14 March 2017

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

Preliminary Results

Midwich, the leading specialist audio visual and document solutions distributor to the trade market, today announces its maiden Preliminary Results for the year to 31 December 2016.

£000	Year to 31-Dec-16	31-Dec-15	*% change*
Revenue	**370,142**	**314,283**	*17.8%*
Gross Profit	**56,461**	**46,961**	*20.2%*
Gross profit %	*15.3%*	*14.9%*	
Operating profit	**14,487**	**12,641**	*14.6%*
Adjusted operating profit (1)	**18,542**	**15,168**	*22.2%*
Adjusted operating profit %	*5.0%*	*4.8%*	
Profit before tax	**12,102**	**8,558**	*41.4%*
Adjusted profit before tax(2)	**17,912**	**14,582**	*22.8%*
Adjusted profit before tax %	*4.8%*	*4.6%*	
Profit after tax	**8,560**	**5,812**	*47.3%*
Adjusted profit after tax(2)	**14,365**	**11,733**	*22.4%*
Reported EPS – pence	**10.92**	**7.14**	*52.9%*
Adjusted EPS – pence(2)	**18.63**	**15.59**	*19.5%*
Dividend per Share (for 8 month period) – pence	**8.62**	**-**	*n/a*
Net debt	**14,967**	**29,774**	

Financial Highlights

- Revenue increased by 17.8% from £314.3m to £370.1 million (15.1% on a constant currency basis)
- Gross profit margin increased by 0.4% driven by an improving product mix
- Adjusted operating profit increased by 22.2% from £15.2m to £18.5m (19.7% on a constant currency basis)
- Adjusted profit before tax(2) grew 22.8% from £14.6m to £17.9m (20.1% on a constant currency basis)
- Conservative balance sheet with net debt of £15.0 million (76% of Adjusted EBITDA(3))
- Recommended final dividend payment of 7.09 pence per share (2015: nil) taking the total dividend payment for the 8 months from IPO to 31 December 2016 to 8.62 pence per share

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Operational highlights

- Improved revenue and net profits across all territories driven by impressive growth in the audio visual business and the continued roll out of technical brands overseas
- Successfully listed on AIM in May 2016, positioning the Group well for its next stage of development and providing a strong platform for future growth
- Acquisition of a majority stake in Holdan Limited – a trade only distributor of professional video products
- Launch with significant new vendors including SMART Technologies in the UK and Ireland, and Biamp in Australia

(1) Adjusted operating profit has been calculated after adding back costs related to the initial public offering, acquisition costs, share based payments and amortization.

(2) Adjusted profit before tax and profit after tax have been calculated after adding back costs related to the initial public offering, acquisition costs, share based payments, amortization, put and call option finance costs and loan note interest incurred prior to the IPO.

(3) Adjusted EBITDA calculated as Adjusted operating profit after adding back depreciation and amortisation for the year being £19.7m (2015: £16.0m).

There will be a presentation for analysts at 9:30am today, 14 March 2017, at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD.

Stephen Fenby, Managing Director of Midwich Group Plc, said:
"2016 was a transformational year for Midwich with our successful IPO on AIM in May positioning the Group well for its next stage of development. Post-IPO, we also acquired a majority stake in Holdan Limited and the trade and assets of Wired Limited, further strengthening Midwich's market position in the UK and Australasia respectively.

"The Group delivered strong revenue and profit growth in 2016 and I am pleased to report that trading in the first few months of 2017 has built on the good growth we saw last year giving the Board confidence in delivering a result in 2017 in line with its expectations."

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Notes to Editors

Midwich Group is a specialist Audio Visual ('AV') and document solutions distributor to the trade markets, operating across the UK, Ireland, France, Germany, Australia and New Zealand.

The Group's staff of over 500, who operate out of 12 offices, are dedicated to continually enhancing our technical expertise, building extensive product knowledge and delivering strong customer service.

We have a large and diverse base of approximately 10,000 customers and long-standing relationships with over 300 vendors, including blue chip organisations.

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The Group supports a comprehensive product portfolio across major technology categories such as large format displays, projectors, digital signage and document solutions.

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Chairman’s Statement

This is my first statement since joining the Board and becoming Chairman as part of the Group’s IPO in May 2016. I am pleased to report that Midwich has delivered a strong set of results in its first year as a public company, achieving both revenue and profit growth across all of its markets and geographies and carrying good momentum into 2017. Revenue growth for this year of 15.1% at constant currency to £370.1 million reflects an impressive level of organic growth across the business along with the successful acquisition of Holdan Limited contributing from part way through the year.

I was delighted to be asked to join the Board of Midwich and have enjoyed working with the team this year. Midwich is a leading business in its markets with an impressive track record of consistent growth while delivering excellent service to both its customers and vendors. As a Board, we are focused on delivering profitable growth and enhancing the capabilities and reach of the Group in its core business areas.

Strategy

As stated at the time of IPO, the Group's strategy for growth is both organic and inorganic, reflecting the contributors to the successful growth track record in recent years.

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

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

Dividend

Since IPO in May 2016, the Board has adopted a progressive dividend policy to reflect the Group’s strong earnings and cash flow while maintaining an appropriate level of dividend cover to allow the Board to invest in the Group’s long term growth.

The Board has recommended a final dividend of 7.09 pence per share (2015: nil) which, if approved will be paid on 21 April to shareholders on the register on 24 March. With the interim dividend declared in September 2016, this represents a total dividend for the period Midwich has been listed to 31 December 2016 of 8.62 pence per share.

Board

Michael “Mike” Ashley and I joined the Board as Non-Executive directors at the time of the IPO in May 2016. Since that time, we have worked closely with the executive members of the Board and Midwich’s senior management team to help with the transition to being a public company. I believe we have been successful in establishing a strong corporate governance framework within the business and that Midwich has an experienced Board and management team in place to help grow the business to the benefit of our customers, our vendors, our employees and our shareholders.

People

The success of any company is down to the quality of its leadership and its people. I am very impressed with the skill, commitment and drive of all of Midwich’s people and they continue to be the key to the Group’s strong track record and continued future success. I would like to thank everyone, across all levels and markets on behalf of the Board for their commitment and hard work that has been the key to delivering these impressive results.

Initial public offering and change of name

On 6 May 2016, the Company was admitted to trading on the AIM market of the London Stock Exchange marking a new chapter in the Group’s history. The successful listing has provided the Group with a stable capital base on which to progress further its growth objectives. As part of the process towards delivering a successful initial public offering of the Group, on 15 April 2016, the Company changed its name from Jade 320 Limited to Midwich Group Limited. On the same date the Company re-registered from a Private to a Public Limited Company, becoming Midwich Group Plc.

Andrew Herbert
Chairman

Managing Director's Review

DELIVERING OUR GROWTH PLANS

2016 was an important and transformative year for Midwich, with the business continuing to build on its leading position as a trade-only distribution partner in all its key markets as well as joining the AIM market as a public company. I am very pleased to report that we have been successful in delivering good growth across all the Group's businesses and regions at both a revenue and profit level. As well as impressive organic growth, we have also been successful in using targeted acquisitions to drive future growth as well as build our expertise in a broader range of markets and products.

Strong financial performance

Midwich has delivered a strong growth performance in 2016 with revenue for the year increasing by 15.1% on a constant currency basis to £370.1 million (2015: £314.3 million). This resulted from revenue growth across all regions within the Group, but particularly strong growth in Germany, France and Australia.

Group gross profit increased by 20.2% to £56.5 million (2015: £47.0 million). The growth in gross profit represented a further increase in the Group's gross margin from 14.9% to 15.3%. This increase was delivered through the Group's focus on margins and driving improvement through improving product mix and working closely with vendors and customers alike to add value to both in the supply chain. The growth in Technical Video, LED and Rental sectors also helped improve margins. Midwich has now successfully increased the Group gross margin every year for the last 10 years.

Our adjusted operating profit margin improved from 4.8% to 5.0%. Adjusted profit after tax increased 22.4% to £14.4 million (2015: £11.7 million) and adjusted earnings per share increased 19.5% to 18.6 pence (2015: 15.6 pence). Reported profit before tax was £12.1 million (2015: £8.6 million) and reported earnings per share increased to 10.9 pence (2015: 7.1 pence).

Our business model

Midwich is a specialist distributor serving only the trade market and specialising on audio visual equipment and document solutions. With initial operations in the UK, the Group has expanded its footprint to include Ireland, France, Germany and Australasia. In 2006 the Group started a programme of acquiring smaller businesses which provided it with access to new product, sector or geographical markets. Our general strategy was to acquire businesses which not only added to the Group's capabilities, but which provided exciting opportunities for growth. We continue to have significant success with this strategy.

We believe that our primary role as a distributor is to facilitate growth in the markets in which we operate. We help our manufacturer partners to gain access and grow their businesses in geographical and vertical markets.

The Group's long-standing relationships with over 300 vendors, including blue-chip organisations such as Samsung, LG, Epson and NEC, supports a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, digital signage and printers. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets. We 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 offers a range of support to our customers, including demonstrating products, training their staff, providing technical assistance through to logistics and post-sales support. We have a large and diverse base of over 10,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality. Although the Group does not sell directly to end users, we believe that the majority of our products are used by commercial and educational establishments rather than consumers.

Midwich has an established track record of acquiring complementary businesses and then assisting them to grow significantly. Over the past four years around one third of turnover and profit growth has derived from acquired businesses, with the majority of growth being organic. Between 2006 and 2008 our acquisition strategy was focused primarily on adding more technical businesses into the UK company. From 2009 onwards the focus turned to expanding the business outside the UK, with a primary drive to have a presence in the three largest European AV markets (the UK, France and Germany). The Group trades as Sidev in France, Kern & Stelly in Germany and Square One Distribution in Ireland.

A continually evolving and growing market sector

Our addressable market in professional audio visual solutions covers areas such as sound, video, lighting, display and projection systems, and are prevalent and relied upon in many areas of daily life – at home, in transit, at the workplace and in a wide range of retail, leisure and recreational uses. The application of AV systems is found in areas such as collaborative conferencing, and digital signage solutions, with end users broadly covering the corporate, events, government, education, retail, hospitality, healthcare and residential markets. The increased use of all this technology is being driven by a number of inter-related factors, such as an increased pace of both technological advancements and technology adoption, changes to working day practices, continued technology convergence, and evolving social and consumer trends. Economic recovery since the global recession has also been beneficial for the AV market, albeit even a more benign corporate and consumer investment environment failed to significantly dampen growth in the market.

In addition to this increased use of our core product sets by end users, the recent trend in the AV market has been towards increased use by large manufacturers of distributors as intermediaries in the AV supply chain, driven by economic factors (vendors trying to reduce costs and financial risk) and growth aspirations (vendors seeking to maximise growth prospects for expanded product lines by an increased distribution reach).

Key events in 2016

This year has seen a number of important events for our business. In May, Midwich was admitted to AIM in order to provide the Group with a stable independent ownership structure and a long-term framework to support future growth and investment. Furthermore, the IPO has positioned the Group for its next stage of development by:

- Enhancing the Group's public profile and status with vendors and customers;
- Ensuring stability as a result of independent ownership as a public company, which the Directors considered will be beneficial to employees, vendors and customers;
- Assisting in the incentivisation and retention of key management and employees;
- Providing the Group with access to the capital markets as necessary in the future;
- Providing long-term liquidity in the Company's shares; and
- Providing selling shareholders with an opportunity to realise a portion of their long-term investment in the Group and allowing the Company to secure a more diverse shareholder base.

We are delighted that our first year on the market has lived up to expectations.

The issue of New Ordinary Shares at the time of the IPO raised approximately £24.2 million after commissions, fees and expenses. These net proceeds have strengthened the balance sheet of the Group and provided increased capacity to finance growth.

In September part of the proceeds of the IPO were used in the acquisition of Holdan Limited and the acquisition of the trade and assets of Wired Limited.

Holdan is a value-added distributor of technology solutions focused on the broadcast, professional video and traditional audio-visual markets. Holdan is a leader within the UK broadcast market, and has a significant and growing export business and increases the Group's exposure to this growing market segment. Wired is a small New Zealand based AV distributor with offices in Wellington and Auckland specialising in HD distribution solutions for the domestic and commercial market. The acquisition augments Midwich's existing market position and capability in the Australian and New Zealand markets.

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Operational review

The Group operates on a geographical basis with entities in the relevant jurisdiction to service the local market.

UK and Ireland
The UK and Ireland segment is our most established division. We improved turnover by 11.5%, helped by the acquisition of Holdan in September 2016, and the full year impact of the acquisition of PSCo in April 2015. Underlying revenue growth was 6.1%. Revenue decline in the document solutions product set was largely compensated for by an improvement in the gross margin percentage.

The displays product set (comprising principally large format, LED and interactive displays, and televisions) grew significantly. The strongest growth was achieved in the interactive display business, helped by the launch of the SMART brand in the second half of the year.

France
In France, Sidev had a very successful year, improving revenue by 39.3% to £33.4 million (2015: £24.0 million). A significant proportion of the sales growth was in large format displays, although the lower gross margin in this product set contributed to a small decline in the division's overall gross margin percentage. As this business grows we hope to be able to improve the gross margin through additional buying economies and careful vendor selection. The growth in revenue, combined with an improvement in operating leverage, led to underlying operating profit more than doubling to £1.1 million (2015: £0.5 million).

Germany
In Germany, Kern & Stelly (K&S) performed very strongly, with revenue growth of 26.0% to £64.3 million (2015: £51.0 million). A focus on higher-end projectors and technical products helped to improve the gross margin percentage. Sales of displays increased at a faster rate than for the Company as a whole, as K&S grows its share of this faster expanding segment. Adjusted operating profit improved by 34.5% to £3.9 million (2015: £2.9 million).

Australasia
Midwich Australia achieved a 42.8% growth in sales from £17.9 million to £25.5 million. Growth was achieved in all major product categories, but particularly in the higher margin technical and audio areas. The acquisition of the small Wired business in New Zealand is helping to build the critical mass of our operation in that country. Adjusted operating profit in Australasia increased by 124.5% from £0.7 million to £1.6 million.

Product offering
The Group distributes and provides technical support for a comprehensive range of technologies. The range of products varies across the geographies with the UK and Ireland offering the largest suite of product options.

Technologies
Displays is the largest technology category for the Group, accounting for 40.4% of Group turnover in 2016 (2015: 37.0%). It grew 28.8% in the year, with particularly impressive levels of growth seen in Germany, France and Australasia.

Projection represents 23.9% of Group turnover (2015: 25.8%) and grew 9.4% in the year, thanks mainly to double digit growth in Germany and France.

At 11.5% of Group sales (2015: 15.6%), Document Solutions (printers, scanners and consumables) which is only sold in the UK and Ireland, is the Group's third largest technology. Revenues in this technology declined by 13.4% in the year.

Sales of Technical products which include the Audio, Security, Broadcast and Technical Commercial and Technical Consumer AV categories, rose 52.2%, partly thanks to the acquisition of Holdan but also thanks to very strong growth in this category in Australasia, Germany and France. Technical products constitute 14.5% of Group sales in the year (2015: 11.2%).

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Overview of Group strategy

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

Our overall strategy focuses on:

- technology, product and vendor selection in established markets, in order to maximise the value we can add to customers;
- gaining profitable market share in developing markets; and
- identifying profitable new markets (whether geographical, customer or technology) which the Group can enter, either through acquisition or through a new start-up.

Outlook

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

We are pursuing acquisition opportunities that would fit within our strategic focus of adding new product ranges, capabilities or geographies to our existing portfolio.

The Board is continuing to pursue the strategy detailed at the time of the IPO, and is pleased with the progress made since Admission. Trading in the first few months of 2017 has built on the good growth we saw through last year giving the Board confidence in delivering results in 2017 in line with its expectations.

Stephen Fenby
Managing Director

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Financial review

Trading results

The Group enjoyed a solid first year as a public company.

Turnover of £370.1m (2015: £314.3m) represented growth of 17.8%. With the gross profit margin rising 0.4% to 15.3%, the Group generated absolute growth in gross profit of £9.5m. This translated into adjusted operating profit of £18.5m, growth of £3.4m or 22.2% year on year. Before adjustments, operating profit grew from £12.6m to £14.5m.

A weakening sterling, primarily against the Euro and especially in the second half of the year, boosted our overseas earnings. On a constant currency basis, our growth in turnover and PAT were 15.1% and 20.0% respectively.

Segmental Review

Each of the trading segments performed strongly.

UK & Ireland

£m	**Year to 31 December 2016**	Year to 31 December 2015
Revenue	**247.0**	221.4
Adjusted operating profit	**12.0**	11.0

UK revenue grew 11.5% to £247.0m, generating gross profit of over £39.3m at a gross profit margin of 15.9% and adjusted operating profit of £12.0m, representing growth of 9.1%. Organic revenue growth was 6.0%.

Germany

£m	**Year to 31 December 2016**	Year to 31 December 2015
Revenue	**64.3**	51.0
Adjusted operating profit	**3.9**	2.9

Revenue in Germany grew 26.0% to £64.3m with Kern and Stelly's operating profit growing 34.5% to £3.9m including the benefit of a 0.7% rise in gross profit margin to 13.2%. In constant currency, revenue and operating profit grew 18.0% and 26.0%, respectively.

France

£m	**Year to 31 December 2016**	Year to 31 December 2015
Revenue	**33.4**	24.0
Adjusted operating profit	**1.1**	0.5

Sidev, in France, was able to double its adjusted operating profit on revenue growth of 39.3% and despite the gross profit margin falling 0.2% to 13.5%. In constant currency, revenue and operating profit grew 30.0% and 91.0%, respectively.

Australasia

£m	**Year to 31 December 2016**	Year to 31 December 2015
Revenue	**25.5**	17.9
Adjusted operating profit	**1.6**	0.7

Midwich Australia's adjusted operating profit grew 124.0% to £1.6m as a result of revenue growth of 43.0% to £25.5m and an increase in gross profit margin of 1.9% to 16.2%. In constant currency, revenue and operating profit grew 34.0% and 111.0%, respectively.

Profit before Tax

Profit before tax for the year increased by 41.4% to £12.1m (2015: £8.6m), while adjusted profit before tax for the year increased by 22.8% to £17.9m (2015: £14.6m).

Tax

The effective tax rate was 22.7% in 2016, representing a small increase on 2015. Sidev, which is based in France, exhausted its cumulative losses in the course of 2016 and began to pay a full rate of corporate tax in the year however the Group benefitted from a positive adjustment to tax payable brought forward into the year in PSCo (UK) and in Midwich Australia.

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 10.9p (2015: 7.1p), representing growth of 52.9%. Diluted EPS was 10.9p (2015: 7.1p).

Dividend

The Board has proposed a final dividend of 7.09p per share which, together with the interim dividend of 1.53p paid in October 2016 gives a final dividend of 8.62p for the 8 months since listing. If approved by shareholders at the general meeting, the final dividend will be paid on 21 April 2017 to those shareholders on the register on 24 March.

Cash flow

£m	**Year to 31 December 2016**	Year to 31 December 2015
Adjusted operating profit	**18.5**	15.2
Add back Depreciation	**1.2**	0.8
Adjusted EBITDA	**19.8**	16.0
Increase in stock	**(8.4)**	(1.3)
Increase in debtors	**(5.9)**	(3.2)
Increase in creditors	**3.3**	9.1
Adjusted cash flow from operations	**8.8**	20.6
EBITDA cash conversion	***44.5%***	*128.8%*

Following the strong trading result in the year, the Group's adjusted operating cash flow conversion, calculated comparing adjusted cash flow from operations with adjusted EBITDA, dropped to 44.5% compared to 128.8% for the prior year. The reduction in the year was expected and was primarily a result of an abnormally low level of net working capital in the 2015 year-end position of the Group, particularly in Germany. The reversal of this in the first quarter of 2016 caused the apparent shift in use of cash. The Board is content that this was a timing issue and that, over a two-year period, cash flows are normal.

Gross capital spend was £2.3m including approximately £0.8m which was incurred in the last quarter by Holdan for the freehold acquisition of its new site. Rental assets accounted for £0.7m of this spend. Excluding these two items, capital spend was £0.8m.

Net debt

At 31 December 2016, the Group had net debt of £15.0m (2015: £29.8m). The Group has a strong Balance Sheet with closing net debt/EBITDA ratio of just 76%. 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 to continue its buy and build strategy where appropriate opportunities arise. Borrowings of £35.1m at 31 December 16 compare to facilities totalling £55.2m at that date.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £23.4m (2015: £22.8m) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2016, 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.

ADJUSTMENTS TO REPORTED RESULTS

	2016	2015
	£000	£000
Operating profit	**14,487**	**12,641**
IPO and acquisition costs	1,300	54
Share based payments	75	-
Amortisation	2,680	2,473
Adjusted operating profit	**18,542**	**15,168**
Profit before tax	**12,102**	**8,558**
IPO and acquisition costs	1,300	54
Share based payments	75	-
Amortisation	2,680	2,473
Finance costs – put and call option	1,729	2988
Finance costs – interest on loan notes and preference shares	26	509
Adjusted profit before tax	**17,912**	**14,582**
Profit after tax	**8,560**	**5,812**
IPO and acquisition costs	1,300	54
Share based payments	75	-
Amortisation	2,680	2,473
Finance costs – put and call option	1,729	2,988
Finance costs – interest on loan notes and preference shares	26	509
Tax impact – at 20% / 20.25%	(5)	(103)
Adjusted profit after tax	**14,365**	**11,733**
Profit after tax	**8,560**	**5,812**
Non-controlling interest	344	807
Profit after tax attributable to owners of the parent	**8,216**	**5,005**
Number of shares for EPS	75,247,380	70,070,235
Reported EPS – pence	**10.92**	**7.14**
Adjusted EPS – pence	**18.63**	**15.59**

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Principal Risks

Dependence on key personnel

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

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

Expected benefits from acquisitions may not be realised

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

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

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

Loss of key customers

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

The Group does have a very large customer base of approximately 10,000 AV integrators and IT resellers many of whom have long term relationships with it. The diversity of the Group's customer base is demonstrated by the fact that that no customer accounted for more than 2.4% of overall Group revenues for the year ended 31 December 2016. By providing a best in class service in terms of stock availability, logistics and credit capacity, the Group intends to continue to keep our customer base satisfied.

Loss of key vendors

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

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

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Consolidated Income Statement for the year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
Revenue		370,142	314,283
Cost of sales		(313,681)	(267,322)
Gross profit		56,461	46,961
Distribution costs		(35,520)	(30,037)
Total administrative expenses	2	(9,234)	(6,751)
Other operating income		2,780	2,468
Operating profit		14,487	12,641
Comprising			
Adjusted operating profit		18,542	15,168
Costs of flotation		(1,041)	-
Costs of acquisitions		(259)	(54)
Share based payments		(75)	-
Amortisation		(2,680)	(2,473)
		14,487	12,641
Finance income		1	4
Finance costs	3	(2,386)	(4,087)
Profit before taxation		12,102	8,558
Taxation		(3,542)	(2,746)
Profit after taxation		8,560	5,812
Profit for the financial year attributable to:			
The Company's equity shareholders		8,216	5,005
Non-controlling interest		344	807
		8,560	5,812
Basic earnings per share	4	10.92p	7.14p
Diluted earnings per share	4	10.91p	7.14p

Consolidated Statement of Comprehensive Income for the year ended 31 December 2016

	2016 £'000	2015 £'000
Profit for the financial year	8,216	5,005
Other comprehensive income – items that may subsequently be reclassified to profit/loss:		
Foreign exchange gains / (losses) on consolidation	1,707	(785)
Other comprehensive income for the financial year, net of tax	1,707	(785)
Total comprehensive income for the financial year attributable to the Company's equity shareholders	9,923	4,220
Total comprehensive income for the financial year attributable to non-controlling interests	344	807
Total comprehensive income for the financial year	10,267	5,027

MIDWICH GROUP PLC

Consolidated Balance Sheet as at 31 December 2016

	Notes	2016	2015
Assets		**£'000**	**£'000**
Non-current assets			
Goodwill		4,557	3,303
Intangible assets		18,820	19,520
Property, plant and equipment		5,035	3,653
		28,412	26,476
Current assets			
Inventories		48,142	37,849
Trade and other receivables		52,545	42,707
Cash and cash equivalents		20,164	18,102
		120,851	98,658
Current liabilities			
Trade and other payables		(58,299)	(52,692)
Financial instruments		(698)	(6,094)
Deferred consideration		(1,554)	-
Borrowings	5	(35,131)	(41,968)
Current tax		(2,062)	(2,264)
		(97,774)	(103,018)
Net current assets		23,107	(4,360)
Total assets less current liabilities		51,519	22,116
Non-current liabilities			
Financial instruments		(1,441)	-
Deferred consideration		(72)	-
Borrowings	5	-	(5,908)
Finance lease payables		-	(166)
Deferred tax		(3,414)	(3,664)
		(4,927)	(9,738)
Net assets		46,592	12,378
Equity			
Share capital	7	794	1,398
Share premium		25,855	-
Share based payment reserve		84	-
Investment in own shares		(5)	(1,000)
Retained earnings		19,765	8,652
Translation reserve		717	(990)
Put option reserve		(1,770)	(1,735)
Capital redemption reserve		50	50
Other reserve		150	1,145
Equity attributable to owners of the parent		45,640	7,520
Non-controlling interests		952	4,858
Total equity		46,592	12,378

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2017 and were signed on its behalf by:

Mr S B Fenby
Director
Company registration number: 08793266

MIDWICH GROUP PLC

Consolidated Statement of Changes in Equity for the year ended 31 December 2016

For the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Share based payment reserve £'000	Retained earnings £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total £'000
Balance at 31 December 2015	1,398	-	(1,000)	-	8,652	(990)	(1,735)	50	1,145	7,520	4,858	12,378
Profit for the year	-	-	-	-	8,216	-	-	-	-	8,216	344	8,560
Other comprehensive income	-	-	-	-	-	1,707	-	-	-	1,707	-	1,707
Total comprehensive income for the year	-	-	-	-	8,216	1,707	-	-	-	9,923	344	10,267
Bonus share issue*	663	-	(5)	-	(663)	-	-	-	5	-	-	-
Share capital reduction*	(1,392)	-	1,000	-	1,392	-	-	-	(1,000)	-	-	-
Issue of shares*	125	26,647	-	-	-	-	-	-	-	26,772	-	26,772
Costs of share issue*	-	(792)	-	-	-	-	-	-	-	(792)	-	(792)
Acquisition of non-controlling interest	-	-	-	-	3,378	-	1,735	-	-	5,113	(5,113)	-
Share based payments	-	-	-	75	-	-	-	-	-	75	-	75
Deferred tax on share based payments	-	-	-	9	-	-	-	-	-	9	-	9
Acquisition of subsidiary	-	-	-	-	-	-	(1,770)	-	-	(1,770)	863	(907)
Dividends paid	-	-	-	-	(1,210)	-	-	-	-	(1,210)	-	(1,210)
Balance at 31 December 2016	794	25,855	(5)	84	19,765	717	(1,770)	50	150	45,640	952	46,592

*See note 7

For the year ended 31 December 2015

	Share capital £'000	Investment in own shares £'000	Retained earnings £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Equity attributable to owners of the parent £'000	Non-controlling interests £'000	Total £'000
Balance at 31 December 2014	1,449	(1,000)	4,707	(205)	(1,735)	-	1,145	4,361	4,051	8,412
Profit for the year	-	-	5,005	-	-	-	-	5,005	807	5,812
Other comprehensive income	-	-	-	(785)	-	-	-	(785)	-	(785)
Total comprehensive income for the year	-	-	5,005	(785)	-	-	-	4,220	807	5,027
Purchase of own shares	(51)	-	(1,060)	-	-	50	-	(1,061)	-	(1,061)
Balance at 31 December 2015	1,398	(1,000)	8,652	(990)	(1,735)	50	1,145	7,520	4,858	12,378

MIDWICH GROUP PLC

Consolidated Statement of Cash Flows for the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash outflow from operating activities		
Profit before tax	12,102	8,558
Depreciation	1,229	810
Amortisation	2,680	2,473
Gain on disposal of assets	183	(121)
Share based payments	75	-
Foreign exchange (gains)/losses	216	(22)
Finance income	(1)	(4)
Finance costs	2,386	4,087
Adjusted profit from operations before changes in working capital	18,870	15,781
Increase in inventories	(8,447)	(1,265)
Increase in trade and other receivables	(5,887)	(3,168)
Increase in trade and other payables	3,367	9,104
Cash flow from operations	7,903	20,452
Income tax paid	(4,281)	(2,248)
Net cash inflow from operating activities	3,622	18,204
Cash flow from investing activities		
Acquisition of businesses	(3,276)	(2,170)
Cash acquired within business combination	367	686
Purchase of intangible assets	(186)	(64)
Purchase of plant and equipment	(2,278)	(1,261)
Proceeds on disposal of plant and equipment	546	449
Interest received	1	4
Net cash used in investing activities	(4,826)	(2,356)
Net cash flow from financing activities		
Acquisition of non-controlling interest	(7,454)	-
Deferred consideration paid	(11)	(1,422)
Issue of shares net of issue costs	25,980	-
Dividends paid	(1,210)	-
Invoice financing inflows	256	2,337
Purchase of own shares	-	(1,061)
Issue of loan to related party	(212)	-
Repayment received of related party loan	212	-
New loans	-	6,500
Repayment of loans	(13,696)	(13,052)
Interest paid	(657)	(1,683)
Interest on finance leases	(16)	(22)
Capital element of finance lease payments	(527)	(406)
Net cash inflow / (outflow) from financing activities	2,665	(8,809)
Net increase in cash and cash equivalents	1,461	7,039
Cash and cash equivalents at beginning of financial year	14,351	8,053
Exchange gain / (loss) on cash and cash equivalents	1,389	(741)
Cash and cash equivalents at end of financial year	17,201	14,351

Comprising:

Cash at bank	20,164	18,102
Bank overdrafts	(2,963)	(3,751)
	17,201	14,351

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 and Document 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).

Principal Accounting Policies

Basis of preparation
The information in this news release does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ('the Act'). The statutory accounts for the year ended 31 December 2016 will be delivered to the Registrar of Companies in England and Wales in accordance with Section 441 of the Act. The auditor has reported on those accounts. Its report was unqualified and did not contain a statement under Section 498(2) or (3) of the Act.

The Consolidated Financial Statements of Midwich Group Plc and its subsidiaries (together, "the Group") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2016.

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 consider that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

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 values 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 from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination.

Non-controlling interests are measured initially at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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 remeasurement 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. At the end of 2016 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 recognition
Revenue comprises amounts recognised in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

Revenue from the sale of goods is recognised when goods are despatched. Revenue from rental products is recognised evenly over the rental period.

Some goods are held on behalf of customers and are not included within group inventory. The sale of these goods are recognised on isolation from stock for resale.

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.

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.

Dividends on preference shares classified as debt are included as finance costs.

Other finance costs include the changes in fair value of financial derivatives.

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 accumulated impairment losses, if any.

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, if any.

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:

Patent licences	5 years
Software	3 years
Brands	10 years
Customer relationships	5-10 years
Exclusive supplier contracts	5-10 years

Property, plant and equipment
Property, plant and equipment are stated at historical cost less depreciation less any recognised 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 provided on all property, plant and equipment and is calculated on a straight-line basis as follows:

Freehold land and buildings	50 years
Leasehold improvements	Period of the lease
Plant and equipment (including rental assets)	3-5 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 with regard to its own physical life limitations and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the Income Statement.

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

At each balance sheet date the Directors review the carrying amounts of the Group's non-current assets, other than goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its 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.

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.

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

Derivative financial instruments are accounted for at Fair Value Through Profit or Loss. All changes in an instrument's fair value are included in finance costs or finance income. The fair values are determined by reference to active markets or using a valuation technique where no active market exists.

Put and call options to acquire non-controlling interests of subsidiaries are stated originally at fair value and subsequently at amortised cost, being the present value of future payments discounted at the original effective interest rate. Details of the measurement of put and call options are given in the critical accounting judgements and key sources of estimation uncertainty accounting policy.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The Group classifies its financial assets as 'loans and receivables' and assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The loss is recognised in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the Income Statement.

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

Financial liabilities

The Group’s financial liabilities include trade and other payables, deferred consideration, borrowings and derivative financial instruments.

Borrowings include amounts advanced under invoice discounting facilities. 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.

Preference shares not held by the employee benefit trust are classified as a financial liability, with fixed rate dividends accounted for as interest.

Trade and other payables and borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost using the effective interest method (“EIR” method).

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Income Statement.

Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

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 have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Income Statement, within “administrative expenses”.

The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate at the balance sheet date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve.

The balance of the foreign currency translation reserve relating to a subsidiary that is disposed of, or partially disposed of, is recognised in the Income Statement at the time of disposal.

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

Deferred taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full, and are not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment benefits
Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the balance sheet date, are recognised in accruals.

Contributions to defined contribution pension plans are charged to the Income Statement in the period to which the contributions relate.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. The interest element of finance lease payments is charged to profit or loss as finance costs over the period of the lease. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- "Investment in own shares" represents amounts of the Parent Company's own shares held within an Employee Benefit Trust.
- "Share based payment reserve" represents the accumulated value of share-based payments expensed in the income statement.
- "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 fair value of written put and call options over shares in a subsidiary held by non-controlling interest shareholders accounted for as contracts over own shares.
- "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.
- "Other reserve" relate to the employee benefit trust.
- "Non-controlling interest" represents the share of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Share-based payments
Equity-settled share-based payments to employees and Directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and Directors is recognised as an expense over the vesting period. The fair value of the equity instruments are determined at the date of grant, taking into account market based vesting conditions. The fair value of goods and services received are measured by reference to the fair value of options.

The fair values of share options are measured using the Black Scholes model. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the Income Statement.

Employee benefit trust

The assets and liabilities of the employee benefit trust (EBT) have been included in the group and company accounts. Any assets held by the EBT cease to be recognised on the group balance sheet when the assets vest unconditionally in identified beneficiaries.

The costs of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

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 1.

New and amended International Financial Reporting Standards adopted by the Group

The Group has adopted the following standards, amendments to standards and interpretations which are effective for the first time this year. The impact is shown below:

New/Revised International Financial Reporting Standards		**Effective Date: Annual periods beginning on or after:**	**EU adopted**	**Impact on the Group**
	Annual Improvements to IFRSs (2012 -2014 Cycle)	1 January 2016	Yes	These Amendments clarify the requirements of IFRSs and eliminate inconsistencies within and between Standards
IAS 1	Disclosure Initiative – Amendments	1 January 2016	Yes	Disclosures

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of the Consolidated Financial Statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group.

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these Consolidated Financial Statements, the following may have an impact going forward:

New/Revised International Financial Reporting Standards		**Effective Date: Annual periods beginning on or after:**	**EU adopted**	**Impact on the Group***
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	Yes	Classification and measurement of financial instruments
IFRS 15	Revenue from Contracts with Customers	1 January 2018	Yes	Recognition of revenue
IFRS 16	Leases	1 January 2019	No	Measurement and recognition of leases

*Based on the current business model and accounting policies, management does not expect material impact on the financial information when the standards become effective, except for IFRS 16. The Group is considering the implementation implications. The Group does not expect IFRS 15 to have a material impact on the business as the key principles have already been adhered to within the current revenue recognition policy.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Assumptions and accounting estimates are subject to regular review. Any revisions required to accounting estimates are recognised in the period in which the revisions are made including all future periods affected.

The following are the significant estimates used in applying the accounting policies of the Group that have the most significant effect on the financial statements:

- Impairment review requires judgement with respect to the discount rate, growth rates and components of forecast cash flows.
- Payments in respect of tax liabilities for an accounting period comprise payments on account and payments on final resolution of open items with tax authorities and as a result there can be significant differences between the charge in the income statement and the cash tax payments made.
- Judgement is required in assessing whether a lease is an operating lease or a finance lease, to determine whether or not substantially all the risks and rewards of ownership of the leased asset are held by the Group. Since finance lease obligations are recognised as liabilities and operating lease obligations are not this may have an effect on the reported financial position of the Group.

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

Fair value of intangibles recognised in business combinations

Management uses valuation techniques when determining the fair value of assets transferred and liabilities acquired in business combinations which includes estimates to determine the valuation of separable intangibles. Valuation models used are based on acknowledged industry approach and, where appropriate, external market data.

Put and call option

Until 2016, the group has had a symmetrical put and call option over the non-controlling interest held by local management in Kern & Stelly Medientechnik GmbH, which was extinguished as a result of the acquisition of the non-controlling interest during 2016.

As a result of the acquisition of Holdan Limited during 2016, the group has a second symmetrical put and call option over the non-controlling interest held by local management in that company.

For both, the call option is required to be accounted for as a contract over own shares. 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 group does not consider it currently holds the risks and rewards associated with the ownership of these shares.

Determination of share based payment costs

The determination of these costs is based on financial models. The inputs to these models are based on the directors' judgements and estimates and are not capable of being determined with precision.

Notes to the Consolidated Financial Information

1. Segmental reporting

Operating segments

For the purposes of segmental reporting, the Group's Chief Operating Decision Maker (CODM) is considered to be the Managing Director. The Group is a distributor of audio visual ("AV") hardware and document 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.

The Group's operating segments are therefore considered geographic in nature and align to subsidiaries / subsidiary groups.

2016

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

2015

£'000	UK & Ireland	France	Germany	Australasia	Total
Revenue	221,435	23,981	51,013	17,854	314,283
Gross profit	34,745	3,301	6,366	2,549	46,961
Gross profit %	15.7%	13.8%	12.5%	14.3%	14.9%
Adjusted operating profit	11,050	520	2,885	713	15,168
Costs of flotation	-	-	-	-	-
Costs of acquisitions	(54)	-	-	-	(54)
Share based payments	-	-	-	-	-
Amortisation	(2,052)	(31)	(380)	(10)	(2,473)
Operating profit	8,944	489	2,505	703	12,641
Interest	-	-	-	-	(4,083)
Profit before tax	-	-	-	-	8,558
Segment assets	95,732	7,544	16,824	5,034	125,134
Segment liabilities	(94,255)	(7,056)	(7,118)	(4,327)	(112,756)
Depreciation and amortisation	2,760	95	389	39	3,283

	UK	ROW	Total
Non-current assets	20,122	6,354	26,476

Revenue from the UK, being the parent company of domicile, amounted to:

	2016 £'000	2015 £'000
UK	230,524	207,164

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.

Intersegment sales during the year were as follows:

2016

£'000	Selling segment:			
Buying segment:	**UK & Ireland**	**France**	**Germany**	**Australasia**
UK & Ireland	-	371	-	-
France	222	-	-	-
Germany	150	-	-	-
Australasia	-	-	-	-

2015

£'000	**Selling segment:**			
Buying segment:	**UK & Ireland**	**France**	**Germany**	**Australasia**
UK & Ireland	-	-	-	1,821
France	-	-	-	-
Germany	174	-	-	-
Australasia	-	-	-	-

Information about major customers

2016

Included in revenues arising in 2016 are revenues of £8.94m that arose from sales to the Group's largest customer, which is based in Germany. No other single customers contributed 10% or more to the Group's revenue in any period presented.

2015

Included in revenues arising in 2015 are revenues of £7.74m that arose from sales to the Group's largest customer, which is based in Germany. No other single customers contributed 10% or more to the Group's revenue in any period presented.

2. Administrative expenses

Administrative expenses in the period includes £1,041,000 of expenses incurred pertaining to the admission of the company to the AIM Market and £259,000 of acquisition related costs (£54,000 in 2015).

3. Finance costs

	2016 **£'000**	**2015** **£'000**
Interest on overdraft and invoice discounting	604	568
Interest on finance leases	27	22
Dividend on preference shares treated as borrowings	(14)	61
Interest on other loans	40	448
Interest, foreign exchange & other finance costs of put option liability	1,729	2,988
	2,386	4,087

4. Earnings per share

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

	2016	**2015**
Profit attributable to equity holders of the Group (£'000)	8,216	5,005
Weighted average number of shares in issue*	75,247,380	70,070,235
Basic earnings per share	10.92p	7.14p

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

Diluted earnings per share is calculated by adjusting the average number of shares in issue during the period to assume conversion of all dilutive potential ordinary shares. The Group had no potentially dilutive shares in 2015. Diluted earnings per share is therefore the same as basic earnings per share in that financial year.

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

	2016	**2015**
Number of shares		
Dilutive (potential dilutive) effect of share options	93,852	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	75,341,232	70,070,235
Diluted earnings per share	10.91p	7.14p

5. Borrowings

	2016 £'000	**2015 £'000**
Secured – at amortised cost		
- Bank overdrafts and invoice discounting	34,874	34,433
- Bank loans	257	6,500
	35,131	40,933
Unsecured – at amortised cost		
- Unsecured loan notes	-	3,756
- Preference shares classified as liabilities	-	3,187
	-	6,943
Current	35,131	41,968
Non-current	-	5,908
	35,131	47,876

Summary of borrowing arrangements:

The Group has invoice discounting facilities which comprised £31,911,000 at the end of 2016 (2015: £30,682,000). The facilities comprise fully revolving receivables financing agreements secured on the underlying receivables that revolves on a monthly basis and have no fixed repayment date. Included within these facilities in 2016 is an invoice discounting facility acquired as part of the acquisition of Holdan Limited, which had a liability at 31 December 2016 of £1,637,000.

The Group has an overdraft facility which comprised £2,963,000 at the end of 2016 (2015 £3,751,000). The facility is uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group previously had a bank loan of £6.5m with a fixed quarterly repayment schedule ending in April 2017. The facility is secured with fixed and floating charges over the assets of the Group. This was repaid in full during the year.

The liability for a bank loan was acquired as part of the acquisition of Holdan Limited. The balance of which was £257,000 at 31 December 2016.

In December 2013, the Group issued £19,752,000 of unsecured loan notes bearing 3.5% interest and with fixed repayment schedule dates ending in April 2019 to fund the acquisition of M&R 320 Limited. During 2014 £3,000,000 of this was repaid as scheduled. In 2015 £13,052,333 was repaid. This included full and early settlement of the outstanding loan notes payable to Mr D Lewitt and Mr A Ward. During 2016 £3,699,667 was repaid. At the end of 2016 £nil (2015: £3,699,667) plus interest of the original loan notes remained outstanding.

The Group acquired a bank loan of £510,000 and an invoice discounting facility of £973,000 within its acquisition of Holdan Limited during the year (note 30). £253,000 of the acquired loan balance was subsequently repaid prior to 31 December 2016.

6. Financial instrument risk exposure and management

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

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 15 to 21.

Credit risk

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

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Group's total credit risk amounts to the total of the sum of the trade receivables and cash and cash equivalents. At the 2016 year end this amounts to £70,833,000 (2015: £59,338,000).

Interest rate risk

The Group has £nil of unsecured shareholder debt consisting £nil of preference shares and £nil of shareholder loan notes (2015: £6,943,662; £3,187,855; and £3,755,807). The interest on all of this debt was fixed, with variable rate interest only applying to short-term debt arrangements and therefore interest rate risk is limited.

The interest on preference shares and loan notes was fixed at 1.5% and 3.5% respectively. The interest on other borrowings, being an overdraft and invoice discounting facilities with HSBC and a loan and invoice discounting facility with Barclays, is variable. Based on year end balances a 1% increase in interest rates would impact profit and equity by £351,000 (2015: £409,000).

The interest received on the cash held on deposit is immaterial.

Foreign exchange risk

The Group is largely able to manage its exchange rate risk 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 $. 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 forward 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 report in Pounds Sterling (GBP) but has significant revenues and costs as well as assets and liabilities that are denominated in Euros (EUR) and Australia Dollars (AUD). The table below sets out the prevailing exchange rates in the periods reported.

	Year ended 31 December		**At 31 December**	
	2016 Average	**2015 Average**	**2016**	**2015**
EUR/GBP	1.222	1.307	1.180	1.356
AUD/GBP	1.814	1.926	1.690	2.019

The positive / (negative) impact of changes in the key exchange rates from 2015 to 2016 are summarised as follows:

£000	**EUR**	**AUD**
Impact on revenues	6,150	1,053
Impact on profit before tax	289	36
Impact on net debt	296	(209)

The following table illustrates the sensitivity of the reported profit before tax and equity for 2016 to material exchange rate movements in the pound relative to the Euro, Australian dollar and New Zealand dollar.

It assumes a +/- 10% change in GBP relative to the average and closing rates for these currencies employed in 2015.

If the GBP had strengthened against the above currencies by 10%, the impact, in GBP terms, on the 2016 financial statements would have been:

2016	**EUR**	**AUD**	**NZD**
Profit before tax	(922)	(203)	(13)
Equity	(2,964)	(470)	8

If the GBP had weakened against the above currencies by 10%, the impact, in GBP terms, on the 2016 financial statements would have been:

2016	EUR	AUD	NZD
Profit before tax	179	51	-
Equity	(611)	(156)	3

Liquidity risk

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

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

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2016 and 2015, on the basis of their earliest possible contractual maturity:

At 31 December 2016

	Total £'000	Within 2 months £'000	Within 2 -6 months £'000	6 – 12 months £'000	1-2 years £'000	Greater than 2 years £'000
Trade payables	46,034	45,909	125	-	-	-
Other payables	565	565	-	-	-	-
Put option liability	2,625	-	-	750	-	1,875
Finance lease payables	65	22	43	-	-	-
Accruals	5,232	5,232	-	-	-	-
Bank overdrafts, loans & invoice discounting	35,131	35,131	-	-	-	-
Deferred & contingent consideration	1,626	11	22	1,521	44	28
	91,278	86,870	190	2,271	44	1,903

At 31 December 2015

	Total £'000	Within 2 months £'000	Within 2 -6 months £'000	6 – 12 months £'000	1-2 years £'000	Greater than 2 years £'000
Trade payables	43,430	43,125	305	-	-	-
Other payables	617	617	-	-	-	-
Put option liability	6,609	-	6,609	-	-	-
Finance lease payables	626	80	159	218	153	16
Accruals	3,792	3,792	-	-	-	-
Bank overdrafts & invoice discounting	34,433	34,433	-	-	-	-
Bank loan	6,500	-	1,000	1,000	4,500	-
Other loans	3,978	229	568	500	1,163	1,518
Preference shares	3,187	-	63	-	-	3,124
	103,172	82,276	8,704	1,718	5,816	4,658

7. Share capital

The total allotted share capital of the company is:

Allotted, issued and fully paid

Classed as equity:	2016 Number	£'000	2015 Number	£'000
Ordinary Shares of £0.01 each	79,448,200	794	-	-
Ordinary Shares of £1 each	-	-	396,000	396
Preference share of £1 each	-	-	4,123,746	4,124
A Ordinary shares of £0.01 each	-	-	52,500	-
B1 Ordinary shares of £0.01 each	-	-	174,474	2
B2 Ordinary shares of £0.01 each	-	-	-	-
B3 Ordinary shares of £0.01 each	-	-	7,179	-
B4 Ordinary shares of £0.01 each	-	-	-	-
B5 Ordinary shares of £0.01 each	-	-	14,358	-
	79,448,200	794	4,768,257	4,522
Shares classed as financial liabilities:				
Preference shares of £1 each	-	-	(3,123,746)	(3,124)
Total equity	79,448,200	794	1,644,511	1,398

Share transactions effected during the current year (see notes):

Number of shares

	Opening 1 January 2016	Issue of B1 Ordinary shares*	Buy back of B5 Ordinary shares 4 February	Share capital reduction 13 April	Redemption of Preference shares 22 April	Write down of Preference, B3 and B5 shares 29 April	Re-designation to Ordinary shares 6 May	Bonus share issue 6 May	Issue of Ordinary shares 6 May	Closing 31 December 2016
Ordinary shares of £0.01	-	-	-	-	-	-	669,482	66,278,718	12,500,000	79,448,200
Ordinary shares of £1	396,000	-	-	-	-	-	(396,000)	-	-	-
Preference shares of £1	4,123,746	-	-	-	(3,123,746)	(995,193)	(4,807)	-	-	-
A Ordinary shares of £0.01	52,500	-	-	-	-	-	(52,500)	-	-	-
B1 Ordinary shares of £0.01	174,474	36,450	-	-	-	-	(210,924)	-	-	-
B2 Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	-
B3 Ordinary shares of £0.01	7,179	-	-	-	-	(4,331)	(2,848)	-	-	-
B4 Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	-
B5 Ordinary shares of £0.01	14,358		(7,179)	-	-	(4,776)	(2,403)	-	-	-
	4,768,257	36,450	(7,179)	-	(3,123,746)	(1,004,300)	-	66,278,718	12,500,000	79,448,200

Nominal value of shares

£'000

	Opening 1 January 2016	Issue of B1 Ordinary shares*	Buy back of B5 Ordinary shares 4 February	Share capital reduction 13 April	Redemption of Preference shares 22 April	Write down of Preference, B3 and B5 shares 29 April	Re-designation to Ordinary shares 6 May	Bonus share issue 6 May	Issue of Ordinary shares 6 May	Closing 31 December 2016
Ordinary shares of £0.01	-	-	-	-	-	-	6	663	125	794
Ordinary shares of £1	396	-	-	(392)	-	-	(4)	-	-	-
Preference shares of £1	4,124	-	-	(990)	(3,124)	(10)	(0)	-	-	-
A Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	-
B1 Ordinary shares of £0.01	2	-	-	-	-	-	(2)	-	-	-
B2 Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	-
B3 Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	-
B4 Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	-
B5 Ordinary shares of £0.01	-	-	-	-	-	-	-	-	-	-
	4,522	-	-	(1,382)	(3,124)	(10)	-	663	125	794

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

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

Notes on share capital movements

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

1. Issue of B1 Ordinary shares at £21.20 per share as noted above, creating share premium of £772,000
2. Buy back of 7,179 B5 Ordinary shares on 4 February for cancellation at par value
3. Share capital reduction on 13 April, reducing the equity Preference share capital and Ordinary share capital from £1.00 per share nominal value to £0.01 per share nominal value
4. Redemption of Preference shares classified as a financial liability on 22 April, settling the financial liability in full
5. Re-designation of the Preference shares', B3 shares' and B5 shares' percentages on 29 April, and subsequently re-designation of these as Deferred shares, pursuant to which these Deferred shares were transferred in favour of the Company for nil consideration and then cancelled.
6. Re-designation of all remaining categories of shares as £0.01 Ordinary shares on 6 May
7. Bonus share issue on 6 May in the proportion of 99 Ordinary shares for each existing Ordinary share
8. Placing of new shares on 6 May (date of admission to the AIM Market) at £2.08 per share, creating share premium of £25,875,000 less issue costs of £792,000

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

Rights and obligations

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

Employee benefit trust

As a result of the share changes described in the share capital movements notes 3,5,6 and 7 above, the employee benefit trust was allocated 480,700 ordinary shares. On 30 June 2016, 136,000 of these shares were distributed to the SIP trust, leaving 344,700 ordinary shares in the employee benefit trust as at 31 December 2016 (2015: 1,000,000 preference shares treated as equity for disclosure purposes).

8. Acquisition of non-controlling interest

On 6 May 2016, the Group acquired the 49% non-controlling interest in Kern & Stelly GmbH for consideration of £7,454,000.

As a result of this transaction, the symmetrical put and call option to acquire the non-controlling interest was extinguished.

9. Business combinations

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

Subsidiaries acquired:

	Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Fair value of consideration transferred £'000
Holdan Limited	Distribution of audio visual products to trade customers	7 September 2016	79%	4,499
PSCo Group Limited	Distribution and rental of audio visual products to trade customers	30 April 2015	100%	2,000

Other business acquired:

Trade and assets acquired from:	Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Fair value of consideration transferred £'000
Wired Limited	Distribution of audio visual products to trade customers	22 August 2016	-	414
Anthem AV Solutions Ltd	Distribution of audio visual products to trade customers	17 July 2015	-	135
Focus Security Distribution Ltd	Distribution of audio visual products to trade customers	27 May 2015	-	85

2016 acquisitions

Fair value of consideration transferred

2016	Acquisition of Holdan £'000	Acquisition of Wired £'000
Cash	3,000	276
Deferred contingent consideration	-	138
Deferred consideration payable within 1 year	1,499	-
Total	4,499	414

Acquisition costs of £116,000 were expensed to the income statement in relation to the acquisition of Holdan Limited and costs of £12,000 were expensed in relation to the acquisition of Wired Limited.

2016	Acquisition of Holdan £'000	Acquisition of Wired £'000
Non-current assets		
Goodwill	1,254	-
Intangible assets - customer relationships	917	-
Intangible assets – supplier exclusivity	566	290
Plant and equipment	967	15
Current assets		
Inventories	1,775	71
Trade and other receivables	3,774	177
Cash and cash equivalents	367	-
Current liabilities		
Trade and other payables	(2,103)	(139)
Current tax	(375)	-
Non-current liabilities		
Borrowings	(1,483)	-
Deferred tax	(297)	-
Non-controlling interests	(863)	-
	4,499	414

Goodwill acquired in 2016 relates to workforce, synergies and sales know how.

Goodwill arising on the acquisition of Holdan Limited has been allocated to the UK operating segment and is not expected to be deductible for tax purposes.

Gross contractual amounts of trade and other receivables acquired were £3,951,000, with bad debt provision of £nil.

	Acquisition of Holdan £'000	Acquisition of Wired £'000
Net Cash (outflow) /inflow on acquisition of subsidiaries		
Consideration paid in cash	3,000	276
Deferred consideration paid in cash	-	11
Less: cash and cash equivalent balances acquired	(367)	-
Net cash outflow	2,633	287

Post-acquisition contribution

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

7 September 2016 to 31 December 2016	**2016 Acquisition of Holdan £'000**
Post-acquisition contribution to Group revenue	9,728
Post-acquisition contribution to Group profit	420
Total post-acquisition contribution	420
1 January 2016 to 31 December 2016 revenue	26,630
Full accounting period profit	998

If Holdan Limited had been acquired on 1 January 2016, revenue of the group for the year would have been £387,044,000 and profit for the year would have been £9,138,000.

2015 acquisitions

Fair value of consideration transferred

2015	**Acquisition of PSCo £'000**	**Acquisition of Anthem £'000**	**Acquisition of Focus Security Distribution £'000**
Cash	1,200	135	85
Deferred consideration payable 31 Oct 15	750	-	-
Loan notes	50	-	-
Total	2,000	135	85

Acquisition costs of £44,000 were expensed to the income statement in relation to the acquisition of PSCo Group Limited, costs of £7,000 were expensed in relation to the acquisition of Anthem and costs of £3,000 were expensed in relation to the acquisition of Focus Security Distribution.

2015	Acquisition of PSCo £'000	Acquisition of Anthem £'000	Acquisition of Focus Security Distribution £'000
Non-current assets			
Goodwill	298	-	-
Intangible assets - brands	100	-	-
Intangible assets - customer relationships	-	-	85
Intangible assets – supplier exclusivity	800	74	-
Intangible assets - software	3	-	-
Property, plant and equipment	1,154	12	-
Current assets			
Inventories	943	49	-
Trade and other receivables	1,778	-	-
Cash and cash equivalents	686	-	-
Current liabilities			
Trade and other payables	(2,956)	-	-
Borrowings - finance leases	(328)	-	-
Borrowings - bank loan	(55)	-	-
Non-current liabilities			
Borrowings - finance leases	(373)	-	-
Deferred tax payables	(50)	-	-
	2,000	135	85

Goodwill acquired in 2015 relates to workforce, synergies and sales know how.

Goodwill arising on the acquisition of PSCo Group Limited has been allocated to the UK operating segment and is not expected to be deductible for tax purposes.

Gross contractual amounts of trade and other receivables were £1,837,000, with bad debt provision of £59,000.

	Acquisition of PSCo £'000	Acquisition of Anthem £'000	Acquisition of Focus Security Distribution £'000
Net Cash (outflow) /inflow on acquisition of subsidiaries			
Consideration paid in cash	(1,200)	(135)	(85)
Deferred consideration paid in cash	(750)	-	-
Less: cash and cash equivalent balances acquired	686	-	-
Net cash outflow	(1,264)	(135)	(85)

Post-acquisition contribution

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

1 May 2015 to 31 December 2015	**2015 Acquisition of PSCo £'000**
Post-acquisition contribution to Group revenue	10,602
Post-acquisition contribution to Group profit	612
Total post-acquisition contribution	612
1 January 2015 to 31 December 2015 revenue	18,400
Full accounting period profit	1,180

If PSCo had been acquired on 1 January 2015, revenue of the group for the year ended 31 December 2015 would have been £322,081,000 and profit for the year would have been £6,380,000.

10. Related party transactions

Key management personnel are identified as the Executive and Non-Executive Directors, and their remuneration is disclosed as follows:

	2016 £'000	**2015 £'000**
Remuneration of key management		
Remuneration	638	569
Social security costs	73	73
Company pension contributions to defined contributions scheme	21	19
	732	661

No directors were party to either the LTIP or the SIP share based payment schemes.

Dividends on ordinary shares were paid to key management as follows:

	2016 £'000	**2015 £'000**
Mr A M G Bailey	49	-
Mr S B Fenby	341	-
Mr M Ashley	-	-
Mr A C Herbert	-	-
	390	-

Related party borrowings transactions are as follows:

All related party loan transactions are presented on a contractual basis.

Preference shares

	Shareholder
	Mr S Fenby*
	£'000
Principal	
At 1 January and 31 December 2015	3,124
Shares redeemed	(3,124)
At 31 December 2016	-

	£'000
Interest (being preference dividend)	
At 1 January 2015	48
Interest accrued	47
Interest paid	(61)
At 31 December 2015	34
Interest accrued	15
Interest paid	(49)
At 31 December 2016	-

Other Loans

	Shareholders			
	Mrs J Fenby**	Mr D P Lewitt*	Mr A C Ward*	Mr A M G Bailey*
	£'000	£'000	£'000	£'000
Principal				
At 1 January 2015	5,584	5,584	5,584	-
Loans repaid	(1,884)	(5,584)	(5,584)	-
At 31 December 2015	3,700	-	-	-
Loans issued	-	-	-	(212)
Loans repaid	(3,700)	-	-	212
At 31 December 2016	-	-	-	-

	£'000	£'000	£'000	£'000
Interest				
At 1 January 2015	218	212	212	-
Interest accrued	167	140	140	-
Interest paid	(328)	(352)	(352)	-
At 31 December 2015	57	-	-	-
Interest accrued	40	-	-	-
Interest paid	(97)	-	-	-
At 31 December 2016	-	-	-	-

* = director

** = employee

Interest is accounted for on an effective interest basis and included within borrowings on the Balance Sheet.

Related party share transactions are as follows:

On 25 November 2015, the company bought back 50,000 Ordinary shares for consideration of £1,060,000. The shares were then cancelled.

£29,706 of preference share interest payable to the EBT was waived on 6th May 2016.

11. Dividends

The Company paid a dividend in the year of £1,210,000 (2015: £nil), equating to 1.53 pence per share.

The Board has recommended a final dividend of 7.09 pence per share (2015: £nil) which, if approved will be paid on 21 April to shareholders on the register on 24 March. With the interim dividend declared in September 2016, this represents a total dividend for the period Midwich has been listed to 31 December 2016 of 8.62 pence per share.