+ southern showroom and demo facility. Innovation House utilises smart warehousing, designed to reduce energy usage and carbon emissions over time through sensors (movement; air quality in building; CO_2; doors) then use analytics to help with servicing and improvements according to usage.

Contributing to the community with a volunteer 'litter pick'

OUR CHARITY SUPPORT

We will use our platform and resources to bring benefits to society through the support of charities chosen by our peoples.

We operate several in-house Charity Committees, whose purpose is to raise awareness and funds.

In 2019, our employees across the Group chose to support 14 different charities. Staff raised donations through a series of fundraising events, including: sporting events, silent auctions, quiz nights, community raffles and cake baking, through to more daring events such as sky diving.

Our Pledge

While we continue to support various charities, our UK employees and charity committee are committed to raising in excess of £40,000 for their voted, chosen Mind over the two years to 2020.

The Company will provide flexibility to support staff in their fundraising initiatives to ensure the chosen charities around the Group will benefit from our people's passion and dedication to their chosen causes.

In 2019:

Charitable initiatives remained a prominent focus across the Group. Our ethical values and inclusive culture were strongly represented by our employees, with a keen enthusiasm to help their chosen causes.

For example, head office staff raised £28,000 for their chosen charity Mind during 2019 from fundraising events and activities. These events brought the local community together and proved to be great fun for everyone involved.

As well as fundraising and monetary donations, employees supported their chosen charities through Easter and Christmas gifts, donations of products and technology, and 315kg of unwanted clothes and goods to local charity shops. In this way, we sought to reduce our waste and benefit local communities simultaneously.

315Kg of donations for the MIND charity shop

Corporate
Social Responsibility and Sustainability
continued

OUR PEOPLE

We are committed to programmes and initiatives that support our people, balancing the delivery of success with the whole person approach.

The nature of our business, as a value-adding distributor, means expertise and people skills are at the core of what we do and how we maintain our competitive advantage.

Having a people-oriented ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We are committed to developing and supporting our employees across all Group companies and we pride ourselves on our home-grown talent, with a significant number of our senior managers having built their careers from within the Group.

Midwich Group recognises wellbeing and mental health as paramount to a happy working environment and we back this up with an extensive package of staff benefits and professional support services.

We strengthened our support by training some of our employees as mental health first aiders. We are now better positioned to provide support to a colleague who may be experiencing a mental health issue and guide them towards appropriate treatment and other sources of help.

Our Pledge

Throughout 2020, we'll give employees the opportunity to volunteer their time, during working hours to take part in a worthwhile initiative.

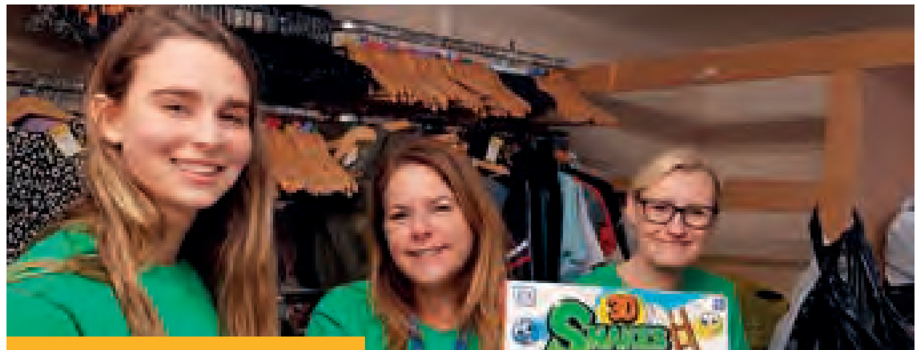
We will offer an employee experience that is centred around a journey of being 100% welcome through onboarding, orientation, induction and transitioning.

In 2019:

Supporting our people means that we recognise hard work and commitment and aim to support and develop all staff across every Group company. A variety of schemes were enhanced in 2019 to help create the best possible working environment and encourage growth and retention of talented staff at all levels.

A number of wellness initiatives took place across Group companies, including gym memberships and on-site gyms, as well as a host of other sports and healthy eating schemes. Staff awards, parties and informal meetings were a chance to show appreciation for hard work carried out across the year.

In order to properly assess staff satisfaction, we once again rolled out an employee engagement survey across the Group.



A helping hand in the MIND shop

Following on from these pillars, you can see that we recognise our people underpin our success and are at the forefront of the business.

Benefits

We will continually improve our benefits offering to ensure we outperform our industry peers.

Training

Talent is not just about leaders.

Talent is committing to our business and excelling in your field. All our people will have access to the training that they need.

Equality

Committed to fairness, inclusion and diversity.

We are focused on closing the gap via the right methods rather than through positive discrimination.

Wellbeing

Health and Wellbeing is important for everyone.

We will continue to support our people with this by running wellbeing events throughout the year.

Events

We will continue to hold social gatherings to aid positive mental health, team building and to show appreciation to our people.

Furthermore, we are well placed to partner with our reseller customers and the global brands that we distribute to reduce our impact through connecting with and supporting their sustainability strategies and together we will make a difference.

The Strategic Report comprising the Chairman's Statement, Managing Director's Review and Financial Review was approved by the Board on 9 March 2020 and signed on its behalf by:

Andrew Herbert
Chairman

Prase being awarded InAvation Distributor of the Year - 2019

CSR staff update from UK&I Managing Director, Mark Lowe.

Van Domburg, awarded by SMART 'Global Distributor of the Year'

Sidev – France

Customer showroom and demonstration facilities

Our Governance

Our Board of Directors

Andrew Herbert (60)

Non-Executive Chairman

A N R

Qualifications
Andrew has a BA in Business Studies from Hatfield Polytechnic and is a Fellow of the Chartered Institute of Management Accountants. He is also a non-executive director of Xaar plc.

Previous experience
Andrew was Group Finance Director of Domino Printing Sciences plc from 1998 until the sale of the company to Brother Industries in 2015.

He joined the business in 1986 and held senior finance, operational and general management roles prior to joining the Board of Domino Printing Sciences plc.

He has extensive experience of managing profitable growth in a global business, including acquisition and disposal strategy and line management of overseas subsidiaries.

In April 2020, Andrew Herbert was appointed Chairman of Xaar plc

Stephen Fenby (56)

Group Managing Director

N

Qualifications
Stephen has a BSc in Accounting and Financial Analysis from the University of Warwick and is an associate of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants.

Previous experience
After qualifying as a Chartered Accountant with Ernst & Young, Stephen joined Deloitte and worked for 16 years in the corporate finance team, latterly in the Cambridge office.

Stephen joined Midwich as Finance Director in 2004 and became Managing Director in 2010. He has led the Group's acquisition and development programme.

Stephen Lamb (46)

Group Finance Director

Qualifications
Stephen has a BA in Economics and Econometrics from the University of Nottingham and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Previous experience
Stephen joined Midwich as Group Finance Director in July 2018. He has over 20 years' experience in finance, working in high growth, international business services organisations.

Before joining Midwich, Stephen was the International CFO at Iron Mountain Inc, supporting the profitable and cash generative development of the International business.

He has held senior financial positions at IWG plc (CFO, Europe) and Experian plc (Group Director of FP&A, FD, Decision Analytics and CFO, Asia Pacific).

Mike Ashley (52)

Non-Executive Director

A N R

Qualifications
Mike completed retail MBA modules at Manchester Business School sponsored by Home Retail Group.

Previous experience
Mike is the Chief Commercial Officer ("CCO") of Holland and Barrett International Ltd. He joined the business from Travis Perkins plc in 2019. In his time there he held the position of CCO both in Wickes and the Plumbing and Heating Division, leading transformation of both businesses.

Prior to this Mike led the turnaround of Harvard International PLC (formerly Alba PLC) as Chief Executive Officer, culminating in the successful sale to a listed Chinese consumer electronics business. Mike has extensive retail and consumer experience through senior commercial, marketing and strategic roles at Boots, Argos, Dixons Retail Group and Travis Perkins.

Hilary Wright (60)

Non-Executive Director

A N R

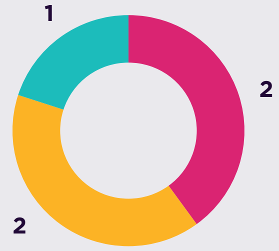
Qualifications
Hilary is a Fellow of the Chartered Institute of Personnel and Development.

Previous experience
Hilary was Group HR Director of Domino Printing Sciences plc from 2016 until her retirement in 2019.

Her background was formed in retailing and more latterly with Cambridge based engineering and technology companies where she has gained her global experience as well as involvement in a number acquisitions.

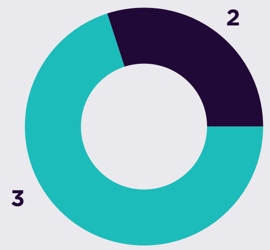
She has held both strategic and operation roles and devised and led the HR direction for significant global growth (ensuring people development, succession planning and talent acquisition are aligned for transformational change).

Tenure of directors



- 0-3 years
  Stephen Lamb & Hilary Wright
- 4-6 years
  Andrew Herbert & Mike Ashley
- 6+ years
  Stephen Fenby

Independence



- Independent
- Non-Independent

Skills

Committee membership

- A Audit Committee
- R Remuneration Committee
- N Nominations Committee
- Chair of Committee

Our
Operational Management

Mark Lowe (39)
UK & Ireland

Skills
- Extensive industry knowledge
- Strategic planning
- Strong business track record
- Managerial, business and company development
- International market knowledge
- M&A strategy

Previous experience
Mark joined Midwich in 2004 supporting the business management team then he became Divisional Manager in the rapidly growing consumer electronics category.

Working closely with the sales teams it was here that he learned about the world of audio visual. In 2012, together with his family, he relocated to Sydney and helped Midwich to develop a larger footprint in the ANZ marketplace before returning to the UK. In the years that followed, he trained as Project Manager and managed a number of major projects including various pre and post acquisition activities and strategies.

In 2017 Mark took on the role of Chief Operating Officer, and in 2018 became Managing Director of Midwich UK and Ireland. His focus is to progressively develop the initiatives, strategies and the staff to ensure that Midwich continue to add more value for their customers and vendor partners.

Tom Summer (33)
Continental Europe

Skills
- Strategic planning
- International market knowledge
- M&A strategy
- Business and company development
- Tom has a BSc in business management from the Norwich Business School (University of East Anglia).

Previous experience
Tom commenced his career with Midwich in the Company's business management department. Following the acquisition of Sidev in 2010, he move to Lyon, France to oversee the integration, planning and ongoing development of this business.

In 2013, his remit was widened to include the development of the Group's business in Europe before becoming Managing Director for the region in 2018. Since taking on a wider European role he has been a leading force in the Group's acquisition and ongoing business development programmes.

Tom also has responsibility for the Group's 'go-to-market' central office team. This commercially focused team, support the development and strategy execution across all Group territories.

Michael Broadbent (56)
Asia Pacific

Skills
- Strong business track record
- Extensive experience in business ownership
- Managerial and business development
- Strong sales orientation
- Extensive industry knowledge
- Technically trained
- Further education in business and marketing

Previous experience
Michael has 30 years' experience within the Australian and New Zealand commercial audio visual market, including ten years as an owner of a leading Australian systems integrator.

He spent three years as General Manager of the AV division at Programmed, one of the largest Australian technology integrators. Michael has also held senior roles with companies such as Rexel, which was the Australian distributor for Panasonic.

He joined Midwich Australia as a consultant in 2012 and took over as Managing Director of Midwich ANZ in June 2014.

Case study
Blackmagic Design

In March 2019, German Bundesliga football club, TSG 1899 Hoffenheim, had overhauled its internal production and live broadcast capabilities with the implementation of an UltraHD 4K solution based around Blackmagic Design.

The new system was executed by systems integrator LIVE DIRECTORS GmbH and distributor New Media AV, a Midwich Group company. Prompted by this new journey, the production team at TSG wanted to overhaul its existing SD infrastructure, and improve its streaming platform, TSG.TV.

Enlisting the help of production partner LIVE DIRECTORS GmbH, the club's new workflow was developed around the ATEM 4 M/E Broadcast Studio 4K and a pair of ATEM 1 M/E Advanced Panels, used in tandem to production multiple live programme mixes simultaneously.

According to Maurice Gundt at LIVE DIRECTORS, "Whatever we implemented for TSG had to streamline and simplify its video workflows while improving handling for higher resolution formats and general system usability. That meant a complete modernization of the club's existing infrastructure. From a technical and financial standpoint, Blackmagic Design was the obvious choice."

LIVE DIRECTORS GmbH has also developed a small portable production unit (PPU) for the club, featuring an ATEM Television Studio HD, HyperDeck Studio Mini and Blackmagic Web Presenter, to cover away matches, press conferences, training updates and information, by sending feeds via Open Broadcaster Software (OBS) to Facebook and YouTube simultaneously. The 4K solution now in place at TSG's PreZero Arena affords far greater flexibility, as external events and corporate clients can now come in and make use of the stadium's in-house video resources.

"Wherever we are in the world, we can be assured of consistent and high quality production capabilities, thanks to Blackmagic Design, which our fans across the world can immediately access."

Chairman's Statement on Corporate Governance

The Board considers sound governance to be an essential element of a well-run business and we have decided to further enhance our reporting in this year's annual report beyond that required by the QCA code.

The Board considers sound governance to be an essential element of a well-run business and has followed the Quoted Companies Alliance (QCA) guideline since IPO. This year, we have included a summary of our compliance with the QCA code in the annual report. The full statement of compliance with the QCA Corporate Governance Code, as approved by the Board on 11 September 2019, is available on the Company's website.

My role as Chairman of the Board remains separate to, and independent of, that of the Chief Executive (Group Managing Director) and we both have clearly defined and separate responsibilities. Details of the responsibilities of all directors along with matters reserved for the Board and terms of reference for all the committees of the Board can be found on the Company's website.

The Board is comprised of three independent non-executive directors (including the Chairman who was independent upon appointment) and two executive directors. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively.

Executive directors hold service contracts with a nine-month notice period. Non-executive directors' service contracts include a three-month notice period on each side. All directors retire and submit themselves for re-election each year at the Company's Annual General Meeting.

The post of Company Secretary is presently held by an executive director. The Board considers that the size and nature of the Company means that the two roles can be carried out effectively by the Group Finance Director. The position is kept under review.

The Board maintains a regular dialogue with Investec, the Company's nominated adviser, and obtains other legal and financial advice as necessary to ensure compliance with the AIM Rules and other governance requirements.

We continue to review our approach to governance and how the views of stakeholders are represented in our oversight of the business. To that end, I continue to meet with shareholders as necessary. Feedback on both operational and governance matters from those meetings continues to form part of the Board's agenda.

We take our social responsibility seriously and, once again, we have chosen to include information (page 26) about how we engage with our people, our environment and our local communities. We are committed to behaving in a way that is beneficial to all stakeholders.

There have been a number of regulatory and government initiatives introduced in recent years to which the Company has responded. These include implementation of a s172 statement, the General Data Protection regulation 2016 ("GDPR"), the Modern Slavery Act 2015, the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, the 2016 Finance Act requirement to publish our tax strategy and AIM's requirements to formally adopt a recognised corporate governance code. Information on the policies and, where appropriate, the performance of the Group is available on the Company's website.

Andrew Herbert
Chairman

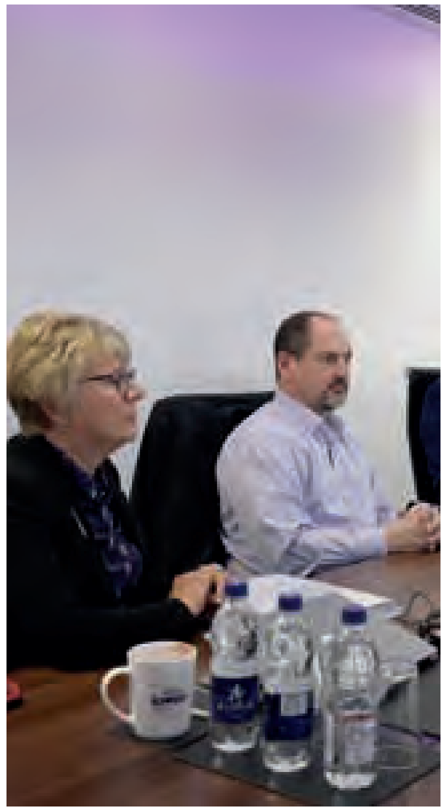
Our Corporate Governance Report

The Board met in person eight times during the year and held a number of meetings by telephone to consider specific matters. The Board receives a full pack of reports in advance of each scheduled meeting detailing Group and entity trading performance and containing individual reports from each of the executive directors and local management. During 2019, the Board also received presentations from operational management on topics including business unit strategy, talent and succession planning, tax strategy, IT systems and security, and acquisition proposals.

Alongside monitoring operational performance, it is the Board's responsibility to formulate, review and approve the Group's strategy, investments (including acquisitions), budgets and major items of expenditure.

Board committees

The Board has established three committees, (Audit, Nominations and Remuneration), each having written terms of reference which are available on the Company's website.



Attendance at board and committee meetings

Board meetings are scheduled in advance for each calendar year. The scheduled Board meetings and attendance during the twelve months ended 31 December 2019 were as follows:

	Board meetings	Audit	Remuneration	Nomination
Andrew Herbert (Chairman)	8	3	4	2
Mike Ashley	8	3	4	2
Hilary Wright	8	3	4	2
Stephen Fenby	8			2
Stephen Lamb	8			

Audit Committee

The Audit Committee consists of the non-executive directors and is scheduled to meet at least three times a year. Andrew Herbert is the Chairman of the Audit Committee having a relevant background. The current terms of reference of the Audit Committee were published in May 2016. No change was made to those terms of reference during 2019.

The main roles of the Audit Committee are:

- to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and trading updates;
- to review and challenge where necessary the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company/Group;
- to keep under review the effectiveness of the Company's internal controls and risk management systems; and
- to consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor.

Nominations Committee

The Nominations Committee consists of the non-executive directors and the Group Managing Director and is scheduled to meet at least once a year. Andrew Herbert is the Chairman of the Nominations Committee. The current terms of reference of the Nominations Committee were published in May 2016 and remain unchanged.

The main roles of the Nominations Committee are:

- to lead the process for Board appointments and make recommendations to the Board;
- to evaluate the structure, size and composition of the Board (including the balance of skills, knowledge and experience);
- keep under review the leadership needs of the organisation, both executive and non-executive; and
- be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Our
Corporate Governance Report
continued

Remuneration Committee

The Remuneration Committee consists of the non-executive directors and is scheduled to meet at least three times a year. Mike Ashley is the Chairman. The current terms of reference of the Remuneration Committee were published in May 2016. No changes were made to these terms of reference during 2019.

The main roles of the Remuneration Committee are:

- to determine the framework and broad policy for setting remuneration for the Group Managing Director (chief executive) and all executive directors;
- to recommend and monitor the level and structure of remuneration for senior management;
- to review the establishment of all share incentive plans for approval by the Board and shareholders and determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards per person to executive directors and other senior management; and
- to produce an annual report on the Company's remuneration policy.

Separate reports from the Audit Committee, Nomination Committee and Remuneration Committee are presented below.

Compliance with the QCA code

The Board has resolved to establish a strong governance culture using the Quoted Companies Alliance (QCA) code as the basis for its governance framework. The full Statement of compliance with the QCA Corporate Governance Code is available on the Midwich Group plc website. A summary of how the Group complies with the principles of the code is set out below.

Principle	Overview
1: Establish a strategy and business model which promote long-term value for shareholders	Midwich has a clearly articulated strategy and business plan as a value-added distributor of Audio Visual and related products.
2: Seek to understand and meet shareholder needs and expectations	The Company engages with its shareholders through formal meetings, informal communications and through stock exchange announcements.
3: Take into account wider stakeholder and social responsibilities and their implications for long-term success	The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. As a specialist distributor, we add value by developing and maintaining in-depth understanding of our vendors' and customers' needs.
4: Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The Group operates a risk assessment and monitoring process with regular updates provided to the Board and the Audit Committee.
5: Maintain the Board as a well-functioning, balanced team led by the Chair	The Board is comprised of three independent non-executive directors (including the Chairman who was independent upon appointment) and two executive directors.
6: Ensure that between them the directors have necessary up-to-date experience, skills and capabilities.	The Board is satisfied that, between the directors, it has an effective balance of skills and experience. For example, specialist AV industry knowledge and broad experience in sales, operations, international expansion, finance, human resources, information technology and capital markets. Each Board member brings a different mix of knowledge and experience, which blend well into a successful and effective team. Board composition is kept under review and the Board is committed to ensuring diversity of skill, experience and gender balance.
7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	The Board conducts a formal evaluation and appraisal process annually. The Group Head of Human Resources compiles the results and subsequently facilitates a Board discussion during which matters arising are reviewed and actions agreed.
8: Promote a corporate culture that is based on ethical values and behaviours	The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation. We believe this to be an essential element of a well-run business. The nature of our business, as a value-adding distributor, means expertise and people skills are at the core of what we do and how we maintain competitive advantage. Having a people-oriented ethos, where team work and commitment are recognised, is central to the success of our strategy. We pride ourselves on our home-grown talent, with a significant number of our senior managers having built their careers within the Group. To promote our ethical values, we actively encourage and support community involvement across the Group.
9: Maintain governance structures and processes that are fit for purpose and support good decision making by the Board	The Board typically meets eight times per annum. There were eight meetings in 2019, each one attended by all Board directors. Further meetings are held by telephone as necessary. A formal Board programme is agreed before the start of each financial year. This is structured, as far as possible, to align with the Group's annual financial programme.
10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The Group communicates with shareholders through the Annual Report and Accounts, half yearly trading updates, the AGM, capital markets days and one-to-one meetings with certain existing or potential new shareholders. Reports from the Audit, Nomination and Remuneration Committees are set out within the Annual Report.

Our technical testing centre, at the Innovation House premises.

Our Nomination Committee Report

This year the Company established an Executive Leadership Team, responsible for determining and driving operational strategy across the Group.

Nomination Committee Report

I am pleased to present the report of the Nomination Committee.

Board composition

The committee is responsible for monitoring the Board's balance of skills, knowledge, experience and diversity, and makes recommendations to the Board throughout the year.

The Group Finance Director undertakes the role of Company Secretary. The Committee keeps this position under review and believes that, at this present time, the two roles can be combined effectively.

Board evaluation

In line with prior years there was a formal Board evaluation and appraisal process in 2019. A survey seeking the individual views of directors on Board composition and effectiveness, business leadership, QCA code compliance and other matters was undertaken.

The Group Head of Human Resources compiled results and subsequently facilitated a Board discussion during which matters arising were reviewed and actions agreed. There were no major issues or concerns raised about the effectiveness of the Board or its individual members and the minor points raised were acted upon.

The Board will continue to monitor its approach to the evaluation of effectiveness including the use from time to time of external facilitation.

Leadership development

This year, the Company established an Executive Leadership Team responsible for determining and driving operational strategy across the Group. This team comprises the Group Managing and Finance Directors as well as the Managing Directors for each of our three operating units.

The Committee believes that this is the right model to drive operating performance of the Group while ensuring implementation of the agreed strategy. The Committee also supported the implementation of a leadership development programme for the Executive Team members.

Our Audit Committee Report

Audit Committee Report

I am pleased to present the Audit Committee Report describing our work during the past year.

Auditors

Grant Thornton UK LLP ("Grant Thornton") was re-appointed as the Company's Auditor at the Annual General Meeting.

While there is no mandated requirement for AIM companies to tender their audit, the Committee remains committed to ensure sufficient rigor and independence of the auditor and their process and keeps the option of audit tender under review. Auditor independence is reviewed at least annually and the tenure of firm and engagement partner is considered.

Grant Thornton has been the Group auditors since 2011 and there have been two engagement partner rotations during this period. Following the Company's IPO in 2016, a new audit engagement partner was appointed. In 2019, there has been a second audit partner rotation with Sergio Cardoso replacing James Brown as the engagement partner. The Committee decided that following this accelerated partner rotation no tender was necessary during the year.

Membership and responsibilities of the Committee

Membership of the Audit Committee is limited to the independent non-executive directors. I am the Chairman of the Committee and the member with recent and relevant experience.

The Committee met three times during 2019.

Key responsibilities include monitoring the audit arrangements, monitoring the integrity of the financial statements, and reviewing internal control and risk management systems.

Monitoring audit

The Committee oversees the plans for both the interim review and the full year audit undertaken by Grant Thornton. Grant Thornton drafts initial proposals in consultation with executive management and these are presented to the Committee for review. These plans describe an assessment of the principal risks, the proposed scope of work and the approach to be taken to the audit including materiality. The Committee has the opportunity to challenge and satisfy itself that the proposed audit plan is appropriate and adequate.

Review of financial statements and audit findings

The Committee reviewed the interim and full year financial statements, and the report of the auditors on these statements. The audit partner and relevant senior members of the audit team attended the Audit Committee meetings, presenting the results of the audit and answering questions from the Committee.

Significant potential issues presented to the Committee in respect of financial statements were:

- Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The auditors were able to confirm no material misstatement of revenues;
- The risk of intangible assets being improperly accounted for on acquisition of Group companies – this risk relates to the assessment of the extent to which acquired intangible assets, liabilities assumed and non-controlling interests are recognised separately from goodwill. The Committee received feedback from the auditors on their separate assessment of goodwill to be recognised and noted that there was no material difference from that proposed by management; and
- The risk of management override of controls – this is a presumed risk and relates to both the internal control environment and the basis of management assessment and accounting estimates, including working capital provisions. There were no material issues identified.

The Committee has reviewed the 2019 annual report and accounts to ensure they are fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy in a clear, concise and balanced manner.

Internal control and risk management

The Group seeks to operate consistent accounting policies and control procedures across its subsidiary operations, including newly acquired entities, and places the onus on local management to ensure those policies and procedures are followed. This is confirmed by review by the central finance team. The Audit Committee receives feedback on the effectiveness of internal controls from executive management and correlates that with separate reports from the external audit process. While there have been no specific internal control issues identified to date, the growth of the business has led the Committee to discuss the possible introduction of an internal audit function, the options for which are under review.

The Group operates a risk assessment and monitoring process. This is coordinated by the Group Finance Director who reports principal risks and mitigation actions to the Committee. Further detail on these risks is included at pages 22 to 25.

Our Audit Committee Report continued

Assessment of auditors

The Committee has assessed the qualification, expertise, resources and independence of the external auditor and is satisfied that Grant Thornton is meeting those requirements.

In addition to seeking the views of the executive team, the Committee considers a range of criteria in that assessment:

- the delivery of a thorough audit, meeting the agreed plan in a timely manner to agreed budget;
- demonstration of a deep understanding of the Group and its subsidiaries, evidenced in the quality and completeness of presentation material;
- the provision of perceptive advice on key accounting and technical matters;
- the professionalism and competence of the audit team deployed; and
- confirmation from the firm themselves of their processes to ensure independence.

The Committee also monitors arrangements to ensure the independence of the auditor is not compromised either by the non-audit work undertaken or the relationship they have with executive management.

During the year, and to reflect best governance practice, the Committee further tightened the Company's policy to limit use of the auditor from 2020 onwards to only audit and other assurance related activities.

During the year Grant Thornton was paid fees of £251k (2018: £220k) in respect of audit and non-audit work as follows:

	2019 £'000	2018 £'000
Audit fees in relation to the audit of the Company	87	33
Audit fees in relation to the audit of subsidiaries	119	143
Audit related assurance fees in relation to the interim review	18	15
Total audit fees for audit and audit related assurance services	224	191
Tax compliance services	14	10
Tax advisory services	4	–
Other services	9	19
Total fees for audit and non-audit services	251	220

There was no contingent element to any of these fees and independence was safeguarded as follows:

- the teams performing tax compliance work including the computation and compliance work were separate and led by a different partner;
- other services include accounts preparation for a non-significant subsidiary and assurance work under the German Packaging Act. In both cases the teams performing the work were separate to the Group audit team and led by a different partner.

Terms of reference

The Committee maintains its terms of reference under review and makes recommendations for changes to the Board as required. There were no changes made during 2019. Details of the full terms of reference are available on the Company's website.

Andrew Herbert
Chairman of the Audit Committee

Statement from the Chairman of the Remuneration Committee

The remuneration arrangements are designed to be in the best interests of the Company and appropriately aligned to its strategic goals.

As Chairman of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2019. The Remuneration Committee comprises the three non-executive directors.

Since our IPO in 2016, we have adopted the corporate governance code published by the Quoted Companies Alliance (the 'QCA Code') and continue to do so. The Remuneration Committee carried out a review during the year and is satisfied it continues to meet, and exceed, the standards set by the QCA Code.

The report is split into three parts:

- This *Annual Statement.*
- A *"Remuneration Overview"* section which provides a brief summary of the Company's remuneration agreements with its directors.
- An *Annual Report on Remuneration* which sets out payments made to the directors and details the link between Company's performance and remuneration for the 2019 financial year.

Our approach to executive pay

The remuneration arrangements for the executive directors are designed to be in the best interests of the Company and appropriately aligned to its strategic goals, delivering shareholder value and supporting the long-term success of the Company.

In 2018, the Committee engaged a third party to benchmark executive remuneration. This exercise was used to inform remuneration decisions for the new Group Finance Director ("FD"), appointed in July 2018, and to align the remuneration of the Group Managing Director ("MD") with the market.

The Committee believes that the remuneration levels are now competitive and reflect the current scale and responsibility of the executive directors' roles. Further details are set out in the Annual Report on Remuneration.

The Group operates a long-term incentive plan ('LTIP') for the executive directors and members of the senior management team. Where executive directors participate in the LTIP scheme, awards are now subject to a minimum two-year post-vesting holding period, bringing the total period of the awards to five years. Further details of the grant made in 2019 under the LTIP can be found in the Directors Remuneration Report on page 50.

The Committee takes a pragmatic approach to the remuneration of its executives, acknowledging the substantial shareholdings of the MD and the 2018 benchmarking of the remuneration levels of both the MD and FD. The Committee is satisfied that the incumbents are incentivised to achieve strong performance. However, the Committee recognises that remuneration agreements may need to be reviewed should there be any changes or additions to the Executive Board or changes in the scope or responsibilities of a role

"Appropriately aligned to its strategic goals, delivering shareholder value and supporting the long term."

Mike Ashley
Chairman of the Remuneration Committee

Statement from the Chairman of the Remuneration Committee continued

and will continue to monitor this going forward.

In addition to the Committee's remit of the remuneration of the executive directors, the Committee strongly focuses on succession and the development of the next tier of talent in the business. It is our strategy to retain and incentivise the leadership of the future and the Committee takes an active role in reviewing the remuneration structures of the senior leadership.

Alignment with the wider workforce

The Company believes in treating all employees fairly and encourages employee share ownership across the Group. As at 31 December 2019, over half of Group employees were either shareholders or participants in share awards that will vest in the next three years.

Each year since IPO, the Company has made free share awards and/or LTIP awards to employees that meet the Committee's criteria. Free shares, which vest after three years, have typically been awarded to employees of eligible Group companies based on length of service. The first vesting of free share awards (issued at IPO) occurred in 2019 and resulted in 121,000 shares being awarded to over 240 members of staff.

Broader employee remuneration is considered by the Committee when determining executive remuneration, for example, executive directors' pension arrangements (at 6% of base salary) are aligned to those offered to the wider workforce. Executive salary increases are also considered in the context of those given to other staff and are not expected to be significantly different to overall salary increases (other than in exceptional circumstances or significant growth of the company).

2016 share award vesting

LTIP awards have been made to senior management to align personal objectives with the Company's strategic goals and recognise long term value creation.

The first awards were made in July 2016 following the Company's IPO. The Committee was pleased to be able to determine that the performance criteria for the vesting of the 2016 awards were met in full (based on financial performance for the three years ended 31 December 2018). No executive directors were included in this vesting.

After the period end the Committee considered the performance criteria for LTIP awards due to vest in 2020 and it has determined that these awards will also vest in full.

Advisory vote on Directors' Remuneration Report

At the 2019 AGM the Company included an advisory vote on the Directors' Remuneration Report for the first time. While the Committee acknowledges that this is beyond the requirements of the QCA code, it determined that this was an opportunity to better engage with shareholders on this important topic. The outcome of the 2019 advisory vote was 97.72% in favour. The 2019 Directors' Remuneration Report will be subject to an advisory vote at the 2020 AGM.

2019 performance and remuneration

In the past year, the Company has continued to grow strongly, delivering an increased overall market share. Revenue has grown by 19.6% to £686.2 million and adjusted operating profit by 10.6% to £33.5 million). In addition, the Group completed four strategic acquisitions: entering three new territories (Switzerland, Norway and Italy) and adding lighting distribution in Spain. Our executive team, led by the MD and FD, has been instrumental in driving this growth.

However, market conditions were challenging in 2019. While the Committee recognises the hard work and commitment of our people, 2019 profit growth performance was below our expectations and the element of bonus linked to profit growth (60%) was not paid. The Committee determined that part of the annual bonuses for the executive directors, linked to cash conversion and stretching strategic objectives, were to be paid based on achievement of the performance criteria.

The Committee believes that the stretching nature of the bonus targets is reflected in the quantum of the bonus awards for 2019. Further details are set out in the Directors Remuneration Report on page 50.

Stephen Lamb joined the Company as FD on 26 July 2018. As disclosed in last year's report, the Company put in place awards to offset forfeited payments from his previous employer. This included the grant of 50,000 nominal value share options which vest over three years, subject to continued employment. The first tranche of these options (30,000) vested on 26 July 2019 with the remaining options vesting over the next two years.

The Committee granted awards of share options under the LTIP scheme in 2019 to executive directors and other senior employees. However, due to his substantial shareholding the MD did not participate in LTIP awards made in 2019.

The FD was awarded share options, which vest after three years, subject to the achievement of performance criteria. A two-year minimum post-vesting holding period also applies.

The Committee expects executive directors to have sufficient shareholdings to align their interests with shareholders. Given the MD's substantial shareholding and the FD joining the Company in 2018, the Committee has not issued guidelines on minimum shareholdings by executive directors, but it will keep this under review.

Key activities of the Remuneration Committee

The Remuneration Committee sets the overall approach to remuneration and the terms of employment of the executive directors, having regard to pay and conditions elsewhere in the Group. The Committee aims to ensure that the remuneration packages offered are competitive, and designed to attract, retain and motivate directors of the right calibre, as well as being aligned to the Group's corporate objectives.

The Remuneration Committee met four times during 2019 and its key activities were as follows:

- Reviewed the 2018 Directors' Remuneration Report;
- Agreed 2018 annual bonus awards for executive directors and the wider Senior Management Team;
- Discussed 2019 annual bonus scheme proposal for executive directors and the Senior Management Team for 2019;
- Reviewed the 2016 LTIP award performance and approved the vesting in full of these awards;
- Supported the creation of a new employee benefit trust to enable LTIP award vesting;
- Reviewed the executive directors' remuneration arrangements for 2020;
- Considered the remuneration of the Senior Management Team for 2020; and
- Reviewed the gender pay gap figures for Midwich Limited.

During the year, the Committee assessed the remuneration of the executive and the fees for the non-executive directors. Consideration was given to market benchmarks. The Committee believes that the current levels of executive and non-executive remuneration are appropriate given the scale and complexity of the Group.

Both the remuneration policy and LTIP scheme are summarised in the "Remuneration Overview" section of this report.

Outlook for the 2020 financial year

While 2019 profit performance was below target the Committee recognises that the Company has delivered long term shareholder returns, grown strongly, made market share gains and completed strategic acquisitions. The Committee increased the base salaries of the executive directors and the fees for the non-executive directors by amounts consistent with the general salary increases awarded to the broader workforce from 1 January 2020.

The MD's salary was increased by 2.5% to £322,875 from 1 January 2020. The FD's salary was increased by 3% to £257,500 from 1 January 2020.

From 1 January 2020, the fees of the non-executive chairman were increased by 2.5% to £83,000. While the fees for the other non-executives were increased by 2.4% to £42,000 from the same date.

Summary

The Committee believes that the current remuneration arrangements are in the best interests of the Company and are appropriately aligned to strategic goals, delivering shareholder value and supporting the long-term success of the Company. The Company has ambitious plans to grow, and consideration will need to be given to the nature of remuneration arrangements that will be necessary to deliver the Company's strategy. To ensure that strategic alignment is maintained, the Committee will continue to monitor its remuneration agreements in light of the evolving strategic, business and economic climate.

We are committed to a responsible and transparent approach in respect of executive pay and I hope that you find the information in this report helpful and informative.

Mike Ashley
Chairman of the Remuneration Committee

Directors' Remuneration Report

Summary of remuneration agreements

In setting the remuneration arrangements the Remuneration Committee takes into account:

1. The responsibilities of each individual's role and their experience and performance;
2. The need to attract, retain and motivate executive directors and senior management, ensuring an appropriate mix between fixed and variable pay;
3. The pay and benefits arrangements elsewhere in the Group, and in the sector;
4. Periodic external benchmarking to consider market conditions, and remuneration practices for roles of a similar size and complexity; and
5. The need to align the overall reward arrangements with the Company's strategy, both in the short and long term.

A summary of the remuneration arrangements applicable to remuneration in 2019 and 2020 is set out below for reference to assist with the understanding of the contents of this report and to demonstrate alignment with strategy.

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base salary Provides a base level of remuneration to support recruitment and retention of executive directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed at the discretion of the Committee.	Base salaries will be set by the Committee at an appropriate level, with consideration given to comparable listed companies, experience in role and the Company's performance.	None
Benefits and pension Provides a competitive level of benefits and pension.	The executive directors receive benefits which include pension, car allowance and private medical insurance. The FD also receives a contribution towards weekday accommodation near the Company's head office. Further benefits may also be provided for relocation following the appointment of new executives.	Employer pension contribution of 6% of base salary per annum or a salary supplement representing this contribution net of employer's National Insurance of 13.8%. The maximum value of other benefits will be set at the cost of providing the benefits described.	None

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Annual bonus The annual bonus provides a significant incentive to the executive directors linked to achievement in delivering strategic goals, including financial performance. Maximum bonus is only payable for achieving demanding targets.	Performance is measured annually against a range of pre-determined performance conditions. Outcomes are determined by the Committee after the year end based on performance against these targets. All bonus payments are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year. Annual bonuses are paid in cash after the end of the financial year to which they relate.	The maximum bonus opportunity is currently 100% of base salary.	Performance is measured over the financial year. Targets are set annually by the Committee. Performance metrics for 2020 will include targets for: • profit growth • cash conversion • strategic targets
Long-term incentive plans ('LTIP') The LTIP provides a significant incentive to the executive directors linked to achievement in delivering longer term strategic goals, including sustained financial performance. Maximum awards are only payable for achieving demanding targets.	LTIP awards are made using nominal cost share options. Performance is measured over three financial years against a range of pre-determined performance conditions. LTIP awards are subject to a two-year post-vesting holding period. All LTIP awards are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall LTIP awards reflect its view of corporate performance during the period. LTIP awards may attract dividend equivalents for the duration of the performance period.	The maximum LTIP award is 200% of base salary. This may be increased to 300% in exceptional circumstances.	Performance is measured over a minimum three-year performance period. Targets are set for each performance period by the Committee. Performance metrics for the 2019 awards are based on adjusted EPS growth.
Non-executive director fees Provides a level of fees to support recruitment and retention of non-executive directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-executive directors are paid a base fee. Fees are reviewed from time to time at the Remuneration Committee's discretion based on equivalent roles in an appropriate comparator group used to review salaries paid to the executive directors.	The base fees for non-executive directors are set at a market rate. No additional fees are awarded for committee chairmanship or membership.	None

Directors' Remuneration Report continued

Wider employee pay

As outlined in the Chairman's Statement, the Company is committed to developing the next tier of talent and the Committee spent some time during the year reviewing, with the executive directors, the remuneration of the senior leadership. The MD put forward proposals to the Committee for increases to base salary and bonus potential together with long-term incentive awards in line with these individuals' performance. The proposals also reflected the executive directors' commitment to retaining and incentivising those individuals who are key to the future success of the Company with succession planning in mind.

Pay and conditions elsewhere in the Group were taken into account when considering arrangements for the remuneration of the executive directors. For example, the executive directors' pension contributions are consistent with those for the wider employee population. The same overarching remuneration principles apply, but are proportionate to an individual's influence at Group level.

The Committee also encourages the participation of Midwich employees in share ownership and is supportive of the Group's share participation and free share award programmes. At 31 December 2019, over half of Group employees were participants in the Group's share ownership programmes.

Directors' service agreements and letters of appointment

The dates on which directors' initial service agreements/letters of appointment commenced and the current notice periods are as follows:

Executive directors	Date of original appointment	Term of appointment	Notice period
Stephen Fenby	13 April 2016	Continuous	Subject to nine months' written notice by either party
Stephen Lamb	26 July 2018	Continuous	Subject to nine months' written notice by either party

Non-Executive directors	Date of original appointment	Term of appointment	Notice period
Andrew Herbert	13 April 2016	Continuous	Subject to three months' written notice by either party
Mike Ashley	13 April 2016	Continuous	Subject to three months' written notice by either party
Hilary Wright	9 March 2018	Continuous	Subject to three months' written notice by either party

The non-executive directors' letters of appointment were renewed in March 2019 at which time the term of appointment was changed from three years to continuous. Performance of the Board and independence of the non-executive directors is assessed annually.

Executive and non-executive directors are subject to annual re-election by shareholders at the AGM.

Approach to recruitment remuneration of executive directors

The Company's approach when setting the remuneration of any newly recruited executive director will be assessed in line with the same principles for the existing executive directors, as set out in the service agreements above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

Executive directors' termination payments

The Remuneration Committee will honour executive directors' contractual entitlements. Service agreements do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its executive directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an executive director's office or employment.

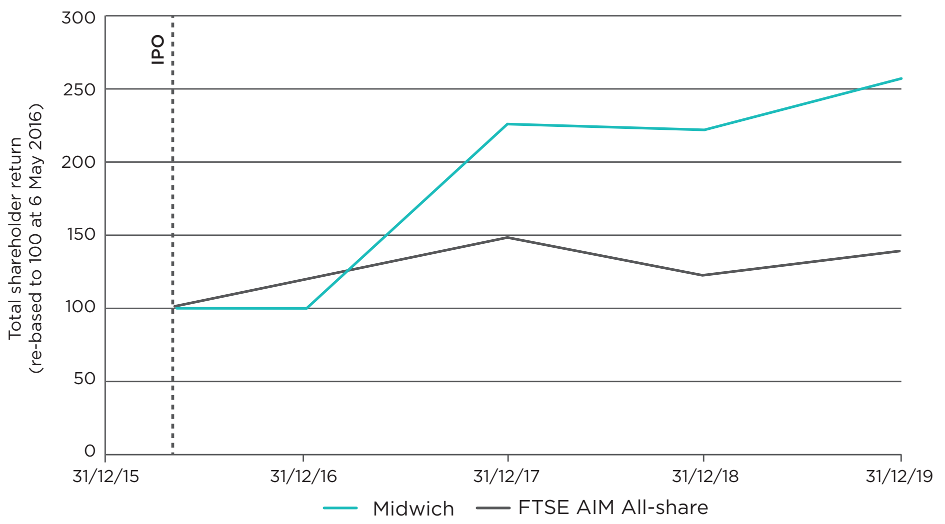
When determining any loss of office payment for a departing individual the Remuneration Committee will always seek to minimise cost to the Company while seeking to address the circumstances at the time.

Annual
Report on Remuneration

Total shareholder returns

This year, the Committee decided to include reporting on Total Shareholder Return ("TSR") for the first time. The chart below shows Midwich Group plc's annual TSR performance against the AIM All-Share Index over the period since IPO (May 2016).

The Committee believes that a well-run business will deliver superior returns to its shareholders over time. In the period since IPO we have created over £250m of value through market capitalisation growth and dividends. Over the same period, we have outperformed the AIM all share index by 83%.



Executive director remuneration

(Audited – see note 7 of the notes to the consolidated financial statements)

The table below sets out the total remuneration with a breakdown for each executive director in respect of the 2019 financial year. Comparative figures for the 2018 financial year have also been provided.

£'000	Base salary		Benefits[1]		Annual Bonus		Pension[2]		Other[4]		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Stephen Fenby	**315**	263	**12**	12	**58**	131	**16**	14	**–**	–	**401**	420
Stephen Lamb[3]	**250**	108	**30**	12	**36**	54	**13**	6	**168**	68	**497**	248

[1] The taxable benefits received in 2018 and 2019 were principally car allowances and private medical insurance. Stephen Lamb also receives a contribution to weekday accommodation near the Company's head office.

[2] Executive directors receive pension contributions of 6% of base salary. Pension contributions were delivered as a salary supplement net of employer's National Insurance of 13.8%.

[3] Stephen Lamb was appointed to the Board on 26 July 2018.

[4] On appointment, Stephen Lamb received a cash award of £68,000 based on the forfeited pro rata exp ected annual bonus payment from his previous employer. In addition, he received 50,000 nominal cost options which vest over a three-year period, from his date of appointment, subject to continued employment. The value of these awards, at the time of grant, was £265,000 based on the share price of 530 pence at the date of grant and an exercise price of 1 penny. 30,000 of these options vested on 26 July 2019 at a value of £167,700 based on a share price of 560 pence at the date of vesting – this value is included in that table above. The remaining 20,000 nominal cost options vest equally in 2020 and 2021, subject to continued employment.

Non-executive directors (Audited)

The table below sets out the total remuneration and breakdown for each non-executive director.

£'000	Fees		Total	
	2019	2018	**2019**	2018
Andrew Herbert	**81**	81	**81**	81
Mike Ashley	**41**	41	**41**	41
Hilary Wright[1]	**41**	34	**41**	34

[1] Hilary Wright was appointed non-executive director on 9 March 2018. Her fees at appointment were £41,000 per annum.

Additional information regarding directors' remuneration

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Base salary

Salary levels as at the end of the financial period were:

Executive director	Base salary
Stephen Fenby	£315,000
Stephen Lamb	£250,000

Base salaries for the 2020 financial year are set out on page 56 of this report.

Bonus awards

The annual bonus opportunity for the executive directors in the year was a maximum of 100% of base salary and performance was assessed against the following metrics:

- Profit growth targets (60% weighting)
- Cash conversion rate (20% weighting)
- Strategic targets (20% weighting)

The following bonus awards were approved by the Remuneration Committee for the executive directors. Further detail on 2019 performance is set out on page 48:

Executive director	Maximum bonus opportunity (% of salary)	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded (£'000)
Stephen Fenby	100%	18.3%	18.3%	58
Stephen Lamb	100%	14.4%	14.4%	36

The Remuneration Committee considers that the specific performance targets for the 2019 annual bonus awards remain commercially sensitive.

Long-term incentives awarded in 2019

To reflect the substantial shareholdings of Stephen Fenby, and in line with the approach taken since IPO, no LTIP awards were granted to him during the year. Stephen Lamb was awarded options up to 50,000 shares which are subject to both performance criteria and a two-year post vesting holding period.

Annual Report on Remuneration continued

Share interests

The interests of directors and their connected persons in Ordinary Shares and share options as at 31 December 2019 are presented in the table below.

Director	Ordinary Shares at 31 December 2019	Options held: Vested but not exercised	Options held: Unvested and subject to continued employment	Options held: Unvested and subject to performance criteria[1]	Percentage shareholding	Percentage of salary held[2]
Stephen Fenby	19,125,000	–	–	–	23.91%	33,392%
Stephen Lamb	7,766	30,000	20,000	100,000	<0.01%	75%
Andrew Herbert	30,000	–	–	–	0.04%	n/a
Mike Ashley	1,442	–	–	–	<0.01%	n/a
Hilary Wright	4,000	–	–	–	<0.01%	n/a

[1] Subject to a two-year post-vesting holding period.

[2] Percentage of salary held is based on a share price of £5.50 on 31 December 2019. Vested but unexercised options and options that are only subject to continued employment are included at 53% of their nominal value to reflect estimated tax deductions.

Stephen Fenby is subject to a lock-in agreement following the IPO on 6 May 2016 as follows:

- For a period of four years after the IPO (i.e. up to 5 May 2020), he must retain a shareholding equal to 20% of the shares held on the IPO.

No share options were exercised by directors during the year. All share options lapse, if they are not exercised, ten years after the grant date.

Non-Executive fees in 2019

Fees for the non-executive directors were not increased for the year ending 31 December 2019.

Fees at the end of the financial period were:

Non-executive director	Fees
Andrew Herbert	£81,000
Mike Ashley	£41,000
Hilary Wright	£41,000

Non-executive director fees for the 2020 financial year are set out on page 57 of this report.

Implementation of remuneration agreements in 2020

Base salary

The salaries of the MD and FD were increased by 2.5% and 3% respectively from 1 January 2020.

The table below sets out the base salaries effective from 1 January 2020 (with previous base salaries included for reference):

	Base salary: As at 31 December 2019	Base salary: As at 1 January 2020
Stephen Fenby	£315,000	£322,875
Stephen Lamb	£250,000	£257,500

Annual bonus

The maximum bonus opportunity for the MD and FD will be maintained at 100% of base salary. Pay-outs will be determined by performance against the following targets:

- Profit growth targets (60% weighting)
- Cash conversion rate (20% weighting)
- Strategic targets (20% weighting)

Long-term incentive

The Group MD and FD will be eligible to participate in any long-term incentive awards granted during 2020. However, due to his significant existing shareholding, it is expected that the MD will not participate in the 2020 award. The Remuneration Committee will keep this under review in future years.

Pension

Company pension contributions will remain at 6% of base salary. The MD and FD each elect to receive this via salary supplement of 6% of salary (less employer's National Insurance of 13.8%) in lieu of pension contributions.

Non-executive director fees

Non-executive director fees were increased by 2.5% (Chairman) or 2.4% (other non-executives) from 1 January 2020. The table below sets out the 2020 fees for the non-executive directors (with previous fees included for reference):

	Fees: As at 31 December 2019	Fees: As at 1 January 2020
Andrew Herbert	£81,000	£83,000
Mike Ashley	£41,000	£42,000
Hilary Wright	£41,000	£42,000

Adviser

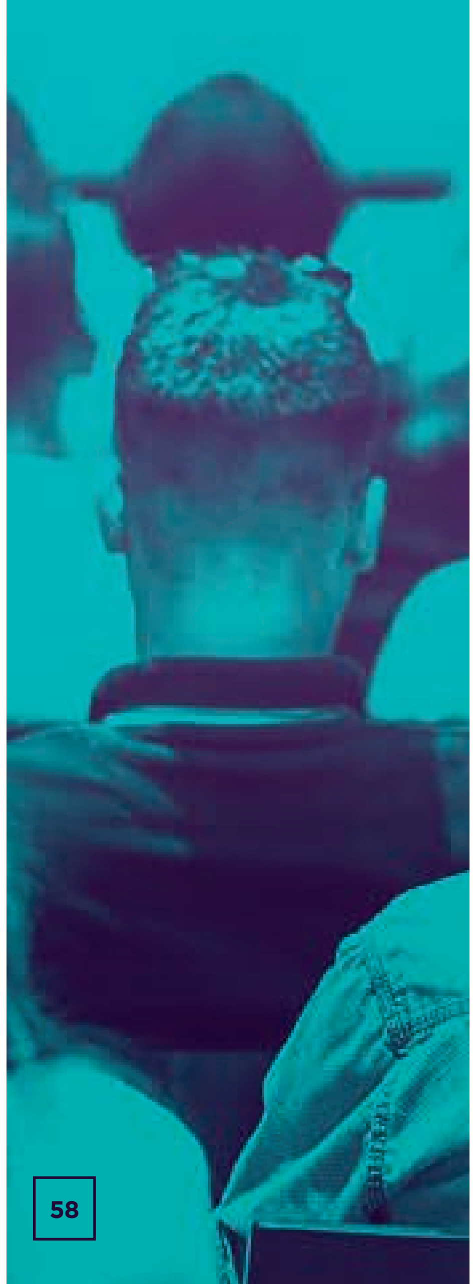
During the financial year the Committee received independent advice from PwC. As founder members of the Remuneration Consultants Group, PwC voluntarily operate under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is satisfied that the advice received was objective and independent.

Approval

This report is approved by the Board on 9 March 2020 and signed on its behalf by:

Mike Ashley
Chairman of the Remuneration Committee

Directors' Report



The directors present their report and the financial statements of the Group for the year ended 31 December 2019. Some disclosures that would normally be included in the Directors' Report are included in the Strategic Report. These include the review of the principal risks and uncertainties facing the business (on pages 22 to 25) and an indication of likely future developments for the Group (on pages 22 to 25).

Results and dividends

The profit after tax for the period amounted to £18.2 million (2018 £15.3 million). The Company paid dividends in the year of £12.3 million (2018: £11.3 million).

Going concern

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity to continue in operational existence for the foreseeable future. At the end of 2019 the directors considered the working capital of the business to be adequate for its needs, and the Group therefore continues to adopt the going concern basis in preparing consolidated financial statements. In January 2020, the Group increased its revolving credit facility to increase headroom for future growth.

Financial risk management and policies

The Group uses various financial instruments such as loans, invoice discounting, forward exchange contracts, trade receivables and trade payables that arise directly from its operations. The main purpose of the financial instruments is to provide working capital for the Group's operations.

The main financial risks arising from the Group's operations are credit risk, interest rate risk, currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group's principal financial assets are cash and trade receivables.

In order to manage credit risk, the directors prioritise the credit control function, and clear procedures are in place to take on new customers and manage and mitigate the impact of slow payers. The Group is a significant purchaser of credit insurance cover.

Interest rate risk

The Group's borrowing facilities, including its invoice discounting facilities, are linked to either LIBOR or base rate. An increase in these benchmarks would impact the Group's cost of borrowing which, in turn, would affect the Group's financial performance.

During the year, the Group entered into certain financial instruments to swap an element of its variable interest rate borrowings to fixed interest rates. The purpose of this was to provide greater certainty of future interest payments.

The Group regularly monitors its exposure to interest rate movements and, where appropriate, will consider further risk management products to mitigate this risk.

Currency risk

The Group companies largely source their goods and supply their customers in their domestic currency. In addition, many foreign currency denominated payments or receipts are hedged naturally with each other.

In the event of a long-term and material exposure to a movement in currency the Group takes out risk management products to reduce the risk.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short term flexibility is achieved by invoice finance facilities and overdraft facilities.

Directors

The directors of the Company during the year and their beneficial interest in the Ordinary Shares of the Company at 31 December 2019 are set out below:

	Ordinary Shares	
	2019	2018
Mr S B Fenby	**19,125,000**	20,040,000
Mr S Lamb	**7,766**	7,500
Mr A C Herbert	**30,000**	30,000
Mr M Ashley	**1,442**	1,442
Mrs H Wright	**4,000**	4,000
	19,168,208	22,606,422

Stephen Lamb is the only director with interests in share options of the Company. These are detailed on page 120.

Directors' remuneration

	2019 Salary/fees and bonus £'000	**2019 Pension £'000**	**2019 Benefits in Kind £'000**	**2019 Share option vesting £'000**	**2019 Total £'000**	2018 Total £'000
Mr S B Fenby	**373**	**16**	**12**	**–**	**401**	420
Mr A M G Bailey[1]	**–**	**–**	**–**	**–**	**–**	98
Mr S Lamb[2]	**286**	**13**	**30**	**168**	**497**	248
Mr A C Herbert	**81**	**–**	**–**	**–**	**81**	81
Mr M Ashley	**41**	**–**	**–**	**–**	**41**	41
Mrs H Wright[3]	**41**	**–**	**–**	**–**	**41**	34
	822	**29**	**42**	**168**	**1,061**	922

[1] Resigned 30 June 2018

[2] Appointed 26 July 2018

[3] Appointed 9 March 2018

Directors' and officers' liability insurance

The Company maintains insurance cover for the directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

Employee involvement and policies

We recognise the importance of our staff to the success of the business, since our product sales rely on the excellent service provided by our team. We aim to attract, motivate and retain the best people in our industry, regardless of race, age or disability. The Group provides its employees with information and consults with staff on matters of concern to them.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the Group's policy whenever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Board would like to thank our staff for the support, commitment and enthusiasm shown last year.

Directors' **Report** continued

Substantial shareholders

The Company has been notified of the following interests of 3% or more in its issued share capital as at 10 March 2020:

Shareholders	Number of Shares	(%)
Midwich Group plc directors and related parties	19,371,208	22.03
Aberdeen Standard Investments	11,787,989	13.41
Octopus Investments Limited	6,417,560	7.30
Canaccord Genuity Group Inc	5,768,260	6.56
Granular Capital Ltd	2,812,504	3.20

Directors' Responsibilities Statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. Prepare the financial statement on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.

Mr S B Fenby
Director

Date: 9 March 2020

Company registration number: 08793266

Case study **Prase Media Technologies**

Helping to create the wow-factor

With more than 27 years delivering professional audio and video products to the Italian market, Prase Media Technologies was hired to help find the solution for a much-anticipated tour in Italy.

During 2018, The 'Al Centro' tour celebrated the 50-year career of Claudio Baglioni (a pillar in the Italian music community) and consisted of 30 dates with a cumulative audience of more than 250,000 people.

Like its name, the singer performed surrounded by the audience on a square shaped stage in the centre of the venue. This design meant a virtual scenography of the floor was required to show every visible point within the location. The ideal solution? A laser projector. However, this caused some challenges with mixing the light show and projectors together.

Manufactured to resist the demands of a tour and offering the highest brightness level (25,000 lumens), the Epson EBL25000U was the perfect choice.

Alongside the Epson Italian team, Prase provided support to Agora, who oversaw AV during the tour, through custom demonstrations and starting configurations.

The final arrangement consisted of eight Epson EBL25000U projectors (four stacks of two) with Epson ELPLU05 and ELPLR05 lenses as well as Euromet 17462 micro-adjustable mounts.

Light, compact, high brightness levels, lens shift and Epson software meant that the projector worked well with the lights and could withstand the movement involved with being on tour.

The result was a time and space saving solution that was perfect for a full-on schedule of dates while helping to provide the desired wow-factor for the audience.

Resolution **Summary**

Covid 19 statement

In the lead up to the Annual General Meeting (notice of which is set out below), we are closely monitoring the impact of the COVID-19 virus in the United Kingdom. In light of current public health advice and "Stay at Home" legislation recently introduced, external shareholders (i.e. shareholders who do not also hold office as a director of the Company) are prohibited from attending the Annual General Meeting in person. Accordingly, so as to ensure their vote is counted at the Annual General Meeting, all shareholders are strongly recommended to vote electronically at www.signalshares.com as your vote will automatically be counted. Given the currently escalating situation sending a paper proxy is no guarantee of having your vote counted. Further, the Company will be providing a conference call link to enable shareholders to follow proceedings of the meeting and potentially to ask questions remotely. All shareholders are encouraged to use these facilities should they wish to follow the progress of the meeting. Any shareholders who wish to listen to the meeting by such means, should contact the Company Secretary prior to the day of the meeting at Stephen.lamb@midwich.com in order to request conference dial-in details.

Withdrawal of final dividend recommendation

In line with the Company's update of 30 March 2020, and to preserve cash during the COVID-19 disruption, the Board has taken the decision to withdraw its intention to propose a final dividend for 2019.

Annual General Meeting

The notice convening the Annual General Meeting (the "AGM") is set out on page 131. Resolutions 1 to 8 set out in the notice of the AGM deal with the ordinary business to be transacted at the AGM. The special business to be transacted at the meeting is set out in Resolutions 9 to 11.

Resolutions 1 to 9 are being proposed as ordinary resolutions (and therefore need the approval of a simple majority of those shareholders who are present and voting in person or by proxy at the AGM) and Resolutions 10 and 11 are being proposed as special resolutions (and therefore need the approval of at least 75 per cent of those shareholders who are present and voting in person or by proxy at the AGM).

Presentation of the Company's annual accounts (Resolution 1)

Resolution 1 deals with the adoption of the Company's annual accounts for the financial year ending 31 December 2019.

Re-election of Directors (Resolutions 2 to 6)

The Company's Articles of Association require the number nearest to one third of the Board to retire by rotation at each Annual General. The UK Corporate Governance Code provides that all Directors should be subject to re-election by their shareholders every year. In accordance with this provision of the UK Corporate Governance Code and in keeping with the Board's aim of following best corporate governance practice, the Board has decided that, as at recent Annual General Meetings of the Company, all Directors should retire at each Annual General Meeting and offer themselves for re-election.

Information about the Directors is set out on pages 36 and 37.

Re-appointment and remuneration of auditors (Resolution 7)

Resolution 7 proposes the re-appointment of Grant Thornton UK LLP as auditors of the Company and authorises the Directors to set the auditors' remuneration.

Directors' Remuneration Report (Resolution 8)

This Resolution seeks shareholder approval for the Directors' Remuneration Report (excluding the remuneration policy). The Directors' Remuneration Report can be found on pages 50 to 53 (inclusive) of the Annual Report and Financial Statements.

In accordance with regulations which came into force on 1 October 2013, Resolution 8 offers shareholders an advisory vote on the implementation of the Company's existing remuneration policy.

Authority to allot shares (Resolution 9)

Under section 551 of the Companies Act 2006 (the "CA 2006"), the Directors may only allot shares or grant rights to subscribe for or convert any securities into shares if authorised by the shareholders to do so.

Resolution 9, which complies with guidance issued by the Investment Association, will, if passed, authorise the Directors to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares, up to an aggregate nominal value of £293,060 (corresponding to approximately one-third of the issued share capital at 9 April 2020 and up to an additional aggregate nominal value of £586,120 (corresponding to approximately two-thirds of the issued share capital at 9 April 2020) in the case of allotments only in connection with a fully pre-emptive rights issue. The Directors have no present intention to exercise the authority sought under this Resolution. However, the Directors may consider doing so if they believe it would be appropriate in respect of business opportunities that may arise consistent with the Company's strategic objectives.

This authority will expire no later than 15 months after the passing of the Resolution. It is the Board's current intention to seek renewal of such authority at each future Annual General Meeting of the Company.

As at 9 April 2020, the Company does not hold any shares in the Company in treasury.

Disapplication of pre-emption rights (Resolutions 10 and 11)

Under section 561(1) of the CA 2006, if the Directors wish to allot equity securities (as defined in section 560 of the CA 2006) they must in the first instance offer them to existing shareholders in proportion to their holdings. In addition, there may be occasions, when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the CA 2006 unless the shareholders have first waived their pre-emption rights.

In accordance with institutional guidelines, under Resolution 10, to be proposed as a special resolution, authority is sought to allot shares:

i. in relation to a pre-emptive rights issue only, up to an aggregate nominal amount of £586,120 (being the nominal value of approximately two thirds of the issued share capital of the Company); and
ii. in any other case, up to an aggregate nominal amount of £43,959 (representing 5% of the issued share capital of the Company).

The Directors do not currently have an intention to exercise the authority.

In addition, Resolution 11, which is also to be proposed as a special resolution, asks the shareholders to waive their pre-emption rights in relation to the allotment of equity securities or sale of treasury shares up to a further aggregate nominal amount of £43,959 (representing 5% of the issued share capital of the Company), with such authority to be used only for the purpose of financing (or refinancing, if the authority is to be used in the six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's Statement of Principles on Disapplying Pre-Emption Rights.

The Directors will also have regard to the guidance in the Statement of Principles concerning cumulative usage of authorities within a three-year period. Accordingly, the Board confirms that it does not intend to issue shares for cash representing more than 7.5 per cent. of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders.

If Resolutions 10 and 11 are passed, the authorities will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, the date which is 15 months after the date of passing of the Resolutions. It is the Board's current intention to seek renewal of such authorities at each future Annual General Meeting of the Company.

Prase – Italy

Customer showroom and demonstration facilities

Our Financials

Independent Auditor's Report
to the Members of Midwich Group plc

Our opinion on the financial statements is unmodified

We have audited the financial statements of Midwich Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company statement of Financial Position, Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group associated with a course of action such as Brexit.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's business model, including effects arising from Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

GrantThornton

Overview of our audit approach

- Overall Group materiality: £1m, which represents 5% of the Group's profit before taxation at the planning stage of the audit.
- We performed full scope audit procedures for the Parent Company Midwich Group plc, Midwich Limited, Invision UK Ltd, Kern Und Stelly Medientechnik GmbH; targeted audit procedures were performed for Prase Engineering S.p.A., Holdan Limited, Square One Distribution Limited, Sidev SAS, Midwich Australia Pty Limited, Earpro S.A., Gerbroeders van Domburg B.V group and Sound Technology Limited; analytical procedures were performed for all other components.
- Key audit matters were identified as
  - the risk of improper recognition of revenue due to fraud; and
  - the risk of intangible assets being incorrectly accounted for on acquisition of group companies.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report
to the Members of Midwich Group plc continued

Key Audit Matter – Group	How the matter was addressed in the audit – Group
The risk of improper recognition of revenue due to fraud Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The Group has reported revenues of £686m (2018: £574m) arising from the sale of goods and ancillary services and equipment rentals. The Group has other operational income of £3m (2018: £3m) which relates to promotional activities. The nature of the Group's revenue involves the processing of numerous transactions with each stream possessing different revenue recognition criteria. The Group's revenue is material to the financial statements. We therefore identified the risk of improper recognition of revenue due to fraud as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Reading the revenue recognition policies to ensure they are consistent with the prior year and in accordance with IFRS 15 'Revenue from Contracts with Customers'; • Testing the design and operating effectiveness of relevant controls in the sales order process; • Performing substantive testing on a sample of revenue transactions, with a higher focus on sales in the final two months of the year, by tracing to proof of delivery to verify the occurrence of the sale; • Ensured that sufficient and appropriate corroborating audit evidence was obtained to support the occurrence of revenues across the Group's significant revenue streams. The Group's accounting policy on revenue recognition is shown under Accounting Policies within the notes to the financial statements and related disclosures are included in notes 1,2 and 3. **Key observations** Based on our audit work, we did not identify any material misstatement of revenue or any instances where revenue was not recognised in accordance with the stated accounting policies.
The risk of intangible assets being incorrectly accounted for on acquisition of Group companies In accordance with IFRS 3, following the acquisitions of Prase Engineering S.p.A, MobilePro AG, Entertainment Equipment Supplies S.L. and AV Partner AS, separate intangible assets are required to be identified and valued. Management are required to fair value separately identifiable assets and liabilities on acquisition. This involves identifying and valuing intangible assets distinct from goodwill. The Group engages with third parties to assist in the performance of these assessments for material acquisitions to ensure they are free from bias. Due to the high level of judgement and assumptions necessary to perform valuations of separately identifiable intangible assets arising on acquisitions, and due to the materiality of the assets recognised by the Group, we have identified the risk of intangible assets being incorrectly accounted for on acquisition of Group companies as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • Assessing the valuation models prepared by management's experts in respect of each acquisition, including the basis and methodology adopted for identifying and valuing separate intangible assets distinct from goodwill; • Using our own experts to critique the valuation models prepared by management's expert for each acquisition; • Agreeing significant inputs used in the models to underlying purchase agreements and other supporting documentation; • Critically assessing and challenging the key judgements and assumptions, such as revenue growth rates and discount rates, used by management in the valuation models and comparing to historic performance data; and • Agreeing the fair value of identified intangible assets from the valuation models prepared by management's experts to the amounts recorded in the financial statements. The Group's accounting policy on intangible assets is shown in note 1 to the financial statements and related disclosures are included in note 11. **Key observations** Our audit work did not identify any material misstatements in the accounting for intangible assets.

There are no separate key audit matters identified in the parent company.

Our application of materiality

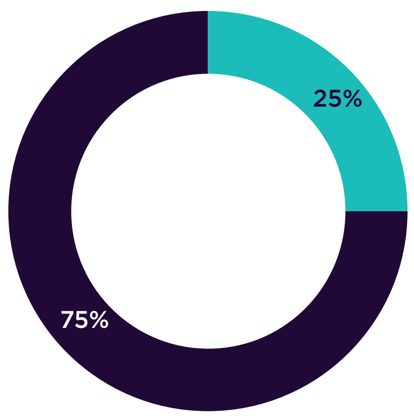
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

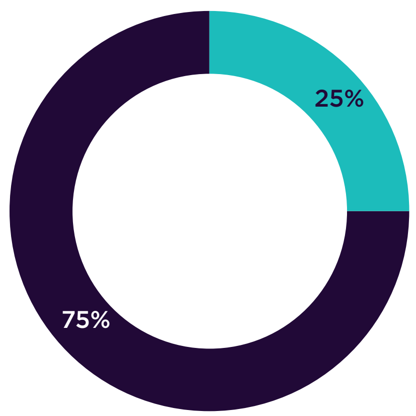
Materiality measure	Group	Parent
Financial statements as a whole	We determined materiality for the audit of the financial statements as a whole to be £1m which was 5% of the Group's profit before taxation (PBT) at the planning stage of the audit. We determined that no revision to materiality was required in light of final PBT being higher. This benchmark is considered the most appropriate because earnings before taxation is a primary measure of profitability used by directors. Materiality for the current year is the same as the level that we determined for the year ended 31 December 2018.	We determined materiality for the audit of the financial statements as a whole to be £0.329m which was 1% of total assets at the planning stage of the audit. We determined that no revision to materiality was required in light of the final total assets being higher. This benchmark is considered the most appropriate because the Parent Company is a non-trading holding company. Materiality for the current year is lower than for the year ended 31 December 2018, due to a reduction in total assets.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality of £0.01m for directors' remuneration and related party transactions.	We determined a lower level of specific materiality of £0.01m for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£0.055m was the threshold used for reporting misstatements, and any items below that threshold that, in our view, warrant reporting on qualitative grounds.	£0.0165m was the threshold used for reporting misstatements, and any items below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent



■ Tolerance for potential uncorrected mid-statements
■ Performance materiality

Independent Auditor's Report
to the Members of Midwich Group plc continued

An overview of the scope of our audit
Our audit approach was a risk-based approach founded on a thorough understanding of the Group's business, its environment and risk profile and in particular included:

- evaluation by the Group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality. Significance was determined as a percentage of the Group's total assets, revenues and profit before taxation.
- performance of full scope audits of the financial information of the Parent Company Midwich Group plc, Midwich Limited, Invision UK Limited, and Kern & Stelly Medientechnik GmbH.
- targeted audit procedures were performed for Prase Engineering S.p.A., Holdan Limited, Square One Distribution Limited, Sidev SAS, Midwich Australia Pty Limited, Earpro S.S., Gerbroeders van Domburg B.V group and Sound Technology Limited; analytical procedures were performed for all other components to support the Group audit opinion.
- component auditors were used to complete audit procedures for the following subsidiaries: Kern Und Stelly Medientechnik GmbH, Prase Engineering S.p.A., Holdan Limited, Square One Distribution Limited, Sidev SAS, Midwich Australia Pty Limited, Earpro S.A., Gebroeders van Domburg B.V. and Sound Technology Limited. The Group audit team instructed the component auditors as to the procedures to be completed over the risk areas for Group purposes within each component. The Group audit team reviewed the audit working papers for these significant areas.
- testing performed over 89% of total Group revenues, either through full scope or targeted audit procedures.
- testing performed over 92% of total Group assets, either through full scope or targeted audit procedures.
- we took a controls-based approach on revenue and purchases for the full scope audits.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London
9 March 2020

Consolidated income statement
for the year ended 31 December 2019

	Notes	2019 £'000	2018 (Restated)[1] £'000
Revenue	3	**686,240**	573,682
Cost of sales		**(573,133)**	(479,120)
Gross profit		**113,107**	94,562
Distribution costs		**(68,624)**	(56,329)
Total administrative expenses		**(23,132)**	(16,317)
Other operating income	4	**3,583**	3,025
Operating profit	5	**24,934**	24,941
Comprising			
Adjusted operating profit		**33,462**	30,267
Costs of acquisitions	6	**(356)**	(365)
Share based payments	32	**(2,874)**	(1,120)
Employer taxes on share based payments		**(427)**	(221)
Amortisation and impairments of brands, customer and supplier relationships	13	**(4,871)**	(3,620)
		24,934	24,941
Finance income		**66**	81
Finance costs	8	**(1,219)**	(3,991)
Profit before taxation		**23,781**	21,031
Taxation	9	**(5,581)**	(5,774)
Profit after taxation		**18,200**	15,257
Profit for the financial year attributable to:			
The Company's equity shareholders		**17,182**	14,696
Non-controlling interest		**1,018**	561
		18,200	15,257
Basic earnings per share	10	**21.67p**	18.50p
Diluted earnings per share	10	**21.31p**	18.33p

The financial statements are also comprised of the notes on pages 77 to 122.

[1] Comparative information is restated for the adoption of IFRS 16 (note 38) and reclassification of the amortisation for patents and software within the adjusted profit alternative performance measures.

Consolidated statement of comprehensive income
for the year ended 31 December 2019

	2019 £'000	2018 (Restated)[1] £'000
Profit for the financial year	**18,200**	15,257
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	**(386)**	–
Items that will be reclassified subsequently to profit or loss:		
Net gain on net investment hedge	**194**	–
Foreign exchange gains and (losses) on consolidation	**(3,115)**	162
Other comprehensive income for the financial year, net of tax	**(3,307)**	162
Total comprehensive income for the year	**14,893**	15,419
Attributable to:		
Owners of the Parent Company	**14,171**	14,870
Non-controlling interests	**722**	549
	14,893	15,419

The financial statements are also comprised of the notes on pages 77 to 122.

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Consolidated statement of financial position
as at 31 December 2019

	Notes	2019 £'000	2018 (Restated)[1] £'000
Assets			
Non-current assets			
Goodwill	12	**13,326**	11,568
Intangible assets	13	**31,974**	24,766
Right of use assets	14	**15,949**	10,141
Property, plant and equipment	15	**12,086**	7,028
Deferred tax assets	9	**2,169**	1,421
		75,504	54,924
Current assets			
Inventories	16	**88,691**	74,379
Trade and other receivables	17	**104,100**	83,139
Derivative financial instruments	21	**–**	25
Cash and cash equivalents	18	**13,015**	16,685
		205,806	174,228
Current liabilities			
Trade and other payables	19	**(106,342)**	(97,729)
Derivative financial instruments	21	**(132)**	–
Put option liabilities over non-controlling interests	22	**(3,490)**	(1,746)
Deferred and contingent considerations	23	**(4,133)**	(4,005)
Borrowings and financial liabilities	24	**(46,529)**	(36,838)
Current tax		**(2,331)**	(2,892)
		(162,957)	(143,210)
Net current assets		**42,849**	31,018
Total assets less current liabilities		**118,353**	85,942
Non-current liabilities			
Trade and other payables	19	**(665)**	(736)
Put option liabilities over non-controlling interests	22	**(3,799)**	(4,654)
Deferred and contingent considerations	23	**(2,796)**	(757)
Borrowings and financial liabilities	24	**(36,466)**	(16,108)
Deferred tax liabilities	9	**(6,850)**	(5,512)
Other provisions	20	**(2,484)**	(56)
		(53,060)	(27,823)
Net assets		**65,293**	58,119
Equity			
Share capital	31	**799**	794
Share premium		**28,225**	25,855
Share based payment reserve		**3,998**	1,837
Investment in own shares		**(5)**	(5)
Retained earnings		**31,867**	27,535
Translation reserve		**(954)**	1,865
Hedging reserve		**194**	–
Put option reserve		**(6,329)**	(4,532)
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Equity attributable to owners of the Parent Company		**57,995**	53,549
Non-controlling interests		**7,298**	4,570
Total equity		**65,293**	58,119

The financial statements are also comprised of the notes on pages 77 to 122. The financial statements were approved by the Board of directors and authorised for issue on 9 March 2020 and were signed on its behalf by:

Mr S B Fenby

Director
Company registration number: 08793266

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Consolidated statement of changes in equity
for the year ended 31 December 2019

	Share capital £'000 (note 31)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 32)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2019	**794**	**25,855**	**(5)**	**27,535**	**(630)**	**53,549**	**4,570**	**58,119**
Profit for the year	**–**	**–**	**–**	**17,182**	**–**	**17,182**	**1,018**	**18,200**
Other comprehensive income	**–**	**–**	**–**	**(386)**	**(2,625)**	**(3,011)**	**(296)**	**(3,307)**
Total comprehensive income for the year	**–**	**–**	**–**	**16,796**	**(2,625)**	**14,171**	**722**	**14,893**
Shares issued (note 31)	**2**	**–**	**(2)**	**–**	**–**	**–**	**–**	**–**
Share based payments	**–**	**–**	**–**	**–**	**2,874**	**2,874**	**–**	**2,874**
Deferred tax on share based payments	**–**	**–**	**–**	**–**	**(128)**	**(128)**	**–**	**(128)**
Share options exercised	**–**	**497**	**2**	**86**	**(585)**	**–**	**–**	**–**
Acquisition of subsidiary (note 35)	**–**	**–**	**–**	**–**	**(2,886)**	**(2,886)**	**2,884**	**(2)**
Acquisition of non-controlling interest (note 34)	**3**	**1,873**	**–**	**(245)**	**1,089**	**2,720**	**(843)**	**1,877**
Dividends paid	**–**	**–**	**–**	**(12,305)**	**–**	**(12,305)**	**(35)**	**(12,340)**
Balance at 31 December 2019	**799**	**28,225**	**(5)**	**31,867**	**(2,891)**	**57,995**	**7,298**	**65,293**

for the year ended 31 December 2018 (Restated)[1]

	Share capital £'000 (note 31)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 32)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2018 previously reported	794	25,855	(5)	24,331	(996)	49,979	3,113	53,092
Change of accounting policies (note 38)	–	–	–	(203)	–	(203)	–	(203)
Restated 1 January 2018	794	25,855	(5)	24,128	(996)	49,776	3,113	52,889
Profit for the year	–	–	–	14,696	–	14,696	561	15,257
Other comprehensive income	–	–	–	–	174	174	(12)	162
Total comprehensive income for the year	–	–	–	14,696	174	14,870	549	15,419
Share based payments	–	–	–	–	1,120	1,120	–	1,120
Deferred tax on share based payments	–	–	–	–	(34)	(34)	–	(34)
Acquisition of subsidiary (note 35)	–	–	–	–	(894)	(894)	908	14
Dividends paid	–	–	–	(11,289)	–	(11,289)	–	(11,289)
Balance at 31 December 2018	794	25,855	(5)	27,535	(630)	53,549	4,570	58,119

The financial statements are also comprised of the notes on pages 77 to 122.

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Consolidated statement of cash flows
for the year ended 31 December 2019

	2019 £'000	2018 (Restated)[1] £'000
Cash flows from operating activities		
Profit before tax	**23,781**	21,031
Depreciation	**5,425**	4,176
Amortisation	**5,023**	3,792
Loss/(gain) on disposal of assets	**50**	27
Share based payments	**2,874**	1,120
Foreign exchange losses	**(583)**	4
Finance income	**(66)**	(81)
Finance costs	**1,219**	3,991
Profit from operations before changes in working capital	**37,723**	34,060
Increase in inventories	**(5,110)**	(9,468)
Increase in trade and other receivables	**(7,686)**	(3,221)
Increase in trade and other payables	**1,293**	10,246
Cash inflow from operations	**26,220**	31,617
Income tax paid	**(8,844)**	(7,377)
Net cash inflow from operating activities	**17,376**	24,240
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	**(10,091)**	(3,131)
Deferred consideration paid	**(5,517)**	(5,507)
Purchase of intangible assets	**(1,977)**	(778)
Purchase of plant and equipment	**(5,793)**	(2,360)
Proceeds on disposal of plant and equipment	**417**	382
Interest received	**66**	81
Net cash used in investing activities	**(22,895)**	(11,313)
Net cash flows from financing activities		
Dividends paid	**(12,340)**	(11,289)
Invoice financing (outflows)/inflows	**6,785**	(8,704)
Proceeds from borrowings	**13,099**	8,647
Repayment of loans	**(1,053)**	(2,107)
Interest paid	**(1,679)**	(1,362)
Interest on leases	**(379)**	(268)
Capital element of lease payments	**(2,627)**	(1,725)
Net cash inflow/(outflow) from financing activities	**1,806**	(16,808)
Net (decrease)/increase in cash and cash equivalents	**(3,713)**	(3,881)
Cash and cash equivalents at beginning of financial year	**16,357**	20,010
Effects of exchange rate changes	**(1,147)**	228
Cash and cash equivalents at end of financial year	**11,497**	16,357
Comprising:		
Cash at bank	**13,015**	16,685
Bank overdrafts	**(1,518)**	(328)
	11,497	16,357

The financial statements are also comprised of the notes on pages 77 to 122.

[1] Comparative information is restated for the adoption of IFRS 16 (note 38) and to restate the cash flows for the acquisition of businesses to exclude debt acquired of £3,593k, which has been reclassified to proceeds from borrowings.

Notes to the consolidated financial statements

1. Accounting policies

General information and nature of operations

The principal activity of Midwich Group plc, a public limited liability company, and its subsidiary companies is the distribution of Audio Visual Solutions to trade customers. It is registered in England and Wales. Midwich Group plc's shares are listed on the London Stock Exchange's Alternative Investment Market (AIM).

Basis of preparation

The consolidated financial statements of Midwich Group plc ("the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an ongoing process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2019.

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 ("the Company") 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.

Notes to the consolidated financial statements
Continued

1. Accounting policies continued

Going concern
The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity to continue in operational existence for the foreseeable future. During 2019, the Group renewed the revolving credit facility (RCF) to support the acquisitive growth strategy. At the end of 2019, the directors considered the working capital of the business to be adequate for its needs, and the Group therefore continues to adopt the going concern basis in preparing consolidated financial statements. In February 2020, the Group issued 7,944,800 shares to repay debt facilities drawn down to fund acquisitions and provide additional resources to fund further acquisitions that the Group is pursuing in the short term.

Revenue
The majority of revenue arises from the sale of goods, rental of products and ancillary services including the provision of support services, transport, warranties, and repairs.

To determine whether to recognise revenue, the Group follows a five-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when/as performance obligation(s) is/are satisfied.

The Group often enters into transactions involving a range of the Group's products and services, for example, for the supply of goods and provision of services. In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The sale of goods for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer. For stand-alone sales of goods that are neither customised by the Group nor subject to significant integration services, control transfers at the point in time the goods are despatched. When such items are either customised or sold together with significant integration services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. This is because the combined product is unique to each customer (has no alternative use) and the Group has an enforceable right to payment for the work completed to date. Revenue for these performance obligations is recognised over time as the customisation or integration work is performed, using the cost-to-cost method to estimate progress towards completion. As costs are generally incurred uniformly as the work progresses and are considered to be proportionate to the entity's performance, the cost-to-cost method provides a faithful depiction of the transfer of goods and services to the customer.

Supplier income and vendor rebates
Promotional income is recognised on completion of the promotional activity in line with when it is contractually earned and recorded separately in other operating income. Vendor rebates are recognised on completion of the contractual obligation and recorded within cost of sales.

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:

- Freehold buildings Over the period of the lease up to a maximum of 50 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

Notes to the consolidated financial statements
Continued

1. Accounting policies continued
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 with regard to its own physical life limitations and to 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 is 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 balance sheet date, the directors review the carrying amounts of the Group's non-current assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the directors estimate 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 comprised of financial assets and financial liabilities, which are recognised when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when extinguished.

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 three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income; 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 with embedded derivatives are recognised as hybrid contracts. Hybrid contracts are classified in their entirety and not in separate components. Investments in equity instruments that are not held for trading are classified as financial assets measured at fair value through profit and loss unless the Group makes an irrevocable election on initial recognition to classify the asset as measured at fair value through other comprehensive income. Trade receivables that do not contain a significant financing component are initially measured at transaction price. All other financial assets classified as either financial assets measured at amortised cost, or financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Financial assets measured at fair value through profit and loss are initially measured at fair value and any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss. Financial assets measured at amortised cost are 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 asset are renegotiated or otherwise modified the financial asset is recalculated at the present value of the modified contractual cash flows discounted at the financial asset's original effective interest rate. Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss are subsequently measured at fair value. Expected credit loss impairments are recognised in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income immediately on initial recognition of the respective financial asset. Expected credit losses are measured using an expected credit loss model. The expected credit loss model reflects a probability weighted amount derived from a range of possible outcomes that are discounted for the time value of money and based on reasonable and supportable information. Where trade receivables contain a significant financing component the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

Financial liabilities
Financial liabilities include trade and other payables; put option liabilities; deferred consideration; bank loans, overdrafts and invoice discounting facilities; and derivative financial instruments with a negative market value.

The Group classifies financial liabilities into six categories:

- financial liabilities measured at amortised cost;
- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide loans at below market interest rates; and
- contingent consideration recognised in a business combination.

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and any transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are initially measured at the amount of the consideration received in respect of the financial asset. All other financial liabilities are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Financial liabilities measured at amortised cost are 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 and loss are subsequently measured at fair value. The subsequent measurement of financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies depends upon whether the transferred asset is measured at amortised cost or fair value. If the transferred asset is measured at amortised cost then associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained by the entity. However, if the transferred asset is measured at fair value the associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis. Financial guarantee contracts are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount of the initially recognised. Commitments to provide loans at below market interest rates are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount initially recognised. Contingent consideration recognised in a business combination is subsequently measured at fair value.

Notes to the consolidated financial statements
Continued

1. Accounting policies continued

Trade and other receivables
Trade and other receivables are financial assets recognised when the Group becomes party to the contractual provisions of the instrument. Trade receivables that do not contain a significant financing component are initially measured at transaction price, which is equivalent to fair value. All other trade and other receivables are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowances.

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.

Net investment hedges
Hedging instruments including monetary items that are designated as hedges of investments in foreign operations are accounted for as net investment hedges. Gains or losses arising on the hedging instruments relating to the effective portion of the hedge are recognised in other comprehensive income. Any gains or losses relating to the ineffective portion are recognised in the income statement. Accumulated gains or losses recognised in other comprehensive income are reclassified to the income statement when the foreign operations are partially or fully disposed.

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. 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 balance sheet 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 balance sheet 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 balance sheet 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 balance sheet 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 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 net 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 net present value provided it is reasonably certain that the lease will be 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 net 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.

Notes to the consolidated financial statements
Continued

1. Accounting policies continued

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of 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 to employees and directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and directors is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of grant, taking into account 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 and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) 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 or not the market condition is satisfied, provided that all other performance and/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, as described in the previous paragraph. 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 Financial Reporting Standards adopted by the Group

The Group adopted IFRS 16 'Leases' on 1 January 2019. The Group has elected to apply the full retrospective approach to the transition to IFRS 16. The full retrospective approach requires the transition to be implemented with restatement of the prior year results as if the standard had always been adopted. The effect of the adoption of the new standard is provided in note 38.

International Financial Reporting Standards in issue but not yet 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 disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 'Insurance contracts'

The Group does not issue insurance contacts and there will be no impact of the adoption of IFRS 17.

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 IFRS 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 IFRS 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: This is adjusted profit after tax less profit, amortisation of brand, customer and supplier relationship intangible assets and tax thereon due to non-controlling interests divided by the weighted number of shares outstanding.

Adjusted net debt: This is net debt excluding leases.

Notes to the consolidated financial statements
Continued

1. Accounting policies continued
Accounting judgements and sources of estimation uncertainty
The preparation of financial statements in accordance with the principles of the IFRSs requires the directors to make judgements and use estimation techniques in order 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 a number of 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:

Aged inventory provisions
Aged inventory provisions are recognised in order to record inventory at the lower of cost and net realisable value. In order to determine aged inventory provisions the Group is required to estimate the future sales volumes, sales prices, costs to sell inventory, and shrinkage. The value of inventories and the amount of inventories impaired in the period are disclosed in note 16.

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. In order 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 35 and the carrying values of separately identifiable intangible assets initially measured at fair value are disclosed in note 13.

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. 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. The Group use a range of present valuation techniques including both the discount rate adjustment technique and the expected present value technique in order to determine the fair values of contingent considerations and the present values of put option liabilities. The fair value of contingent consideration is disclosed in note 23 and the amortised cost of put option liabilities is disclosed in note 22.

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.

2019	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Revenue	**314,627**	**320,990**	**50,623**	**–**	**686,240**
Gross profit	**55,328**	**48,805**	**8,974**	**–**	**113,107**
Gross profit %	**17.6%**	**15.2%**	**17.7%**	**–**	**16.5%**
Adjusted operating profit	**19,850**	**14,108**	**2,716**	**(3,212)**	**33,462**
Costs of acquisitions	**–**	**–**	**–**	**(356)**	**(356)**
Share based payments	**(1,230)**	**(948)**	**(235)**	**(461)**	**(2,874)**
Employer taxes on share based payments	**(136)**	**(201)**	**(17)**	**(73)**	**(427)**
Amortisation of brands, customer and supplier relationships	**(2,558)**	**(2,039)**	**(274)**	**–**	**(4,871)**
Operating profit	**15,926**	**10,920**	**2,190**	**(4,102)**	**24,934**
Interest					**(1,153)**
Profit before tax					**23,781**

2019	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Segment assets	**113,690**	**143,859**	**23,633**	**128**	**281,310**
Segment liabilities	**(86,535)**	**(109,427)**	**(19,644)**	**(411)**	**(216,017)**
Segment net assets	**27,155**	**34,432**	**3,989**	**(283)**	**65,293**
Depreciation	**2,562**	**2,412**	**451**	**–**	**5,425**
Amortisation	**2,637**	**2,095**	**291**	**–**	**5,023**

Other segmental information

	UK £'000	International £'000	Total £'000
Non-current assets	29,112	46,392	75,504

Notes to the consolidated financial statements
Continued

2. Segmental reporting continued

2018 (Restated)[1]	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Revenue	315,808	222,017	35,857	–	573,682
Gross profit	54,890	33,086	6,586	–	94,562
Gross profit %	17.4%	14.9%	18.4%	–	16.5%
Adjusted operating profit	19,541	10,276	2,935	(2,485)	30,267
Costs of acquisitions	–	–	–	(365)	(365)
Share based payments	(557)	(382)	(106)	(75)	(1,120)
Employer taxes on share based payments	(72)	(109)	(14)	(26)	(221)
Amortisation of brands, customer and supplier relationships	(2,557)	(1,005)	(58)	–	(3,620)
Operating profit	16,355	8,780	2,757	(2,951)	24,941
Interest					(3,910)
Profit before tax					21,031

[1] Comparative information is restated for the adoption of IFRS 16 (note 38) and reclassification of the amortisation for patents and software within the adjusted profit alternative performance measures.

2018 (Restated)[1]	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Segment assets	117,144	91,977	19,689	342	229,152
Segment liabilities	(103,076)	(52,891)	(14,710)	(356)	(171,033)
Segment net assets	14,068	39,086	4,979	(14)	58,119
Depreciation	2,221	1,670	284	–	4,175
Amortisation	2,672	1,050	70	–	3,792

Other segmental information

	UK £'000	International £'000	Total £'000
Non-current assets	23,222	31,702	54,924

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Revenue from the UK, being the domicile of the Parent Company, amounted to £291,576k (2018: £295,067k).

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.

There were no intersegment sales during the year. During the prior year, £108k sales were made by the Continental Europe segment to the UK and Ireland segment and £280k sales were made by the UK and Ireland segment to the Continental Europe segment.

Sales to the largest customer
Included in revenues arising in 2019 are revenues of £12.8m (2018: £9.0m) that arose from sales to the Group's largest customer, which is based in Germany. No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Revenue
Revenue is all derived from continuing operations. The analysis of revenue by category:

	2019 £'000	2018 £'000
Sale of goods and ancillary services	**682,657**	570,107
Rental of goods	**3,583**	3,575
	686,240	573,682

4. Other operating income

	2019 £'000	2018 £'000
Promotional receipts	**3,230**	2,743
Other income	**353**	282
	3,583	3,025

5. Operating profit

Operating profit is stated after charging:	2019 £'000	2018 £'000 (Restated)[1]
Auditor's remuneration		
– audit service in relation to the Company	**87**	33
– audit services in relation to the subsidiaries	**119**	143
– audit related assurance services	**18**	15
– tax compliance services	**14**	10
– all other taxation advisory services	**4**	4
– all non-audit services not covered above	**9**	15
Net (gain)/loss on foreign exchange	**(583)**	4
Short term lease cost	**155**	145

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

6. Administrative expenses
Administrative expenses in the period include £356k of acquisition related costs (2018: £365k). For details of acquisitions in the year see note 35.

Notes to the consolidated financial statements
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7. Directors and employees
The aggregate payroll costs of the employees were as follows:

	2019 £'000	2018 £'000
Staff costs		
Wages and salaries	**41,538**	34,519
Social security costs	**5,602**	4,458
Pension costs	**1,308**	974
	48,448	39,951

Average monthly number of persons, including directors, employed by the Group during the year was as follows:

	2019 Number	2018 Number
By activity:		
Administration	**194**	155
Sales and distribution	**736**	637
	930	792

	2019 £'000	2018 £'000
Remuneration of directors		
Remuneration	**893**	917
Employer contribution to defined contribution schemes	**–**	5
	893	922

	2019 £'000	2018 £'000
Emoluments of highest paid director		
Remuneration	**401**	420
Employer contribution to defined contribution scheme	**–**	–
	401	420

No retirement benefits were accruing to directors (2018: 1) under a money purchase pension scheme. During the year, the 50,000 (2018: 100,000) share options were granted to directors under the Long Term Incentive Plan.

Details of key management personnel and their remuneration is disclosed within note 36. The directors' remuneration report on page 46 of this annual report forms part of these financial statements.

8. Finance costs

	2019 £'000	2018 £'000 (Restated)[1]
Interest on overdraft and invoice discounting	**1,176**	1,042
Interest on leases	**379**	268
Interest on loans	**517**	151
Fair value movements on foreign exchange derivatives	**246**	–
Other interest costs	**2**	–
Fair value movements on derivatives for borrowings	**42**	
Foreign exchange gains on borrowings for acquisitions	**(146)**	–
Interest, foreign exchange and other finance costs of deferred and contingent considerations	**(949)**	2,219
Interest, foreign exchange and other finance costs of put option liabilities	**(48)**	311
	1,219	3,991

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

9. Taxation on ordinary activities
Analysis of charge

	2019 £'000	2018 £'000 (Restated)[1]
Current tax		
UK corporation tax for the current year	**2,450**	2,967
Adjustment in respect of prior years	**(154)**	(358)
Total UK current tax	**2,296**	2,609
Overseas tax for the current year	**5,392**	4,186
Adjustment in respect of prior years	**(84)**	518
Total overseas current tax	**5,308**	4,704
Total current tax	**7,604**	7,313
Deferred tax		
Deferred tax for the current year	**(1,797)**	(1,199)
Adjustment in respect of prior years	**(226)**	(340)
Total deferred tax	**(2,023)**	(1,539)
Tax on profit on ordinary activities	**5,581**	5,774

The reasons for the differences between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits/(losses) for the year are as follows:

Reconciliation of the effective tax charge:

	2019 £'000	2018 £'000 (Restated)[1]
Profit on ordinary activities before taxation	**23,781**	21,031
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**4,518**	3,996
Factors affecting tax expense for the year:		
Adjustment in respect of prior years	**(464)**	(180)
Expenses not deductible for tax purposes	**178**	697
Effects of different tax rates in foreign jurisdictions	**1,001**	1,185
Differences in tax rates	**141**	77
Effects of changes in tax rates	**207**	(1)
Total amount of tax	**5,581**	5,774

The main UK Corporation tax rate from 1 April 2017 to 31 March 2020 is 19% resulting in an effective corporation tax rate of 19% for 2018 (2018: 19.0%). The Finance Act 2017 (No. 2) was substantially enacted on the 31 October 2017 and maintains the decision to reduce the main rate of corporation tax from 19% to 17% from 1 April 2020.

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

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9. Taxation on ordinary activities continued
Deferred tax (Restated)[1]

	Accelerated capital allowances £'000	Company share schemes £'000	Total £'000
At 1 January 2018	4,120	(229)	3,891
Acquired in business combinations	1,734	–	1,734
Credited to income statement	(1,407)	(132)	(1,539)
Credited to equity	–	34	34
Other balance sheet movement	(29)	–	(29)
At 31 December 2018	4,418	(327)	4,091
Acquired in business combinations	**2,653**	**–**	**2,653**
Credited to income statement	**(1,718)**	**(305)**	**(2,023)**
Credited to equity	**–**	**128**	**128**
Other balance sheet movement	**(168)**	**–**	**(168)**
At 31 December 2019	**5,185**	**(504)**	**4,681**

Presentation of deferred tax in balance sheet:

	2019 £'000	2018 £'000 (Restated)[1]
Deferred tax asset	**2,169**	1,421
Deferred tax liability	**(6,850)**	(5,512)
Net deferred liability	**(4,681)**	(4,091)

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

10. 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.

	2019	2018 (Restated)[1]
Profit attributable to equity holders of the Group (£'000)	**17,182**	14,696
Weighted average number of shares in issue	**79,275,480**	79,448,200
Potentially dilutive effect of the Group's share option schemes	**1,334,953**	725,002
Weighted average number of diluted Ordinary Shares	**80,610,433**	80,173,202
Basic earnings per share	**21.67p**	18.50p
Diluted earnings per share	**21.31p**	18.33p

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

[2] Comparative earnings per share calculations were based on the number of shares issued rather than the number of shares outstanding and therefore excluded the weighted average number of own shares held. Comparative earnings per share calculations have not been restated for the weighted average number of own shares held by the employee benefit trusts as the effect is not material.

11. Subsidiaries
The following principal subsidiary undertakings have been included within the consolidated financial statements and are all held indirectly unless otherwise stated:

Name	Principal activity	Country of incorporation	% ownership held by the Group 2019	2018
Midwich Limited[1]	Distribution of audio visual products to trade customers	England and Wales	**100%**	100%
Midwich Employees' Trustees Limited	Dormant	England and Wales	**100%**	100%
True Colours Distribution Limited	Dormant	England and Wales	**100%**	100%
Invision UK Ltd	Distribution of audio visual products to trade customers	England and Wales	**100%**	100%
Square One Distribution Limited	Distribution of audio visual products to trade customers	Republic of Ireland	**100%**	100%
Sidev SAS	Distribution of audio visual products to trade customers	France	**100%**	100%
Midwich Australia Pty Limited	Distribution of audio visual products to trade customers	Australia	**100%**	100%
Midwich Limited	Distribution of audio visual products to trade customers	New Zealand	**100%**	100%
Kern Und Stelly Medientechnik GmbH	Distribution of audio visual products to trade customers	Germany	**100%**	100%
Holdan Limited[2]	Distribution of professional broadcast equipment to trade customers	England and Wales	**100%**	89%
Earpro S.A.	Distribution of audio visual and lighting products to trade customers	Spain	**88%**	88%
Gebroeders van Domburg B.V.	Holding company	Netherlands	**70%**	70%
van Domburg Partners B.V.	Distribution of audio visual products to trade customers	Netherlands	**70%**	70%
Transport en Opslagbedrijf van Domburg B.V.	Provision of logistics services to trade customers	Netherlands	**70%**	70%
van Domburg Services B.V.	Provision of administration and support to other Group companies in the Netherlands	Netherlands	**70%**	70%
Dutch Light Pro B.V.	Distribution of lighting products to trade customers	Netherlands	**70%**	70%
Sound Technology Limited	Distribution of professional audio, musical and lighting products to trade customers	England and Wales	**100%**	100%
Bauer Und Trummer GmbH[3]	Distribution of professional broadcast equipment to trade customers	Germany	**100%**	100%
Sound Directions France SAS[4, 5]	Distribution of professional audio products to trade customers	France	**N/A**	100%
Holdan Benelux B.V. [6]	Dormant	Netherlands	**100%**	100%
Blonde Robot Pty Limited[7]	Distribution of audio visual products to trade customers	Australia	**65%**	65%
Blonde Robot Limited[7]	Distribution of audio visual products to trade customers	Hong Kong	**65%**	65%

Notes to the consolidated financial statements
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Name	Principal activity	Country of incorporation	% ownership held by the Group 2019	2018
Blonde Robot Pte Limited[7]	Dormant	Singapore	**65%**	65%
Blonde Robot Sdn Bhd[7]	Dormant	Malaysia	**65%**	65%
MobilePro AG[8]	Distribution of audio visual products to trade customers	Switzerland	**100%**	N/A
Midwich Asia Pte Limited[9]	Distribution of audio visual products to trade customers	Singapore	**100%**	N/A
Prase Engineering SpA[10]	Distribution of audio visual products to trade customers	Italy	**80%**	N/A
AV Partner AS[11]	Distribution of audio visual products to trade customers	Norway	**100%**	N/A
Entertainment Equipment Supplies SL[12]	Distribution of lighting products to trade customers	Spain	**100%**	N/A

[1] Investments held directly by Midwich Group plc.
[2] Acquired remaining shares on 28 April 2019. See note 34.
[3] Acquired 23 August 2018. See "New Media" acquisition in note 35.
[4] Acquired 5 September 2018. See "Perfect Sound" acquisition in note 35.
[5] Company dissolved on 27 May 2019.
[6] Incorporated on 11 October 2018.
[7] Acquired 4 December 2018. See "Blonde Robot" acquisition in note 35.
[8] Acquired 17 January 2019. See "MobilePro" acquisition in note 35.
[9] Incorporated on 30 January 2019.
[10] Acquired 31 January 2019. See "Prase" acquisition in note 35.
[11] Acquired 3 May 2019. See "AV Partner" acquisition in note 35.
[12] Acquired 1 July 2019. See "EES" acquisition in note 35.

12. Goodwill

	£'000 (Restated)[1]
Cost	
At 1 January 2018	9,443
On acquisition of New Media	1,022
On acquisition of Perfect Sound	174
On acquisition of Blonde Robot	935
Foreign exchange gain/(loss)	(6)
At 31 December 2018	11,568
On acquisition of MobilePro	451
On acquisition of Prase	371
On acquisition of AV Partner	1,195
On acquisition of EES	131
Foreign exchange gain/(loss)	(390)
At 31 December 2019	**13,326**

Allocation of goodwill to cash generating units

Goodwill is not amortised but tested for impairment annually with the recoverable amount being determined from value in use calculations. Goodwill has been allocated for impairment testing to groups of Cash Generating Units (CGUs) for each operating segment, as follows:

Allocation of goodwill to groups of CGUs

	2019 £'000	2018 £'000 (Restated)[1]
United Kingdom & Ireland	**4,878**	4,898
Continental Europe	**7,479**	5,661
Asia Pacific	**969**	1,009
Other	**–**	–
	13,326	11,568

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using an individual growth rate expected for each group of CGUs over a five-year period from the balance sheet date and cash flows beyond this period exclude growth. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

Other major assumptions are as follows:

Forecast profitability assumptions

Management's key assumptions are the achievement of the forecast profits for the 12-month period after the balance sheet date and stable long-term profit margins. The 12-month forecast data is based on the most recent annual financial statements adjusted for management's best estimates of reasonable growth.

Growth rates

The annual growth rates used to extrapolate the approved forecast for years two to five within the value in use calculation are between 0% - 2.5% (2018: 0% - 2.5%). The growth rates are based on economic data for the wider economy and represent a prudent expectation of growth.

Discount rates

Discount rates are based on management's assessment of the specific risks relating to the groups of CGUs within each operating segment. Discount rates used in the value in use calculation for assessing the recoverable amount of goodwill for each operating segment are as follows:

Operating segment	2019	2018
United Kingdom & Ireland	**9.1–9.4%**	11.0–11.7%
Continental Europe	**8.7–11.2%**	10.3–13.1%
Asia Pacific	**9.1–9.2%**	10.6–11.3%
Other	**–%**	–%

The recoverable amounts for each operating segment's group of CGUs exceed the carrying amounts by the following amounts in each year assessed:

Amount by which recoverable amount exceeds carrying amount:

	2019 £'000	2018 £'000
United Kingdom & Ireland	**223,795**	185,786
Continental Europe	**191,355**	105,017
Asia Pacific	**39,938**	42,621
Other	**–**	–
Total	**455,088**	333,424

The directors believe that any reasonable change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount for any of the cash-generating units.

Notes to the consolidated financial statements
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13. Intangible assets

	Assets in the course of construction £'000	Patents and software £'000	Brands £'000	Customer relations £'000	Supplier contracts £'000	Total £'000
Cost						
At 1 January 2018	–	460	4,053	23,727	4,823	33,063
On acquisition	–	15	625	2,964	1,935	5,539
Additions	598	180	–	–	–	778
Disposals	–	(3)	–	–	–	(3)
Foreign exchange differences	–	2	(3)	(12)	(12)	(25)
At 31 December 2018	598	654	4,675	26,679	6,746	39,352
On acquisition	–	–	1,140	3,429	6,532	11,101
Additions	1,829	103	–	–	–	1,932
Disposals	–	(148)	–	–	–	(148)
Foreign exchange differences	–	(33)	(100)	(646)	(340)	(1,119)
At 31 December 2019	**2,427**	**576**	**5,715**	**29,462**	**12,938**	**51,118**
Amortisation						
At 1 January 2018	–	201	1,457	8,307	788	10,753
Charge for year	–	172	465	2,504	651	3,792
Disposals	–	–	–	–	–	–
Foreign exchange differences	–	2	5	30	4	41
At 31 December 2018	–	375	1,927	10,841	1,443	14,586
Charge for year	–	152	576	3,035	1,260	5,023
Disposals	–	(148)	–	–	–	(148)
Foreign exchange differences	–	(25)	(33)	(212)	(47)	(317)
At 31 December 2019	**–**	**354**	**2,470**	**13,664**	**2,656**	**19,144**
Net book value						
At 31 December 2018	598	279	2,748	15,838	5,303	24,766
At 31 December 2019	**2,427**	**222**	**3,245**	**15,798**	**10,282**	**31,974**

Included within intangible assets are £29,325k of separately identifiable intangible assets that were measured at fair value on acquisition in business combinations. These assets have subsequently been measured at amortised cost. The fair value of separately identifiable intangible assets is calculated based on the estimation of future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. If the estimated fair values of intangible assets on acquisition were 10% higher or 10% lower the effect would be a decrease or increase of £487k respectively in profit after tax for the year.

Assets in the course of construction are tested for impairment annually with the recoverable amount being determined from value in use calculations. The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using 2% growth rate over a ten-year period from the balance sheet date. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of assets in the course of construction to exceed the value in use. The value in use exceeded recoverable amount by £1,689k using a discount rate of 8.5%.

14. Right of use assets (Restated)[1]

	Land and buildings £'000	Plant and equipment £'000	Total £'000
Cost			
At 1 January 2018	11,374	1,842	13,216
On acquisition	1,505	47	1,552
Additions	233	56	289
Disposals	–	(328)	(328)
Foreign exchange differences	(19)	11	(8)
At 31 December 2018	13,093	1,628	14,721
On acquisition	3,116	80	3,196
Additions	4,515	1,244	5,759
Disposals	(474)	(688)	(1,162)
Foreign exchange differences	(550)	(83)	(633)
At 31 December 2019	**19,700**	**2,181**	**21,881**
Depreciation			
At 1 January 2018	2,168	928	3,096
Charge for year	1,405	400	1,805
Disposals	–	(328)	(328)
Foreign exchange differences	(1)	8	7
At 31 December 2018	3,572	1,008	4,580
Charge for year	2,002	594	2,596
Disposals	(372)	(688)	(1,060)
Foreign exchange differences	(146)	(38)	(184)
At 31 December 2019	**5,056**	**876**	**5,932**
Net book value			
At 31 December 2018	9,521	620	10,141
At 31 December 2019	**14,644**	**1,305**	**15,949**

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Notes to the consolidated financial statements
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15. Property, plant and equipment (Restated)[1]

	Land and buildings £'000	Leasehold improvements £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost					
At 1 January 2018	2,825	387	2,276	3,323	8,811
On acquisition	–	116	–	108	224
Additions	12	49	1,269	1,028	2,358
Disposals	–	(43)	(728)	(465)	(1,236)
Foreign exchange differences	–	(12)	–	23	11
At 31 December 2018	2,837	497	2,817	4,017	10,168
On acquisition	2,153	–	–	482	2,635
Additions	5	2,251	1,764	1,773	5,793
Disposals	–	(160)	(1,071)	(388)	(1,619)
Foreign exchange differences	(60)	(16)	–	(370)	(446)
At 31 December 2019	**4,935**	**2,572**	**3,510**	**5,514**	**16,531**
Depreciation					
At 1 January 2018	132	100	506	849	1,587
Charge for year	53	44	1,200	1,073	2,370
Disposals	–	(43)	(463)	(323)	(829)
Foreign exchange differences	–	(4)	–	16	12
At 31 December 2018	185	97	1,243	1,615	3,140
Charge for year	87	201	1,218	1,323	2,829
Disposals	–	(160)	(783)	(311)	(1,254)
Foreign exchange differences	(1)	(7)	–	(262)	(270)
At 31 December 2019	**271**	**131**	**1,678**	**2,365**	**4,445**
Net book value					
At 31 December 2018	2,652	400	1,574	2,402	7,028
At 31 December 2019	**4,664**	**2,441**	**1,832**	**3,149**	**12,086**

Included in land and buildings is land at £607k (2017: £255k) that is not depreciated.

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

16. Inventories

	2019 £'000	2018 £'000
Finished goods for resale	**88,691**	74,379
	88,691	74,379

Amounts of inventories recognised as an expense during the period as cost of sales (gross of vendor rebates) are:

	2019 £'000	2018 £'000
	590,739	491,303

	2019 £'000	2018 £'000
Total inventory impairment (credit)/charge for the period:	**(132)**	115

17. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	**94,844**	78,136
Other receivables	**1,736**	790
Prepayments and accrued income	**7,520**	4,213
	104,100	83,139

Trade receivables includes an amount of £53,305k (2018: £32,829k) which is subject to a receivables financing agreement.

The directors consider the carrying value of trade and other receivables is approximate to its fair value.

The Group incurs a small incidence of credit losses and as a result the receivables are impaired for expected credit losses. Where management views that there is a significant risk of non-payment, an additional specific provision for impairment is made and recognised as a deduction from receivables.

	2019 £'000	2018 £'000
Impairment provision at 1 January	**1,550**	1,386
Impairments arising on acquisitions	**59**	32
New impairment provision in the year	**182**	171
Release of impairment provision against written-off receivables	**(77)**	(47)
Foreign exchange variance	**(58)**	8
Impairment provision at 31 December	**1,656**	1,550

18. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash at bank (GBP)	**382**	737
Cash at bank (EUR)	**10,809**	13,413
Cash at bank (USD)	**277**	1,679
Cash at bank (AUD)	**529**	510
Cash at bank (NZD)	**317**	346
Cash at bank (CHF)	**535**	–
Cash at bank (NOK)	**166**	–
	13,015	16,685

All significant cash and cash equivalents were deposited with major clearing banks with at least an 'A' rating.

Notes to the consolidated financial statements
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19. Trade and other payables
Amounts falling due within one year:

	2019 £'000	2018 £'000
Trade payables	**81,647**	75,361
Other taxation and social security	**12,029**	10,763
Other payables	**184**	582
Accruals and deferred income	**12,482**	11,023
	106,342	97,729

Amounts falling due after one year:

	2019 £'000	2018 £'000
Trade payables	**114**	253
Accruals and deferred income	**551**	483
	665	736

20. Provisions

	2019 £'000	2018 £'000
Dilapidations provision	**597**	56
Defined benefit obligations (see note 30)	**1,343**	–
Agency contract severance provisions	**544**	–
	2,484	56

	2019 £'000	2018 £'000
Dilapidations provision at 1 January	**56**	–
Arising on acquisitions	**–**	58
Increase in provision	**538**	–
Amortised interest cost	**2**	–
Foreign exchange variance	**1**	(2)
Provision at 31 December	**597**	56

Dilapidations provision comprises liabilities in respect of future expected repair and restoration costs that the Group has obligations for under the terms of lease contracts.

Agency contract severance provision	2019 £'000	2018 £'000
Provision at 1 January	**–**	–
Arising on acquisitions	**637**	–
Decrease in provision	**(221)**	–
Foreign exchange variance	**128**	–
Provision at 31 December	**544**	–

Agency contract severance provision ("FISC") comprises liabilities in respect of future expected agency costs that the Group is required to settle on conclusion of the agent's contract in accordance with the terms and conditions of the contract and as required by statutory obligations for engaging agency workers in Italy.

21. Derivative financial instruments

	2019 £'000	2018 £'000
Derivative financial assets		
Foreign currency call options (see note 25)	**–**	25
Derivative financial liabilities		
Interest rate swaps (see note 25)	**(132)**	–
Net derivative financial instruments	**(132)**	25

During the year, the Group entered into foreign currency call options and forward exchange contracts in relation to foreign currencies. Details of the Group's management of foreign exchange risk are included in note 26.

Put option liabilities

	2019 £'000	2018 £'000
Current:		
Put option liabilities (see note 25)	**3,490**	1,746
Non-current:		
Put option liabilities (see note 25)	**3,799**	4,654
Total put option liabilities	**7,289**	6,400

During the year, the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the Prase acquisition (see note 35). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2022.

During the prior year, the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the Blonde Robot acquisition (see note 35). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2021.

During 2017, the Group entered into symmetrical put and call option contracts to acquire the non-controlling interests that were created during the acquisitions of Earpro SA and Gebroeders van Domburg BV. The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2020.

The classification between current and non-current liabilities is based on management's best estimates of when the options will be exercised.

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23. Deferred consideration

	2019 £'000	2018 £'000
Current:		
– Deferred consideration at amortised cost	**4,133**	–
– Contingent consideration	**–**	4,005
Total current deferred and contingent considerations	**4,133**	4,005
Non-current:		
– Deferred consideration at amortised cost	**2,248**	–
– Contingent consideration	**548**	757
Total non-current deferred and contingent considerations	**2,796**	757
Total deferred consideration at amortised cost	**6,381**	–
Total contingent consideration	**548**	4,762
Total deferred and contingent considerations	**6,929**	4,762

During the prior year, the Group recognised deferred and contingent consideration in relation to the Prase and AV Partner acquisitions (see note 35). Deferred consideration in relation to the Prase acquisition is due to be settled in settlements in 2020 and 2021. Deferred and contingent considerations in relation to AV Partner acquisition is due to be settled in instalments in 2020 and 2021.

During the prior year, the Group recognised deferred and contingent consideration in relation to the New Media and Perfect Sound acquisitions (see note 35). Contingent consideration in relation to the New Media acquisition is due to be settled in 2020. Contingent consideration in relation to Perfect Sound is due to be settled in instalments in 2020, 2021 and 2022.

During the year, the Group settled contingent consideration in relation to the 2017 acquisition of Gebroders van Domburg BV.

The total fair value of contingent consideration has been valued at £548k at 31 December 2019 (2018: £4,762k). The final payments depend upon the future profitability of the subsidiaries acquired.

The fair value of contingent consideration is based on estimations of future trading performance and discount factors. If the estimated future trading performance were 10% higher or 10% lower the effect would be an increase of £136k and a decrease of £92k respectively in the fair value of the deferred contingent consideration liability. If the estimated discount factors were 1 percentage point higher or lower the effect would be a decrease or increase respectively of £6k in the fair value of the deferred contingent consideration liability.

24. Borrowings

	2019 £'000	2018 £'000 (Restated)[1]
Secured – at amortised cost		
Bank overdrafts and invoice discounting	**41,134**	33,157
Bank loans	**24,805**	8,689
Leases (see note 28)	**16,708**	10,826
	82,647	52,672
Unsecured – at amortised cost		
Unsecured loan notes	**348**	274
Total secured and unsecured borrowings	**82,995**	52,946
Current	**46,529**	36,838
Non-current	**36,466**	16,108
	82,995	52,946

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Summary of borrowing arrangements:

The Group has overdraft borrowings which comprised £1,518k at the end of 2019 (2018: £328k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group. Included within overdraft facilities as at 31 December 2019 is £60k in relation to an overdraft facility provided to Midwich Asia Pte Limited, a company that was established during the year.

The Group has invoice discounting borrowings which comprised £39,615k at the end of 2019 (2018: £32,830k). 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.

The Group has loans of £25,153k at the end of 2019 (2018: £8,963k). The loans are secured with fixed and floating charges over the assets of the Group with the exception of £348k (2018: £274k), which is unsecured. Included within loans as at 31 December 2019 is £347k that were loans acquired as part of the MobilePro and Prase acquisitions and £265k in relation to a loan provided to Midwich Asia Pte Limited. 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 £16,708k at the end of 2019 (2018: £10,826k). Included within leases as at 31 December 2019 is £3,046k that were leases acquired as part of the MobilePro, Prase, AV Partner and EES acquisitions and £265k in relation to a lease entered into by Midwich Asia Pte Limited.

For details of leases please refer to note 28.

Borrowings

	2019 £'000	2018 £'000 (Restated)[1]
Short term borrowings	**43,897**	34,975
Long term borrowings	**22,390**	7,145
Leases (see note 28)	**16,708**	10,826
	82,995	52,946

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Reconciliation of liabilities arising from financing activities

	2019 £'000	2018 £'000 (Restated)[1]
At 1 January	**52,946**	60,868
Cash flows:		
Invoice financing (outflows)/inflows	**6,785**	(8,704)
Proceeds from borrowings	**14,285**	782
Repayment of loans	**(1,053)**	(2,107)
Capital element of leases	**(2,627)**	(1,725)
Non-cash:		
Acquisitions	**7,362**	3,593
New liabilities arising on leases	**5,759**	288
Foreign exchange gain or loss	**(462)**	(49)
At 31 December	**82,995**	52,946

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Notes to the consolidated financial statements
Continued

25. Financial instruments
Classification of financial instruments
The fair value hierarchy allocates financial assets and liabilities to groups according to three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year (2018: none). Financial instruments measured at fair value through profit or loss comprise forward contracts and contingent consideration.

As at 31 December 2019 the Group had interest rate swaps, which were measured at fair value. The valuation of the interest rate swap contracts is based on observable inputs other than quoted prices and hence is a level 2 valuation.

The contingent considerations in relation to the acquisitions of EES, AV Partner, Perfect Sound and New Media (see note 23) have been measured at fair value. The valuation of the contingent consideration is based on unobservable inputs and hence is a level 3 valuation. The fair value has been calculated using the expected present value technique using a discount factor based on the risk-free rate that has been adjusted to include systematic risk. Discount factors of 6.0%, 6.2%, 6.4%, and 6.6% respectively have been applied to probability-weighted cash flows that are not certainty-equivalent because they have not been adjusted to exclude systematic risk.

The put option liabilities held by the Group to acquire the remaining non-controlling interests that arose in the Prase and Blonde Robot acquisitions (see note 35) along with acquisition of Gebroeders van Domburg BV and Earpro SA in 2017 were initially measured at present value. The valuations of the put option liabilities were based on unobservable inputs and hence were level 3 valuations.

A discount factor of 2.5% was applied to certainty equivalent cash flows that were adjusted to exclude systematic risk in order to discount the put option liability over the non-controlling interest for the Prase acquisition. Discount factors of 5.9% and 7.7% respectively were applied to probability-weighted cash flows that are not certainty-equivalent because they were not adjusted to exclude systematic risk in order to calculate the put option liabilities over the non-controlling interest for the Blonde Robot and of Gebroeders van Domburg BV acquisitions. A discount rate of 9.4% was applied to the most likely cash flows in order to calculate the put option liability over the non-controlling interest of Earpro SA.

Put option liabilities over non-controlling interests are subsequently measured at amortised cost using the effective interest method. However, when contractual cash flows relating to the put option are modified the put option liability is remeasured at present value using the original effective interest rate. Due to modifications in the contractual cash flows the put option liabilities were subsequently remeasured to present value at the year end.

During the year, the Group exercised the put option in relation to Holdan Limited and acquired the remaining non-controlling interest (see note 34).

The expected cash flows in relation to the put option liabilities are provided in note 26. The maximum amount payable under all put option liabilities over non-controlling interests is £18,017k.

The reconciliation of the carrying amounts of the put options is as follows:

	2019 £'000	2018 £'000
Brought forward	**6,400**	5,195
Interest costs[1]	**241**	302
Other finance being movement in fair value and foreign exchange[1]	**(235)**	(41)
Extinguished on partial acquisition of non-controlling interest[2]	**(1,875)**	–
	4,531	5,456
Recognition of new put option on acquisitions	**2,885**	894
Interest costs on new put option[1]	**(54)**	4
Other finance being movement in fair value on new put option[1]	**(73)**	46
At 31 December	**7,289**	6,400
Current	**3,490**	1,746
Non-current	**3,799**	4,654
	7,289	6,400

The contract for put options over non-controlling interest state they are to be settled in cash and the amounts vary depending upon the results of the acquired subsidiary.

[1] A total of credit of £48k has been recognised within finance costs in the Income Statement for these transactions (2018: charge of £311k) and a further foreign exchange credit of £73k was recognised within other comprehensive income as part of a net investment hedge relationship.

[2] See note 34 for details of the acquisitions of non-controlling interest.

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

Financial assets
Financial assets at amortised cost

	2019 £'000	2018 £'000
Trade and other receivables (note 17)	**96,580**	78,926
Cash and cash equivalents (note 18)	**13,015**	16,685
	109,595	95,611

All of the above financial assets' carrying values are approximate to their fair values, as at each reporting date disclosed.

Financial assets at fair value through profit or loss

	2019 £'000	2018 £'000
Derivative financial instruments (note 21)	**–**	25

Financial liabilities at amortised cost

	2019 £'000	2018 £'000 (Restated)[1]
Trade and other payables (note 19)	**81,944**	76,196
Accruals (note 19)	**13,034**	11,506
Lease payables (note 28)	**16,708**	10,826
Put option liabilities (note 22)	**7,289**	6,400
Bank loans, overdrafts and invoice discounting (note 24)	**65,939**	41,846
Deferred consideration (note 23)	**6,381**	–
Unsecured loan notes (note 24)	**348**	274
	191,643	147,048

All of the above financial liabilities' carrying values are considered by management to be approximate to their fair values, as at each reporting date disclosed.

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Notes to the consolidated financial statements
Continued

25. Financial instruments continued
Financial liabilities at fair value through profit or loss

	2019 £'000	2018 £'000
Derivative financial instruments (note 21)	(132)	–

Contingent consideration

	2019 £'000	2018 £'000
Contingent consideration (note 23)	548	4,762

Carrying value of hedging instruments

	2019 £'000	2018 £'000
Borrowings and financial liabilities	(7,522)	–
Put option liabilities over non-controlling instruments	(2,758)	–
Deferred and contingent considerations	(3,817)	–
	(14,097)	–

Initial value of hedging instruments recognised during the year

	2019 £'000	2018 £'000
Borrowings and financial liabilities	(6,108)	–
Put option liabilities over non-controlling instruments	(2,886)	–
Deferred and contingent considerations	(5,426)	–
	(14,420)	–

All hedging instruments are subsequently measured at amortised costs and there is no change in fair value associated with any of the hedging instruments in the current or prior year.

Amounts recognised in hedging reserve in respect of hedging instruments

	2019 £'000	2018 £'000
1 January	–	–
Credit recognised in hedging reserve	194	–
31 December	194	–

Change in value of hedged item

	2019 £'000	2018 £'000
Carrying value of hedged item 1 January	–	–
Initial value of hedged item	14,418	–
Change in value of hedged item	1,087	–
Carrying value of hedged item 31 December	15,505	–

Initial value of hedging instruments recognised during the year

	2019 £'000	2018 £'000
Borrowings and financial liabilities	6,108	–
Put option liabilities over non-controlling instruments	2,886	–
Deferred and contingent considerations	5,426	–
	14,420	–

Amounts recognised in translation reserve in respect of hedged items

	2019 £'000	2018 £'000
1 January	–	–
Charge recognised in translation reserve	(428)	–
31 December	(428)	–

26. 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. Further quantitative information in respect of these risks is presented in notes 17 to 25.

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 spread over a number of third parties. The risk is further mitigated by insurance of the trade receivables.

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 2018 total credit risk amounted to £107,859k (2018: £94,821k).

Interest rate risk
The interest on the Group's overdrafts, invoice discounting facilities and Revolving Credit Facility borrowings are variable. During the year, 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.

Based on year end balances a 1% increase in interest rates would impact profit and equity by £663k (2018: £421k).

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 does hold material non-domestic balances on occasions and currently does not take any action to mitigate this risk. Inter-company balances between trading entities tend to be short term and repaid within the month. The Group is able to manage its exchange rate risk through the natural matching of payments and receipts denominated in the same currencies. The Group paid and entered into financial instruments in the currency of the acquired entity for the Prase acquisition as part of a net investment hedge strategy to reduce the exposure to fluctuations in foreign currencies and any potential negative effects on the value of equity acquired.

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) and Australian Dollars (AUD). The table below sets out the prevailing exchange rates in the periods reported.

	Annual average		Year end	
	2019	2018	2019	2018
EUR/GBP	1.135	1.129	1.177	1.115
AUD/GBP	1.828	1.780	1.883	1.809
NZD/GBP	1.929	1.923	1.960	1.902
USD/GBP	1.272	1.337	1.321	1.277

The following tables illustrate the sensitivity of the reported profit before tax and equity for 2019 to material exchange rate movements in the EUR, AUD, NZD and USD relative to the GBP. The amounts are calculated by applying an increase or decrease of 10% to the average and closing exchange rates in GBP for each of the respective currencies and applying the revised rate to the results of year.

Notes to the consolidated financial statements
Continued

26. Financial instrument risk exposure and management continued
A 10% increase in the strength of GBP relative to the following currencies would have the following effect on the 2019 financial statements:

2019	EUR £'000	AUD £'000	NZD £'000	USD £'000
Profit before tax	**(1,374)**	**(172)**	**(26)**	**2**
Equity	**(4,141)**	**(288)**	**(36)**	**1**

A 10% decrease in the strength of GBP relative to the following currencies would have the following effect on the 2019 financial statements:

2019	EUR £'000	AUD £'000	NZD £'000	USD £'000
Profit before tax	**1,678**	**206**	**32**	**(3)**
Equity	**5,067**	**359**	**47**	**4**

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.

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2019 and 2018, on the basis of their earliest possible contractual maturity:

At 31 December 2019

	Total £'000	Within 2 months £'000	Within 2–6 months £'000	Between 6–12 months £'000	Between 1–2 years £'000	After than 2 years £'000
Trade payables	**81,760**	**76,030**	**5,226**	**390**	**114**	**–**
Other payables	**184**	**184**	**–**	**–**	**–**	**–**
Deferred consideration	**7,042**	**1,572**	**1,564**	**2,171**	**1,735**	**–**
Put option liabilities	**7,625**	**–**	**3,559**	**–**	**1,150**	**2,916**
Leases	**18,336**	**476**	**1,055**	**1,446**	**2,424**	**12,935**
Accruals	**13,034**	**11,276**	**743**	**464**	**63**	**488**
Bank overdrafts, loans and invoice discounting	**66,287**	**40,486**	**554**	**2,857**	**20,132**	**2,258**
	194,268	**130,024**	**12,701**	**7,328**	**25,618**	**18,597**

At 31 December 2018 (Restated)[1]

	Total £'000	Within 2 months £'000	Within 2–6 months £'000	Between 6–12 months £'000	Between 1–2 years £'000	After than 2 years £'000
Trade payables	75,614	68,530	6,826	5	253	–
Other payables	582	582	–	–	–	–
Deferred consideration	4,905	–	3,373	673	9	850
Put option liabilities	7,082	–	–	1,875	4,102	1,105
Leases	11,812	378	695	1,016	1,772	7,951
Accruals	11,506	10,300	407	316	8	475
Bank overdrafts, loans and invoice discounting	42,120	32,865	804	1,306	6,725	420
	153,621	112,655	12,105	5,191	12,869	10,801

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

27. Capital management
The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The Group defines and monitors capital on the basis of the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the balance sheet and as follows:

	2019 £'000	2018 £'000 (Restated)[1]
Equity	**57,952**	53,549
Borrowings	**82,995**	52,946
Cash and cash equivalents	**(13,015)**	(16,685)
	127,932	89,810

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

The Board of directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

28. Leases
Lease liabilities minimum lease payments:

	2019 £'000	2018 £'000 (Restated)[1]
Not later than one year	**2,977**	2,089
Later than one year and not later than five years	**15,359**	9,723
	18,336	11,812
Less: future finance charges	**(1,628)**	(986)
Present value of minimum lease payments	**16,708**	10,826

Lease liabilities are included in liabilities:

	2019 £'000	2018 £'000 (Restated)[1]
Current	**2,632**	1,852
Non-current	**14,076**	8,974
	16,708	10,826

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

29. Guarantees and other financial commitments
The Group has provided a cross guarantee to HSBC Bank plc in respect of borrowings due by companies within the Group headed by Midwich Group plc. The liabilities covered by these guarantees at the year end were £60,321k (2018: £32,064k).

Notes to the consolidated financial statements
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30. Retirement benefit plans
The Group contributes to a number of retirement benefit pension schemes according to employee service contracts. The retirement benefit pension schemes include both defined contribution and defined benefit pension schemes.

Defined contribution retirement benefit pension schemes

The majority of the retirement benefit pension schemes are defined contribution pension schemes. Group contributions to these schemes are charged as an expense to the consolidated income statement as they fall due. The assets of these schemes are held separately from those of the Group in independently administered funds.

Expenses for retirement benefit pension schemes recognised as defined contribution schemes are as follows:

	2019 £'000	2018 £'000
Defined contribution pension schemes expense	**1,223**	974

Defined benefit retirement benefit pension schemes

The Group participates in the "Pensioenfonds Vervoer", an industry-wide pension fund in the Netherlands, "Swiss life" a defined benefit pension scheme in Switzerland, and statutory obligations to pay employee severance in Italy, which is recognised as a defined benefit obligation.

Pensioenfonds Vervoer is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The investment risk is shared collectively among the members of the scheme and the employers. The employer is only required to make a fixed contribution for current employees. Fixed contributions could be increased or decreased in future but it is legally prohibited for the pension fund to require any additional contribution in excess of the fixed contributions. Equally the Group has no claim to any excess pension scheme assets. The Group has accounted for the pension scheme as a defined contribution pension scheme because the records of the industry-wide pension fund are not designed to provide the sufficient information to enable reporting a defined benefit pension scheme.

Swiss Life is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The scheme is funded by payments to an independently managed fund. Contributions calculated by qualified actuaries using projected unit credit method valuations and are charged to the income statement. The liabilities of the scheme are measured by discounting the future cash flows to participants estimated by actuaries using the projected unit credit method. Changes in the value of assets and liabilities in the scheme excluding contributions charged to income statement are recognised in other comprehensive income.

The employee severance ("TFR") is payable to employees in Italy. In addition to TFR there are also amounts payable to directors ("TFM"). Both the TFR and TFM obligations are recognised as defined benefit obligations in accordance with IAS 19.

	2019 £'000	2018 £'000
Present value of defined benefit pension obligations	**(2,571)**	–
Fair value of plan assets	**1,228**	–
Net defined benefit pension liability	**(1,343)**	–

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2018	–	–	–
On acquisition	(1,393)	521	(872)
Service cost			
Current service cost	(182)	–	(182)
Net interest			
Interest income on plan assets	–	4	4
Interest cost on defined benefit obligation	(10)	–	(10)
	(10)	4	(6)
Total defined benefit cost recognised in income statement	(192)	4	(188)
Cash flows			
Plan participants contributions	(881)	881	–
Employer contributions	–	63	63
Benefits paid	235	(235)	–
Unfunded benefits paid	13	–	13
Expected closing position	(2,218)	1,234	(984)
Remeasurements			
Changes in financial assumptions	(116)	–	(116)
Other experience	(283)	13	(270)
Foreign exchange gain/(loss) recognised in translation reserve	46	(19)	27
Total remeasurements recognised in other comprehensive income	(353)	(6)	(359)
At 31 December 2019	**(2,571)**	**1,228**	**(1,343)**

Plan assets

	2019 £'000	2018 £'000
Cash and cash equivalents	**–**	–
Insurance contracts with a quoted market price	**1,228**	–
	1,228	–

Actuarial assumptions

	2019 £'000	2018 £'000
Salary increase rate	**2.5%**	–
Discount rate	**0.2 – 1.0%**	–
Inflation rate	**1.2%**	–

	2019	2018
Life expectancy at age 65		–
Male participants	**22.38**	–
Female participants	**24.43**	
Life expectancy at age 45		
Male participants	**44.26**	–
Female participants	**46.29**	–

Notes to the consolidated financial statements
Continued

30. Retirement benefit plans

Sensitivity analysis

The defined benefit obligation would increase/(decrease) by the following amounts due to the respective changes in the following actuarial assumptions:

	2019 £'000	2018 £'000
0.5% increase in discount rate	(224)	–
0.5% decrease in discount rate	256	–
0.5% increase in salary increase rate	25	–
0.5% decrease in salary increase rate	(24)	–
1 year increase in life expectancy	44	–
1 year decrease in life expectancy	(46)	–

Funding

The total amount of contributions expected to be paid during the financial year ending 31 December 2020 is £296k.

31. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2019 Number	£'000	2018 Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	79,448,200	794	79,448,200	794
Shares issued	525,212	5	–	–
At 31 December	79,973,412	799	79,448,200	794

During the year, the Company issued 300,212 in settlement of the put option liability over the remaining non-controlling interest in Holdan Limited and 225,000 shares to the Group's employee benefit trusts. There were no share transactions effected during the prior year. After the year end the Company issued 7,944,800 shares related to the acquisition of Starin Marketing Inc (see note 39).

Employee benefit trust

The Group's employee benefit trusts were allocated 480,700 Ordinary Shares in 2016 and a further 225,000 shares in 2019. As at 31 December 2019 229,000 (2018: 5,800) of these shares were distributed to employees on the exercise of share options leaving 476,700 Ordinary Shares held in the Group's employee benefit trusts as at 31 December 2019 (2018: 474,900).

Other reserves

Movement in other reserves for the year ended 31 December 2019

	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 2019	1,837	1,865	–	(4,532)	50	150	(630)
Other comprehensive income	–	(2,819)	194	–	–	–	(2,625)
Total comprehensive income for the year	–	(2,819)	194	–	–	–	(2,625)
Share based payments	2,874	–	–	–	–	–	2,874
Deferred tax on share based payments	(128)	–	–	–	–	–	(128)
Share options exercised	(585)	–	–	–	–	–	(585)
Acquisition of subsidiary (note 35)	–	–	–	(2,886)	–	–	(2,886)
Acquisition of non-controlling interest (note 34)	–	–	–	1,089	–	–	1,089
Balance at 31 December 2019	3,998	(954)	194	(6,329)	50	150	(2,891)

Movement in other reserves for the year ended 31 December 2018

	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 2018	751	1,691	–	(3,638)	50	150	(996)
Other comprehensive income	–	174	–	–	–	–	174
Total comprehensive income for the year	–	174	–	–	–	–	174
Share based payments	1,120	–	–	–	–	–	1,120
Deferred tax on share based payments	(34)	–	–	–	–	–	(34)
Acquisition of subsidiary (note 35)	–	–	–	(894)	–	–	(894)
Balance at 31 December 2019	1,837	1,865	–	(4,532)	50	150	(630)

Notes to the consolidated financial statements
Continued

33. Share based payments
The Group operates two share option plans, the Long Term Incentive Plan ("LTIP") and the Share Incentive Plan ("SIP"). The Group has made a grant under each plan during the year and made three awards under the LTIP and one award under the SIP in the prior year.

Share Incentive Plan:
The Group also operates a SIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Under the SIP, conditional free shares are granted to employees. The SIP shares vest three years after the date of grant. The SIP shares are settled in equity once exercised.

Long Term Incentive Plan:
The Group operates an LTIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Options issued under the LTIP are exercisable at £0.01 per share but the Group has the option to provide an exemption for this payment. The options vest three years after the date of grant, subject to certain service and non-market performance conditions. The Group has the option to require an extended holding period in relation to specific options. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

LTIP options and SIP shares were valued using the Black-Scholes option-pricing model. The fair value of the 2019 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	1 Jul 2019	1 Jul 2019
Number granted	655,050	107,400
Share price at date of grant (£)	£5.56	£5.56
Exercise price (£)	£0.01	–
Expected volatility	9.0%	9.0%
Expected life (years)	3–5	3
Risk free rate	0.67%	0.67%
Expected dividend yield excluded from option	2.8%	0.0%
Fair value at date of grant	£2,801,999	£420,936
Earliest vesting date	1 Jul 2022	1 Jul 2022
Expiry date	1 Jul 2029	1 Jul 2029

LTIP options and SIP shares were valued using the Black-Scholes option-pricing model. The fair value of the 2018 Options granted and the assumptions used in the calculation are as follows:

	LTIP	LTIP	LTIP	SIP
Date of grant	4 May 2018	9 Jul 2018	20 Dec 2018	8 Aug 2018
Number granted	75,000	509,400	100,000	91,500
Share price at date of grant (£)	£6.28	£6.45	£5.30	£6.23
Exercise price (£)	£0.01	£0.01	£0.01	–
Expected volatility	9.0%	8.9%	9.8%	8.9%
Expected life (years)	2	3–5	1–3	3
Risk free rate	0.63%	0.61%	0.75%	0.67%
Expected dividend yield excluded	2.2%	2.1%	2.7%	0.00%
Fair value at date of grant	£416,956	£2,572,735	£469,804	£401,587
Earliest vesting date	31 May 2020	9 Jul 2021	26 Jul 2019	9 Jul 2021
Expiry date	4 May 2028	9 Jul 2028	20 Dec 2028	8 Aug 2028

The expected volatility is based on the volatility of similar companies in the industry. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised total expenses of £2,874k (2018: £1,120k) related to equity-settled share based payment transactions for the above schemes during the year.

A reconciliation of LTIP option movements over the year to 31 December 2019 is shown below:

	As at 31 December 2019 Number of LTIP options	**As at 31 December 2019** Weighted average exercise price £	As at 31 December 2018 Number of LTIP options	As at 31 December 2018 Weighted average exercise price £
Outstanding at start of year	**1,410,900**	**0.01**	788,000	0.01
Granted	**705,050**	**0.01**	634,400	0.01
Lapsed	**(16,200)**	**0.01**	(11,500)	0.01
Exercised	**(123,500)**	**0.01**	–	0.01
Outstanding at end of year	**1,976,250**	**0.01**	1,410,900	0.01

A reconciliation of SIP movements over the year to 31 December 2019 is shown below:

	As at 31 December 2019 Number of SIP shares	**As at 31 December 2019** Weighted average exercise price £	As at 31 December 2018 Number of SIP shares	As at 31 December 2018 Weighted average exercise price £
Outstanding at 1 January	**284,300**	**–**	227,000	–
Granted	**107,400**	**–**	91,500	–
Lapsed	**(21,100)**	**–**	(34,200)	–
Exercised	**(105,500)**	**–**	–	–
Outstanding at 31 December	**265,100**	**–**	284,300	–

As at the year end there were 78,500 share options that had vested and had yet to be exercised.

34. Acquisition of non-controlling interest
On 28 April 2019, the Group acquired the remaining 10.5% non-controlling interest in Holdan Limited, which had a value of £843k, for a consideration of £1,876k. £1,089k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

Notes to the consolidated financial statements
Continued

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

Subsidiaries acquired:

Acquisition	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
EES[1]	Distribution of lighting products to trade customers	1 July 2019	100%	3,245
AV Partner[1]	Distribution of audio visual products to trade customers	3 May 2019	100%	5,467
Prase[1]	Distribution of audio visual products to trade customers	31 January 2019	80%	11,534
MobilePro[1]	Distribution of audio visual products to trade customers	17 January 2019	100%	882
New Media[1]	Distribution of professional broadcast equipment to trade customers	23 August 2018	100%	3,311
Perfect Sound[1]	Distribution of professional audio products to trade customers	5 September 2018	100%	682
Blonde Robot[1]	Distribution of audio visual products to trade customers	4 December 2018	65%	1,687

[1] See note 11 for details of companies acquired during the current and prior year.

Fair value of consideration transferred 2019

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Cash	882	6,108	3,225	2,189
Deferred contingent consideration	–	5,426	2,242	1,056
Total	882	11,534	5,467	3,245

Acquisition costs of £116k in relation to the acquisition of Prase, £115k in relation to the acquisition of AV Partner, £78k in relation to the acquisition of EES and £47k in relation to other acquisitions not completed during the year were expensed to the income statement during the year ended 31 December 2019.

On acquisition of Prase the Group recognised £2,886k in relation to the initial present value of the put option liabilities to acquire the remaining non-controlling interest.

Fair value of acquisitions 2019

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Non-current assets				
Goodwill	451	371	1,195	131
Intangible assets - brands	535	382	142	81
Intangible assets - customer relationships	165	1,504	1,193	567
Intangible assets - supplier relationships	326	3,110	2,241	810
Right of use assets	1,548	69	1,370	209
Plant and equipment	59	2,497	8	71
Deferred tax	3	143	–	1
	3,087	8,076	6,149	1,870
Current assets				
Inventories	3,742	3,604	1,285	569
Trade and other receivables	2,162	8,830	983	1,301
Current tax	–	–	33	–
Cash and cash equivalents	42	1,439	12	820
	5,946	13,873	2,313	2,690
Current liabilities				
Trade and other payables	(1,970)	(4,370)	(838)	(601)
Borrowings and financial liabilities	(3,526)	(90)	(132)	(34)
Current tax	(1)	(404)	–	(137)
	(5,497)	(4,864)	(970)	(772)
Non-current liabilities				
Borrowings and financial liabilities	(2,094)	(69)	(1,238)	(179)
Deferred tax	(220)	(1,429)	(787)	(364)
Other provisions	(340)	(1,169)	–	–
	(2,654)	(2,667)	(2,025)	(543)
Non-controlling interests	–	(2,884)	–	–
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	882	11,534	5,467	3,245

In addition to the above the Group paid £45k to secure an exclusive supplier arrangement in a trade and assets acquisition.

Goodwill acquired in 2019 relates to the workforce, synergies and sales know how. Goodwill arising on all acquisitions in the period have been allocated to the Continental Europe segment.

Gross contractual amounts of trade and other receivables acquired in 2018 were £13,276k, with bad debt provisions of £59k.

Notes to the consolidated financial statements
Continued

35. Business combinations continued

Net cash outflow on acquisition of subsidiaries 2019

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Consideration paid in cash	882	6,108	3,225	2,189
Less: cash and cash equivalent balances acquired	(42)	(1,439)	(12)	(820)
Net cash outflow	840	4,669	3,213	1,369
Plus: borrowings acquired	5,620	159	1,370	213
Net debt outflow	6,460	4,828	4,583	1,582

Post-acquisition contribution 2019

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

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Date acquired	17 Jan	31 Jan	3 May	1 July
Post-acquisition contribution to Group revenue	22,670	22,550	6,535	2,516
Post-acquisition contribution to Group profit after tax	230	1,471	349	201

Proforma full year contribution 2019

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 2019:

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Full year revenue[1]	23,624	24,219	9,021	6,196
Full accounting period profit after tax[1]	187	1,495	415	511

If the acquisitions had occurred on 1 January 2019, revenue of the Group for the year would have been £695,029k and profit after tax for the year would have been £18,557k.

[1] These 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 IFRS 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 IFRS 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 2019, together with the consequential tax effects.

Fair value of consideration transferred 2018

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Cash	1,354	628	1,687
Deferred contingent consideration	1,957	54	–
Total	3,311	682	1,687

Acquisition costs of £119k in relation to the acquisition of New Media, £47k in relation to the acquisition of Perfect Sound, £83k in relation to the acquisition of Blonde Robot, and £116k in relation to other acquisitions not completed before the end of the year were expensed to the income statement during the year ended 31 December 2018. On acquisition of Blonde Robot the Group recognised £894k in relation to the initial present value of the put option liabilities to acquire the remaining non-controlling interest.

Fair value of acquisitions 2018 (Restated)[1]	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Non-current assets			
Goodwill	1,022	174	935
Intangible assets - customer relationships	1,051	105	1,808
Intangible assets - supplier contracts	1,349	159	427
Intangible assets - brands	337	18	270
Intangible assets - other	15	–	–
Right of use assets	1,138	180	234
Plant and equipment	140	23	61
	5,052	659	3,735
Current assets			
Inventories	702	61	1,164
Trade and other receivables	550	698	2,309
Cash and cash equivalents	327	211	–
	1,579	970	3,473
Current liabilities			
Trade and other payables	(1,045)	(628)	(1,746)
Current tax	–	–	(53)
Derivative financial instruments	–	–	(23)
Borrowings and financial liabilities	(359)	(75)	(1,831)
	(1,404)	(703)	(3,653)
Non-current liabilities			
Borrowings and financial liabilities	(1,022)	(150)	(156)
Deferred tax	(894)	(94)	(746)
Other provisions	–	–	(58)
	(1,916)	(244)	(960)
Non-controlling interests	–	–	(908)
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	3,311	682	1,687

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Goodwill acquired in 2018 relates to the workforce, synergies and sales know how. Goodwill arising on the New Media and Perfect Sound acquisitions has been allocated to the Continental Europe segment. Goodwill arising on the Blonde Robot acquisition has been allocated to the Asia Pacific segment.

Gross contractual amounts of trade and other receivables acquired in 2018 were £3,589k, with bad debt provisions of £32k.

Net cash outflow on acquisition of subsidiaries 2018 (Restated)[1]

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Consideration paid in cash	1,354	628	1,687
Less: cash and cash equivalent balances acquired	(327)	(211)	–
Net cash outflow	1,027	417	1,687
Plus: borrowings acquired	1,381	225	1,987
Net debt outflow	2,408	642	3,674

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Notes to the consolidated financial statements
Continued

35. Business combinations continued

Post-acquisition contribution 2018 (Restated)[1]

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

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Date acquired	23 Aug	5 Sep	4 Dec
Post-acquisition contribution to Group revenue	6,563	916	1,430
Post-acquisition contribution to Group profit after tax	88	90	103

[1] Comparative information is restated for the adoption of IFRS 16 (note 38).

Proforma full year contribution 2018

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 2018:

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Full year revenue[1]	17,851	3,016	17,364
Full accounting period profit after tax[1]	26	190	337

If the acquisitions had occurred on 1 January 2018, revenue of the Group for the year would have been £603,004k and profit after tax for the year would have been £15,555k.

[1] These 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 IFRS 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 IFRS 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 2018, together with the consequential tax effects.

36. Related party transactions

Transactions and outstanding balances between the Group companies have been eliminated on consolidation. For transactions between the Company and subsidiaries see note 9 of the separate company financial statements.

Key management personnel are identified as the executive and non-executive directors and other members of the senior management team, and their remuneration is disclosed as follows:

	2019 £'000	2018 £'000
Remuneration of key management		
Remuneration cost	**1,412**	915
Share Based Payment cost	**761**	9
Social security costs	**299**	121
Company pension contributions to defined contributions scheme	**28**	5
	2,500	1,050

During the year, the definition of key management personnel was extended to include a representative from the UK and Ireland, Continental Europe and Asia Pacific segments who were admitted to the senior management team.

During the year, Mr S Lamb was granted 50,000 (2018: 100,000) share options under the LTIP scheme and a further 105,000 of share options were awarded to other members of the senior management team.

There were no related party borrowing or share transactions during the current or prior year.

37. Dividends

The Company paid dividends in the year of £12,305k (2018: £11,289k), excluding the effects of waived dividends this equated to 15.45 (2018: 14.25) pence per share.

The Board has recommended a final dividend of 11.05 pence per share (2018: 10.60) which, if approved will be paid on 19 June 2020 to shareholders on the register on 15 May 2020. With the interim dividend declared in September 2019, this represents a total dividend for the year to 31 December 2019 of 15.90 pence per share (2018: 15.20).

38. Changes in accounting standards

The Group has adopted IFRS 16 from 1 January 2019 using the full retrospective approach. Comparative financial results have been restated as if IFRS 16 had always been adopted. Adoption of IFRS 16 requires that leases longer than 12 months are recognised as liabilities and initially measured at the present value of the future lease payments. The present value of future lease payments is discounted at the implicit interest rate of the lease if it can be readily determined and at the lessee's incremental borrowing rate if the implicit interest rate can't be easily determined. Leases are subsequently measured at amortised cost.

The adoption of IFRS 16 also requires the recognition of right of use assets, which are initially measured at the same value as the lease liability but are subsequently measured at the original value of the lease liability cost less accumulated depreciation and impairment losses.

As a result of the adoption of IFRS 16 the Group reports an increase in depreciation and interest costs with a corresponding decrease in rental costs in the statement of financial performance.

The impact of adopting IFRS 16 on the financial performance and position of the Group for the comparative periods is as follows:

	2018 Previously presented £'000	2018 Impact of IFRS 16 £'000	2018 Restated £'000
Revenue	573,682	–	573,682
Cost of sales	(479,120)	–	(479,120)
Gross profit	94,562	–	94,562
Distribution costs	(56,329)	–	(56,329)
Administrative expenses	(16,511)	194	(16,317)
Other operating income	3,025	–	3,025
Operating profit	24,747	194	24,941
Finance income	81	–	81
Finance costs	(3,751)	(240)	(3,991)
Profit before taxation	21,077	(46)	21,031
Taxation	(5,792)	18	(5,774)
Profit after taxation	15,285	(28)	15,257

Notes to the consolidated financial statements
Continued

38. Changes in accounting standards continued

	2018 Previously presented £'000	2018 Impact of IFRS 16 £'000	2018 Restated £'000
Assets			
Non-current assets			
Goodwill	11,188	380	11,568
Intangible assets	24,766	–	24,766
Right of use assets	–	10,141	10,141
Property, plant and equipment	7,391	(363)	7,028
Deferred tax assets	1,222	199	1,421
	44,567	10,357	54,924
Current assets			
Inventories	74,379	–	74,379
Trade and other receivables	83,139	–	83,139
Derivative financial instruments	25	–	25
Cash and cash equivalents	16,685	–	16,685
	174,228	–	174,228
Current liabilities			
Trade and other payables	(97,729)	–	(97,729)
Put option liabilities over non-controlling interests	(1,746)	–	(1,746)
Deferred and contingent considerations	(4,005)	–	(4,005)
Borrowings and financial liabilities	(35,151)	(1,687)	(36,838)
Current tax	(2,892)	–	(2,892)
	(141,523)	(1,687)	(143,210)
Net current assets	32,705	(1,687)	31,018
Total assets less current liabilities	77,272	8,670	85,942
Non-current liabilities			
Trade and other payables	(736)	–	(736)
Put option liabilities over non-controlling interests	(4,654)	–	(4,654)
Deferred and contingent considerations	(757)	–	(757)
Borrowings and financial liabilities	(7,211)	(8,897)	(16,108)
Deferred tax liabilities	(5,512)	–	(5,512)
Other provisions	(56)	–	(56)
	(18,926)	(8,897)	(27,823)
Net assets	58,346	(227)	58,119

39. Events after the balance sheet date
On 6 February 2020 the Group acquired 100% of Starin Marketing Inc and its subsidiary for an upfront consideration of $27.1m only, which was financed by the issue of 7,944,800 Ordinary Shares. Starin Marketing Inc is a leading distributor of audio visual products based near Chicago, United States of America. 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.

40. Ultimate controlling party
As at 31 December 2019, Midwich Group plc had no ultimate controlling party.

Company Statement of Financial Position
As at 31st December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investments	3	**34,258**	31,845
Deferred tax	4	**119**	327
		34,377	32,172
Current assets			
Receivables	5	**3,123**	4,698
		3,123	4,698
Current liabilities			
Payables	6	**(316)**	(356)
Net current assets		**2,807**	4,342
Total assets less current liabilities		**37,184**	36,514
Non-current liabilities		**(95)**	–
Net assets		**37,089**	36,514
Share capital	7	**799**	794
Share premium		**28,225**	25,855
Share based payment reserve		**3,997**	1,837
Investment in own shares		**(5)**	(5)
Retained earnings:			
Opening retained earnings		**7,833**	10,863
Profit/(loss) for the year		**8,409**	8,259
Dividends paid		**(12,305)**	(11,289)
Transfers into retained earnings		**(64)**	–
Total retained earnings		**3,873**	7,833
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Shareholders' funds		**37,089**	36,514

The financial statements are also comprised of the notes on pages 125 to 130. The financial statements were approved by the Board of directors and authorised for issue on 9 March 2020 and were signed on its behalf by:

Mr S B Fenby
Director

Company registration number: 08793266

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2019	**794**	**25,855**	**1,837**	**(5)**	**7,833**	**50**	**150**	**36,514**
Profit for the year	–	–	–	–	8,409	–	–	8,409
Total comprehensive income for the year	–	–	–	–	8,409	–	–	8,409
Share based payments	–	–	2,875	–	–	–	–	2,875
Deferred tax on share based payments	–	–	(280)	–	–	–	–	(280)
Share options exercised	–	497	(435)	2	(64)	–	–	–
Shares issued	5	1,873	–	(2)	–	–	–	1,876
Dividends paid	–	–	–	–	(12,305)	–	–	(12,305)
Balance at 31 December 2019	**799**	**28,225**	**3,997**	**(5)**	**3,873**	**50**	**150**	**37,089**

For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2018	794	25,855	751	(5)	10,863	50	150	38,458
Profit for the year	–	–	–	–	8,259	–	–	8,259
Total comprehensive income for the year	–	–	–	–	8,259	–	–	8,259
Share based payments	–	–	1,120	–	–	–	–	1,120
Deferred tax on share based payments	–	–	(34)	–	–	–	–	(34)
Dividends paid	–	–	–	–	(11,289)	–	–	(11,289)
Balance at 31 December 2018	794	25,855	1,837	(5)	7,833	50	150	36,514

The financial statements are also comprised of the notes on pages 125 to 130.

Notes to the Company financial statements

1. Accounting policies

Basis of Preparation

The annual financial statements of Midwich Group plc (the parent company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

As permitted by section 408 of Companies Act 2006, a separate income statement for the Company has not been included in these financial statements.

The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

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 financial derivatives and financial instruments at fair value through profit or loss.

Investments

Investments are valued at cost less provision for any permanent impairment.

Financial instruments

Financial instruments are comprised of financial assets and financial liabilities, which are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when extinguished.

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 three categories;

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

Notes to the Company financial statements
Continued

1. Accounting policies continued
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 with embedded derivatives are recognised as hybrid contracts. Hybrid contracts are classified in their entirety and not in separate components. Investments in equity instruments that are not held for trading are classified as financial assets measured at fair value through profit and loss unless the Group makes an irrevocable election on initial recognition to classify the asset as measured at fair value through other comprehensive income. Trade receivables that do not contain a significant financing component are initially measured at transaction price. All other financial assets classified as either financial assets measured at amortised cost, or financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Financial assets measured at fair value through profit and loss are initially measured at fair value and any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss. Financial assets measured at amortised cost are 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 asset are renegotiated or otherwise modified the financial asset is recalculated at the present value of the modified contractual cash flows discounted at the financial asset's original effective interest rate. Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss are subsequently measured at fair value. Expected credit loss impairments are recognised in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income immediately on initial recognition of the respective financial asset. Expected credit losses are measured using an expected credit loss model. The expected credit loss model reflects a probability weighted amount derived from a range of possible outcomes that are discounted for the time value of money and based on reasonable and supportable information. Where trade receivables contain a significant financing component the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

Financial liabilities
Financial liabilities include trade and other payables; put option liabilities; deferred consideration; bank loans, overdrafts and invoice discounting facilities; and derivative financial instruments with a negative market value.

The Group classifies financial liabilities into six categories;

- financial liabilities measured at amortised cost;
- financial liabilities measured at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide loans at below market interest rates;
- contingent consideration recognised in a business combination.

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and any transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are initially measured at the amount of the consideration received in respect of the financial asset. All other financial liabilities are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Financial liabilities measured at amortised cost are 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 and loss are subsequently measured at fair value. The subsequent measurement of financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies depends upon whether the transferred asset is measured at amortised cost or fair value. If the transferred asset is measured at amortised cost then associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained by the entity. However, if the transferred asset is measured at fair value the associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis. Financial guarantee contracts are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount of the initially recognised. Commitments to provide loans at below market interest rates are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount initially recognised. Contingent consideration recognised in a business combination is subsequently measured at fair value.

Trade and other receivables
Trade and other receivables are financial assets recognised when the Group becomes party to the contractual provisions of the instrument. Trade receivables that do not contain a significant financing component are initially measured at transaction price, which is equivalent to fair value. All other trade and other receivables are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowances.

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.

Foreign currency
The presentation currency for the Company's financial statements is Sterling. Foreign currency transactions are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Income Statement, within administrative expenses. The Parent Company's functional currency is Sterling.

Current taxation
Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

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 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 balance sheet 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 where there is an intention to settle the balances on a net basis.

Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Share based payment reserve" represents the accumulated value of share based payments expensed in the income statement.
- "Investment in own shares" represents amounts of the Parent Company's own shares held within an Employee Benefit Trust.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.
- "Other reserve" relate to the Employee Benefit Trust.

Notes to the Company financial statements
Continued

1. Accounting policies continued

Employee benefit trust
The assets and liabilities of the employee benefit trust (EBT) have been included in the Company financial statements. Any assets held by the EBT cease to be recognised on the balance sheet 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.

Share based payments
Equity-settled share based payments to employees and directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and directors is recognised as an expense over the vesting period. The fair value of the equity instruments are determined at the date of grant, taking into account market-based vesting conditions. The fair value of goods and services received are 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 and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) 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 or not the market condition is satisfied, provided that all other performance and/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, as described in the previous paragraph. Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

2. Directors and employees
The directors' remuneration is as stated in the directors' remuneration disclosure in the Directors' Report and in note 7 to the consolidated financial statements.

Average monthly number of persons, including directors, employed by the Company during the year was as follows:

	2019 Number	2018 Number
By activity:		
Administration	**23**	15

3. Investments

	2019 £'000	2018 £'000
At 1 January	**31,845**	30,918
Additions	**2,413**	927
At 31 December	**34,258**	31,845

The Company holds 100% of the share capital of Midwich Limited, a company incorporated in England and Wales. Indirect share interests in the Midwich Group of companies are disclosed in note 11 of the consolidated financial statements. Additions in the year represent the capital contributions to subsidiaries in respect of share option schemes, see note 32 of the consolidated financial statements for details of share options.

4. Deferred tax

	2019 £'000	2018 £'000
Deferred tax asset on temporary differences	**119**	327

5. Receivables

	2019 £'000	2018 £'000
Prepayments	**9**	15
Amounts due from Group undertakings	**3,114**	4,683
	3,123	4,698

Expected credit losses on the amounts due from Group undertakings are immaterial.

6. Payables

	2019 £'000	2018 £'000
Accruals	**316**	356

7. Share capital
The total allotted share capital of the Company is:

Allotted, issued and fully paid

	2019 Number	2019 £'000	2018 Number	2018 £'000
Issued and fully paid Ordinary Shares of £0.01 each				
At start of year	**79,448,200**	**794**	79,448,200	794
Shares issued	**525,212**	**5**	–	–
At end of year	**79,973,412**	**799**	79,448,200	794

During the year the Company issued 300,212 shares to a subsidiary so that the subsidiary could settle a put option liability to acquire addition shares in another subsidiary that were held by a third party. During the year, the Company also issued 225,000 shares to the Group's employee benefit trusts. There were no share transactions effected during the prior year.

Notes to the Company financial statements
Continued

8. Dividends
The Company paid dividends in the year of £12,305k (2018: £11,289k), excluding the effects of waived dividends this equated to 15.45 (2018: 14.25) pence per share.

The Board has recommended a final dividend of 11.05 pence per share (2018: 10.60) which, if approved will be paid on 19 June 2020 to shareholders on the register on 15 May 2020. With the interim dividend declared in September 2019, this represents a total dividend for the year to 31 December 2019 of 15.90 pence per share (2018: 15.20).

9. Related parties and transactions with directors
There were no related party transactions or transactions with the directors during the current or prior year. The directors are remunerated by subsidiary entities and recharged to the Company.

Other related party transactions
Included within other debtors are the following transactions and outstanding amounts with Midwich Limited, a wholly owned subsidiary:

	2019 £'000	2018 £'000
Outstanding at 1 January	**4,683**	7,320
Amounts advanced	**12,305**	11,289
Management charges	**204**	204
Amounts repaid	**(14,077)**	(14,130)
Outstanding at 31 December	**3,115**	4,683

Audit fees for the entity are borne by subsidiary entities and recharged to the Company.

10. Ultimate controlling party
As at 31 December 2018, Midwich Group plc had no ultimate controlling party.

Notice of AGM

Covid 19 statement
In the lead up to the Annual General Meeting (notice of which is set out below), we are closely monitoring the impact of the COVID-19 virus in the United Kingdom. In light of current public health advice and "Stay at Home" legislation recently introduced, external shareholders (i.e. shareholders who do not also hold office as a director of the Company) are prohibited from attending the Annual General Meeting in person. Accordingly, so as to ensure their vote is counted at the Annual General Meeting, all shareholders are strongly recommended to vote electronically at www.signalshares.com as your vote will automatically be counted. Given the currently escalating situation sending a paper proxy is no guarantee of having your vote counted. Further, the Company will be providing a conference call link to enable shareholders to follow proceedings of the meeting and potentially to ask questions remotely. All shareholders are encouraged to use these facilities should they wish to follow the progress of the meeting. Any shareholders who wish to listen to the meeting by such means, should contact the Company Secretary prior to the day of the meeting at Stephen.lamb@midwich.com in order to request conference dial-in details.

Withdrawal of final dividend recommendation
In line with the Company's update of 30 March 2020, and to preserve cash during the COVID-19 disruption, the Board has taken the decision to withdraw its intention to propose a final dividend for 2019.

Notice of Annual General Meeting
Notice is hereby given that the Annual General Meeting ("Meeting") of Midwich Group plc (the "Company") will be held at Midwich Limited, Vinces Road, Diss, Norfolk, IP22 4YT on Monday 11 May 2020 at 10.00 a.m. You will be asked to consider and vote on the resolutions below. Resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions.

Ordinary business
Report and accounts

1. THAT the Company's annual accounts for the financial year ended 31 December 2019, together with the directors' report and auditor's report on those accounts, be received and adopted.Re-appointment and remuneration of auditors

Re-election of directors

2. THAT Stephen Fenby be re-elected as a director of the Company.
3. THAT Andrew Herbert be re-elected as a director of the Company.
4. THAT Mike Ashley be re-elected as a director of the Company.
5. THAT Stephen Lamb be re-elected as a director of the Company.
6. THAT Hilary Wright be re-elected as a director of the Company.

Re-appointment and remuneration of auditors

7. THAT Grant Thornton UK LLP be re-appointed as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company and that the directors be authorised to agree the remuneration of the auditors.

Directors' remuneration report

8. THAT the directors' remuneration report (excluding the directors' remuneration policy, set out on pages 50 to 51 of the directors' remuneration report), as set out in the Company's annual report and accounts for the financial year ended 31 December 2019 be approved.

Special business
Issue of Ordinary Shares

9. THAT the directors of the Company be hereby generally and unconditionally authorised and empowered pursuant to and in accordance with section 551 of the Companies Act 2006 (the "CA 2006"), to exercise all the powers of the Company to allot shares and or grant rights to subscribe for or to convert any security into shares ("Rights"):
   i. up to an aggregate nominal value of £293,060 (being the nominal value of approximately one third of the issued share capital of the Company); and
   ii. up to an aggregate nominal value of £586,120 (being the nominal value of approximately two thirds of the issued share capital of the Company) (such amount to be reduced by the nominal amount of any shares allotted or Rights granted under paragraph (i)) in connection with an offer by way of a rights issue or other pre-emptive offer to:
   a. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and
   b. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

   and so that, in each case, the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter,such authorities to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution becomes unconditional and the date 15 months after the passing of this resolution, save that the Company may at any time before such expiry make any offer(s) or enter into any agreement(s) which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares or grant Rights in pursuance of any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces

Notice of AGM
Continued

all unexercised authorities previously granted to the directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

10. THAT, subject to the passing of resolution 9, the directors of the Company be authorised to allot equity securities (as defined in section 560 of the CA 2006) for cash under the authority conferred by that resolution and/or to sell ordinary shares held by the Company as treasury shares as if section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:
    i. the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph (ii) of resolution 9, by way of a rights issue only):
        a. to the holders of Ordinary Shares in proportion (as nearly as may be practicable) to their respective holdings; and
        b. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    ii. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph (i) of this resolution) to any person up to an aggregate nominal amount of £43,959.

    The authority granted by this resolution will expire at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

11. THAT, subject to the passing of resolution 9, the directors of the Company be authorised in addition to any authority granted under resolution 10 to allot equity securities (as defined in section 560 of the CA 2006) for cash under the authority conferred by resolution 9 and/or to sell Ordinary Shares held by the Company as treasury shares as if section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:
    i. limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £43,959; and
    ii. used only for the purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

    The authority granted by this resolution will expire at the conclusion of the Company's next annual general meeting after this resolution is passed or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

Dated 9 April 2020
By order of the Board

Stephen Lamb
Company Secretary
Registered Office
Vinces Road
Dis
Norfolk
IP22 4YT

Notes of the AGM

Notice of meeting notes:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members:

- at the time which is 48 hours prior to the Meeting; or,
- if this Meeting is adjourned, at the time which is 48 hours prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section.
4. Due to the ongoing complications resulting from Covid-19, in order to ensure compliance with relevant legislation around social distancing and "Stay at Home Measures", the Company is required to restrict the proxy appointment right to the appointment of the Chairman of the Meeting only. Details of how to appoint the Chairman of the Meeting as your proxy using the proxy form are set out in the notes to the proxy form. If you wish to ask questions or to speak at the Meeting, you will need to use the conference dial-in, in order to join the Meeting yourself remotely.
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy (the Chairman of the Meeting) will vote or abstain from voting at their discretion. Your proxy (the Chairman of the Meeting) will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Meeting.

Appointment of proxies using hard copy form

6. The notes to the proxy form explain how to direct your proxy (the Chairman of the Meeting) how to vote on each resolution or withhold their vote.

   To appoint the Chairman of the Meeting as your proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the offices of the Company's registrars, Link Asset Services in accordance with the reply paid details or by hand or by courier only to Link Asset Services, PXS1 , 34 Beckenham Road, Beckenham, Kent, BR3 4TU; and
- received by the Company's registrars no later than 48 hours prior to the time set for the start of the Meeting.

   CREST members should use the CREST electronic proxy appointment service and refer to note 9 below in relation to the submission of a proxy appointment via CREST.

   In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

   In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or notarially certified copy of such authority) under which it is signed.

Appointment of proxies via the web

7. As an alternative shareholders may, and are encouraged to, cast their vote online via the registrars website at www.signalshares.com.

Appointment of proxies through CREST

8. As an alternative to completing the hard-copy proxy form, CREST members who wish to appoint the Chairman of the Meeting as their proxy by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (with such procedures, as applicable, being read in conjunction with the appointment restrictions detailed in these Notes). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of the Chairman of the Meeting as proxy or an amendment to the instruction given to a the Chairman of the Meeting as proxy previously, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied

Notes of the AGM
Continued

to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint the Chairman of the Meeting as proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy forms (see above) also apply in relation to amended instructions; any amended proxy form received after the relevant cut-off time will be disregarded.

    Where you have appointed the Chairman of the Meeting as your proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard-copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by the Company's registrars not less than 48 hours before the time for holding the Meeting or adjourned meeting.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

Corporate representatives

12. A corporation which is a member should appoint the Chairman of the Meeting as its proxy in the manner detailed above and in the notes to the proxy form.

Issued shares and total voting rights

13. As at 5.00 p.m. on 9 April, the Company's issued share capital comprised 87,918,212 ordinary shares of £0.01 each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the 9 April is 87,918,212.

Communication

14. Except as provided above, members who have general queries about the Meeting should use the following means of communication:

- calling the Company Secretary on +44 (0) 1379 774661; or
- calling our shareholder helpline provided by the Company's registrars, Link Asset Services, on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider)). Lines are open between 9.00am - 5.30pm UK time, Monday to Friday excluding public holidays in England and Wales.or emailing the Company Secretary at stephen.lamb@midwich.com.

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

Directors, officers and advisers

Directors
Mr S B Fenby
Mr S Lamb
Mr M Ashley
Mr A C Herbert
Mrs H Wright

Company Secretary
Mr S Lamb

Independent auditor
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Registered office
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Diss
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IP22 4YT

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