9 March 2021

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

Unaudited Full Year Results

Demonstrating resilience through a robust and progressive revenue recovery

Midwich Group (AIM: MIDW), a global specialist audio visual ("AV") distributor to the trade market, today announces its unaudited full year results for the year ended 31 December 2020.

Statutory financial highlights

	Year to 31 December 2020 £m	Year to 31 December 2019 £m	Total growth %
Revenue	711.8	686.2	3.7%
Gross profit	101.8	113.1	(10.0)%
Operating profit	7.1	24.9	(71.6)%
Profit before tax	(1.0)	23.8	(104.2)%
Profit after tax	(3.4)	18.2	(118.6)%
Basic EPS - pence	(4.32)	21.67	(119.9)%

Adjusted financial highlights[1]

	Year to 31 December 2020 £m	Year to 31 December 2019 £m	Total growth %	Growth at constant currency %
Revenue	711.8	686.2	3.7%	3.3%
Gross profit	101.8	113.1	(10.0)%	(10.2)%
Gross profit margin %	14.3%	16.5%		
Adjusted operating profit	16.5	33.5	(50.6)%	(50.8)%
Adjusted profit before tax	14.2	31.2	(54.6)%	(54.7)%
Adjusted profit after tax	10.3	23.8	(56.7)%	(56.8)%
Adjusted EPS - pence	11.20	28.49	(60.7)%	

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

Financial highlights

- A record revenue performance despite the challenges from the global pandemic, highlighting the resilience of the business
- Revenue increased by 3.7% to £711.8 million (3.3% on a constant currency basis) (2019: £686.2m)
- Group revenues improved consistently from April, such that the Group's organic revenue decline of 22% in the first half of the year reduced to a 7% decline in the second half of the year
- Gross margin was impacted by COVID-19 disruption, but is expected to recover over time
- Adjusted profit before tax reduced to £14.2 million (2019: £31.2 million) as a direct result of COVID-19 disruption
- Adjusted EPS decreased to 11.2p (2019: 28.5p)
- An exceptional year of operating cash conversion at 194.4% of adjusted EBITDA
- Strong balance sheet, with year-end adjusted net debt to EBITDA of 0.9x (2019:1.4x), providing financial flexibility

Operational highlights

- Resilient operational performance – a robust recovery in the second half exceeded the Board's original expectations at the onset of the pandemic
- Acquisitions made in 2019 and 2020 have been fully integrated and are delivering a positive contribution to the Group
- Entry into the strategically important North American market through the acquisition of Starin Marketing Inc. ("Starin")
- Established specialist unified communications capabilities, as well as the addition of numerous new vendors
- Successful equity placing and refinancing to fund Starin acquisition investment
- Continue to have a strong acquisition pipeline across a number of regions and technologies

Post-period end

- Completed the acquisition of a majority stake in NMK Electronics ENT. ("NMK Group"), a value-added distributor of AV products based in the UAE and Qatar, marking Group's entry into the Middle East
- Trading since the year end in line with management expectations

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

"2020 was a challenging year for everyone and I would like to take this opportunity to thank all of our employees, partners and suppliers for their tireless hard work and continued support. We delivered a robust performance in the year, thanks to our proven business model and our position as a true value add distributor in the global AV market.

We announced our entry into the US, the world's largest AV market, in February 2020 and post period end, entered the Middle East, giving us true global scale. Whilst we have experienced a slowdown in some of our sectors, we have also witnessed improved performances in others and our results in the second half of the year exceeded the Board's expectations. We are well placed through our diversified geographical and multi-sector footprint, combined with long-term vendor relationships, to continue to deliver growth and take advantage of market opportunities, both organically and through acquisition."

There will be a webinar for sell-side analysts at 8:00am GMT today, 9 March 2021, the details of which can be obtained from FTI Consulting: midwich@fticonsulting.com.

For further information:

Midwich Group plc Stephen Fenby, Managing Director Stephen Lamb, Finance Director	**Tel: +44 (0) 13 7964 9200**
Investec Bank plc (NOMAD and Joint Broker to Midwich) Carlton Nelson Ben Griffiths	**Tel: +44 (0) 20 7597 5970**
Berenberg (Joint Broker to Midwich) Ben Wright Mark Whitmore	**Tel: +44 (0) 20 3207 7800**
FTI Consulting Alex Beagley Tom Hufton Rafaella de Freitas	**Tel: +44 (0) 20 3727 1000** **midwich@fticonsulting.com**

About Midwich Group
Midwich is a global specialist AV distributor to the trade market, with operations in the UK and Ireland, EMEA, Asia Pacific and North America. The Group's long-standing relationships with over 500 vendors, including blue-chip organisations, support a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, digital signage and professional audio. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of over 20,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality. Although the Group does not sell directly to end users, it believes that the majority of its products are used by commercial and educational establishments rather than consumers.

Initially a UK only distributor, the Group now has around 1,000 employees across the UK and Ireland, EMEA, Asia Pacific and North America. A core component of the Group's growth strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions.

For further information, please visit www.midwichgroupplc.com

COVID-19 and its impact on our business

The coronavirus pandemic represents the biggest shock known to our business sector. As the crisis unfolded, we took decisive action to protect our teams, preserve cash and support our customers and vendors. These remain our key priorities as the pandemic continues.

Although the economic effect of COVID-19 has been significant across the world, our market strength, combined with the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets have partially mitigated the negative impact on our business, highlighting the strength of our business model.

After the initial fall, the Group's revenue improved consistently from April, such that the Group's organic revenue decline of 22% in the first half of the year reduced to a 7% decline in the second half of the year. Including the impact of the Starin acquisition, we were pleased to be able to grow Group revenue by 3.7% to £711.8 million for 2020. Adjusted profit before tax for the year was reduced to £14.2 million (2019: £31.2 million) as a direct result of the disruption from COVID-19.

The impact on our strategy

The coronavirus pandemic has shocked the global economy and how we live our lives. However, we believe that the AV industry is well placed for the future and see no overall change in long-term prospects for the market. Although some segments of the market may be slower to recover, other trends have unsurprisingly accelerated, such as the increased adoption of unified communications technology, and our entry into this market through the acquisition of Starin positions the Group well for the future.

Whilst the impact of COVID-19 continues to create short term uncertainty, the Group's strategy remains focused on markets and product areas where it can leverage its value-add end-to-end services, technical expertise, and sales and marketing skills. Using its market knowledge and expertise, the Group provides its vendors with support to build and execute plans to grow market share. The Group supports its customers to deliver successful projects, from initial pitch to execution.

A core component of the Group's growth strategy remains further expansion of its international operations and footprint into strategically targeted jurisdictions both organically and through acquisition. After the initial disruption from the pandemic, we resumed our acquisition activity in the second half of the year.

The effect on our end markets

Markets which are largely government funded (such as education, healthcare and defence) have remained relatively strong, impacted mostly by the ability of customers to access sites. The corporate market has been more muted with end users mostly working from home and investment plans largely placed on hold. The most significant impact has been to the live events and hospitality markets.

While the Group's system integrator customers initially struggled to undertake typically complex projects due to limited ability to access sites, sales to customers selling on-line were comparatively strong. Over the second half of the year customers' site access improved and the increased market demand helped the Group improve revenue throughout the period. The disruption to more complex projects and the events market has had an adverse impact on Group margins, although these are anticipated to recover as markets return to normal.

Certain product sets have been impacted in different ways depending on their use. A strong performance was achieved from technologies used to facilitate working from home. Such products include desktop monitors, printers and various associated accessories. Certain broadcast products have also performed well throughout the period, as organisations have invested in technologies which enable better remote communication. Unified communications solutions have performed well, and the Group has sought to maximise the skills and relationships it acquired through the acquisition of Starin in the US in February 2020.

The Board believes that current market conditions highlight more than ever the need for manufacturers to use a high-quality specialist distributor such as Midwich. In 2020, the Group launched an encouraging number of new vendor relationships, such as with Sonos, Netgear, Poly and Huddly, and rolled out existing relationships, with Barco, Biamp, Shure, DTEN and Absen, into new technology areas (such as the Barco ClickShare range in the UK & Ireland and France) and geographical markets (such as launching Shure in France). The launch of new vendors has continued during the lockdown period as the Group further positions its portfolio in exciting growth markets, such as unified communications.

How we are responding

Whilst we continue to monitor the pandemic and remain cautious given the return to COVID-19 restrictions in early 2021, we have increasingly shifted our focus to the future. We have launched new vendor relationships and further developed our expertise in the unified communications sector. Our acquisition programme recommenced in the second half of 2020 and we subsequently completed the acquisition of NMK Group in early 2021. The Group has a number of exciting opportunities in the pipeline across various geographies.

What the long-term future looks like

The Board would like to thank our staff, customers and partners for their incredible support in recent months and looks forward to returning to our previous financial performance as quickly as possible thereby continuing our long-term growth trajectory.

Chairman's Statement

Overview

In an unprecedented year, I am delighted that we achieved record revenue of £711.8 million, 3.7% ahead of the prior year. Against the backdrop of the global pandemic, we demonstrated resilience in achieving a robust and progressive recovery in revenue throughout the second half of the year. A strong close to the year saw the Group exceed the Board's expectations for full year revenue and adjusted profit while also delivering a significant reduction in net debt, maintaining the financial flexibility of the Group.

At the start of the pandemic, we took early and decisive action to address the emerging risks posed by COVID-19, including protecting our teams, preparing all staff for remote working, supporting our customers and vendors and preserving cash and liquidity. Countries and economies were affected by lockdowns and other restrictions at different times during the year and the Group was able to respond quickly and adapt to the changes in market needs. Our strong AV market position, combined with the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets have partially mitigated the negative impact of the crisis. Our response to the pandemic required the Board to make some difficult decisions during the year including the use of furlough schemes and part time working, salary reductions and a small number of headcount reductions. Given

the use of government support to help retain jobs and a focus on the preservation of cash we also determined that the Group would not pay dividends in 2020. The Board is conscious of the impact of this decision on shareholders, including the majority of our staff who own shares in the Group, and is committed to reinstating dividend payments when appropriate.

Whilst the pandemic was a major focus in 2020, I am pleased that the Group was able to achieve further strategic milestones.

The Group's acquisition of Starin Marketing Inc. in February 2020 represented our entry into North America, the world's largest AV market. Starin is a value-added AV distributor with a reputation for technical excellence and a high level of customer support. Since the acquisition, Midwich has helped Starin to accelerate its development by strengthening its sales and business management capabilities, releasing significant cash invested in working capital and exiting lower margin activities to focus on high growth and higher margin market segments. Starin has brought expert knowledge of the unified communications ("UC") market to the wider Group and supported the addition of multiple UC vendors to the Group's portfolio.

During 2020, we further expanded our vendor relationships in support of our long-term organic growth objectives. New brands added in the year included Barco ClickShare, Poly, DTEN and Huddly and the Group also launched a Hardware as a Service ("HaaS") solution to help channel partners to offer the latest UC technology to their customers, without the requirement for substantial upfront outlay.

After the period end, we completed the acquisition of a majority stake in NMK Electronics ENT. ("NMK Group"). Based in the UAE and Qatar, NMK Group is a value-added distributor of AV products and represents the Group's entry into the Middle Eastern market, one of the fastest growing AV markets in the world. The deal further expands the Group's geographical footprint, enabling it to extend the support it can provide to customers and vendors internationally.

The pandemic has caused significant disruption to our end user markets. Although the business has seen the benefit of increased investment in remote working and teaching, we have been negatively impacted by the cancellation or postponement of live events and conferences in many countries. Both the AV industry and our customers have demonstrated agility in switching activity to the areas of demand during the pandemic, and industry data continues to show long-term growth in demand for AV products; exceeding GDP growth.

The Board attributes our robust performance through this challenging year to continued focus on service, looking after our teams and continuing to pursue our strategic goals. We believe that the business is well positioned for the future.

Board

Board membership and composition has not changed in the year and we adapted to the use of unified communications for both our AGM and our board and committee meetings. Reflecting the challenging global backdrop, the Board met more frequently during the year and received regular updates from the Executive Leadership Team ("ELT").

In line with prior years the Board completed a self-evaluation exercise during 2020, 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 QCA code. There were no major issues or concerns raised about the effectiveness of the Board or its individual members.

For a number of years, the Group has acted to reduce its environmental impact. This year the Board has chosen to formalise its focus on sustainability by asking Hilary Wright to be the non-executive director with particular responsibility for environmental, social and governance ("ESG") matters and through the introduction of our first environmental targets for the Group.

The Group continues to apply the QCA code as its governance framework. The Board has reviewed all aspects of compliance and continues to believe that it meets or exceeds the requirements of the code. Over the last few years, we have enhanced our reporting by including a detailed Directors' Remuneration Report and environmental, social and governance information. We also chose to introduce an annual advisory vote on the Directors' Remuneration Report.

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

People

The success of any company is down to the quality of its leadership and its people. The team at Midwich has demonstrated immense skill, commitment, drive and resilience over the last twelve months. Our people have adapted incredibly well to each and every challenge without sacrificing quality of service or losing their enthusiasm. I recognise the sacrifices made by our teams in responding to the pandemic and strongly believe that we have the best team in the industry and are well positioned for future growth.

During 2020, the Board has welcomed the opportunity to interact with the Executive Leadership Team ("ELT"), which comprises the executive directors together with the managing directors of our key operating units. We have been delighted with the ELT's success in delivering strategic goals at the same time as leading the Group's operational response to COVID-19. This regional leadership model is working well and is fully aligned to the Group's long-term growth ambitions.

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

Andrew Herbert
Non-executive Chairman

Managing Director's Review

2020 was a challenging year for everyone and I would like to take this opportunity to thank all of our employees, partners and suppliers for their tireless hard work and continued support. We delivered a robust performance in the year, thanks to our proven business model and our position as a true value add distributor in the global AV market.

We announced our entry into the US, the world's largest AV market, in February 2020 and post period end, entered the Middle East, giving us true global scale. Whilst we have experienced a slowdown in some of our sectors, we have also witnessed improved performances in others and our results in the second half of the year exceeded the Board's expectations. We are well placed through our diversified geographical and multi-sector footprint, combined with long-term vendor relationships, to continue to deliver growth and take advantage of market opportunities, both organically and through acquisition.

Overview

In 2020 the world economy, the AV industry and our business faced unprecedented challenges. Changes to how people interact, work, travel and spend their leisure time have often been significant and sudden. Against this background, our people and business have responded brilliantly, adapting to how we work and communicate with each other, and how we continue to deliver a consistently excellent service.

Despite the negative financial impact of the pandemic, Midwich has had one of its most successful years – building on its market position and pursuing our long-term goals.

Revenue growth in a challenging market

Group revenue increased by 3.7% in the year, with the contribution from Starin, since February 2020, more than compensating for challenges in other markets. The Group's comprehensive product offering, and geographical reach have enabled us to capitalise on those opportunities that were available to us in 2020.

We believe our market share has grown in each of our major territories, reflecting the strength of our offering and the support we have continued to give our customers and vendors in challenging times.

Impact on end-user markets

The COVID-19 pandemic has impacted many of our end user markets, mostly negatively, but in some cases more positively. Our two largest end user markets are education and corporate. The education market was relatively robust in 2020, with government spend remaining strong. We saw an increase in demand for technologies to enable combined remote and in-class teaching. The corporate market was impacted in the year as businesses assessed their future office strategies. Nonetheless, we remain comfortable that our broad technology portfolio will form an important part of future office strategies, enabling closer collaboration or remote communication, amongst other benefits.

End user markets such as events, leisure and hospitality have continued to be severely impacted, but are expected to recover once people are able to mix freely again.

Short term impact on gross margins

Generally lower end user demand had an impact on our revenues, which in turn reduced the volume of purchases we made from vendors. Lower purchase levels can have an impact on our ability to hit rebate targets, to obtain special pricing support from manufacturers, and reduces volume discounts. In addition, greater price competition can reduce selling prices, particularly in mainstream products. These factors have all contributed to generally lower margins, however these should be reversed once volumes build back.

The mix of sales has also been impacted by the pandemic. In particular, the depressed events, leisure and hospitality sectors often use more specialist (higher margin) products, particularly in the technical video, audio and lighting technology areas. During the year we reviewed our policy of applying fixed percentage write downs to our stock as it ages. Given the temporary disruption to end user markets many current and viable products would have become fully written down, which would not reflect their recoverable value. To reflect this the time period to full write down was extended for some products to a maximum of two years (previously 12 months). At the end of the year the Group had

a stock provision of £23.8 million (22% of cost) compared to £13.3 million at the end of the prior year (13%). Had the Group maintained the previous percentages, the inventory write down would have been £6.5m higher as at 31 December 2020.

Managing costs without damaging the business
With lower revenues and gross profits, we took decisive actions at the onset of the pandemic to realign our cost base. Our focus was to reduce discretionary spend whilst seeking to maintain our market leading team. We reduced recruitment and most leavers have not been replaced. The Group took advantage of government job support funding where appropriate, receiving approximately £2.8 million in UK&I and about half this amount in other regions.

Profitability and cash generation
The Group remained profitable in 2020, with adjusted profit before tax falling to just under half the level achieved in 2019. In its 41 year history, Midwich has never had a loss making year, at the adjusted operating profit level, and I am pleased that this still continues to be the case.

In addition to maximising profitability, we focused heavily on managing our cash flow. The rapid decline in trade in the spring of 2020 meant that we needed to give particular focus to managing inventory levels ,provisions, supplier payments and customer receipts. We made very good progress in working capital management, with the result that our net debt reduced significantly over the course of the year.

Group strategy remains unchanged
Since the start of the COVID-19 crisis we have kept our long-term strategy under constant review. In particular, we have been seeking to identify areas of risk with our previous strategy, and whether we need to fundamentally refocus onto new product, end user or geographical market areas. We have taken note of industry research, including an Avixa report published in July 2020, which suggested that after a decline in 2020, the global AV market is expected to grow at a compound annual rate of 5.8% for the next five years. Overall, we concluded that the changes we have seen in the market were either an acceleration of changes that were already happening, fall within our current focus areas or appear to be short term in nature. As such, we have not fundamentally changed our focus on increasing specialisation, expanding our geographical footprint and growing our scale.

Whilst dealing with short term challenges, we have continued to focus on our longer-term strategies and plans. For example, we have taken on an unprecedented number of new vendor relationships, and expanded our footprint through the acquisition of Starin in the US in February 2020 and NMK in the Middle East after the end of the year.

Technologies[1]

In broad terms, we categorise our products into mainstream and specialist categories. Mainstream products cover displays and projectors, which comprised an aggregate of 54% of Group revenue in 2020 (2019: 57%). Specialist categories cover technologies which require greater pre and post sales support and hence tend to carry higher margins. This group covers categories such as audio, technical video and broadcast and represented 38% of total sales in 2020 (2019: 36%).

Our largest technology area is displays, a category which has been growing for a number of years but actually fell by 14% in 2020. The fall was particularly pronounced in the UK&I, and was mitigated in part by a growth in display sales in EMEA. Displays represented 37% of Group revenue in 2020 (2019: 40%). We believe that the fall in our displays business was less than that of the overall market in our key territories.

Revenue from projector sales fell 7% in 2020, with the UK&I reduction being the most significant amongst our territories. Whilst the overall projector market continues to be impacted by a shift towards displays, we believe that we gained market share in high-end projection and are well positioned for the expected recovery in demand in this area.

Mainstream product categories tend to see greater price competition, which was a factor in lower gross margins across displays and projection in the year.

Sales in our technical product categories were broadly flat across the year. However, this was a combination of significant growth in the broadcast business (particularly in streaming and pro video solutions), in technical AV products (including unified communications products) and significant falls in audio and lighting (caused by lower demand in the events and hospitality markets).

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

UK and Ireland

The UK is the Group's single largest territory by revenue, profit and headcount, and addresses multiple markets with many different product sets. As such, general economic conditions tend to have a more significant impact on the UK business than in other countries where the Group has a relatively smaller market share. Like other regions, the impact of COVID-19 on the UK business was initially significant but trading steadily improved as the year progressed.

We achieved revenue of £224.4 million in the region (2019: £314.6 million) whilst margins declined to 14.0% (2019: 17.6%). The change in margin reflects both a change in mix, as higher margin value added projects and our rental business were most affected by the COVID-19 restrictions, and a reduction in vendor rebates, as the level of purchasing activity was reduced in the year. The Board expects gross margins to recover as normal economic activity resumes.

In response to the pandemic we acted to reduce costs, including reductions in salaries, bonuses and discretionary expenditure. In addition, the UK&I received £2.8 million from government schemes towards enhanced furlough payments and offered flexible working to its team members. These actions allowed it to limit headcount reductions to a relatively small number and ensure that the business is well positioned for the anticipated recovery.

The overall revenue reduction of around 30% was experienced across most product categories, reflecting a general drop in the market. Professional audio and lighting was impacted to a greater degree due to the virtual cessation of the events and entertainment markets in the region during 2020. Strong performance was seen in the smaller categories of document solutions (as consumers set themselves up to work from home) and also consumer audio sold through online retailers.

EMEA

The EMEA region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy and Iberia and will include activities in the Middle East from 2021.

Despite the adverse impact from COVID-19 we improved revenue by 3.2% to £331.1 million (2019: +44.6% to £321.0 million). Whilst all territories in the region were affected by the pandemic, the initial reduction in revenue and pace of recovery has varied by both country and product area. Germany and France recovered strongly during the second half of the year helped by strong demand for education, remote working, broadcast and streaming solutions. The more specialist audio and lighting focused businesses in Southern Europe have seen a greater impact on demand, but they have performed well, maintained or increased market share, and are well positioned for future growth. Underlying revenue (excluding the effects of acquisitions and currency changes) was in line with the prior year (2019: +15.2%).

In line with other territories, gross margin was impacted by COVID-19, reducing to 13.8% (2019: 15.2%) manly due to a negative mix effect. Operating profit in EMEA, at £9.4 million (2019: £14.1 million), was impacted by the change in gross margin. Whilst certain countries benefited from government support to retain jobs this was at a much lower level (£0.8 million) than that received in UK&I.

In the mainstream product categories, revenue from displays increased by 9% but from projectors declined by 5%, reflecting a long-term trend as part of the projector market switches to displays. Our broadcast product sales increased significantly, driven by stronger sales of live streaming, prosumer and corporate products, particularly in the German market. Pro audio and lighting showed revenue declines of around 25%, being somewhat less impacted than the UK&I market.

Asia Pacific
Our Asia Pacific region sales declined by 12.1% to £44.5 million in 2020 (2019: +41.2% to £50.6 million). Across the region the response to the pandemic saw some very strict lockdowns and periods of business closure particularly in New Zealand. Against this backdrop our businesses have performed well, especially broadcast and streaming solutions. In prior years, APAC margins have benefitted from high value add, complex projects. These were adversely affected by COVID-19 in 2020 and the resulting change in mix resulted in a gross margin of 15.3% (2019: 17.7%). APAC received £0.4 million of government support, and due to the reduction in gross profit, adjusted operating profit declined by £1.9 million to £0.8 million (2019: £2.7 million).

North America
Starin became part of the Group on 6 February 2020 and contributed £111.8 million to Group revenue in the year. Despite the COVID-19 pandemic, the integration of Starin has progressed ahead of our initial plans with significant achievements including restructuring and investing in both sales and business management capabilities, overhead reductions, exiting low margin fulfilment activity and a significant reduction in net debt through focus on working capital management.

Gross margins at 16.1% and adjusted PBT at £4.9 million were ahead of our expectations and included the benefits of the accelerated integration activity.

The Group has also been able to leverage Starin's strong relationships with unified communications vendors to expand its capabilities and strengthen its UC offering across all regions.

Environmental, Social and Governance ("ESG")
We continue to take our commitment to environmental and social responsibility seriously and in 2020 we further progressed the work that we started in the last two years. The Group's approach to ESG is aligned to four key pillars: our local communities; supporting charities close to our hearts; reducing our environmental impact and supporting our people. These focus areas continue to be relevant and are at the heart of what matters to our people.

During 2020, work continued within the four pillars and despite the pandemic we've adapted our approach and continued to make a difference in each area. For 2021, we have set Group wide targets for each of the pillars and we have appointed Hilary Wright to be the non-executive director with responsibility and overview for ESG matters.

Outlook
Despite the short-term impact of the pandemic, we have continued to pursue our long-term strategic goals with the result that I believe the business is in a stronger market position at the end of 2020 than it was at the beginning.

The global AV market was believed by Avixa to be worth $239bn in 2020 and will grow at 5.8% per annum for the next five years to reach $315 billion in 2025. Midwich is a major player in the market, with a focused, skilled and experienced team. With revenue representing under 1% of the world market and operations in just 20 countries we are well placed to capitalise on the long-term growth prospects of the market.

In the short term, we expect that severe COVID lockdowns in many key markets will suppress our recovery in at least the first half of 2021. Trading in the first two months of 2021 was in line with our expectations. Should vaccination programmes develop as hoped, and general economic conditions improve, we expect to see a return towards normal levels of trade in the second half of 2021.

Finance Director's Review

We achieved further revenue growth in 2020 and generated exceptionally strong cash flows which leaves the Group well positioned for the post COVID-19 recovery.

Despite the pandemic, we achieved further growth in 2020 with revenue increasing by 3.7% to £711.8 million (2019: £686.2 million). Excluding the impact of acquisitions and currency movements, organic revenue declined by 14.1% (2019: +6.0%). Gross profit margin was down on the prior year at 14.3% (2019: 16.5%).

Adjusted operating profit of £16.5 million (2019: £33.5 million) reduced by 50.8% at constant currency (2019: +11.0%). Operating profit before adjustments was £7.1 million (2019: £24.9 million).

Statutory financial highlights

	Year to 31 December 2020	Year to 31 December 2019	Total growth
Revenue	£711.8m	£686.2m	3.7%
Gross profit	£101.8m	£113.1m	(10.0)%
Operating profit	£7.1m	£24.9m	(71.6)%
Profit before tax	£(1.0)m	£23.8m	(104.2)%
Profit after tax	£(3.4)m	£18.2m	(118.6)%
Basic EPS - pence	(4.32)p	21.67p	(119.9)%

Adjusted financial highlights[1]

	Year to 31 December 2020	Year to 31 December 2019	Total growth	Growth at constant currency
Revenue	£711.8m	£686.2m	3.7%	3.3%
Gross profit	£101.8m	£113.1m	(10.0)%	(10.2)%
Gross profit margin %	14.3%	16.5%		
Adjusted operating profit	£16.5m	£33.5m	(50.6)%	(50.8)%
Adjusted profit before tax	£14.2m	£31.2m	(54.6)%	(54.7)%
Adjusted profit after tax	£10.3m	£23.8m	(56.7)%	(56.8)%
Adjusted EPS - pence	11.20p	28.49p	(60.7)%	

[1] Definitions of the alternative performance measures are set out on page 31.

Currency movements had a limited impact across the Group in both 2020 and 2019.

On a constant currency basis, growth in revenue was 3.3% (2019: 20.1%) and adjusted profit after tax reduced by 56.8% (2019: +7.7%).

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

Regional highlights

	Year to 31 December 2020 £m	**Year to 31 December 2019 £m**	**Total growth %**	**Growth at constant currency %**	**Organic growth %**
Revenue					
UK & Ireland	224.4	314.6	(28.7)	(28.7)	(28.7)
EMEA	331.1	321.0	3.2	2.2	(0.1)
Asia Pacific	44.5	50.6	(12.1)	(10.7)	(11.8)
North America	111.8	-	-	-	-
Total Global	**711.8**	**686.2**	**3.7**	**3.3**	**(14.1)**
Gross profit margin					
UK & Ireland	14.0%	17.6%	(3.6) ppts		
EMEA	13.8%	15.2%	(1.4) ppts		
Asia Pacific	15.3%	17.7%	(2.4) ppts		

North America	16.1%	-		
Total Global	**14.3%**	**16.5%**	**(2.2) ppts**	
Adjusted operating profit[1]				
UK & Ireland	3.9	19.9	(80.3)	(80.3)
EMEA	9.4	14.1	(33.4)	(33.9)
Asia Pacific	0.8	2.7	(69.8)	(69.6)
North America	4.9	-		
Group costs	(2.5)	(3.2)		
Total Global	**16.5**	**33.5**	**(50.6)**	**(50.8)**
Adjusted finance costs	(2.3)	(2.3)		
Adjusted profit before tax[1]	**14.2**	**31.2**	(54.6)	(54.7)

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

The financial performance of each segment during the year was:

UK and Ireland
The UK and Ireland segment revenue reduced by 28.7% (2019: -0.4%) to £224.4 million (2019: £314.6 million) generating gross profit of £31.3 million (2019: £55.3 million) at a gross profit margin of 14.0% (2019: 17.6%). This resulted in an adjusted operating profit of £3.9 million (2019: £19.9 million), a decrease of 80.3% (2019: +1.6%).

EMEA
The EMEA segment revenue grew 3.2% (2019: +44.6%) to £331.1 million (2019: £321.0 million). Gross profit reduced to £45.6 million (2019: £48.8 million) at a gross profit margin of 13.8% (2019: 15.2%) leading to an adjusted operating profit of £9.4 million (2019: £14.1 million) that reduced 33.4% (2019: +37.3%). In constant currency, revenue grew 2.2% (2019: +45.2%) and adjusted operating profit fell 33.9% (2019: +37.9%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, decreased by 0.1% (2019: +15.2%).

Asia Pacific
The Asia Pacific segment revenue declined 12.1% to £44.5 million (2019: +41.2% to £50.6 million) generating gross profit of £6.8 million (2019: £9.0 million) at a gross profit margin of 15.3% (2019: 17.7%). Adjusted operating profit was £0.8 million (2019: £2.7 million). On constant currency basis, revenue reduced by 10.7% (2019: +44.1%) and adjusted operating profit fell 69.6% (2019: -5.2%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, decreased by 11.8% (2019: +4.4%).

North America
The North America segment was new for 2020 following the acquisition of Starin in February 2020. Revenue from North America was £111.8 million, of which approximately half was attributable to fulfilment activity for a vendor relationship which will not continue into 2021. Gross margin at 16.1% was above the Group average due to the benefit of integration activity, including better working capital management and the exit of low margin vendor relationships. Adjusted operating profit was £4.9 million.

Group costs
Group costs for the year were £2.5 million (2019: £3.2 million). The decline in cost was largely due to savings in staff costs attributable to the impact of COVID-19, including temporary salary cuts, lower bonus costs and a small number of headcount reductions.

Adjusted finance costs
Adjusted finance costs at £2.3 million (2019: £2.3 million) reflect the interest costs on borrowings for historic acquisition investments and working capital. Reported finance costs of £8.3 million (2019: £1.2 million) include interest costs on Group borrowings, the change in valuation of both deferred consideration and put and call options and the currency revaluation of loans and financial instruments.

Profit before tax

The Group reported a loss before taxation of £1.0 million (2019: £23.8 million profit), while adjusted profit before tax reduced by 54.7% (2019: +8.5%), at constant currency, to £14.2 million (2019: £31.2 million).

Tax

The adjusted effective tax rate was 27.3% in 2020 (2019: 23.7%) which reflects an increase in the mix of profits arising in higher tax jurisdictions. Note, COVID-19 had a significant impact on mix in 2020.

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 -4.32p (2019: 21.67p). Diluted EPS was -4.32p (2019: 21.31p). Adjusted EPS reduced by 60.7% (2019: +4.7%) to 11.20p (2019: 28.49p).

Dividend

The Board took the appropriate decision to suspend dividend payments as part of its response to COVID-19. Disruption from the pandemic has continued into 2021 and, as such, the Board is not proposing a final dividend for 2020.

Cash flow

	Year to 31 December 2020 £m	Year to 31 December 2019 £m
Adjusted operating profit	16.5	33.5
Add back depreciation and unadjusted amortisation	6.2	5.5
Adjusted EBITDA	22.7	39.0
Decrease/(Increase) in stocks	34.9	(5.1)
Decrease/(Increase) in debtors	18.1	(7.7)
(Decrease)/Increase in creditors[1]	(31.6)	0.9
Adjusted cash flow from operations	44.1	27.1
Adjusted EBITDA cash conversion	194.4%	69.5%

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

The Group's adjusted operating cash flow conversion, calculated comparing adjusted cash flow from operations with adjusted EBITDA, was 194.4% compared to 69.5% for the prior year. The exceptional performance for the current year reflects a focus on cash and working capital management during the pandemic. Our expectation of long-term cash conversion remains between 70 and 80%.

Gross capital spend on tangible assets was £1.9 million (2019: £5.8 million). The reduction on prior year reflected a cautious approach to capital expenditure during the pandemic together with an exceptional investment of £1.5 million on our new UK facility in 2019. Intangible asset additions in 2020 include £1.1 million (2019: £1.8m) in relation to the Group's new ERP solution.

Net debt

Reported net debt reduced from £70.0 million at 31 December 2019 to £39.3 million at 31 December 2020. The Group's reported net debt continues to be impacted by the adoption of IFRS 16 in 2019 which resulted in approximately £17 million of lease liabilities being added to net debt. As noted in the prior year, the Group's focus is net debt excluding leases ("Adjusted net debt"). The impact of leases on net debt is excluded from the Group's main banking covenants.

Adjusted net debt at 31 December 2020 was £21.0m (2019: £53.3 million). The strong working capital performance together with the Group's response to the pandemic which focused on preserving cash, liquidity and headroom resulted in a significant reduction in net debt during the year. Adjusted net debt was also favourably impacted by the excess net proceeds from the placing undertaken in February 2020. This resulted in a net debt reduction of £5.3

million being the net placing proceeds of £38.9 million less Starin purchase price of £21.0 million, associated transaction costs of £0.3 million and net debt acquired of £12.3 million.

In January 2020, the Group increased its revolving credit facility to £50 million (£20 million at 31 December 2019) to support its acquisition strategy. This facility has an adjusted net debt to adjusted EBITDA covenant ratio of 2.75 times calculated on a historic 12-month basis.

Most of the Group's other borrowing facilities are to provide working capital financing. During the period, the Group arranged further flexibility in working capital financing including the addition of flexible term loans, inventory backed facilities and extended overdrafts in several countries. Whilst the use of such facilities has been limited, the additional headroom has enhanced the Group's access to liquidity. As at 31 December 2020, the Group has access to total facilities of over £170 million (2019: £115 million).

The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 0.9x (2019: 1.4x). This, combined with the Group's underlying cash generation, equips the Group well to fund short-term swings in working capital as the Group delivers organic growth as well as continue to pursue accretive acquisitions. The Group targets a long-term adjusted net debt to adjusted EBITDA range of 1.5x–2.0x.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £59.0 million (2019: £45.3 million) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2020, 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 and there was considerable focus on this during the year. At 31 December 2020, the Group had working capital (Trade and other receivables plus inventories less trade and other payables) of £79.3 million (2019: £85.8 million). This represented 11.1% of current year revenue (2019: 12.5%). The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from purchase date. In 2020 the Group reviewed and revised these percentages to reflect both the delays to market demand from COVID-19 and the Board's view that, as the Group mix has moved towards more specialist value added products, the average period for which inventory can be sold at above cost has increased. At 31 December 2020 the Group's inventory provision was £23.8 million (22% of cost) (2019: £13.3 million; 13% of cost). Had the Group maintained the previous percentages the inventory write down would have been £6.5m higher as at 31 December 2020.

Adjustments to reported results

	2020	**2019**
	£000	**£000**
Operating profit	**7,090**	**24,934**
Acquisition costs	526	356
Share based payments	2,562	2,874
Employer taxes on share based payments	130	427
Amortisation of brands, customer and supplier relationships	6,224	4,871
Adjusted operating profit	**16,532**	**33,462**
(Loss)/profit before tax	**(995)**	**23,781**
Acquisition costs	526	356
Share based payments	2,562	2,874
Employer taxes on share based payments	130	427

Amortisation of brands, customer and supplier relationships	6,224	4,871
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	2,282	(104)
Finance costs – deferred and contingent consideration	3,275	(949)
Finance costs – put option	154	(48)
Adjusted profit before tax	**14,158**	**31,208**
(Loss)/profit after tax	**(3,387)**	**18,200**
Acquisition costs	526	356
Share based payments	2,562	2,874
Employer taxes on share based payments	130	427
Amortisation of brands, customer and supplier relationships	6,224	4,871
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	2,282	(104)
Finance costs – deferred and contingent consideration	3,275	(949)
Finance costs – put option	154	(48)
Tax impact	(1,472)	(1,840)
Adjusted profit after tax	**10,294**	**23,787**
(Loss)/profit after tax	**(3,387)**	**18,200**
Non-controlling interest	(364)	(1,018)
(Loss)/profit after tax attributable to owners of the Parent Company	**(3,751)**	**17,182**
Number of shares for EPS	86,893,508	79,275,480
Reported EPS – pence	**(4.32)**	**21.67**
Adjusted EPS – pence	**11.20**	**28.49**

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 later in this document.

Consolidated income statement for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Revenue		711,754	686,240
Cost of sales		(609,961)	(573,133)
Gross profit		101,793	113,107
Distribution costs		(68,488)	(68,624)
Total administrative expenses		(28,225)	(23,132)
Other operating income		2,010	3,583
Operating profit		7,090	24,934
Comprising			
Adjusted operating profit		16,532	33,462

	Note		
Costs of acquisitions	3	(526)	(356)
Share based payments	9	(2,562)	(2,874)
Employer taxes on share based payments		(130)	(427)
Amortisation and impairments of brands, customer and supplier relationships		(6,224)	(4,871)
		7,090	24,934
Finance income		172	66
Finance costs	4	(8,257)	(1,219)
(Loss)/profit before taxation		(995)	23,781
Taxation		(2,392)	(5,581)
(Loss)/profit after taxation		(3,387)	18,200
(Loss)/profit for the financial year attributable to:			
The Company's equity shareholders		(3,751)	17,182
Non-controlling interest		364	1,018
		(3,387)	18,200
Basic earnings per share	5	(4.32)p	21.67p
Diluted earnings per share	5	(4.32)p	21.31p

Consolidated statement of comprehensive income for the year ended 31 December 2020

	2020 £'000	2019 £'000
(Loss)/profit for the financial year	(3,387)	18,200
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	(4)	(386)
Items that will be reclassified subsequently to profit or loss:		
Net (loss)/gain on net investment hedge	(194)	194
Foreign exchange gains and (losses) on consolidation	3,542	(3,115)
Other comprehensive income for the financial year, net of tax	3,344	(3,307)
Total comprehensive income for the year	(43)	14,893
Attributable to:		
Owners of the Parent Company	(878)	14,171
Non-controlling interests	835	722
	(43)	14,893

Consolidated statement of financial position as at 31 December 2020

	Notes	2020	2019
Assets		**£'000**	**£'000**
Non-current assets			
Goodwill		15,350	13,326
Intangible assets		43,631	31,974
Right of use assets		17,102	15,949
Property, plant and equipment		11,206	12,086
Deferred tax assets		2,386	2,169
		89,675	75,504
Current assets			
Inventories		83,995	88,691
Trade and other receivables		107,082	104,100
Derivative financial instruments		24	-
Cash and cash equivalents		25,485	13,015
		216,586	205,806
Current liabilities			
Trade and other payables		(110,136)	(106,342)
Derivative financial instruments		(1,094)	(132)
Put option liabilities over non-controlling interests		(1,306)	(3,490)
Deferred and contingent considerations		(7,012)	(4,133)
Borrowings and financial liabilities	6	(30,045)	(46,529)
Current tax		(638)	(2,331)
		(150,231)	(162,957)
Net current assets		66,355	42,849
Total assets less current liabilities		156,030	118,353
Non-current liabilities			
Trade and other payables		(1,708)	(665)
Put option liabilities over non-controlling interests		(3,337)	(3,799)
Deferred and contingent considerations		(465)	(2,796)
Borrowings and financial liabilities	6	(34,719)	(36,466)
Deferred tax liabilities		(7,011)	(6,850)
Other provisions		(2,303)	(2,484)
		(49,543)	(53,060)
Net assets		106,487	65,293
Equity			
Share capital	8	886	799
Share premium		67,047	28,225
Share based payment reserve		4,472	3,998
Investment in own shares		(6)	(5)
Retained earnings		30,436	31,867
Translation reserve		2,117	(954)
Hedging reserve		-	194
Put option reserve		(4,813)	(6,329)
Capital redemption reserve		50	50

Other reserve	150	150
Equity attributable to owners of the Parent Company	100,339	57,995
Non-controlling interests	6,148	7,298
Total equity	106,487	65,293

Consolidated statement of changes in equity for the year ended 31 December 2020

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

For the year ended 31 December 2019

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 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 8)	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 11)	-	-	-	-	(2,886)	(2,886)	2,884	(2)
Acquisition of non-controlling interest (note 10)	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

Consolidated statement of cash flows for the year ended 31 December 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
(Loss)/profit before tax	(995)	23,781
Depreciation	5,991	5,425
Amortisation	6,429	5,023
Loss on disposal of assets	1,122	50
Share based payments	2,562	2,874
Foreign exchange losses	(295)	(583)
Finance income	(172)	(66)
Finance costs	8,257	1,219
Profit from operations before changes in working capital	22,899	37,723
Decrease/(increase) in inventories	34,939	(5,110)
Decrease/(increase) in trade and other receivables	18,097	(7,686)
(Decrease)/increase in trade and other payables	(31,442)	1,293
Cash inflow from operations	44,493	26,220
Income tax paid	(4,372)	(8,844)
Net cash inflow from operating activities	40,121	17,376
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	(18,393)	(10,091)
Purchase of intangible assets	(1,730)	(1,977)
Purchase of plant and equipment	(1,860)	(5,793)
Proceeds on disposal of plant and equipment	306	417
Interest received	172	66
Net cash used in investing activities	(21,505)	(17,378)
Net cash flows from financing activities		
Gross proceeds on issue of shares	39,724	-
Costs associated with shares issued	(822)	
Proceeds on exercise of share options	5	-
Deferred consideration paid	(5,238)	(5,517)
Acquisition of non-controlling interest	(2,875)	-
Dividends paid	-	(12,340)
Invoice financing (outflows)/inflows	(32,191)	6,785
Proceeds from borrowings	4,796	13,099
Repayment of loans	(4,445)	(1,053)
Interest paid	(2,438)	(1,679)
Interest on leases	(362)	(379)
Capital element of lease payments	(4,226)	(2,627)
Net cash outflow from financing activities	(8,072)	(3,711)

Net increase/(decrease) in cash and cash equivalents	10,544	(3,713)
Cash and cash equivalents at beginning of financial year	11,497	16,357
Effects of exchange rate changes	1,754	(1,147)
Cash and cash equivalents at end of financial year	23,795	11,497
Comprising:		
Cash at bank	25,485	13,015
Bank overdrafts	(1,690)	(1,518)
	23,795	11,497

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 Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006.

These accounting policies comply with each IAS that is mandatory for accounting periods ending on 31 December 2020. 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.

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. There are no material uncertainties that cast significant doubt on the Group's ability to continue as a going concern. During 2020, the Group increased its revolving credit facility (RCF) and issued shares to support the Group's acquisitive growth strategy. At the start of the COVID-19 pandemic, the Board took early and decisive action to address the emerging risks and to preserve cash and liquidity. These actions resulted in a significant reduction in Group net debt during 2020. At end of 2020, 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.

Revenue

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 5-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 or as performance obligations are satisfied.

The Group often enters 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 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. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises a receivable in its statement of financial position.

The sale of goods for a fixed fee is recognised when or as the Group transfers control of the assets to 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 goods are either customised or sold together with significant services, the goods and services represent a single combined performance obligation over which control is considered to transfer over time. 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 ancillary service 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 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:

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

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

Property, plant and equipment

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

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

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

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed. Each asset's estimated useful life has been assessed for limitations in its physical life and for

possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively. The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

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

At each reporting date, the Group reviews the carrying amounts of non-current assets excluding goodwill to determine whether there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the estimate is the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount, then the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss is recognised as an expense immediately. An impairment loss recognised for goodwill is not reversed in subsequent periods. Where an impairment loss on other non-financial assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the income statement immediately.

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

Financial instruments
Financial instruments are 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.

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.

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

Foreign currency
The presentation currency for the Group's consolidated financial statements is Sterling. Foreign currency transactions by group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at rates in effect at the reporting date with any gain or loss on foreign exchange adjustments usually being credited or charged to the income statement within administrative expenses. The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate

at the reporting date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve. The balance of the foreign currency translation reserve relating to a subsidiary that is partially or fully disposed of is recognised in the income statement at the time of disposal.

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

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

Employment benefits
Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the reporting date, are recognised in accruals. Contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate. The Group operates defined benefit pension plans in the Netherlands and Switzerland, which require contributions to a separately managed funds. Both defined benefit pension plans are final salary pension schemes which provide members with a guaranteed income on retirement. Defined benefit pension scheme surpluses or deficits are calculated by independent qualified actuaries using actuarial assumptions applied to actual pension contributions and salaries. The actuarial assumptions include return on assets, inflation, life expectancy, mortality rates and expected retirement ages. Actuarial assumptions are updated annually to reflect changes in market conditions and all actuarial gains and losses are recognised in other comprehensive income.

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

Lease payments beyond a break clause or within an extension option are included in the measurement of present value provided it is reasonably certain that the lease will 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 present value of the leases. Lease payments are deducted from the lease liability.

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

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

Government grants relating to costs incurred are offset against the cost to which the grant relates in the income statement. Government grants in relation to employment support are offset against the employee costs in the income statement.

Government grants relating to the purchase of property, plant and equipment are deducted from the purchase price of the asset and credited to the income statement on a systematic basis over the expected useful life of the related asset.

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

Share based payments
Equity-settled share based payments are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of grant incorporating market based vesting conditions. The fair value of goods and services received is measured by reference to the fair value of options. The fair values of share options are measured using the Black Scholes model. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award

is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. Where an equity-settled award is forfeited during the vesting period, the cumulative charge expensed up to the date of forfeiture and is credited to the income statement.

Employee Benefit Trust

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

Segment reporting

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

New and amended International Financial Reporting Standards adopted by the Group

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

IBOR reform phase 1 amendments;
IFRS 3 amendment;
IFRS 16 amendment;
New definition of materiality; and
Updated references to the conceptual framework.

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

International 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 IAS and they may not be directly comparable with other companies' adjusted measures. These non-GAAP measures are not intended to be a substitute for any IAS measures of performance, but management has included them as they consider them to be key measures used within the business for assessing the underlying performance.

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

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

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

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

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

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

Adjusted EPS: This is adjusted profit after tax attributable to equity shareholders of the Company divided by the weighted number of shares outstanding.

Adjusted net debt: This is net debt excluding leases.

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

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

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

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

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

The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from purchase date. In 2020 the Group reviewed and revised these percentages to reflect both the delays to market demand from COVID-19 and the Board's view that, as the Group mix has moved towards more specialist value added products, the average period for which inventory can be sold at above cost has increased. At 31 December 2020 the Group's inventory provision was £23,850k (22% of cost) (2019: £13,305k; 13% of cost). Had the Group maintained the previous percentages the inventory write down would have been £6.5m higher as at 31 December 2020.

Fair value of separately identifiable intangible assets in business combinations
The Group is required to calculate the fair value of identifiable assets and liabilities acquired in business combinations. To estimate the fair value of separately identifiable assets in business combinations certain assumptions must be made

about future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. The fair values of assets and liabilities acquired in business combinations are disclosed in note 11.

Contingent considerations and put option liabilities

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

2. Segmental reporting

Operating segments

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

2020	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	224,386	331,115	44,476	111,777	-	711,754
Gross profit	**31,321**	**45,635**	**6,821**	**18,016**	**-**	**101,793**
Gross profit %	14.0%	13.8%	15.3%	16.1%	-	14.3%
Adjusted operating profit	**3,916**	**9,393**	**820**	**4,909**	**(2,506)**	**16,532**
Costs of acquisitions	-	-	-	-	(526)	(526)
Share based payments	(1,141)	(799)	(218)	(3)	(401)	(2,562)
Employer taxes on share based payments	(46)	(31)	(7)	(-)	(46)	(130)
Amortisation of brands, customer and supplier relationships	(2,490)	(2,285)	(270)	(1,179)	-	(6,224)
Operating profit	**239**	**6,278**	**325**	**3,727**	**(3,479)**	**7,090**
Interest						(8,085)
(Loss)/profit before tax						**(995)**

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

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	25,959	63,716	89,675

2019	UK & Ireland £'000	EMEA £'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**	**EMEA £'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

Revenue from the UK, being the domicile of the Parent Company amounted to £208,601k (2019: £291,576k).

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

In addition to the external revenue reported by segment the UK & Ireland segment made £3,660k of intercompany sales, the EMEA segment made £1,278k of intercompany sales, and the North America segment made £652k of intercompany sales. There were no intersegment sales during the prior year.

Sales to the largest customer

Included in revenues arising in 2020 are revenues of £17.3m (2019: £12.8m) that arose from sales to the Group's largest customer, which is based in the United States of America (2019: Germany). No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Administrative expenses

Administrative expenses in the period include £526k of acquisition related costs (2019: £356k). For details of acquisitions in the year see note 11.

4. Finance costs

	2020 £'000	**2019 £'000**
Interest on overdraft and invoice discounting	1,194	1,176
Interest on leases	362	379
Interest on loans	830	517

Fair value movements on foreign exchange derivatives	156	246
Other interest costs	4	2
Fair value movements on derivatives for borrowings	1,194	42
Foreign exchange gains on borrowings for acquisitions	1,088	(146)
Interest, foreign exchange and other finance costs of deferred and contingent considerations	3,275	(949)
Interest, foreign exchange and other finance costs of put option liabilities	154	(48)
	8,257	1,219

5. Earnings per share

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

	2020	2019
(Loss)/profit attributable to equity holders of the Group (£'000)	(3,751)	17,182
Weighted average number of shares in issue	86,893,508	79,275,480
Potentially dilutive effect of the Group's share option schemes	1,242,399	1,334,953
Weighted average number of diluted Ordinary Shares	88,135,907	80,610,433
Basic earnings per share	(4.32)p	21.67p
Diluted earnings per share	(4.32)p	21.31p

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

6. Borrowings

	2020 £'000	2019 £'000
- Bank overdrafts and invoice discounting	22,448	41,134
- Bank loans	24,042	24,805
- Leases	18,274	16,708
	64,764	82,647
Unsecured – at amortised cost		
- Unsecured loan notes	-	348
Total secured and unsecured borrowings	64,764	82,995
Current	30,045	46,529
Non-current	34,719	36,466
	64,764	82,995

Summary of borrowing arrangements:
The Group has overdraft borrowings which comprised £1,690k at the end of 2020 (2019: £1,519k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group has invoice discounting borrowings which comprised £20,758k at the end of 2020 (2019: £39,615k). 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. Included within invoice discount borrowings as at 31 December 2020 is £1,032k that relate to facilities acquired as part of the Starin acquisition.

The Group has loans of £24,042k at the end of 2020 (2019: £25,153k). The loans are secured with fixed and floating charges over the assets of the Group. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has leases of £18,274k at the end of 2020 (2019: £16,708k). Included within leases as at 31 December 2020 is £1,690k that relates to operations acquired as part of the Starin acquisition.

Borrowings

	2020 £'000	2019 £'000
Short term borrowings	27,292	43,897
Long term borrowings	19,198	22,390
Leases	18,274	16,708
	64,764	82,995

Reconciliation of liabilities arising from financing activities

	2020 £'000	2019 £'000
At 1 January	82,995	52,946
Cash flows:		
Invoice financing (outflows)/inflows	(32,191)	6,785
Proceeds from borrowings	4,968	14,285
Repayment of loans	(4,445)	(1,053)
Capital element of leases	(4,226)	(2,627)
Non-cash:		
Acquisitions	13,334	7,362
New liabilities arising on leases	3,792	5,759
Foreign exchange gain or loss	537	(462)
At 31 December	64,764	82,995

7. Financial instrument risk exposure and management

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

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

Credit risk

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

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 2020 total credit risk amounted to £117,611k (2019: £107,859k).

Interest rate risk
The interest on the Group's overdrafts, invoice discounting facilities and Revolving Credit Facility borrowings are variable. During the prior 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 £465k (2019: £663k).

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

	Annual average		**Year end**	
	2020	**2019**	**2020**	**2019**
EUR/GBP	1.127	1.135	1.112	1.177
AUD/GBP	1.858	1.828	1.763	1.883
NZD/GBP	1.969	1.929	1.885	1.960
USD/GBP	1.287	1.272	1.365	1.321
CHF/GBP	1.207	1.267	1.220	1.277
NOK/GBP	12.086	11.204	11.627	11.607

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

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

(Loss)/profit before tax

	2019	**Revised 2019**	**Impact**	**Impact**
	£'000	**£'000**	**£'000**	**%**

EUR	23,781	23,922	141	0.6%
AUD	23,781	23,755	(26)	(0.1)%
NZD	23,781	23,778	(3)	-
USD	23,781	23,780	(1)	-
CHF	23,781	23,800	19	0.1%
NOK	23,781	23,743	(38)	(0.2)%
All currencies	23,781	23,873	92	0.4%

Net assets

	2019	Revised 2019	Impact	Impact
	£'000	£'000	£'000	%
EUR	65,293	67,944	2,651	3.9%
AUD	65,293	65,512	219	0.3%
NZD	65,293	65,311	18	-
USD	65,293	65,294	1	-
CHF	65,293	65,262	(31)	-
NOK	65,293	65,290	(3)	-
All currencies	65,293	68,148	2,855	4.2%

Liquidity risk

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

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

See note 6 for details of borrowing arrangements.

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2020 and 2019, on the basis of their earliest possible contractual maturity:

At 31 December 2020

	Total	Within 2 months	Within 2 -6 months	Between 6 – 12 months	Between 1-2 years	After than 2 years
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	82,323	78,393	3,930	-	-	-
Other payables	125	39	-	86	-	-
Deferred consideration	7,625	7,015	-	-	-	610
Put option liabilities	4,892	-	-	1,363	3,529	-
Leases	19,732	487	1,062	1,512	2,786	13,885
Accruals	17,133	12,083	2,127	1,215	632	1,076
Bank overdrafts, loans and invoice discounting	46,490	24,988	1,093	1,211	1,291	17,907
	178,320	123,005	8,212	5,387	8,238	33,478

At 31 December 2019

	Total	Within 2 months	Within 2 -6 months	Between 6 – 12 months	Between 1-2 years	After than 2 years

	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	81,761	76,031	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	13,033	11,275	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

8. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2020 Number	2020 £'000	2019 Number	2019 £'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	79,973,412	799	79,448,200	794
Shares issued	8,631,300	87	525,212	5
At 31 December	88,604,712	886	79,973,412	799

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

Employee benefit trust

The Group's employee benefit trusts were allocated 480,700 Ordinary Shares in 2016, a further 225,000 shares in 2019 and 686,500 in 2020. During the year 569,600 (2019: 229,000) of these shares were distributed employees on the exercise of share options leaving 593,600 Ordinary Shares held in the Group's employee benefit trusts as at 31 December 2020 (2019: 476,700).

9. Other reserves

Movement in other reserves for the year ended 31 December 2020

	Share based payment reserve £'000	Translation reserve £'000	Hedging reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2020	3,998	(954)	194	(6,329)	50	150	(2,891)
Other comprehensive income	-	3,071	(194)	-	-	-	2,877
Total comprehensive income for the year	-	3,071	(194)	-	-	-	2,877
Share based payments	2,562	-	-	-	-	-	2,562
Deferred tax on share based payments	(232)	-	-	-	-	-	(232)
Share options exercised	(1,856)	-	-	-	-	-	(1,856)

Acquisition of non-controlling interest (note 10)	-	-	-	1,516	-	-	1,516
Balance at 31 December 2020	4,472	2,117	-	(4,813)	50	150	1,976

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 11)	-	-	-	(2,886)	-	-	(2,886)
Acquisition of non-controlling interest (note 10)	-	-	-	1,089	-	-	1,089
Balance at 31 December 2019	3,998	(954)	194	(6,329)	50	150	(2,891)

10. Acquisition of non-controlling interest

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

During the prior year, 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.

11. Business combinations

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

Subsidiaries acquired:

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

EES	Distribution of lighting products to trade customers	1 July 2019	100%	3,245
AV Partner	Distribution of audio visual products to trade customers	3 May 2019	100%	5,467
Prase	Distribution of audio visual products to trade customers	31 January 2019	80%	11,534
MobilePro	Distribution of audio visual products to trade customers	17 January 2019	100%	882

In addition to the acquisition of subsidiaries listed above the Group also acquired trade and assets from Vantage Systems Pty Limited ("Vantage"), a company registered in Australia.

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

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

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

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

Gross contractual amounts of trade and other receivables acquired in 2020 were £21,977k, with bad debt provisions of £897k.

Net cash outflow on acquisition of subsidiaries 2020

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

Post-acquisition contribution 2020

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

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

Proforma full year contribution 2020

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

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

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

[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 IAS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IAS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2020, together with the consequential tax effects.

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**	**Prase**	**AV Partner**	**EES**
	£'000	**£'000**	**£'000**	**£'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 EMEA segment.

Gross contractual amounts of trade and other receivables acquired in 2019 were £13,276k, with bad debt provisions of £59k.

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 IAS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IAS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2019, together with the consequential tax effects.

12. Dividends

The Company did not pay any dividends during the year. During the prior year, the Company paid dividends of £12,305k, excluding the effects of waived dividends this equated to 15.45 pence per share.

13. Events after the reporting date

On 1 January 2021, the Group acquired the trade and assets of Nicolas M. Kvernitis Electronics ENT, a business based in Dubai in the United Arab Emirates, NMK Middle East FZE, a company based in Dubai in the United Arab Emirates and Edge Electronics Trading LLC, a company based in Doha, Qatar. The businesses specialise in the distribution of professional audio products to the trade market.

The acquisition of the three enterprises was made through Midwich International Limited an 80% owned subsidiary that was incorporated with the sellers of the acquired businesses as a non-controlling interest for the purpose of the acquisition.

The initial consideration was AED 49,750k with a deferred consideration of AED 21,000k payable in June 2021. Put and call options were granted over the non-controlling interest in Midwich International Limited to the holders of the non-controlling interest and Group respectively. The put and call options will have an exercisable value in March 2024 of between AED 26,500k and AED 46,000k depending on the average performance of the enterprises during the 2021-2023 financial years.

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.