Annual Report and
Financial Statements 2022

Local solutions GLOBAL IMPACTS

DELIVERING EXPERIENCES
BEYOND EXPECTATIONS

Midwich
Group Plc

Midwich Group is a leading global specialist AV distributor to the trade market

The Group's long-standing relationships with over 600 vendors, including blue-chip organisations, support a comprehensive product portfolio across major audio visual ("AV") categories such as large format displays, projectors, digital signage, unified communications and professional audio. With operations in the UK and Ireland, EMEA, Asia Pacific and North America, the Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

FINANCIAL HIGHLIGHTS

Statutory measures	Adjusted performance measures
Revenue **£1,204m** 2021: £856m	Adjusted operating profit **£51.1m** 2021: £34.0m
Operating profit **£35.1m** 2021: £21.0m	Adjusted EBITDA cash conversion **54%** 2021: 45%
Gross margin **15.3%** 2021: 15.3%	Adjusted profit before tax **£45.2m** 2021: £31.9m
Basic EPS **17.32p** 2021: 14.11p	Adjusted net debt **£96.0m** 2021: £58.0m

OPERATIONAL HIGHLIGHTS

— Record financial performance with further market share gains
— Revenue growth of 38.6% at constant exchange rates, including 20.7% organic growth
— Two UK acquisitions, DVS and Nimans, strengthen our unified communications offering and bring video security capabilities
— Acquisitions have been fully integrated and are delivering a positive net contribution to the Group
— Gross profit margins remained stable at 15.3%, in line with the prior year (2021: 15.3%)
— Compound annual growth in revenue and adjusted operating profit since IPO in 2016 of 22% and 19% respectively, testament to the strength of our long-term strategy and the quality of our teams
— Management continues to see a strong future acquisition pipeline across a number of regions and technologies
— Post-period end increase in the Group's revolving bank facilities from £80m to £175m to support future delivery of our acquisition pipeline

See page 111 of the Group financial statements for definitions of non-GAAP measures, and note 25 of the financial statements for the actual and constant currency exchange rates.

CONTENTS

WHAT WE DO

We support a comprehensive product portfolio which enables us to be a world-class distributor of AV products and services.

WHO WE SERVE

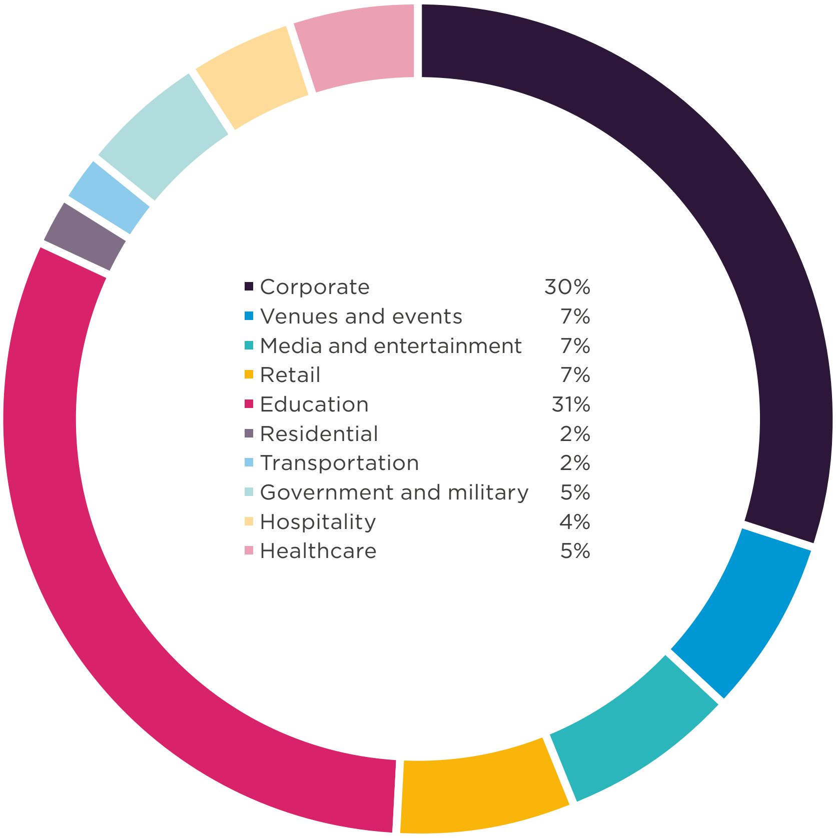
Our customers are primarily installers and resellers of AV equipment into the Pro AV market. This market addresses a number of segments covering a very broad range of end user markets.

“The performance of the Group in 2022 was outstanding with record revenue and profit increases.”

Stephen Fenby
Group Managing Director

“A strong balance sheet, combined with the Group’s underlying cash generation, equips it well to fund organic growth and continue to pursue accretive acquisition opportunities.”

Stephen Lamb
Group Finance Director



Staff members
1,500+

Offices/showrooms
33

Vendor relationships
600+

Customers served
22,000+

OUR VALUES

We value honesty, trust, hard work, humility and creativity.

Honesty

Trust

Hard work

Humility

Creativity

OUR PURPOSE

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

STRATEGIC PILLARS

Specialisation

Geographical coverage

Scale

▶ **Read more** about our strategy on P.24

COMPETITIVE ADVANTAGES

Industry expertise

Global footprint

Acquisitions

▶ **Read more** about our business model on P.18

SUSTAINABILITY

Our people

The environment

Our solutions

The AV channel

▶ **Read more** about ESG on P.32

OUR CULTURE

Our people are passionate, collaborative, supportive, ambitious and service-minded: AV solutions help people to communicate, collaborate and work more efficiently. They also provide experiences and entertainment.

▶ **Read more** about our culture on P.10

TECHNICAL

From IPTV to digital signage and image processing systems, there is ever-increasing complexity in connectivity, content and control. The provision of advice, training and a specialist technical team supports the customer in all things technical as much or as little as they require.

PROFESSIONAL AUDIO

Provision of class-leading audio for the installed audio, concert sound and studio broadcast industries. Supported by comprehensive demonstration facilities and the offer of training courses.

LED

LED displays deliver across a wide range of applications without compromise: Seamless, high brightness, scalable to any shape or size and versatile in set-up. Demand for Narrow Pixel Pitch LED displays shows no signs of stopping. Suitable for numerous verticals including retail, corporate, education, command & control and rental.

PROJECTION

Offering a selection of projectors and projection screens to suit all needs and budgets. The key market driver is the introduction of projectors that are laser light sourced. This technology allows not only enhanced image capabilities and a longer product life, but it is also more cost efficient and environmentally friendly than ever before.

DISPLAY

Businesses in almost every market you can think of are deploying increasing numbers of screens. Commercially, displays have become ever more prevalent with the increase in touch enabled apps, the corporate, education and retail markets are taking full advantage to interact. The displays in our portfolio vary greatly in specification to meet the cross-vertical demands.

SECURITY

The rise of digital capability and image quality, along with remote access and a requirement to secure homes and businesses, has led to an ever evolving demand. This is supported by specialist CCTV and associated video recording and security technology expertise now offered to the channel and home install markets.

UC

The rise of the so-called "huddle room" means a new generation of video and audio meeting room technology has become available. This makes video conferencing simpler and inexpensive, focusing on the easy sharing of laptop or tablet screens on a single display - enabling unprecedented collaboration through unified communication.

LIGHTING

Distribution of spectacular, professional lighting and accessories for theatres, concerts and live productions. Offering a full technical service and focus on continual support through training courses and specialist teams.

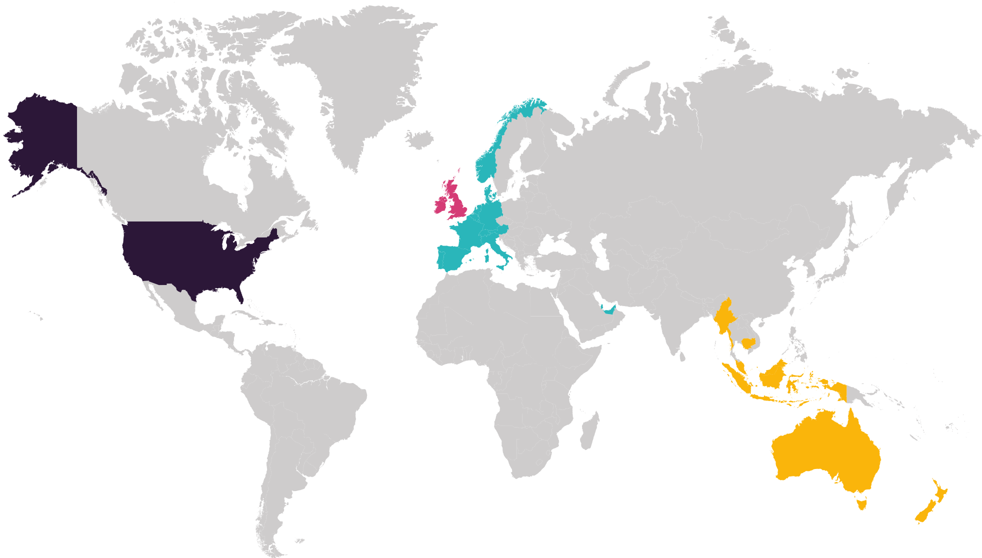
BROADCAST

Providing professional equipment and solutions enabling live and recorded TV and video production along with supporting cinema, gaming and media delivery covering post-production, encoding and streaming. Supported by media specialists with decades of experience in the market, and working closely with the customers to deliver bespoke systems and solutions.

WHERE WE OPERATE

With operations in the UK and Ireland, EMEA, Asia Pacific and North America, the Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

REVENUE
2022



UK and Ireland
£492m

EMEA
£535m

APAC
£54m

North America
£123m

OUR GROUP

Midwich
Group Plc

UK and Ireland

DVS
UK

HOLDAN
UK

INVISION UK
UK

MIDWICH LTD
UK

NIMANS
UK

OWL VISUAL
UK

PSCo
UK

SOUND TECHNOLOGY
UK

SQUARE ONE
Ireland

EMEA

AV PARTNER AS
Norway

EARPROEES
Spain

HOLDAN BV
Netherlands

KERN & STELLY
Germany

MOBILE PRO
Switzerland

NEW MEDIA AV
Germany, Austria and Switzerland

NMK/EDGE
Middle East

PRASE ENGINEERING
Italy

SIDEV
France

VAN DOMBURG PARTNERS
Netherlands

APAC

BLONDE ROBOT
Asia Pacific region

MIDWICH LTD
Australia

North America

STARIN MARKETING
US

INVESTMENT CASE

Our experienced team has achieved over fifteen years of unbroken revenue growth, with strong gross margin expansion.

Expertise, focus, strong customer and supplier relationships, and scale in a £263bn market expected to grow at an average of 5.9% per annum for the next five years (Source: AVIXA 2022).

Specialist AV offering
Absolute focus on AV market brings broad offering, technical support and expertise to customers and vendors in a market with a history of long-term growth.

Vendor relationships
600+

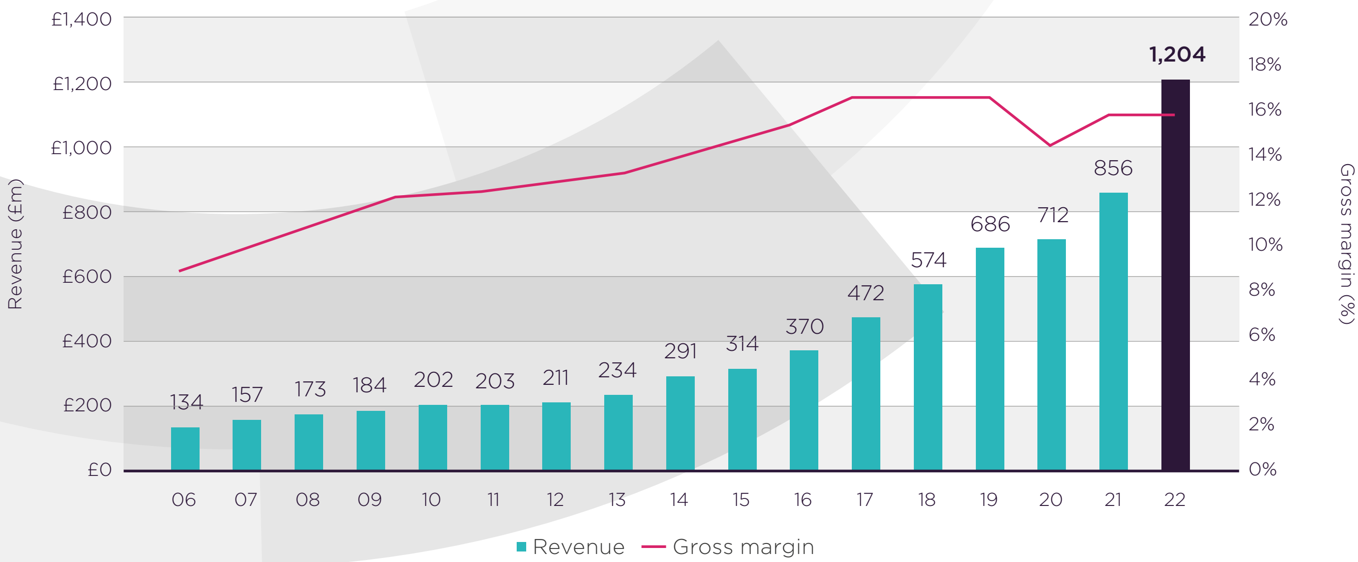
▶ **Read more** on P 26

Geographical footprint
Presence in many key markets means strong support for international vendors, customers and their end user project roll-outs.

Countries of operation
21

▶ **Read more** on P.28

Revenue



Proven acquisition capability

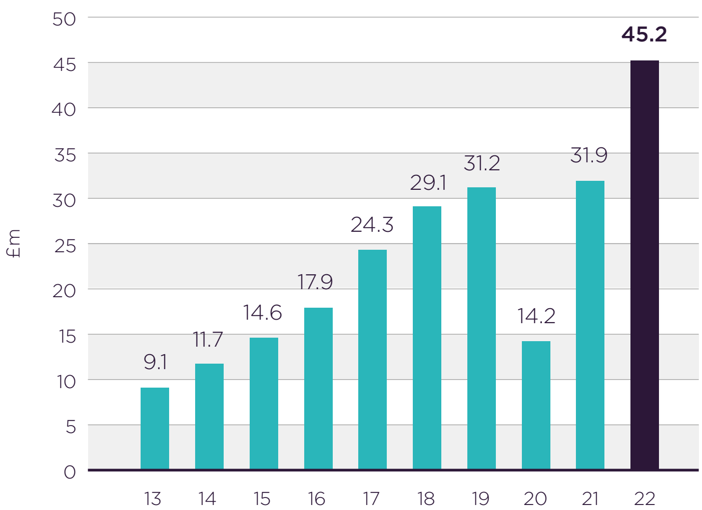
Long track record of successfully buying, integrating and growing businesses. Often seen as the buyer of choice in the market by owners who want to be part of a large, well regarded AV specialist group.

Acquisitions since IPO

19

▶ **Read more** on P.29

Adjusted PBT



19 ACQUISITIONS SINCE IPO

2016

Holdan
UK
Wired
New Zealand

2017

Earpro
Spain and Portugal
Van Domburg Partners
Netherlands
Sound Technology
UK

2018

New Media
Germany, Austria and Switzerland
Perfect Sound
France, Switzerland
Blonde Robot
Asia Pacific region

2019

Mobile Pro
Switzerland
Prase
Italy
AV Partner
Norway
EES
Spain

2020

Starin Marketing
USA
Vantage Systems
Australia

2021

NMK Group
UAE, Qatar
eLink Distribution AG
Germany
Intro 2020
UK

2022

Cooper Projects Limited
UK
Nimans Limited
UK

Our global expansion and specialist Pro AV focus on local markets put us in a strong position

> Compound annual growth in revenue and adjusted operating profit since our IPO in 2016 of 22% and 19%, respectively, is testament to the strength of our long-term strategy and the quality of our teams."
>
> **Andrew Herbert**
> Non-executive Chair

I am delighted that the Group once again achieved record results in 2022. This was a milestone year, with exceptional profit growth and sales exceeding £1bn for the first time.

The Pro AV market can be characterised by the breadth of product offering to a wide spectrum of end users in a market that has consistently grown above GDP for over twenty years. The overall market continues to demonstrate robust levels of demand, exceeding pre-pandemic levels^ in 2022 despite the impact of product shortages during the year.

Midwich Group once again made significant market share gains in the year, with revenue growth of 40.7% (organic revenue growth of 20.7%) to £1.2bn against an estimated market growth of 10.5%^. The Group has achieved compound annual growth in revenue and adjusted operating profit since our IPO in 2016 of 22% and 19%, respectively, which is testament to the strength of our long-term strategy and the quality of our teams.

Looking to the future, the Pro AV market is forecast to grow by an average of 5.9%^ per annum for the next five years and the Group is well placed to benefit from this. Despite the scale of the Group's revenue in 2022, it represented less than 1% of the global Pro AV market which provides significant opportunity for future growth.

^ Source: AVIXA

On a macroeconomic level, 2022 was characterised by change and uncertainty, but, after two years of significant disruption from issues such as computer chip and product shortages, post-Brexit customs arrangements and labour shortages in logistics, the AV market largely returned to normal. In the second half of the year supply chains, for all but the most specialist products, were stable, global shipping costs reduced and inflationary pressures in the AV industry were generally below those in the wider economy. Whilst the industry is not immune from recession, the Board feels that the structural increase in the use of AV solutions combined with post-pandemic changes in behaviour will result in robust AV demand in the years ahead.

Alongside record organic growth, I am pleased that the Group was also able to achieve further strategic milestones, which included:

The Group's acquisition of a controlling stake in Cooper Projects Limited, the UK-based parent company of DVS Limited ("DVS"), in January 2022 marked its entry into the distribution of video security products. This is a significant segment of the AV market in which the Group had little presence. The knowledge and support of the experienced DVS team bring opportunities for our customers in an increasingly converging technology market.

In February 2022, the Group acquired Nimans Limited ("Nimans") which is a UK-based specialist distributor of unified communications, telecoms, collaboration and audio visual technologies. Based near Manchester, Nimans was founded in 1981 and has built a strong presence and reputation in the UK telephony hardware market. In recent years the business has expanded successfully into new market areas such as unified communications, VOIP solutions, security and networking. Key brand relationships include Yealink, Jabra and BT. The acquisition brought 2,500 telephony, IT and retail customers to the Group.

Revenue

£1.2bn

Gross margin

15.3%

Operating profit

£51.1m

The integration of both businesses is progressing well, delivering some exciting revenue synergies in the first year, and we have thoroughly enjoyed welcoming the DVS and Nimans teams to the Group.

We anticipate a continuation of our expansion strategy through both organic growth and acquisition of complementary businesses, and with that in mind, early in 2023 we increased our revolving credit facility to £175m.

Dividend

The Board understands the importance of dividends for many of our investors and is pleased to recommend a final dividend of 10.5p per share which, if approved, will be paid on 16 June 2023 to all shareholders on the register as on 5 May 2023. The last day to elect for dividend reinvestment ("DRIP") is 26 May 2023. With the interim dividend of 4.5p per share this represents a total dividend for the year of 15.0p per share. The combined value of the interim and proposed final dividends is covered 2.4 times by adjusted earnings.

The Board continues to support a progressive dividend policy to reflect the Group's strong growth and cash flow. While there is no hard or fixed target, in order to allow for continued investment in targeted acquisitions, the Board anticipates that future dividends will continue to be covered in the range of 2.0 to 2.5 times adjusted earnings per share.

Board

Membership of the Board has remained stable throughout the year, and we have moved to a hybrid approach to our meetings, mixing in person with unified communications solutions for our meetings. The Board met ten times during the year and received regular updates from the Executive Leadership Team ("ELT").

In line with prior years, the Board completed a self-evaluation exercise during 2022, reinforcing our commitment to, and success in, establishing a strong corporate governance framework. We took the opportunity of this review to confirm our strong and effective governance and reaffirmed the role of the Board and its individual members in ensuring compliance with the QCA code. There were no major issues or concerns raised about the effectiveness of the Board or its individual members. The Nominations Committee has reviewed the skills and experience of Board members individually and collectively and concluded that the size and composition of the Board remain appropriate at this stage of the Group's development.

The Group has a broad international footprint with the majority of its revenue coming from outside the UK & Ireland and the Board welcomes the cultural diversity that this brings. The Midwich culture is an open and welcoming one and we have been recognised for this. In 2022 we were named "Distributor of the Year" at the AV Awards whilst in 2021 we were named the "Best place to work" at the Inavation Awards. The Board understands the importance of diversity of gender and ethnicity and is committed to ensuring that diversity will be a key consideration in the appointment of future Directors and senior leaders.

The Group is committed to doing the right thing for the wider society; community engagement is embedded in our DNA. This year we have stepped up our work on formalising our approach to Environmental, Social and Governance ("ESG") matters by engaging a third party to support us in developing our Midwich Sustainability Strategy which we have set out in this year's annual report.

The process for establishing our baseline CO_2 emissions was completed in 2022 and we are making good progress on finalising our plans and metrics to reduce our carbon emissions. Although the absolute value of CO_2 emissions is important, given the historical and planned growth of the Group, the Board considers that emissions divided by revenue is a more relevant KPI.

As an AIM listed company, the Mandatory Climate-related Financial Disclosures are not yet applicable to the Group, but as a Board we are on track to report Group-wide data for the 2023 financial year.

The Group continues to apply the QCA code as its governance framework. The Board has reviewed all aspects of compliance and continues to believe that it meets or exceeds the requirements of the code. We go beyond the QCA code requirements through the inclusion of a comprehensive Directors' remuneration report and an annual advisory vote on this at the AGM. We continue to engage with our largest shareholders including seeking input into our sustainability strategy and inviting them to join us at our capital markets day and AV trade show in October 2022.

The Board recognises its duty to have regard to broader stakeholder interests and, in addition to developing our sustainability strategy this year, our teams shared industry-leading ideas with a wide audience through our Midwich Live social media broadcasts.

> "In 2022, I was also delighted to see how our country Managing Directors responded to the cost-of-living pressures. Our business leaders acted to support our people through a mix of accelerated pay reviews, a step up in staff benefits and a focus on wellbeing."
>
> **Andrew Herbert**
> Non-executive Chair

People

The success of any company is down to the quality of its leadership and its people. I believe that we have the best teams in the industry, and they have once again delivered exceptional service to vendors, customers and end users alike. The Board has a strong belief in rewarding success and ensuring that engagement levels are high. Share ownership by our people is a core part of our engagement strategy and I believe that our employee share plans have incentivised the exceptional business performance. In 2022, I was also delighted to see how our country Managing Directors responded to the cost-of-living pressures. Our business leaders acted to support our people through a mix of accelerated pay reviews, a step up in staff benefits and a focus on wellbeing. After the disruption from Covid-19, I was extremely pleased to see our offices buzzing once again in 2022. Our teams address every challenge with commitment and determination, and it is this positive approach that is the main driver of our market share gains and continued growth.

The Board has regular interaction with the ELT, which comprises the Executive Directors together with the Managing Directors of our key operating units. We have been delighted with the ELT's success in delivering strategic goals at the same time as leading the Group's record performance. This regional leadership model is working well and is fully aligned to the Group's long-term growth ambitions.

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

Andrew Herbert
Non-executive Chair

OUR MARKETS

Our addressable market in Pro AV solutions covers areas such as sound, video and lighting.

These solutions are prevalent and relied upon in many areas of daily life – at home, in transit, at the workplace, in education and in a wide range of retail, leisure and recreational uses.

The application of AV systems is found in areas such as unified communications, workplace collaboration and digital signage solutions, with end users broadly covering the corporate, education, government, events, retail, hospitality, healthcare and residential markets.

Industry data indicates that the global Pro AV market exceeded pre-pandemic levels in 2022 at £263bn. The market is forecast to grow at 5.9% over the five years to 2027 (Source: AVIXA 2022).

We believe that Midwich is the largest specialist AV distributor in the world, and that we have consistently gained market share and are well positioned to continue to further grow our share of this large and fragmented global market.

Our end user markets

Our customers are primarily installers and resellers of AV equipment into the Pro AV market. This market addresses a number of segments covering a very broad range of end user markets. We believe that in 2022 these segments represented the following proportions of our business:

Corporate	30%
Venues and events	7%
Media and entertainment	7%
Retail	7%
Education	31%
Residential	2%
Transportation	2%
Government and military	5%
Hospitality	4%
Healthcare	5%

Link to strategy

Specialisation

Geographical coverage

Scale

Key trends in the AV market

Growing use of AV products and technology

The global Pro AV market has grown and evolved significantly over the last 25 years with both cultural and technological changes increasing the demand for AV solutions. There are multiple demand drivers in the AV industry, including:

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

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

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

Fundamentally, we believe that the multiple demand drivers for AV solutions have an appeal in periods of economic growth and more challenging times. During both the financial crisis and the unprecedented disruption from COVID-19, AV market demand remained robust and we believe that the industry will continue to grow at above GDP levels in the coming years.

How we're responding

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

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

The Group has a long-standing programme of supplementing its organic growth with the acquisition of smaller businesses which provide it with access to new products, sectors and geographical markets. Our general strategy is to acquire businesses which not only add to the Group's capabilities, but which provide exciting opportunities for growth and widen our addressable market. We continue to have significant success with this strategy.

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

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

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

Link to strategy

Specialisation

Geographical coverage

Scale

Key trends in the AV market *continued*

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

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

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

How we're responding

The Group's long-standing relationships with over 600 vendors, including blue-chip organisations such as Samsung, LG, Epson and SMART, support a comprehensive product portfolio across major AV categories such as large format displays, projectors, technical and professional video, audio and digital signage. The Group operates as the sole or largest in-country distributor for many of its vendors in their respective product sets. We attribute this position to the Group's technical expertise, extensive product knowledge, focused sales capability and strong customer service offering built up over many years.

The Group offers a range of support to our customers, including demonstrating products, training their staff and providing technical advice, logistics and post-sales support. We have a large and diverse base of over 22,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality.

5.9%

Annual expected AV market growth to 2027

Source: AVIXA 2022

STRATEGIC REPORT

FURTHER DETAILS IN RESPECT OF OUR TWO MAIN SEGMENTS ARE AS FOLLOWS:

Education

The education market covers primary schools through to higher education, and is one of the two most significant markets for the Group – particularly in the UK, Germany, France and North America. Through our long presence in this market the Group has built a very strong vendor portfolio, close relationships with customers addressing the education sector and also in-house expertise in supporting the needs of this segment.

The majority of the education market is funded by government as part of its investment in developing the skill sets of its population. Historically, government education spend has tended to be relatively stable, with the occasional addition of significant additional investment programmes.

Recent trends in this market have included the growth in interactive displays and, more recently, technology to facilitate effective remote learning. The Group's growing portfolio of products addressing the unified communications and broadcast markets improved our offering to the education segment.

Corporate

The corporate market covers principally offices, including meeting rooms, huddle spaces, conference rooms and reception areas. The use of technology within the corporate market is widespread, and AV technology has been used increasingly to aid the efficiency and effectiveness of operations. We believe that the pandemic accelerated trends that were already taking place in this market, such as the use of technology to collaborate in meetings and to communicate remotely.

The recent move to hybrid working has resulted in further investment in the corporate market as end users contemplate their future office strategy. Our belief is that offices will continue to be used extensively, but with adjustments to occupancy levels and to methods of working. For example, we have seen greater adoption of video and audio conferencing technology, which enables staff in offices and working remotely to communicate effectively. The Midwich Group product portfolio is ideally suited to these corporate requirements, particularly following the strengthening of our unified communications offering.

Other end user market segments are individually smaller and tend to have other own product and support needs, which the Group addresses through its range of specialist businesses and staff. In 2022 the majority of these markets – such as venues, events and hospitality – have rebounded, although other sectors – such as retail – still have some way to go to fully recover from the pandemic. Our flexible business model allows us to quickly adapt to changes in end user market demand.

THE AV EQUIPMENT VALUE CHAIN

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

AV MANUFACTURERS

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

MIDWICH GROUP

Midwich Group distributes AV products to the trade market.

Value that AV manufacturers get from Midwich:

- Market intelligence and strategic and tactical input into planning
- Market access through highly experienced and effective AV sales, marketing and technical teams
- Ability to reach broad, profiled AV customer base
- Industry-leading events and experience centres enable greater interaction with customers and end users
- Efficient logistics and specialist product support
- Global reach gives ability to support multinational projects
- Midwich's scale means fewer points of contact, improving operating efficiency for manufacturers

Value that Midwich gets from AV manufacturers:

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

Value that Midwich gets from the trade market:

- Customers for AV products
- Opportunities to support multinational end users' projects across geographies
- Market knowledge and end user feedback

TRADE MARKET

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

END USERS

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

Value that the trade market gets from Midwich:

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

Value that the trade market gets from end users:

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

Value that end users get from the trade market:

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

MARKET-LEADING SPECIALIST VALUE ADDED AV DISTRIBUTION

Local solutions with global impact

The Group now has a global presence. Operating in every key geographic region, we believe that Midwich is the largest specialist AV distributor in the world.

Whilst the vast majority of the Group's revenue is generated through the sale of products it is the Group's specialist value added approach that underpins its growth and return on investment.

Link to strategy

Specialisation   Geographical coverage   Scale

WHAT MAKES US DIFFERENT?

- Our industry expertise allows us to specialise and add value to both our vendors and our customers
- Our global footprint makes us the largest specialist AV distributor in the world
- Our approach to acquisitions creates scale and growth in value whilst retaining entrepreneurial spirit

KEY RESOURCES AND CAPABILITIES

Market-leading AV vendor portfolio

Resource

The Group operates as the sole or largest in-country distributor for many of its 600+ vendors in their respective product sets. We believe this is the largest global vendor portfolio in the AV market, a position that has been built over many years through our technical expertise, extensive product knowledge, focused sales capability and strong customer service offering.

Benefits

The Group's long-standing vendor relationships make it attractive to customers who are looking to limit their number of buying relationships.

Opportunities

Broad and close vendor relationships lead to opportunities to introduce new brands and technologies into current or new Group companies.

Strong relationships with a broad range of focused AV customers

Resource

The strongest industry team of account managers and pre and post-sales technical and product specialists gives customers the support they need to win and deliver successful projects. Experience centres, demonstration facilities and training facilities help develop customer knowledge and support their end user sales activities.

Benefits

A consistently reliable and supportive trade-only distribution partner encourages customer loyalty and a larger share of wallet.

Opportunities

Continued investment in technical expertise, support services and experience centres should facilitate closer customer relationships.

VALUE GENERATED

Trade customers

By having our sales capability focused on trade customers, we are well placed to ensure we meet the needs and requirements of our customers.

We partner with our customers to support their growth ambitions, including helping them operate across multiple geographies.

AV manufacturers

Our scale and specialist AV approach allows our vendors to reach the widest range of opportunities.

Through our distribution reach, we can grow the market share of the products of our AV manufacturer partners.

Employees

We ensure that our employees develop the technical expertise and product knowledge required to service our customers.

Our merit-based approach recognises value contributed and we actively encourage employee share ownership.

Shareholders

The Group has generated above AIM market returns since IPO and continues to invest to deliver future growth.

Our strategy is focused on both organic and inorganic growth. Industry data indicates average growth in the AV sector will exceed global GDP growth for the next five years.

Proven ability to successfully acquire, integrate and grow businesses

Resource

More than fifteen years' acquisition experience and a strong internal team of M&A, integration and business development specialists have facilitated a steady stream of successful acquisitions.

Benefits

The Group uses acquisitions to quickly gain access to relevant and attractive new geographical and product markets. An effective acquisition process reduces the risk of failed acquisitions and management distraction. The Group's reputation as a trustworthy potential partner makes it an attractive prospect for business owners looking to join a larger, focused AV group and often allows us to partner with the best businesses in the market.

Opportunities

The Group has a strong pipeline of acquisition opportunities either in new geographical markets or in specialist product areas.

Depth of up-to-date market knowledge

Resource

We have a strong team of business management and technology experts whose roles include the identification and assessment of new products and technologies. The scale of our business enables us to track movements in the market such as demand for different technologies and products. Strong internal collaboration helps to share insight amongst the wider Group.

Benefits

Up-to-date market insight gives a competitive advantage in terms of stock profiling and customer and vendor strategies. Market intelligence can be used to support customers and vendors, making Midwich a more valued partner.

Opportunities

The continued development of internal, specialist market-focused teams which share information will improve the Group's capabilities to support customers and vendors as well as designing more profitable future strategies.

Financial strength

Resource

A strong balance sheet, with strong bank facilities and supportive shareholders. Our expertise and propriety tools and analysis help all Group businesses maintain a disciplined approach to working capital management and cash generation.

Benefits

Our financial strength and capabilities mean the Group is capable of exploiting new opportunities – whether acquisitions, investment in infrastructure or the financing of working capital. Expertise in inventory and receivables management ensures the Group's risks from obsolescence or default are minimised and provides comfort to banks, trade insurers and vendors.

Opportunities

Continued focus on the interests of all stakeholders should ensure the Group has the resources to continue its organic and inorganic growth.

Our focus is to ensure that we provide the best service possible

“The performance of the Group in 2022 was outstanding, with revenues increasing 40.7% to over £1.2bn and adjusted profit before tax of £45.2m being 41.5% up on 2021.”

Stephen Fenby
Group Managing Director

Overview

The performance of the Group in 2022 was outstanding, with revenues increasing 40.7% to over £1.2bn and adjusted profit before tax of £45.2m being 41.5% up on 2021. Our organic revenue growth of 20.7% (2021: 18.9%) was supplemented by a significant contribution from the two UK businesses we acquired early in the year.

On a constant currency basis, organic growth was between 14% and 18% in all regions except for North America where we grew at 60%.

The impact of the pandemic reduced somewhat in the period, with product shortages easing (but not completely) and the cost of shipping containers reducing significantly during the year. We saw the resumption of a significant part of the live events and hospitality markets, and the corporate market strengthened during the year. Although only a small part of the business, demand for consumer products was suppressed during the year, and lower consumer demand generally appears to have had a negative impact on investment by high street retailers.

Our team worked very well in dealing with sporadic product supplies, particularly in the earlier part of the year where it was important to ensure that we had sufficient product for our customers' needs. Subsequently, in some parts of the market (such as displays), manufacturers accelerated production very rapidly which led to the oversupply of product which required careful inventory management.

Cash flow was good, particularly given the strong organic growth in the business. Adjusted net debt to adjusted EBITDA of 1.6 times at the year end (2021: 1.4 times) was comfortably within the Board's target range and demonstrates the Group's ability to deleverage post the two acquisitions completed this year.

Strong organic revenue growth outperforms the market significantly

Group organic revenue growth was 20.7% on a constant currency basis. This compares with AVIXA's estimated growth in the global AV market of 10.5% in 2022.

Steady improvement in most end user markets

We saw a steady improvement in a number of end user markets that have been quieter since the start of the pandemic. The corporate market was stronger for us, with demand for our offering of unified communication and collaboration products showing the greatest improvement. The live events, hospitality and entertainment markets also improved during the year as in-person activity resumed.

The retail market has remained relatively subdued – a reflection of relatively tough trading conditions. AVIXA anticipates that this market may not return to 2019 levels until 2025. We believe that this market has historically accounted for around 5% of Group revenue.

Operating margin improvement

The Group's adjusted operating margin improved from 4.0% in 2021 to 4.2% in 2022. Gross margins were in line with the prior year whilst better operating leverage led to an improvement in net margins.

The gross margin was positively impacted by strong growth in our higher margin professional audio business and relatively strong margins from businesses acquired in the year. However, these were offset by a negative swing in the provision for aged stock. In 2021, the gross margin was positively impacted by an aged stock provision release, whereas a charge was seen in 2022. Excluding these provision movements, the gross margin would have been 0.5% higher in 2022 than in 2021.

Strong contribution from acquisitions

The Group acquired two significant businesses early in the year, Cooper Projects (trading as DVS) and Nimans. Combined, these two businesses contributed total revenue of £154m at a gross profit level, marginally ahead of the Group average and with a strong contribution to net profit, after funding costs. The acquired businesses are based in the UK and either strengthen our existing technical capabilities (such as in unified communications in the case of Nimans) or move the Group into new market areas (CCTV and access control in the case of DVS).

Profitability and cash generation

Adjusted profit before tax increased by 41.5% to reach £45.2m – a new record for the Group.

In addition to maximising profitability, we continued to focus on managing our cash flow. The significant organic growth experienced in 2022, plus the cash outflow from acquisitions, meant that adjusted net debt increased from around £58m to £96m. At 31 December 2022, the ratio of adjusted net debt to adjusted EBITDA was 1.6 times – well within the Board's target range. The Board considers that cash conversion of 54.3% is satisfactory given the strong organic growth of the business. Our expectation of long-term cash conversion remains between 70% and 80%.

▶ **Read more** on page 111 for definitions of alternative performance measures

Group strategy remains unchanged

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

Technologies

In broad terms, we categorise our products into mainstream and specialist categories. Mainstream products cover displays and projectors, which comprised an aggregate of 40.4% of Group revenue in 2022 (2021: 50%). Specialist categories cover technologies which require greater pre and post-sales support and hence tend to carry higher margins. This group covers categories such as audio, technical video and broadcast and represented 54% of total sales compared with 43% in 2021. A core part of the Group's long term strategic focus is to become more specialist.

Our largest technology area is displays, a category which grew by 16% in 2022 and is now 30% larger than it was in the pre-Covid year of 2019. Growth was strong across all geographical regions. LED displays experienced very strong growth, in excess of 60% in the year, and we believe we have established a strong market position in this category. These products require a higher level of expertise to distribute effectively, and hence tend to carry a higher overall gross margin.

Revenue from projector sales increased by 8% in 2022 (2021: 6%), with the UK&I once again achieving the most significant growth due to its focus on high-end projection. Whilst the overall projector market continues to be impacted by a shift towards displays, we believe that we gained market share in this category through our focus on high-end projection.

Growing our technical product categories has been a particular focus of the business for many years and in 2022 revenues in this category increased by over 76% (2021: 50%). As expected, after two particularly strong years, revenues in the broadcast segment declined in 2022. However, we saw strong growth in professional audio, particularly in EMEA. Revenues from lighting products increased by 60% as live events returned in 2022. Other technical product categories grew, with the two acquisitions contributing to a new category of security products and also expanding our unified communications revenues.

Outlook

The Group has a proven capability to grow ahead of its markets both organically and through acquisition. I believe that our standing with customers and vendors alike continues to go from strength to strength. However, our team is not complacent – we recognise that we operate in a competitive market where both vendors and customers have a choice of which partners to work with. Our focus is to ensure that we provide the best service possible, and continue to develop our service offering. We have a strong pipeline of acquisition opportunities which will enable us continue our strategy of entering new geographical markets and expanding our range of products.

With the global AV market expected by AVIXA to grow at 5.9% per annum over the five years to 2027, I believe our Group is very well positioned for the future.

Although still early into the new financial year, and mindful of the slower general economic conditions and higher interest rate environment, we remain confident that 2023 will see yet another year of growth in excess of the overall market.

> "Growing our technical product categories has been a particular focus of the business for many years and in 2022 revenues in this category increased by over 76%."
>
> **Stephen Fenby**
> Group Managing Director

NORTH AMERICA

Starin, our North American business, performed well in the year, with revenues increasing by 78.2% to £123.1m (60.0% on a constant currency basis). The gross margin of 14% achieved in the year was below the 2021 level, but we believe it is still strong for a business in the US market. Our 2021 profitability in this region was particularly positively impacted by aged stock provision movements.

Our focus in North America has been to expand our sales and business management teams, to gain market share through high service levels and to win strong new brands. In each of these respects the business performed well in 2022.

Adjusted operating profit was £6.4m – a 41.3% increase on 2021 (27.1% in constant currency) and 5.2% of revenue in the year.

Revenue

£123.1m

Gross margin

14.0%

UK & IRELAND

Revenues in the UK&I grew by 72.1% to £492m. This included organic revenue growth of 18.4%. Technical product categories, such as audio and lighting, were particularly strong, as were high-end projector sales. The gross margin percentage in this division increased from 15.8% to 16.1% despite an increase in the aged stock provision.

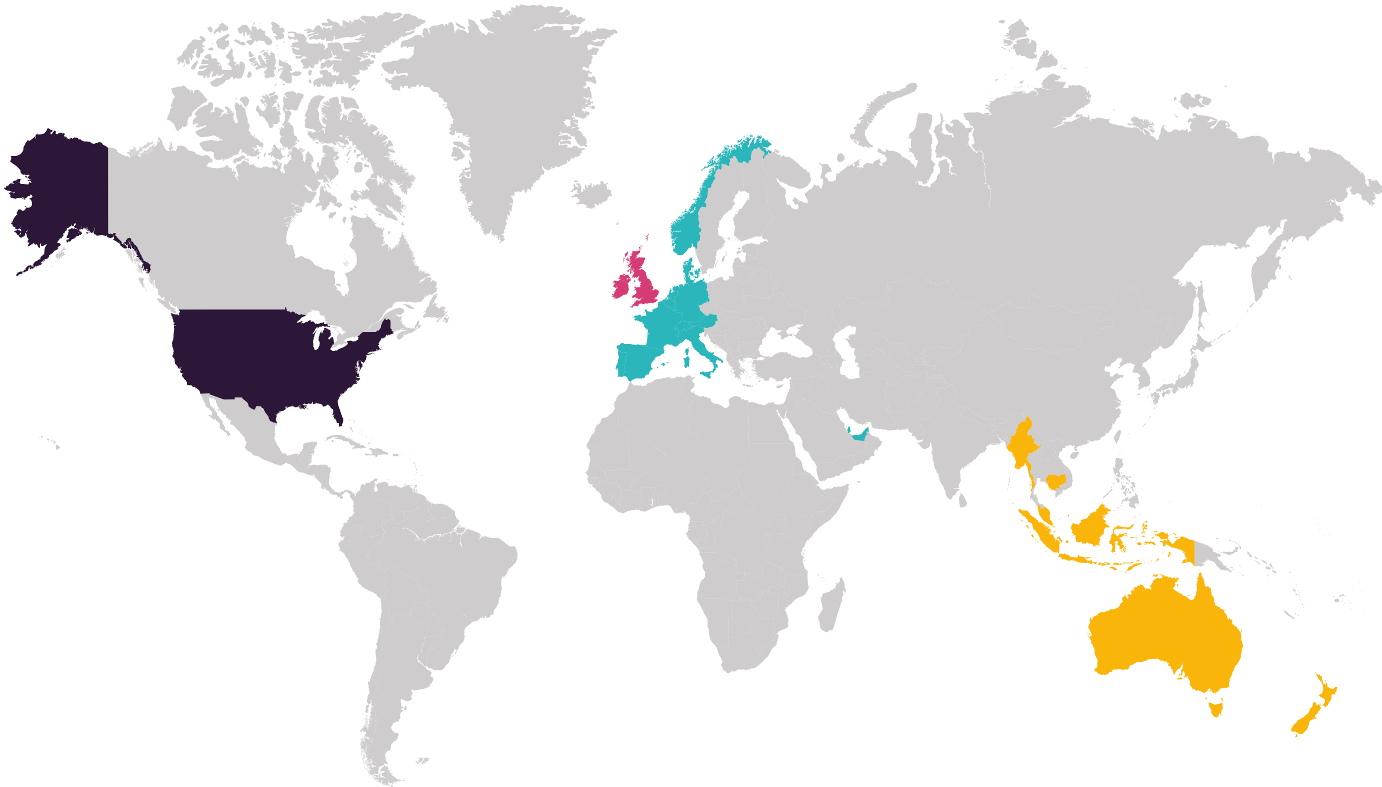
Adjusted operating profit more than doubled from £12.7m to £26.5m due to strong contributions from both organic growth and the acquired companies.

Revenue

£492.2m

Gross margin

16.1%



EMEA

The EMEA region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy, Iberia and the Middle East. Revenues, on a constant currency basis, increased by 16.8% to £535.0m, with organic growth also being 16.8%.

Our audio-focused higher margin businesses in Iberia, Italy and the Middle East performed particularly well in the year with the return of in-person activities and improved availability of product. We saw high single digit revenue growth in the main territories of Germany and France. Gross margins remained flat in France but declined marginally in Germany due to a change in product mix.

Gross margins in EMEA decreased by 0.1% to 14.6%.

Adjusted operating profit in EMEA increased by 6.4% (3.2% on a constant currency basis).

Revenue

£535.0m

Gross margin

14.6%

ASIA PACIFIC

After a slow start, due to extended pandemic restrictions, our Asia Pacific business improved in the latter part of the year and finished with revenue growth of 18.5% to £53.8m (14.3% growth on a constant currency basis). The overall gross margin percentage dropped slightly due to a relatively strong performance in the lower margin displays product category.

Adjusted operating profit of £1.4m was 48.8% higher in 2021 (42.3% on a constant currency basis).

Revenue

£53.8m

Gross margin

17.3%

OUR STRATEGY

Our ambition is to build on our position as the leading global specialist AV distributor.

Our strategy is to take advantage of the significant opportunities in our sector to increase our market share and deliver long-term profitable growth.

Market dynamics and the opportunity

The global Pro AV market was estimated to be worth \$263bn^ in 2022 and is forecast to grow to \$351bn^ by 2027. This represents a forecast growth rate of 5.9% per annum, well ahead of the global GDP projections.

At £1.2bn revenue in 2022, the Group revenue represents less than 1% share of the global AV market, which presents us with a significant opportunity for further growth. In context, since the Group's IPO in 2016, global GDP has grown by an average of 2.7% per annum, whilst the global Pro AV market has grown by c.7% and Midwich Group revenue has grown by 22% demonstrating our ability to sustainably increase market share.

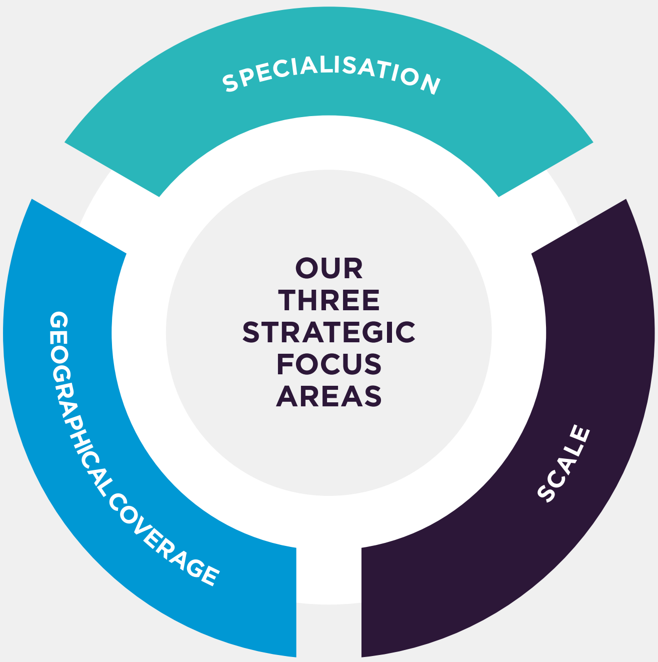
To achieve our strategic growth objectives, we aim to expand our addressable market and we look to do this by increasing our technology coverage. At the end of 2022, the Group has a presence in approximately 55% of the global AV territories. This presence ranges from broad product solutions (e.g. UK&I) to more modest offerings (e.g. North America).

Our approach to growth

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

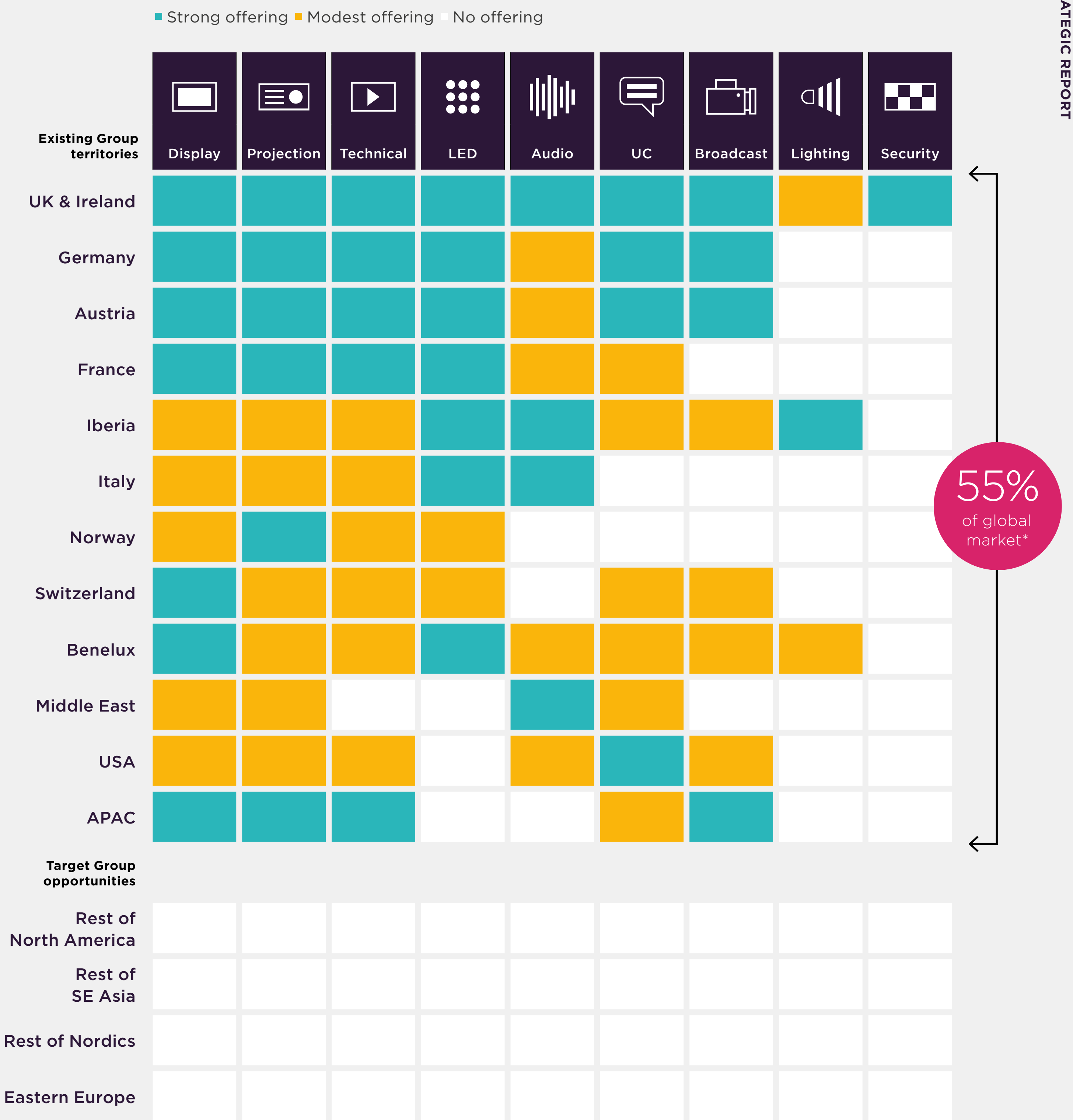
Our primary focus is on organic growth supplemented by acquisition of businesses in new geographical or product markets. Where we acquire, it is always with a plan for how we can help that business to grow and be more successful. The Group takes a disciplined approach to acquisitions, seeking to add capital value without an adverse impact on the existing business. We have a strong ongoing pipeline of opportunities.

Our strategic decisions are based on achieving three core objectives: **specialisation**, **geographical coverage** and **scale**. We believe that a focus on this combination of factors provides the right framework to achieve our long-term profitable growth objectives.



Source: AVIXA

TECHNOLOGY COVERAGE



* Management view based on AVIXA market data.

Specialisation

Why?

- Relevance
- Profitability
- Defensibility

How?

- Portfolio management
- Acquisition
- Values and services

Success measures

- Growth in technical product sales
- Long-term growth in gross profit margin

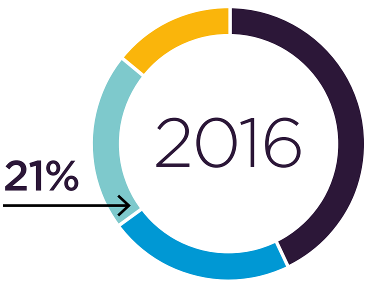
— The increasing complexity of AV solutions highlights more than ever the need for both customers and manufacturers to use a high-quality specialist distributor such as Midwich.

— Our specialisation strategy includes both launching new vendor relationships and rolling out existing relationships into new technology areas and geographical markets; this expands our technical product offering, adding both breadth and flexibility to our solutions.

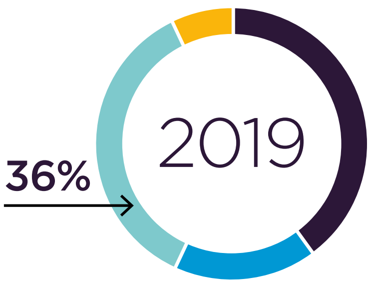
— Greater specialisation allows us to invest in technical expertise and develop experience centres. By doing this we can offer industry-leading advice to our customers and end users. It also allows us to share deep market knowledge with our vendor partners.

— The Group has acquired 19 specialist AV businesses since 2016. These investments have accelerated our development of specialist capabilities and we have a strong pipeline of similar opportunities.

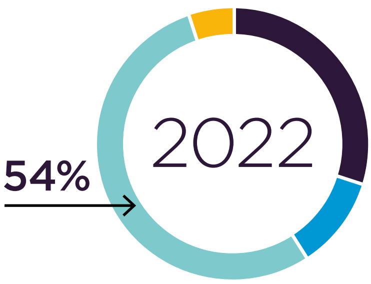
Increase in technical product sales mix over time demonstrates increased specialisation



Displays	43%
Projection	22%
Technical	21%
Other	14%



Displays	40%
Projection	17%
Technical	36%
Other	7%



Displays	30%
Projection	11%
Technical	54%
Other	5%

DVS acquisition integration: Tesco invests in security

- We acquired DVS, a specialist security distributor, in January 2022.
- Traditional security deal to roll out a solution across multiple Tesco stores.
- Displays strategically placed within high-value or high-volume theft areas for customer awareness.
- Cross-market opportunity meant DVS could now source screens from Midwich with 100 iiyama screens supplied.
- Delivering cross-market sales opportunities to the Midwich Group as many more security solutions require displays.

Geographical coverage

Why?

- Support
- Projects
- Share of wallet

How?

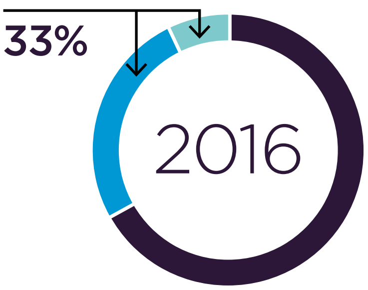
- Acquisition
- Investment

Success measures

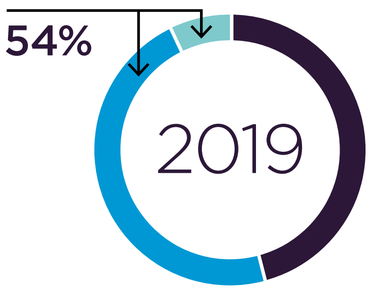
- Number of territories
- Market presence
- Number of customers

- Pro AV is a £263bn global industry with an increasing need from end users for consistent solutions across multiple territories. The switch to hybrid working and the expansion of unified communications, which typically rely on global software platforms, accelerated demand from multinational organisations for common solutions. Similarly, in a connected world, retailers want consistent brand strategies and customer experiences across their markets.
- Many of the Group's largest customers are becoming increasingly global in their approach and Midwich is able to support them, to create solutions, demonstrate options to end users and meet their product requirements across the world.
- There is also an increasing desire from vendors to work with partners who can provide a consistent, high-quality service across the globe. Working closely with our vendor partners we have accelerated the roll-out of existing vendor relationships into new markets over the last few years. This is one of the key drivers of the Group's increase in market share.

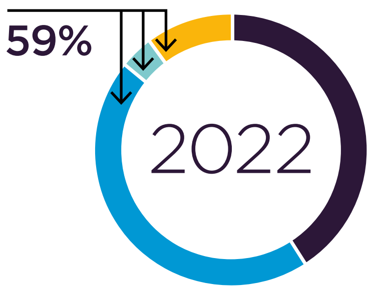
Increasing scale from greater geographical coverage, whilst increasing non-UK&I revenue from 33% in 2016 to 59% in 2022



UK&I	67%
EMEA	26%
APAC	7%
North America	0%



UK&I	46%
EMEA	47%
APAC	7%
North America	0%



UK&I	41%
EMEA	45%
APAC	4%
North America	10%

2016
- Countries of operation: 6
- Number of vendors: 300+
- Number of customers: c.10,000

2019
- Countries of operation: 17
- Number of vendors: 500+
- Number of customers: c.16,000

2022
- Countries of operation: 21
- Number of vendors: 600+
- Number of customers: 22,000+

Scale

Why?

- Efficiency
- Profitability
- Cross-selling

How?

- Focus
- Sharing expertise
- Referral
- Acquisition

Success measures

- EBIT % growth
- Growth in acquired companies
- Product offering

- The Group has a track record of gaining market share; for example, the wider Pro AV market has typically grown by 6-8% per annum (AVIXA data) whilst the Group has grown by a compound annual growth rate of 22% since its IPO in 2016.
- Scale brings significant benefits such as a greater degree of importance and influence in the AV market with both customers and manufacturers. The benefits of scale allow the Group to make investments in experience centres, technical expertise and also support capabilities to help our businesses grow.
- Scale also helps with our acquisition model, from attracting target companies, to developing in-house acquisition capabilities, to integration and support for future growth and having the balance sheet to do multiple deals each year.
- At the heart of our strategy is leveraging the scale of the Group to help each of our local businesses grow and punch above their weight.

ADDING VALUE TO GROUP COMPANIES

Enabling local companies to grow

Central support

- Specialist departmental/ functional knowledge
- Industry expertise and relationships
- Vendor and customer strategic relationships

Local expertise/ a peer group approach

- Departmental knowledge transfer
- Market knowledge
- Vendor and customer relationships

Vendor access

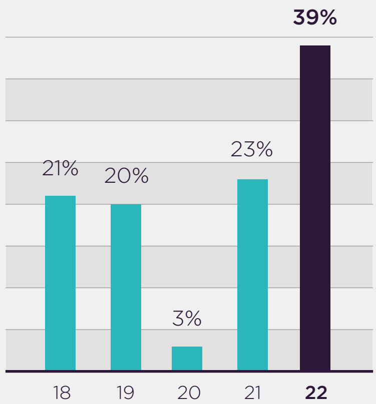
- Significant vendor access for new and existing businesses
- Group reputation is the key factor

Digital infrastructure

- Focus area for enhancement
- Efficiency and commercial opportunities
- Increase upside as we scale

HOW WE PERFORMED IN 2022

Record revenue growth resulting in exceptional Group results in 2022.



Change in total revenue vs prior year at constant currency

REVENUE GROWTH

39%

Why we use this measure

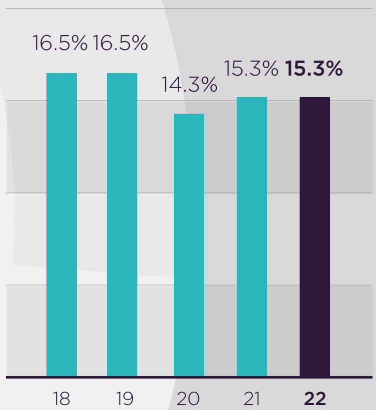
Revenue growth (at constant currency) is often an indicator of the financial health of the Group. It may indicate the Group is participating in a growing market or has gained market share, or both.

Performance

The Group achieved record revenue growth in 2022 and further increased its market share with total growth of 39% (CFX).

Target

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



Gross profit as a percentage of revenue

GROSS MARGIN

15.3%

Why we use this measure

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

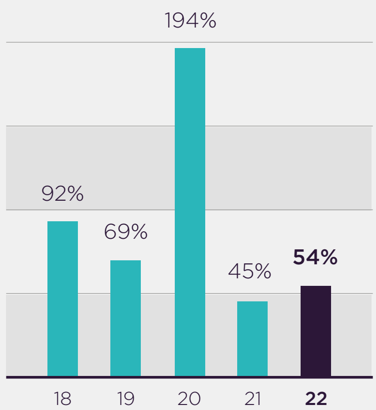
Performance

In 2022, the Group maintained gross margin. Excluding the impact of the change in aged stock provisions in the year the gross margin improved by 0.5 percentage points.

Target

Maintain or increase gross margin each year.

> “The Group once again made significant market share gains in the year.”
>
> **Andrew Herbert**
> Non-executive Chair



Adjusted operating cash flow as a percentage of adjusted EBITDA

CASH FLOW CONVERSION

54%

Why we use this measure

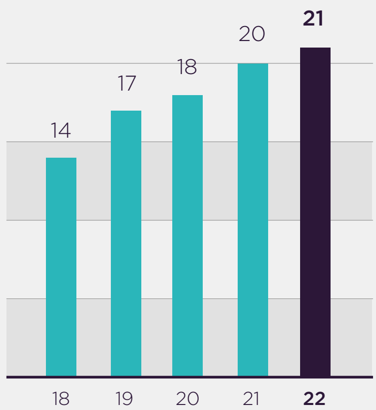
Cash flow conversion measures the ability of the Group to generate cash from its operations as a function of turning stock to sales to cash quickly. It gives an indication as to the ability of the Group to pay its dividend and self-fund investments.

Performance

The Group invested in working capital in 2022 to support its record increase in revenue.

Target

Over 70% of EBITDA.



The number of countries in which the Group has operations

COUNTRIES WITH A PRESENCE

21

Why we use this measure

Geographic footprint is an indicator of our ability to support customers, end users and vendors with global project rollouts, in addition to scale and the opportunity to further grow revenue.

Performance

At the end of 2022 the Group continued to increase its international presence, obtaining a licence to operate an entity in Saudi Arabia. This gives the Group a presence in all the major global AV regions and increased the number of countries where we operate to 21.

Target

Entry into at least one new geographical market per annum.

Formalising our approach to sustainability

> Our strategy harnesses the collective power of our culture and is underpinned by strong governance and responsible behaviours."
>
> **Hilary Wright**
> Non-executive Director

I am pleased to report that we have made significant progress in Environmental, Social and Governance ("ESG") matters during the period, and I am excited to introduce our new sustainability strategy. This has been developed over the last year with the enthusiastic support of our wide-ranging stakeholder groups together with external sustainability consultants.

The new strategy formalises our approach to sustainability, building on the previous three pillars that we reported against. It provides a more holistic plan to address the key sustainability-related risks and opportunities that impact our business. It focuses on four areas that we can leverage to create and add economic, social and environmental value by incorporating material sustainability considerations into the decisions we make, the actions we take and the relationships we nurture.

Our approach to sustainability has always been about doing the right thing for our business, our stakeholders and wider society. As one of the largest distributors of specialist AV equipment globally, we understand the unique role we play in the sector, both supporting our customers to meet their own sustainability ambitions and using our voice to advocate for more sustainable ways of working across the wider AV industry.

Sustainability isn't just important to us – we know that the end users of our products, our employees, our investors and other stakeholders value it highly too. From climate change, energy efficiency and the circular economy to the focus on inclusivity, we are acutely aware of the emerging trends that will continue to impact our business now and in the future.

Our new sustainability strategy

Our new Group-wide Midwich Sustainability Strategy recognises that there are critical areas where we have more direct control – supporting the growth and development of our people and reducing our environmental impacts.

We are looking at other areas, where we have less control but can influence and leverage our position in the value chain to add value and support the sustainability agenda in the communities in which we operate and across the AV sector.

Our strategy harnesses the collective power of our culture and is underpinned by strong governance and responsible behaviours.

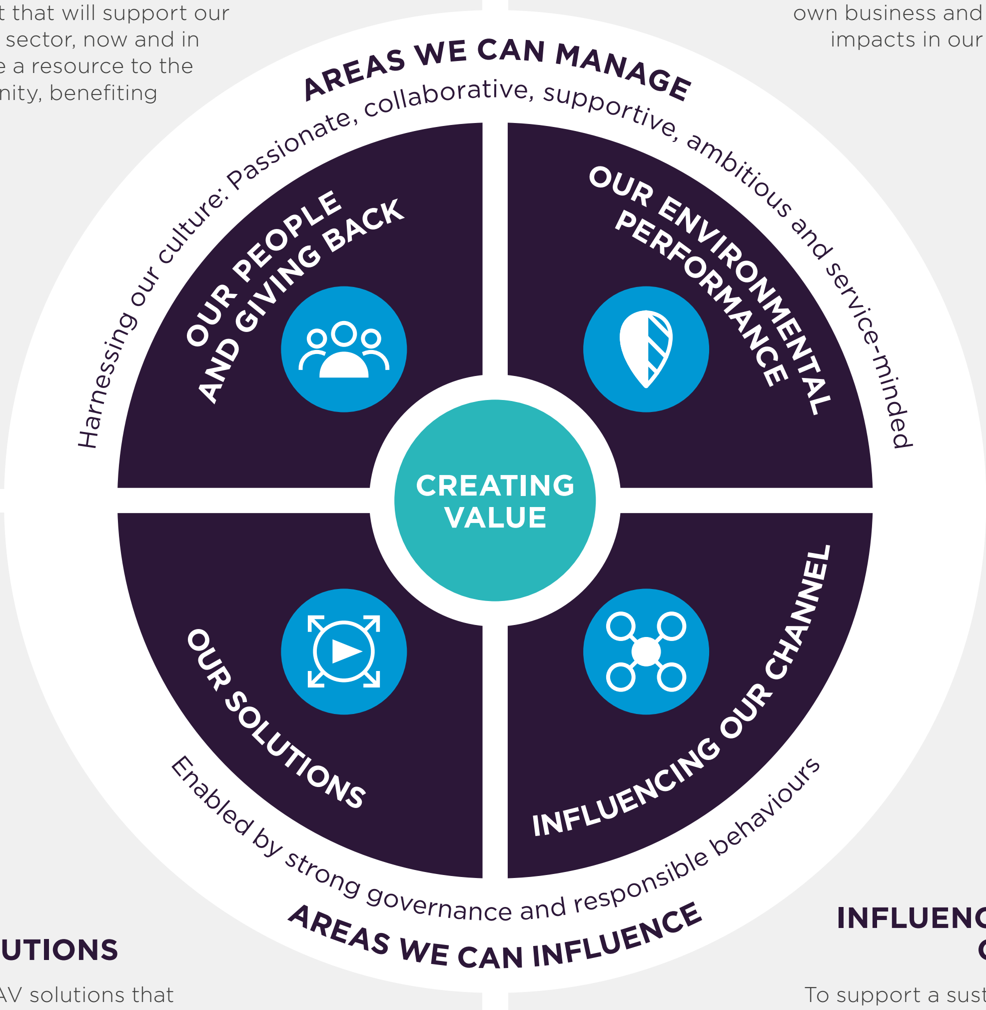
Our Midwich Sustainability Strategy incorporates the following four areas:

OUR PEOPLE AND GIVING BACK

To care about our team and local community. Developing skills and diverse talent that will support our business and sector, now and in the future. Be a resource to the local community, benefiting all involved.

OUR ENVIRONMENTAL PERFORMANCE

To manage and reduce emissions and energy consumption in our own business and influence key impacts in our supply chain.



OUR SOLUTIONS

To promote AV solutions that help people to communicate, collaborate and work more efficiently.

INFLUENCING OUR CHANNEL

To support a sustainable value chain to ensure its long-term success and maximise collective benefit.

Next steps

Our focus for the year ahead is to embed sustainability considerations further into the way we operate and stretching, but achievable, and measurable targets and KPIs. These sustainability-related success measures will help us define the direction of the strategy for the Group, whilst enabling some flexibility and autonomy for each of our businesses on how they want to achieve the objectives in their own unique way.

Progress in 2022

Across the Group there has been a strong focus on sustainability actions and the Group met or exceeded the targets that we set for 2022.

2022 ESG targets

✓ Completed

Target	Outcome	
THE ENVIRONMENT		
To complete baseline CO_2 emissions data	✓	
To report on our environmental strategy and approach to carbon reduction	✓	
OUR COMMUNITIES AND CHARITY SUPPORT		
To contribute over £25,000 to our chosen charities	✓	£55,214.09 funds raised for 14 'Gift of AV' charities.
To launch "the Gift of AV" initiative in the UK	✓	
OUR PEOPLE		
Welcome our teams back to our offices and promote hybrid working	✓	
Invest in our facilities to make them great places to work	✓	Ongoing with numerous initiatives Complete in 2022

I have been delighted with the Group's engagement with sustainability during the last twelve months. We have many team members who are passionate about making a difference and I believe that our new strategy will provide a framework to bring this together across the business. We have also seen some positive results from our actions during the year as noted in the table above.

The work to establish a baseline for our global carbon data this year means that we are fully on track to incorporate Task Force on Climate-related Financial Disclosures ("TCFD") in next year's annual report.

Hilary Wright
Non-executive Director with responsibility for ESG

DEVELOPING OUR MIDWICH SUSTAINABILITY STRATEGY

Crucial to the development of our new Midwich Sustainability Strategy was conducting a full environmental, social and governance (ESG) materiality assessment.

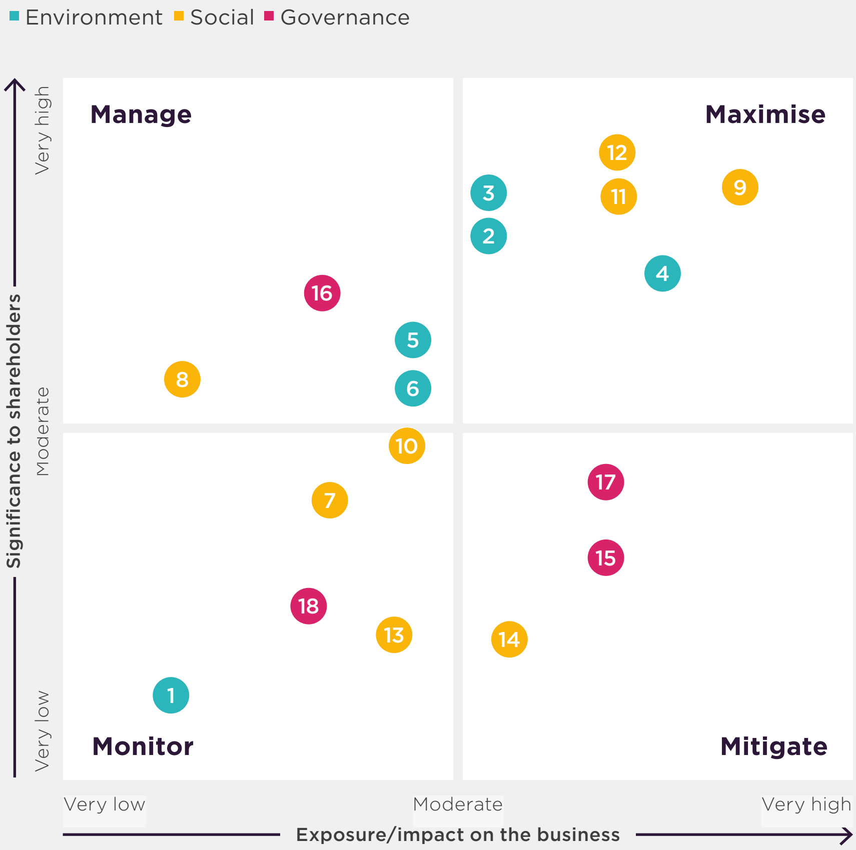
To achieve this, we worked with external consultants to ensure that the results were impartial and truly reflective of the key sustainability-related challenges that our business and the wider AV industry face.

The materiality process was conducted in collaboration with all our stakeholders. Employees across multiple geographies were invited to participate in a survey asking for their views on the most important issues to them and those impacting the business. Interviews with external stakeholders including customers, vendors and investors were also conducted to ensure our strategy aligned with wider industry initiatives and goals. Stakeholder engagement, combined with a detailed analytical review involving academic research and industry intelligence gathering, helped us identify a long-list of 20 material topics across each of the environmental, social and governance areas. We then conducted risk and opportunity analysis against each topic to establish its potential to impact the business and significance based on stakeholder views and the wider global sustainability agenda.

The result, our materiality matrix, is shown below.

Risk heatmap

Current risk assessments taking account of current mitigations



Maximise
- 2 Energy management
- 3 Greenhouse gas reduction
- 4 Logistics and transport
- 9 Employee inclusivity
- 11 Employee training
- 12 Employee wellbeing

Manage
- 5 Packaging
- 6 Product lifecycle management
- 8 Community involvement
- 16 Fair operating practices

Mitigate
- 14 Product security
- 15 Executive remuneration
- 17 Responsible procurement

Monitor
- 1 Biodiversity loss
- 7 Child labour and human trafficking
- 10 Employee health and safety
- 13 Product accessibility
- 18 Responsible tax

The process to define and identify our highest priority sustainability-related issues has fed into the development of our new Midwich Sustainability Strategy and will inform our approach to disclosures going forward.

The topics that are most significant to our stakeholders and have the highest potential to impact our business are those within the top right-hand quadrant These are the areas where we will initially dedicate the majority of our time and resources. Our next step is to develop the roadmap that will set out our core objectives, the actions we'll take, measurement metrics and long-term targets against each of our most material issues.

Managing sustainability

The Board recognises its responsibility to not only oversee sustainability throughout the business, but to also advocate for innovation and creative solutions to the challenges that the business faces. Hilary Wright, as the Non-executive Director with responsibility for ESG, has increased the Group's focus on sustainability and is ensuring the Board is fully conversant with the objectives of the new strategy.

Our Group operating model respects the autonomy of our local teams and their values, but sets out our strategic intent and provides goals, frameworks and objectives to achieve this. This model will also apply to our Midwich Sustainability Strategy and each of our businesses is truly committed to enhancing our approach to sustainability while acting locally to achieve the aims set out in the new strategy.

A steering group ("Midwich 25") has been established to ensure that we make progress against our objectives. This team is made up of representatives from our businesses and has responsibility for the governance of sustainability across our Group as well as driving change and supporting the long-term goals of the strategy. This will allow us to support a transition to a decarbonised economy and society, whilst nurturing the growth of the people who work for us.

Midwich
Because we care

MIDWICH SUSTAINABILITY STRATEGY
AREAS WE CAN MANAGE

Our people and giving back

Strategic priority

Our employees are core to everything we do, and we want them to be fully engaged with the Group and feel a strong sense of belonging and ownership. Supporting our team, through an environment that helps them flourish is part of our purpose, and it is critical to our long-term success as a business. This is delivered through continued involvement in our communities and to develop the skills of our people providing a broader talent pool to meet the needs of our business and sector, now and in the future.

Focus areas

1. Inclusivity

Our business sits at the heart of the AV industry, and it is our people and their relationships with our multiple stakeholders that drive our results. The materiality assessment reinforced what we've always known: A feeling of inclusivity and belonging by our team members is an important factor in our long-term sustainability. The Group's rapid growth over the last few years combined with the shift to hybrid working has presented numerous challenges with respect to maintaining groupwide engagement which have actively addressed, and our greater scale and diversity brings opportunities to invest in our teams as well as creating more fulfilling careers.

2. Training and development

▶ **Read more** Starin career pathways case study

We are committed to developing our team members and allowing them to build their careers within the Group. We understand that if our people understand their purpose and responsibilities and are given the right training and tools they will perform better. We value autonomy and personal responsibility and strive to maintain a merit-based culture. Across the Group we offer a mix of structured training, leadership development and coaching. Our merit-based approach recognises success through both our rewards process and promotion. The rapid growth of the Group allows us to set stretching and rewarding goals for people and provide them with opportunities to try new things both in the UK and, increasingly, overseas.

3. Employee wellbeing

▶ **Read more** community engagement case study

Looking after our team members is critical to our business performance, but more importantly is deeply embedded in our values. We want Midwich to be an engaging, rewarding and fun place to work. Over the last few years, we have seen an increasing convergence of personal and work time. As a leading AV company, we have adopted hybrid working across the Group. This provides more flexibility to our teams and ensures that we prioritise productivity vs time in the office.

We're also conscious of the current pressures on both mental health and from cost-of-living increases. We have responded to both with targeted initiatives and employee benefits. We have also invested in dedicated resources to proactively support our teams around the world.

As a distributor, we are at the centre of the AV channel and we have adopted a similar model with respect to the communities we operate in. The Midwich Group supports an array of local, national and international charities. We recognise the importance of giving back to the communities where we operate and the value this provides to the charities and to our employees, who love to give back.

Community engagement: Employee wellbeing

We made great strides towards making a greater impact in 2022. I am most proud of the £55,000 we have raised for our 14 "Gift of AV" charities; this sets a new annual record for Midwich Limited. Midwich has raised £300,000 for its various chosen charities since 2012.

At the beginning of 2022, we announced that employees could take a day's paid leave to give their time to local volunteering; as a result, 21% of Midwich employees based at Midwich HQ committed time to a project close to their heart, equating to 300 hours of volunteering. The projects included working in local charity shops, litter picking, supporting refugees fleeing the war in Ukraine and 190 hours on local conservation projects; one of these included planting 600 trees as an initiative to offset our carbon emissions through air travel in 2021.

In September, we launched a significant cost-of-living package aimed at supporting our UK employees and their families. We put together a package of initiatives implemented throughout the months of September, October, November and December; this benefited every employee.

View now!

See what we've been up to.

Starin: Pathways to growth initiative

This year, our US brand, Starin, launched a new training and development initiative – "Pathways to Growth.

After listening to their employees, Starin took its first steps towards creating a long-term employee development program. The aim was to help Starin's employees flourish in their roles and providing them with the support to grow, whilst bolstering our ability to provide specialised talent in-house with a unique learning and experiencial pathway to advance their personal and professional growth.

Internal training courses are offered to all employees, across a range of departments from customer care to technical, this enables all employees, new or old, to have a solid understanding of how all departments work and enabling multi-functional learning. Ongoing there will be new courses added every quarter.

In addition to supporting our employees, Starin are committed to continually developing the senior leadership team to challenge and innovate.

> "Supporting development from within is one of the most important responsibilities I have. It is what will ensure our long-term growth and success as a company, as well as an industry, well into the future."
>
> **Bobby Swartz**
> CEO Starin

Our committments to people and giving back

We will continue to champion engagement across the Group, encouraging behaviours that align with our values. Our training and development will ensure people feel comfortable and secure in their roles, are treated respectfully and can operate with autonomy. We will value inclusivity and recognise performance through both our reward and career development programmes. We will also continue to encourage employee share ownership across the Group.

We will prioritise employee wellbeing, adapting to the changing social and economic backdrop. We will also continue to support the communities where we operate.

Measures of success

- Engagement survey results
- Employee share ownership
- Average length of service
- Charitable contributions
- Community volunteering

Maximising impact in EMEA

This year our EMEA brands decided to take a more structured approach to how they select their yearly 'charity of choice', by engaging more deeply with employees during the selection process. The intention was to provide a common cause for each of the regions' businesses to contribute to, and to maximize the impact we could achieve by collaborating, whilst working towards meeting some of the group's sustainability ambitions.

Over 35 charities were nominated, of which a majority were environmental protection charities, were nominated by employees and following a vote Re-Forestation Action was successfully chosen to be the EMEA charity partner for 2023. Re-Forestation's mission is "To preserve, restore and create forests around the world in order to develop their multiple environmental, social and economic benefits over the long term.

reforestACTION

RIDE 22 – Tour de AV

In the UK, "Ride 22 – Tour de AV" was Midwich's first "Gift of AV" challenge that took place in October. The bike ride was held in association with AV Magazine and Pedal Revolution, a team of 24 cyclists from across the AV industry competed in a gruelling 135 mile (217km) cycle challenge from Midwich Group HQ (Diss) to Royal Ascot Racecourse, across two days. The event raised a fantastic £27,000 with each rider choosing a 'Gift of AV' charity of their choice to fundraise for.

THE GIFT OF AV

MIDWICH SUSTAINABILITY STRATEGY
AREAS WE CAN MANAGE

Our environmental performance

Strategic priority

Our primary goal is to manage and reduce our carbon emissions and energy consumption in our own business. We want to do the right thing for the long-term sustainability of the environment, and we will do this through a focus on improving our facilities and logistics activities.

Focus areas

1. Reducing our carbon emissions

As a distributor, the Group's carbon footprint is influenced by two key factors. Firstly, the offices, experience centres and warehouses where we work and look after our products, together with the impact of our team members getting to these facilities. Secondly, the transport and logistics with respect to our supply of products. Many of these activities are outsourced across the Group.

Over the last twelve months we have worked with an environmental consultant to establish a baseline level of carbon emissions for the Group. This has been a complex undertaking, given the geographical reach of our business and the fragmented nature of base data. This work will underpin the establishment of our carbon reduction targets and the Group's inclusion of comprehensive TCFD aligned data in next year's annual report under the Mandatory Climate-related Financial Disclosures regulations. This year we have set out our progress towards TCFD aligned climate disclosures.

2. Improving our working environment

We also have a Group-wide commitment to reduce our wider environmental impact to promote a positive and healthy working environment and reduce our waste. Across the Group we support numerous initiatives including electric vehicle and cycle to work schemes, the elimination of single-use plastics, using LED lighting and installing solar panels and switching to renewable energy providers.

Progress on climate disclosures

1. Governance and risk management

In 2021, Hilary Wright was appointed Non-executive Director with responsibility for ESG matters. Across the Group, we have established a series of programmes, sponsored by the Group Managing Director and Group Finance Director, looking at climate-related matters. Regular updates are provided to the Board.

In the past year we have completed a Group-wide materiality assessment to identify the environmental matters that have the greatest potential impact on our business. From 2023 climate-related risks will form part of the Group's overall risk management process.

Throughout 2023 we will be conducting a thorough climate-related risk and opportunity assessment, which will identify our principal physical, transitional, transboundary and legal risks and the impact these will have on the business over the short, medium and long term. This assessment along with the establishment of a scenario analysis will form part of our first TCFD aligned disclosures in next year's annual report.

2. Climate-related targets

The Group is making good progress towards establishing its carbon targets. In 2022, we conducted a detailed assessment of our carbon emissions (Scope 1, 2 and 3). This process was supported by a specialist climate consultancy and a summary of baseline carbon emissions is set out below. A review of this baseline data is currently underway with an objective to establish Group-wide climate-related targets and key performance indicators to assess progress against these.

3. Impact on strategy and the business model

The Board's initial assessment is that climate-related risks will be an influencing factor but will not have a material impact on the Group's strategy. We believe that the AV industry will respond proactively to the challenges and contribute towards solutions to reduce overall carbon emissions. For example, we have already seen positive benefits from the use of unified communications as an alternative to road and air travel. We do not anticipate material changes to our business model, which is expected to gradually evolve as economies adapt to a low-carbon future.

SECR reporting

In addition to the activity taking place across the Group we continue to report on energy consumption and greenhouse gases under the Streamlined Energy and Carbon Reporting ("SECR") regulations. This is included on page 45.

NWT: Norfolk Wildlife Trust

In July, Midwich Limited showed its support for Norfolk's nature by joining Norfolk Wildlife Trust's ("NWT") corporate members scheme. As well as providing an annual donation towards the conservation charity's work, Midwich staff volunteered over 250 hours on NWT reserves, taking part in practical conservation tasks to help ensure these special wildlife sites continue to provide a home to vulnerable species.

As part of NWT's Claylands Wilder Connections initiative, we planted 600 tree saplings on farmland a mile from our head office in Diss. This project also formed part of an initiative to offset our carbon usage from air travel in 2021.

Find out more

For more information
Use the QR code or go to https://www.midwich.com/news-and-events

Our commitments on environmental performance

In the year ahead we will complete our analysis of our baseline carbon data for the Group and set stretching carbon reduction goals. From next year's annual report, the Group will incorporate TCFD aligned reporting.

We will make investments that both support our carbon reduction goals and improve our working environment.

Measures of success

— Inclusion of TCFD aligned reporting (2023 annual report)

— Establishment of carbon reduction targets

— Further progress to reduce intensity ratios

— A greater proportion of energy from renewables

— Committed time to local conservation projects

Newly launched EV scheme for UK staff

The UK launched their Electric Vehicle Scheme in March 2022 initially to Midwich Limited and in September 2022 expanded the scheme further to Holdan and Sound Technology. The scheme is supported by Octopus, who, as well as being a shareholder of Midwich Group, are well known for being an energy provider in addition to their new venture as an Electric Vehicle provider.

Since launching the scheme, 295 employees have registered. The saving so far is 1.65 tonnes of CO_2 emissions, which is as much as 826 trees can absorb, with the orders created through the Electric Vehicle Scheme to date and the business is looking forward to seeing continued up take.

Sustainability on the move in Hamburg

Kern & Stelly, a group company based in Hamburg, relocated at the beginning of 2021. Sustainability was at the forefront of the refurbishment considerations, which led to them retaining much of the existing offices in order to avoid creating unnecessary waste.

Materials were carefully selected for all newly created spaces. For example, carpets and flooring were from a CO_2 neutral company; wall paper is made from old/recycled materials; and LED lighting with motion sensors or timed switches in all public areas.

Even the office cleaning has sustainability in mind with the use of biodegradable detergent as part of their in-house purchasing policy, where all goods bought for staff are either recycled, bio/eco, fair trade or best of both.

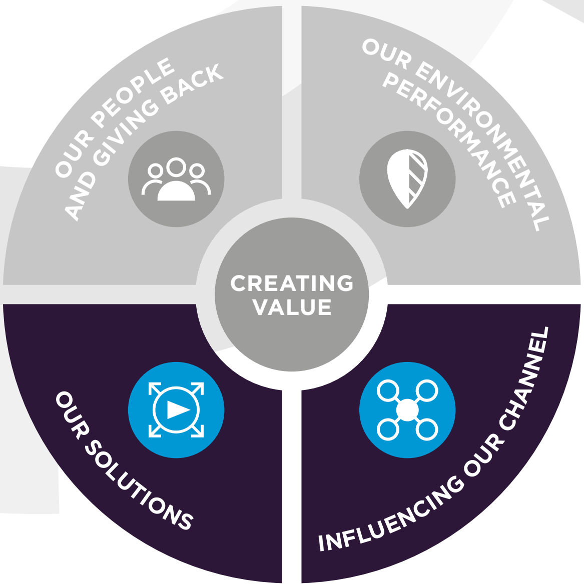
The new location is difficult for public transport; however the business supports a monthly public transport ticket and bike lease (job bike) which, together with the Home Office approach, meant they drastically reduced their CO_2 emissions per head.

In conclusion, their focus will be on the office and canteen waste, commute and efficient energy use.

> "The result is an efficient and sustainable new facility which is also a great place to work."
>
> **Silke Wehling**
> Management Assistant

MIDWICH SUSTAINABILITY STRATEGY
AREAS WE CAN INFLUENCE

Our solutions and influencing our channel



OUR SOLUTIONS

Strategic priority

Our goal is to champion the use of AV technology and solutions to deliver positive benefits to both our customers and wider society. As the AV industry evolves, more creative uses of technology are emerging. We believe that our teams, working as part of the wider AV ecosystem, can leverage technology to enhance people's lives, through the quality of communication, and substitute high emission travel for lower emission remote experiences that support inclusion.

A legacy of the global pandemic has been the shift to remote and hybrid working. AV technology, combined with software solutions, makes it possible for remote workers to fully participate in office-based meetings. Not only does this reduce emissions, with a three-hour video conference call producing a similar carbon output to a car driving just one mile, but it also allows virtual teams to be based almost anywhere in the world. We believe that AV brings flexibility and innovation to companies and allows employees greater choice in how and where they live and work.

Our commitments on our solutions

In the year ahead we will continue to invest in our specialist teams and experience centres to be able to demonstrate the creative solutions that AV can deliver.

For example, we supported a leading advertising agency to set up a virtual production studio in our experience centre, where they went on to create advertising content for a well-known car brand without having to travel the world.

Our commitments on our solutions *continued*

This is where we are seeing technological advancements begin to offer sustainability benefits through new ways of working.

We will continue to work with our vendor brands and customers, proactively engaging in discussion on sustainability improvements as part of their new product development, such as 'eco modes'.

In addition, we will champion AV channel education for sustainable best practice when proposing technology as part of a solution and by delivering key notes at leading industry events on topics aligned to sustainability. For instance, our presentation on the topic of 'Green vs Screen' shares best practice for creating content that is best suited to the screen technology and therefore can help reduce power consumption. These types of key notes are where installers and content creators gather ideas to adapt to building a more sustainable offering to their end user clients.

Measures of success

- Macroeconomic statistics for commuting time/mileage
- Customer/end user feedback
- Content creation to support the AV channel with sustainability

INFLUENCING OUR CHANNEL

Strategic priority

Our goal is to support a sustainable value chain to ensure the long-term success of our business and, by working with our vendors, customers and end users, influence and support their environmental goals. Many of our global vendors are large corporations who have their own ambitious plans to reduce their environmental impact. We believe that in time the AV industry will converge on a set of principles to reduce carbon emissions and other environmental impacts.

Whilst this area of our sustainability strategy is not as well advanced, we are committed to learning and growing to understand how we can use our position in the value chain to leverage technology towards a more circular economy.

Our commitments

Continuing to work with industry bodies and leading experts to play our part in the future formulation of channel sustainability. This coming year, the AVIXA Sustainability Task Force is about research and understanding, looking into the feasibility of what can be done, such as library resources on sustainability of products, helping the channel understand how to support sustainability and we commit to continuing to be a part of this.

Our long-standing relationships with partners throughout the AV channel provides us with the perfect opportunity to influence, therefore our commitment will be to continue to involve ourselves and add value on sustainability in the channel.

We will continue to support the Waste Electrical and Electronic Equipment recycling ("WEEE") regulations and similar environmental programmes in other geographies.

Measures of success

- Number of key vendors with a net zero commitment
- Customer/end user feedback
- Time invested with AVIXA

Jenny Hicks, Head of Technology, Midwich Group – AVIXA stand ISE 2023

Using our voice to influence

Promoting debate and thought leadership in AV, Jenny Hicks, our Group Head of Technology and Chris Neto, Starin Head of Market Development, recently hosted a one-hour webinar for our Midwich Live YouTube channel on Sustainability in AV. A hot topic within the industry, Jenny and Chris were joined by special guests, Joe Way of Higher Education Technology Managers Alliance (HETMA), and Florian Rotberg of Invidis Consulting, to discuss sustainability within the AV industry.

The intellectual and engaging conversation was focused on some of the challenges the AV sector faces to be more sustainable, from the materials the sector uses to the energy efficiency of products, whilst also exploring some of the exciting opportunities there are to diversify and support a sustainable transition globally.

> "Sustainability is about how future-proof we are in every possible way across the industry."
>
> **Jenny Hicks**
> Head of Technology

For the full film
Use the QR code or go to youtube.com

SECR statement

Streamlined Energy and Carbon Reporting

In addition to the activity taking place across the Group to develop our carbon reduction programme and reduce our environmental impact, we report on energy consumption and Greenhouse Gas ("GHG") emissions under the Streamlined Energy and Carbon Reporting ("SECR") regulations.

The data reported is for Midwich Limited, Nimans Limited and Cooper Projects Limited (2021 and 2020: Midwich Limited only)1 and we note that the data for prior years was impacted by the pandemic with lockdowns leading to reduced business activity, home working and less business travel.

Our carbon footprint

The Group operates within the wider AV industry value chain but, as a distributor, only has direct influence on its own operations which include office and warehouse facilities, travel and its logistics operations. We also support the action plans of our customers and vendors to reduce environmental impact across the AV sector.

Quantification and reporting methodology

The information used to calculate these emissions is based on electricity and gas meter readings, whilst transport information is captured as part of our operational processes. We have used a location-based approach and emission factors from the UK Department for Business, Energy & Industrial Strategy ("BEIS") "Conversion factors 2022: condensed set" to calculate our Scope 1, 2 and 3 emissions. The reported Scope 3 data relates to fuel purchased by employees for business travel in their own vehicles. The Group uses third parties for the shipment of goods from vendors and to customers. These emissions fall outside of our Scope 3 reporting as they will be reported as Scope 1 emissions by those parties.

Being the only UK "Large" companies in the Group

GHG emissions and energy use data for the year ended 31 December 2022

Scope 1, 2 & 3 emissions

	Year to 31 December 2022		Year to 31 December 2021		Year to 31 December 2020	
	Energy (kWh)	**GHG emissions (tCO_2e)**	Energy (kWh)	GHG emissions (tCO_2e)	Energy (kWh)	GHG emissions (tCo_2e)
Scope 1 emissions (direct)[1]						
Gas consumption	**458,698**	**100.8**	—	—	—	—
Transport	**16,661**	**5.8**	15,907	3.8	8,747	2.2
Total Scope 1	**475,629**	**106.6**	15,907	3.8	8,747	2.2
Scope 2 emissions (energy indirect)[2]						
Electricity	**1,058,549**	**214.8**	520,357	110.5	430,767	100.4
Scope 3 emissions (other indirect)[3]						
Employee-owned vehicles	**701,981**	**203.4**	291,629	73.5	146,452	36.2
Combined total	**2,236,159**	**524.8**	827,893	187.8	585,966	138.2
Midwich Limited only	**872,267**	**199.5**	827,893	187.8	585,966	138.2

1. Emissions from direct activities such as combustion in owned or controlled boilers and vehicles that release emissions into the atmosphere.
2. Emissions released into the atmosphere associated with the consumption of purchased electricity. These are indirect emissions that are a consequence of Midwich Limited's activities but which occur at sources that are not owned or controlled.
3. Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel.

Intensity ratio

The intensity ratio compares emissions data with an appropriate metric or financial indicator. We have chosen to use tonnes of CO_2e per £ million of revenue. Note, data for 2021 includes the unprecedented impact of COVID-19 which affected both revenue and emissions. The intensity ratio for 2019, the year prior to the pandemic, was 1.16.

GHG emissions and energy use data

	Year to 31 December 2022		Year to 31 December 2021		Year to 31 December 2020	
	Revenue £ million	**Intensity ratio**	Revenue £ million	Intensity ratio	Revenue £ million	Intensity ratio
Combined total	**432.7**	**1.21**	230.1	0.82	153.6	0.90
Midwich Limited only	**281.9**	**0.71**	230.1	0.82	153.6	0.90

The combined UK large company data for 2022 includes the carbon emissions from the acquisitions of DVS and Nimans in Q1 2022. These businesses have in house warehouses and vehicles and also use gas boilers for heating. These emissions will be addressed as part of the Group's long-term Midwich Sustainability strategy.

We have also shown data for Midwich Limited only. Over recent years, Midwich has consolidated its southern UK office and showroom facilities into a modern purpose-built facility and refurbished its head office in Norfolk. Environmental considerations were at the heart of these changes with investments in areas including automated building monitoring, solar panels, low energy heating and lighting and electric vehicle charging facilities. We are also moving our vehicle fleet towards low emission vehicles and have implemented policies restricting single-use plastic and non-recyclable containers. Midwich Limited's intensity ratio declined in 2022 despite the return to "normal" following the pandemic. Compared to pre-pandemic levels (2019), Midwich Limited's intensity ratio has reduced by over 40%.

Further information on the Group's approach to sustainability is set out on pages 32 to 44.

OUR STAKEHOLDER ENGAGEMENT

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

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

The Company has a clearly defined strategy (as summarised on pages 24 to 29) and the Board takes into account the long-term consequences of its decisions in the context of this. When making decisions the Board considers a number of factors, including:

— The macroeconomic environment, including anticipated GDP growth, market disruptions and investment activity;

— The AV marketplace (see pages 12 to 15) – specifically ensuring that the Group continues to build on its reputation for high standards as a value-add AV specialist;

— The translation of the strategy into both longer-term goals and annual plans with regular updates reviewed by the Board throughout the year;

— How the Group's objectives influence its employees, customers, suppliers and shareholders together with the Group's wider impact on the environment and the communities where it operates. Further details on stakeholder engagement are set out below and in the sustainability section on pages 32 to 45; and

— Our Risk Management Framework which, as a distributor, places our relationships with wider stakeholders at the centre of our decision-making (see pages 55 to 59).

During the year, specific significant decisions made by the Board included the approval of acquisitions and new market entry, the approval of the strategic plan and budget, approval of the Group's sustainability plans, approval of additional debt facilities and the allocation of share awards to our employees. The Board members also received feedback from our customers, vendors, employees and shareholders. In 2022, the Board resumed "in person" activities including face-to-face meetings and site visits.

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

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

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

The Board has identified six principal stakeholder groups:

Midwich Group stand at Integrated Systems Europe 2023

International trade show hosted at FIRA, Barcelona, where over 50,000 industry peers could attend seminars and educational training and network.

CUSTOMERS

Why it is important to engage

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

Ways we engage

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

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

Stakeholders' key interests

- Market knowledge and AV industry trends
- Customer service and value-added support and advice
- Access to credit
- Product range and availability
- High-quality logistics
- Long-term relationships

Actions taken on the back of engagement

- Partnering with our customers to design end user solutions
- Access to our experience centres to build product and market knowledge
- Customer training programmes
- Participation in our ESG materiality survey
- Supporting multi-country project delivery

VENDORS

Why it is important to engage

Midwich is a value-added distributor of AV products, representing over 600 high-end manufacturers. Vendor relationships are critical to the long-term success of our business.

Ways we engage

Vendor relationships are managed across all levels of the organisation with regular communication on both strategic matters and day-to-day engagement.

Midwich prides itself on the longevity of many of these relationships and the key position it holds in the commercial operation of its vendors. The Board maintains an overview of vendor relationships through regular reporting and presentations from management.

Stakeholders' key interests

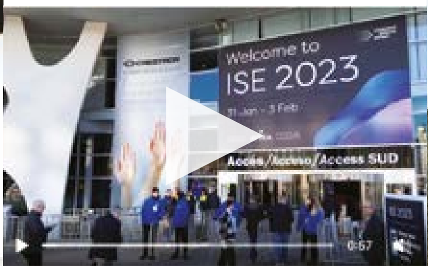
- Market focus and scale
- Support, attention and market intelligence
- Profiled customer base with targeted sales and marketing
- Industry-leading events to interact with customers and end users
- Ability to support multinational projects
- Efficient logistics and product support

Actions taken on the back of engagement

- Feedback on market trends and demand to develop creative solutions
- Hosting trade events in partnership with our vendors
- Participation in our ESG materiality survey
- Supporting our vendors to enter new markets and grow market share

Watch the ISE round-up

For the full film
Use the QR code or go to LinkedIn.com



EMPLOYEES

Why it is important to engage

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

Ways we engage

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

Staff surveys are conducted periodically, and staff members have individual appraisals annually. In 2022, we conducted an ESG materiality survey with the results used to inform our sustainability strategy.

The Board receives regular reports including the results and action plans from our staff surveys.

Stakeholders' key interests

- Alignment with Group strategy
- Understanding our purpose, culture and values
- Belief in our approach to sustainability
- Feeling part of the Company through share ownership
- Feeling informed and understanding why we do things
- Having meaningful and enjoyable roles
- Training and career development
- Responding to employee feedback

Actions taken on the back of engagement

- Targeted actions to address the cost-of-living pressures
- A step up in our engagement programmes including community and charity activity
- Participation in our ESG materiality survey
- Group-wide and local communication programmes
- Broad participation in share ownership
- The adoption of hybrid working

SHAREHOLDERS

Why it is important to engage

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

Ways we engage

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

Management meets with institutional shareholders presenting Company results, articulating strategy and updating shareholders on progress.

Trading and other statements are made via the stock exchange during the year and the Company holds its Annual General Meeting ("AGM"), at which all shareholders can attend and speak with management. Company contact details are included in all announcements and are available on the Company website.

Stakeholders' key interests

- Annual reports
- RNS announcements
- Annual General Meetings
- Investor presentations
- Corporate website
- One-on-one meetings
- Company visits and events
- Long term sustainability

Actions taken on the back of engagement

- Payment of dividends
- Meaningful content made available to stakeholders on the Group website
- Capital markets event and invitations to our UK trade show
- Group newsletter and access to "Midwich Live" videos
- Participation in our ESG materiality survey
- Regular shareholder meetings and dialogue with Directors

ENVIRONMENT

Why it is important to engage

As part of the wider AV industry, we want to promote the use of AV technology for environmentally sound purposes while minimising any adverse effects. We want to ensure the long-term sustainability of our industry.

Ways we engage

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

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

We are increasingly engaging with the wider supply chain to identify and enable more sustainable approaches.

Stakeholders' key interests

- Alignment of Company values with environmental concerns
- Actions to reduce environmental impact
- Group long-term sustainability strategy

Actions taken on the back of engagement

- Partnering with a third party to determine the Group's carbon emissions
- Board sponsorship of ESG activity
- ESG materiality survey
- Development of the Group's sustainability strategy
- New offices must meet stretching environmental impact targets

COMMUNITIES

Why it is important to engage

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

Ways we engage

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

Under the "The Gift of AV" brand we support our chosen charities and community activities. We provide our staff with time and support to volunteer for good causes.

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

We frequently act as a focal point for community and charitable activities for the wider AV channel. For example, the Ride 22 – Tour de AV event saw twenty four AV industry participants cycle 135 miles to our UK trade show which raised over £25,000 for 14 charities.

Stakeholders' key interests

- Impact of Group activities on the wider community
- Support for the local economy
- Supporting the AV channel to do the right thing
- Staff time and engagement with good causes

Actions taken on the back of engagement

- Established charity programmes across the Group
- Support for local charities selected by our teams
- Enabling our team members to support community action
- Numerous team events to raise money for charity

Our balance sheet and bank facilities position us well for future growth

"In January 2023 we increased our revolving credit facility to £175m which gives us funding capacity to support our acquisition strategy."

Stephen Lamb
Group Finance Director

2022 was an exceptional year for Midwich Group; we achieved record revenue growth and made further significant market share gains which resulted in revenue of £1.2bn (2021: £856m). Excluding the impact of acquisitions and currency movements, organic revenue increased by 20.7% (2021: 18.9%) whilst gross profit margin was in line with the prior year at 15.3% (2021: 15.3%).

Adjusted operating profit of £51.1m (2021: £34.0m) was a Group record and up by 46% at constant currency (2021: 110%). Statutory operating profit (before adjustments) was £35.1m (2021: £21.0m).

Our adjusted net debt to adjusted EBITDA ratio at 1.6x (2021: 1.4x) positions us well for future acquisitions and in January 2023 we increased our revolving credit facility to £175m which gives us funding capacity to support our growth strategy.

Statutory financial highlights

	Year to 31 December 2022	Year to 31 December 2021	Total growth
Revenue	**£1,204.1m**	£856.0m	41%
Gross profit	**£183.7m**	£131.3m	40%
Operating profit	**£35.1m**	£21.0m	67%
Profit before tax	**£24.9m**	£18.9m	32%
Profit after tax	**£16.9m**	£13.5m	25%
Basic EPS – pence	**17.32p**	14.11p	23%

Adjusted financial highlights[1]

	Year to 31 December 2022	Year to 31 December 2021	Total growth	Growth at constant currency
Revenue	**£1,204.1m**	£856.0m	41%	39%
Gross profit	**£183.7m**	£131.3m	40%	38%
Gross profit margin %	**15.3%**	15.3%		
Adjusted operating profit	**£51.1m**	£34.0m	50%	46%
Adjusted profit before tax	**£45.2m**	£31.9m	41%	38%
Adjusted profit after tax	**£34.1m**	£23.9m	42%	39%
Adjusted EPS – pence	**36.08p**	25.63p	41%	

1 Definitions of the alternative performance measures are set out on page 111.

Currency movements increased Group revenue and adjusted operating profit in the year by 2.1% and 4.1% respectively. The currency impact in the prior year reduced revenue by 2.6% and adjusted operating profit by 4.7%.

Organic growth in revenue was 20.7% (2021: 18.9%).

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

Regional highlights

	Year to 31 December 2022 £m	Year to 31 December 2021 £m	Total growth %	Growth at constant currency %	Organic growth %
Revenue					
UK & Ireland	**492.2**	286.1	72.1%	72.1%	18.4%
EMEA	**535.0**	455.4	17.5%	16.8%	16.8%
Asia Pacific	**53.8**	45.4	18.5%	14.3%	14.3%
North America	**123.1**	69.1	78.2%	60.0%	60.0%
Total Global	**1,204.1**	856.0	40.7%	38.6%	20.7%
Gross profit margin					
UK & Ireland	**16.1%**	15.8%	0.3ppts		
EMEA	**14.6%**	14.7%	(0.1)ppts		
Asia Pacific	**17.3%**	17.5%	(0.2)ppts		
North America	**14.0%**	15.9%	(1.9)ppts		
Total Global	**15.3%**	15.3%	0ppts		
Adjusted operating profit[1]					
UK & Ireland	**26.5**	12.7	108.3%	108.5%	
EMEA	**22.7**	21.4	6.4%	3.2%	
Asia Pacific	**1.4**	0.9	48.8%	42.3%	
North America	**6.4**	4.6	41.3%	27.1%	
Group costs	**(5.9)**	(5.5)			
Total Global	**51.1**	34.0	50.3%	46.2%	
Adjusted finance costs	**(5.9)**	(2.1)	183.5%	178.4%	
Adjusted profit before tax[1]	**45.2**	31.9	41.5%	37.5%	

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

The financial performance of each segment during the year was:

UK & IRELAND

The UK and Ireland segment revenue increased by 72.1% (2021: 27.5%) to £492.2m (2021: £286.1m). The revenue growth included the contribution from the DVS and Nimans acquisitions at the start of the year. Organic revenue growth was 18.4% (2021: 27.7%). The UK&I generated gross profit of £79.1m (2021: £45.3m) at a gross profit margin of 16.1% (2021: 15.8%). This resulted in an adjusted operating profit of £26.5m (2021: £12.7m), an increase of 108.3% (2021: 224.8%).

EMEA

The EMEA segment revenue grew 17.5% (2021: 37.5%) to £535.0m (2021: £455.4m). Gross profit increased to £78.0m (2021: £67.0m) at a gross profit margin of 14.6% (2021: 14.7%), with the slight erosion in margin attributable to a £1.4m increase in the aged inventory provision (2021: £1.2m gain). The region produced an adjusted operating profit of £22.7m (2021: £21.4m), an increase of 6.4% (2021: 127.4%). In constant currency, revenue grew 16.8% (2021: 41.8%) and adjusted operating profit increased 3.2% (2021: 132.8%).

ASIA PACIFIC

The Asia Pacific segment revenue grew by 18.5% to £53.8m (2021: 2.0% to £45.4m), generating gross profit of £9.3m (2021: £8.0m) at a gross profit margin of 17.3% (2021: 17.5%). Adjusted operating profit was £1.4m (2021: £0.9m). On a constant currency basis, revenue increased by 14.3% (2021: 1.4%) and adjusted operating profit grew 42.3% (2021: 9.3%).

NORTH AMERICA

The North America segment achieved very strong growth of 78.2% (2021: (38.1%) due to the exit of fulfilment activity in 2020) to £123.1m (2021: £69.1m). Gross margins were 14.0% (2021: 15.9%) with adjusted operating profit up by 41.3% (2021: (7.2%)) to £6.4m (2021: £4.6m). On a constant currency basis, excluding the impact of the stronger US$, revenue increased by 60.0% (2021: (34.3%)) and adjusted operating profit grew 27.1% (2021: (2.2%)).

Group costs

Group costs for the year were £5.9m (2021: £5.5m). Group costs include central support for acquisitions, sales, finance, compliance, human resources, information technology and executive management.

Adjusted finance costs

Adjusted finance costs at £5.9m (2021: £2.1m) reflect the interest costs on borrowings for historical acquisition investments and working capital together with the costs associated with hedging instruments for the purchase of goods in non-domestic currencies. Finance costs increased during the year mainly because of interest rate increases during the period. Reported finance costs of £10.2m (2021: £2.1m) include interest costs on Group borrowings, the change in valuation of both deferred consideration and put and call options and the revaluation of loans and financial instruments.

Profit before tax

The Group reported a profit before taxation of £24.9m (2021: £18.9m) and adjusted profit before tax of £45.2m (2021: £31.9m); the increase using constant currency rates was 37.5% (2021: 130.3%).

Tax

The adjusted effective tax rate was 24.5% in 2022 (2021: 25.0%) which reflects the mix of tax rates in the geographies where the Group operates.

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 17.32p (2021: 14.11p). Adjusted EPS increased by 41% (2021: 129%) to 36.08p (2021: 25.63p).

Dividend

The Board has recommended a final dividend of 10.5p per share which, together with the interim dividend of 4.5p per share, gives a total dividend for 2022 of 15.0p per share (2021: 14.1p including a special dividend of 3.0p per share). If approved by shareholders at the AGM the final dividend will be paid on 16 June 2023 to shareholders on the register on 5 May 2023. The last day to elect for dividend reinvestment ("DRIP") is 26 May 2023.

STRATEGIC REPORT

Cash flow

	Year to 31 December 2022 £m	Year to 31 December 2021 £m
Adjusted operating profit	**51.1**	34.0
Add back depreciation and unadjusted amortisation	**7.4**	6.1
Adjusted EBITDA	**58.5**	40.1
Decrease/(Increase) in stocks	**(15.7)**	(36.5)
Decrease/(Increase) in debtors	**(70.7)**	(12.5)
(Decrease)/Increase in creditors[1]	**59.6**	27.0
Adjusted cash flow from operations	**31.7**	18.1
Adjusted EBITDA cash conversion	**54.3%**	45.2%

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

The Group's adjusted operating cash flow conversion, calculated comparing adjusted cash flow from operations with adjusted EBITDA, was 54.3% (2021: 45.2%). The exceptional revenue growth rate led to a step up in the absolute value of working capital in 2022 which resulted in cash conversion below the long-term average for the Group. Our expectation of long-term cash conversion remains between 70% and 80%.

Gross capital spend on tangible assets was £5.3m (2021: £3.6m) and included investment in new offices in Germany and Australia and the fit-out of experience centres in the Middle East, Germany and Spain together with rental asset purchases in UK&I. An investment of £5.8m in intangible fixed assets included £5.3m (2021: £1.6m) in relation to the Group's new ERP solution.

Net debt

Reported net debt increased from £79.0m at 31 December 2021 to £119.4m at 31 December 2022. The Group's reported net debt continues to be impacted by the adoption of IFRS 16 in 2019 which results in approximately £23.4m of lease liabilities (2021: £21m) being added to net debt. As noted in the prior year, the Group's focus is net debt excluding leases ("Adjusted net debt"). The impact of leases on net debt is excluded from the Group's main banking covenants.

Adjusted net debt at 31 December 2022 was £96.0m (2021: £58.0m). The increase was largely driven by the investment in working capital together with payments for acquisitions and deferred consideration.

In January 2023, the Group increased its revolving credit facility to £175m (£80m at 31 December 2021) to finance future acquisitions. This facility is supported by six banks, is for a 4½ year term, and has an adjusted net debt to adjusted EBITDA covenant ratio of 3 times and an adjusted interest cover covenant of 4 times adjusted EBITDA. The EBITDA covenant is calculated on a historical twelve-month basis and includes the full benefit of the prior year's earnings of any businesses acquired.

Most of the Group's other borrowing facilities are to provide working capital financing. Whilst the use of such facilities is typically linked to trading activity in the borrowing company these facilities provide liquidity, flexibility and headroom to support the Group's organic growth. As at 31 December 2022, the Group has access to total facilities of over £200m (2021: £185m) with an additional £95m added to the RCF post year end.

The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 1.6x (2021: 1.4x). This, combined with the Group's underlying cash generation, equips it well to fund short-term swings in working capital as well as to continue to pursue accretive acquisitions. The Group targets a long-term adjusted net debt to adjusted EBITDA (including proforma acquisition earnings) range of 1.5x–2.0x, although we may go above this in the short term following acquisition investments.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £111.8m (2021: £73.1m) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2022, the Board believes there are no indications of impairment. The intangible assets arising from business combinations, for exclusive supplier contracts, customer relationships and brands, are amortised over an appropriate period.

Working capital

Working capital management is a core part of the Group's performance. Growth in working capital in the year was driven by organic growth and the impact of acquisitions. As at 31 December 2022, the Group had working capital (trade and other receivables plus inventories less trade and other payables) of £150.7m (2021: £106.1m). This represented 12.5% of current year revenue (2021: 12.4%). The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value, including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from the purchase date. There was no change in this methodology in the year. As at 31 December 2022 the Group's inventory provision was £18.8m (10.5% of cost) (2021: £15.2m, 11% of cost).

Innovation House Experience Centre, Bracknell, UK

Adjustments to reported results

	2022 £'000	2021 £'000
Operating profit	**35,053**	20,980
Acquisition costs	**435**	486
Share based payments	**6,031**	4,416
Employer taxes on share based payments	**176**	904
Amortisation of brands, customer and supplier relationships	**9,413**	7,226
Adjusted operating profit	**51,108**	34,012
Profit before tax	**24,916**	18,895
Acquisition costs	**435**	486
Share based payments	**6,031**	4,416
Employer taxes on share based payments	**176**	904
Amortisation of brands, customer and supplier relationships	**9,413**	7,226
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**(1,194)**	(2,058)
Finance costs – deferred and contingent consideration	**508**	347
Finance costs – put option	**4,866**	1,696
Adjusted profit before tax	**45,151**	31,912
Profit after tax	**16,855**	13,473
Acquisition costs	**435**	486
Share based payments	**6,031**	4,416
Employer taxes on share based payments	**176**	904
Amortisation of brands, customer and supplier relationships	**9,413**	7,226
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**(1,194)**	(2,058)
Finance costs – deferred and contingent consideration	**508**	347
Finance costs – put option	**4,866**	1,696
Tax impact	**(3,018)**	(2,545)
Adjusted profit after tax	**34,072**	23,945
Profit after tax	**16,855**	13,473
Non-controlling interest	**(1,562)**	(1,044)
Profit after tax attributable to owners of the Parent Company	**15,293**	12,429
Adjusted profit after tax	**34,072**	23,945
Non-controlling interest	**(1,562)**	(1,044)
Adjustments to profit after tax due to NCI	**(650)**	(323)
Adjusted profit after tax attributable to owners of the Parent Company	**31,860**	22,578
Number of shares for EPS	**88,299,098**	88,101,300
Reported EPS – pence	**17.32**	14.11
Adjusted EPS – pence	**36.08**	25.63

The Directors present adjusted operating profit, adjusted profit before tax, and adjusted profit after tax as alternative performance measures in order to provide relevant information relating to the performance of the Group. Adjusted profits are a reflection of the underlying trading profit and are important measures used by Directors for assessing Group performance. The definitions of the alternative performance measures are set out on page 111.

OUR RISK MANAGEMENT PROCESS

The Board is responsible for maintaining and reviewing the effectiveness of our risk management activities from a strategic, financial, and operational perspective.

These activities are designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives or to successfully deliver our business strategy.

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

Approach

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

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

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

> "The Board is committed to maintaining an open culture that emphasises the importance of managing risk and encourages transparent and timely risk reporting."
>
> **Andrew Herbert**
> Non-executive Chair

Our risk appetite

The Board assesses the level of risk and our associated risk appetite to ensure we focus appropriately on those risks we face. We target risks based on an assessment of strategic, operational and financial impact. We then prioritise them for mitigation. The Board and Audit Committee review the principal risks, of which there are currently eight, on an ongoing basis.

Our risk culture

The Board is committed to maintaining an open culture that emphasises the importance of managing risk and encourages transparent and timely risk reporting. We work to align employees' behaviours, attitudes and incentives with our risk appetite and other governance and risk management policies. Our delegated authorities and risk governance process reinforce and facilitate appropriate ownership, accountability, escalation, and management of our principal risks.

Current areas of focus

Whilst the direct impact of the pandemic reduced in the past year, the knock-on effects on global supply chain and end user demand have continued. The Board's risk focus has shifted towards supply chain and working capital with more time this year spent on margins, inventory management and customer credit. The war in Ukraine has not had a direct impact on the Group, but the wider economic implications of both inflation and higher interest rates have been, and remain, key risk topics for the Board.

Risk heat map

Risk management framework

BOARD

Sets our overarching risk appetite and ensures that we manage risks appropriately across the Group.

Regularly monitors the principal risks and uncertainties identified by our risk assessment processes, and the actions we have taken to mitigate them.

GROUP RISK MANAGEMENT

Primary responsibility to oversee management of financial risks, including tax, credit and treasury risks and legal compliance.

Responsibility for overseeing global information technology and security risks together with operational and insurance risks.

GROUP MANAGEMENT

Our executive management takes day-to-day responsibility for implementing the Board's policies on risk management and internal control.

It designates who is responsible and accountable through the design and implementation of all necessary internal control systems, including policies, standards and guidance.

OPERATIONAL MANAGEMENT

Our operational management and business unit leaders take day-to-day responsibility for operating within the Group's risk management framework including local legal compliance, staff training, risk mitigation and monitoring.

PRINCIPAL RISKS AND UNCERTAINTIES

The following pages set out the principal risks and uncertainties, including potential impacts and mitigating actions, as identified by the Board for the year ended 31 December 2022.

This list is not exhaustive and will continue to evolve. The Group's principal risks have been categorised as Strategic, Operational, People, or Financial.

Risk key
Increasing Stable Decreasing

Strategic risks

Acquisition benefits may not be realised

Risk change

Stable

Potential impact

Acquisitions give rise to inherent execution and integration risk. Integration may produce unforeseen operating difficulties or costs and may absorb significant attention of the Group's management. A poorly implemented acquisition could damage the Group's reputation, brand and financial position.

Mitigation

The Group conducts thorough due diligence including detailed reviews of operational resources, financial trends and forecasts, as well analysis of the target's compliance record. Numerous personal visits to the target will typically 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 towards certain financial targets in the first three years after acquisition in order to maximise their disposal value.

Changes this year

The Group acquired two businesses during the year. Acquisition appraisals and due diligence findings were reviewed by the Board. The Board receives progress updates on integration and conducts post-acquisition reviews of deals completed.

Loss of key customers

Risk change

Stable

Potential impact

Most 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 without notice or penalties. There is therefore a lack of certainty in respect of the retention of existing customers.

Mitigation

The Group has a very large customer base of over 22,000 AV integrators and IT resellers, many of which have long-term relationships with it. The diversity of our customer base is demonstrated by the fact that no customer accounted for more than 2% of overall Group revenues this year. 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.

Changes this year

Across the Group customer service remains a top priority. In a year with product availability and logistics challenges, we provided our customers with market-leading product availability and practical advice on areas such as logistics and credit management. We continued to strengthen our dedicated support for our multinational customers which allows us to partner with them on complex projects across our different geographies.

Strategic risks *continued*

Loss of key vendors

Risk change

−

Potential impact

The majority of vendors can terminate their contractual relationships with the Group with no or limited notice. Certain vendors also provide the Group with incentives in the form of rebates, marketing development funds, early payment discounts and price protections. There can be no assurance that the Group will continue to receive the same level of income in future.

Mitigation

Many of the Group's vendor relationships are long term and established and now cover multiple 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.

Changes this year

Our vendor portfolio was once again a significant area of strategic focus in the year with further new vendors added. We also expanded existing vendor relationships into more of our businesses.

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

Financial risks

Macroeconomic challenges

Risk change

↑

Potential impact

The war in Ukraine has resulted in numerous market disruptions including increased inflation and higher interest rates. The Group uses debt facilities (which have covenants) and the costs of servicing these has increased during the year. There is also inflationary pressure on the cost of the Group's inputs.

Mitigation

The AV industry is highly competitive and innovative and AV product inflation is typically below general inflation. The Group's wide range of vendor and product offerings allows us to meet customer needs at multiple price points and budgets. The Group's benchmark rates for returns on acquisitions accommodate the risk of higher interest rates.

Changes this year

The Group has a number of fixed rate contracts (rent, utilities and interest rate swaps) that have partially mitigated input inflation.

In the second half of the year and looking to 2023 the Group's interest costs will be higher than in recent years.

People risks

Dependence on key people and staff welfare

Risk change

−

Potential impact

The Group is dependent upon key senior management personnel who have extensive experience and knowledge of the Group, its markets, product and service offering, vendor portfolio and customer base. The future success of the Group depends on the continuing availability of key people and its ability to attract, motivate and retain talent.

Mitigation

The Group actively measures the retention of talent and engages with employees by focusing on training and development. We assess remuneration packages to ensure a market position is maintained. The Group has adopted share plans to align the interests of senior management and the broader employee workforce with those of shareholders.

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

Changes this year

Engagement with our teams and staff welfare have been top priorities during the year. Mindful of the cost-of-living pressures and the return to office working, we have invested in resources dedicated to engagement and have multiple programmes in place to make life a little easier for our teams.

Risk key
Increasing Stable Decreasing

Operational risks

COVID-19

Risk change

Potential impact

The COVID-19 risks to our business include: reduction in demand (Impacting: sales and margins), excess working capital (Cash and liquidity) and disruption to our teams and supply chain (Operations).

Mitigation

We took decisive actions to protect our people and business. The majority of our people were able to work from home, successfully using technology to undertake their roles. Since our offices reopened, staff have typically returned on a hybrid basis. We continue to monitor the impact of COVID-19 on the wider market and work closely with our customers and vendors to minimise any disruption.

Changes this year

The successful rollout of vaccinations has resulted in a return to normal activity in all of the Group's markets. The Board will continue to monitor this risk.

Supply chain disruption

Risk change

Potential impact

The vast majority of the Group's products are manufactured outside of the markets in which they are sold and, as such, the Group is dependent on the global product supply chain. Failures or delays in the supply chain will impact revenue and working capital and could impact the Group's ability to meet financial expectations.

Mitigation

The Group is typically the leading distributor for each of its vendors in the countries where it operates. These strong relationships together with close vendor collaboration to forecast demand provide the Group with some of the most predictable supplies of goods in the market. The Group has multiple vendor relationships and is able to work with its customers to offer alternative products when there are supply limitations.

Changes this year

The post-pandemic recovery in market demand combined with disruption to the supply chain continued to result in product shortages in 2021 and 2022. The Group enhanced its focus on continuity of supply and increased its inventory holding of certain product lines. During the year this disruption began to ease with product availability back to normal in many categories by the end of the year.

Regulatory risks

Risk change

Potential impact

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

Mitigation

The Group has defined policy statements and staff training programmes to ensure awareness and alignment with these policies. Acquired businesses are subject to a post-acquisition onboarding process which includes improvement of compliance protocols where necessary. The Board is regularly updated on compliance matters. This includes a full review across the Group on an annual basis.

Changes this year

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

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

The Strategic Report comprising the Chair's Statement, Managing Director's Review and Financial Review was approved by the Board on 13 March 2023 and signed on its behalf by:

Andrew Herbert
Non-executive Chair
13 March 2023

Governance

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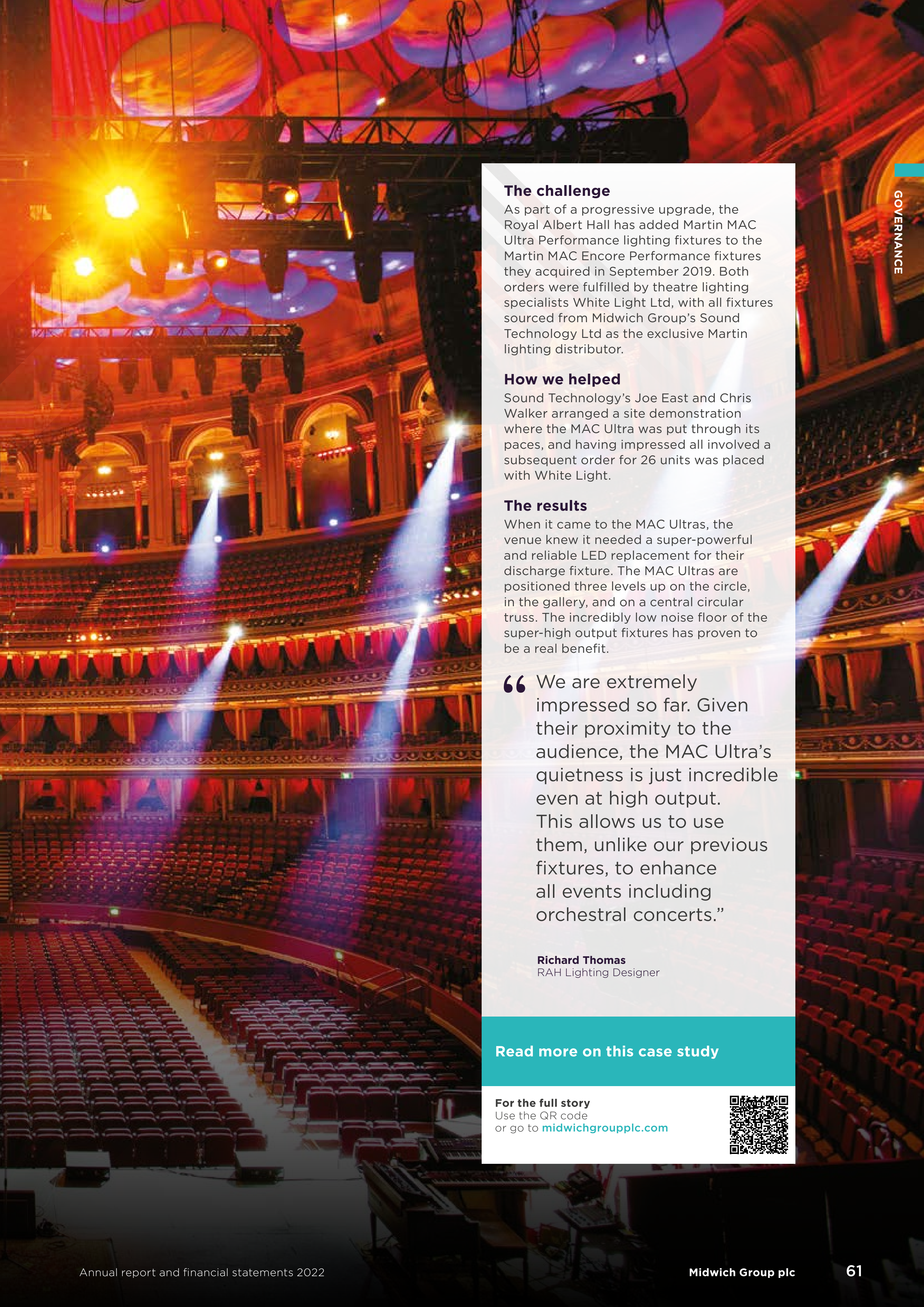
LIGHTING UP THE ROYAL ALBERT HALL



The challenge

As part of a progressive upgrade, the Royal Albert Hall has added Martin MAC Ultra Performance lighting fixtures to the Martin MAC Encore Performance fixtures they acquired in September 2019. Both orders were fulfilled by theatre lighting specialists White Light Ltd, with all fixtures sourced from Midwich Group's Sound Technology Ltd as the exclusive Martin lighting distributor.

How we helped

Sound Technology's Joe East and Chris Walker arranged a site demonstration where the MAC Ultra was put through its paces, and having impressed all involved a subsequent order for 26 units was placed with White Light.

The results

When it came to the MAC Ultras, the venue knew it needed a super-powerful and reliable LED replacement for their discharge fixture. The MAC Ultras are positioned three levels up on the circle, in the gallery, and on a central circular truss. The incredibly low noise floor of the super-high output fixtures has proven to be a real benefit.

> “We are extremely impressed so far. Given their proximity to the audience, the MAC Ultra's quietness is just incredible even at high output. This allows us to use them, unlike our previous fixtures, to enhance all events including orchestral concerts.”

Richard Thomas
RAH Lighting Designer

Read more on this case study

For the full story
Use the QR code
or go to **midwichgroupplc.com**

We have achieved exceptional revenue growth with no loss of focus on governance

> "Our teams continue to have an impact whether through involvement in environmental or community matters, raising funds for charities or supporting AV industry-wide initiatives to improve long-term sustainability."
>
> **Andrew Herbert**
> Non-executive Chair

I'm pleased to present the Governance report for the year ended 31 December 2022. This report provides an overview of how Midwich Group is governed and the control structures that we have in place. The Board is responsible for long-term sustainable success, generating value for shareholders and contributing to wider society.

The Board does this by supporting and challenging executive management to ensure we operate with high governance standards. This report explains how we seek to achieve this. It also contains some highlights from my perspective as Chair.

The established policies and strong management disciplines within the Midwich Group have enabled the business to achieve record revenue growth with no loss of focus on governance. The Board continues to support the emphasis placed by the Group on culture, values and the wellbeing of our people and I firmly believe that this creates an environment for sustained long-term success.

Governance code

The Board considers sound governance to be an essential element of a well-run business and continues to follow the Quoted Companies Alliance ("QCA") Corporate Governance Code. We have included a summary of our compliance with the QCA code in the annual report whilst the full statement of compliance, as approved by the Board on 5 September 2022, is available on the Company's website.

Sustainability

We take our social responsibility seriously. Having increased our focus on sustainability over the last few years, we formalised our sustainability strategy this year (Pages 32 to 45), but, more importantly, I can see the passion across the Group for making a difference. Our teams continue to have an impact whether through involvement in environmental or community matters, raising funds for charities or supporting AV industry wide initiatives to improve long-term sustainability.

Board composition and succession

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

The Board is comprised of three independent Non-executive Directors (including the Chair who was independent upon appointment) and two Executive Directors. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively. The Board regularly reviews its composition, independence and diversity in the context of the Group's international growth.

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

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

Board evaluation

We conduct an annual, survey-based, Board evaluation seeking the individual views of Directors on Board composition and effectiveness, business leadership, QCA code compliance and other matters. The survey findings were extremely positive and identified no major issues or concerns about the effectiveness of the Board. I am also pleased that we were able to resume site visits in 2022 and were able to join the management team at the ISE trade show in Barcelona in the last few weeks.

Stakeholder engagement

The Board maintains a regular dialogue with Investec, the Company's nominated adviser, and obtains other legal and financial advice as necessary to ensure compliance with the AIM Rules and other governance requirements. In 2021, the Group also completed a formal audit tender process which resulted in the reappointment of Grant Thornton.

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

Revenue

£1.2bn

Gross margin

15.3%

Operating profit

£51.1m

Experience Centre, Van Domburg, Netherlands

Corporate website

Information including the terms of reference of the principal Board committees, the schedule of matters reserved for the Board, the Company's articles of association and, where appropriate, the performance of the Group is available at midwichgroupplc.com.

The following reports explain how the Board and its Committees operate and some of their undertakings during 2022. I would like to thank my fellow Board members for their ongoing engagement and support.

A diverse range of skills and experience

Andrew Herbert
Non-executive Chair

A N R

Appointed
2016

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

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

He joined the business in 1986 and held senior finance, operational and general management roles prior to joining its board.

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

Stephen Fenby
Group Managing Director

N

Appointed
2016

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

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

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

Stephen Lamb
Group Finance Director

Appointed
2018

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

Previous experience
Stephen joined Midwich as Group Finance Director in July 2018. He has over 25 years' experience in finance, working in high-growth, international business services organisations.

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

Stephen qualified as a Chartered Accountant with PwC and has held senior financial positions at IWG plc and Experian plc.

COMMITTEE MEMBERSHIP

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

Mike Ashley
Non-executive Director

A N R

Appointed
2016

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

Previous experience
Mike was most recently the Chief Executive Officer of Coverings Ltd, a tiles distribution and retail business. He joined from Holland and Barrett in 2020 where he was the Chief Commercial Officer. Prior to this he was with Travis Perkins PLC. In his time there, he held the position of CCO both in Wickes and the Plumbing and Heating division, leading the transformation of both businesses.

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

Hilary Wright
Non-executive Director

A N R ESG

Appointed
2018

Qualifications
Hilary is a Fellow of the Chartered Institute of Personnel and Development. She is also a Director of Plan4Purpose Ltd.and a Non-excecutive Director of ActiveOps PLC.

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

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

Hilary has held both strategic and operational roles. She has provided HR leadership in support of significant global growth ensuring people development, succession planning and talent acquisition were aligned with transformational change.

Board balance

Tenure of Directors

0-4 years	2
5-7 years	2
7+ years	1

- **0-4 years** Stephen Lamb and Hilary Wright
- **5-7 years** Andrew Herbert and Mike Ashley
- **7+ years** Stephen Fenby

Independence

Independent	3
Non-Independent	2

- Independent
- Non-Independent

Skills

Strategy	5
Financial	3
International	5
Leadership	5
Technology	3

OUR LEADERSHIP STRUCTURE

The Board

Nominations Committee

The Nominations Committee evaluates the structure, size and composition of the Board. It leads the process of identifying, and nominating for the approval of the Board, candidates to fill vacancies as and when they arise. The Committee also reviews the leadership of the organisation including executive development plans and succession planning.

Members:

- Andrew Herbert (Chair)
- Mike Ashley
- Stephen Fenby
- Hilary Wright

Audit Committee

The Audit Committee monitors the integrity of the Company's financial statements. It provides review and challenge to accounting policies and the effectiveness of the Company's internal controls and risk management processes. The Committee evaluates the Group auditors and makes recommendations to the Board in relation to auditor appointment, rotation and removal for approval at the AGM.

Members:

- Andrew Herbert (Chair)
- Mike Ashley
- Hilary Wright

Remuneration Committee

The Remuneration Committee determines the framework and broad policy for setting executive remuneration. It also reviews and monitors the Company's approach to share incentive plans and senior management remuneration. Taking input from specialists, the Committee evaluates the Company's approach to remuneration in the context of both the Group's performance and the wider environment, including all stakeholders' interests.

Members:

- Mike Ashley (Chair)
- Andrew Herbert
- Hilary Wright

The current terms of reference of the Board Committees are published on the Group's website and are reviewed annually.

The Board met in person or by video conference ten times during the year and also held supplementary meetings by telephone/video conference to consider specific matters. The Board receives a full pack of reports in advance of each scheduled meeting detailing Group and entity trading performance, and containing individual reports from each of the Executive Directors. During 2022, the Board also received presentations from operational management on topics including business unit strategy, talent and succession planning, ESG, tax strategy, IT systems and security, ERP implementation and acquisition proposals. Alongside monitoring operational performance, it is the Board's responsibility to formulate, review and approve the Group's strategy, investments (including acquisitions), budgets and major items of expenditure.

Attendance at board and committee meetings

Board meetings are scheduled in advance for each calendar year. The scheduled Board meetings and attendance during the twelve months ended 31 December 2022 are detailed here:

■ Attended ■ Meetings

	Board meetings		Nominations		Remuneration		Audit	
	Attended	Meetings	Attended	Meetings	Attended	Meetings	Attended	Meetings
Andrew Herbert (Chair)	10	10	3	3	3	3	3	3
Mike Ashley	10	10	3	3	3	3	3	3
Hilary Wright	10	10	3	3	3	3	3	3
Stephen Fenby	10	10	3	3	N/A	N/A	N/A	N/A
Stephen Lamb	10	10	N/A	N/A	N/A	N/A	N/A	N/A

Compliance with the QCA code

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

	Section of code	Overview
1	**Establish a strategy and business model which promote long-term value for shareholders**	Midwich has a clearly articulated strategy and business plan as a value-added distributor of AV and related products.
2	**Seek to understand and meet shareholder needs and expectations**	The Company engages with its shareholders through formal meetings, informal communications and stock exchange announcements.
3	**Take into account wider stakeholder and social responsibilities and their implications for long-term success**	The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. As a specialist distributor, we add value by developing and maintaining in-depth understanding of our vendors' and customers' needs.
4	**Embed effective risk management, considering both opportunities and threats, throughout the organisation**	The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The Group operates a risk assessment and monitoring process with regular updates provided to the Board and the Audit Committee.
5	**Maintain the board as a well-functioning, balanced team led by the chair**	The Board is comprised of three independent Non-executive Directors (including the Chair who was independent upon appointment) and two Executive Directors.
6	**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	Each Board member brings a different mix of knowledge and experience, which blend well into a successful and effective team, for example, specialist AV industry knowledge and broad experience in sales, operations, international expansion, finance, human resources, information technology and capital markets. Board composition is kept under review and the Board is committed to ensuring diversity of skill, experience and gender balance.
7	**Evaluate board performance based on clear and relevant objectives, seeking continuous improvement**	The Board conducts a formal evaluation and appraisal process annually. A senior Group employee compiles the results and subsequently facilitates a Board discussion during which matters arising are reviewed and actions agreed.
8	**Promote a corporate culture that is based on ethical values and behaviours**	The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation. We believe this to be an essential element of a well-run business. The nature of our business, as a value-adding distributor, means expertise and people skills are at the core of what we do and how we maintain competitive advantage. Having a people-orientated ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We pride ourselves on our home-grown talent, with a significant number of our senior managers having built their careers within the Group. To promote our ethical values, we actively encourage and support community involvement across the Group.
9	**Maintain governance structures and processes that are fit for purpose and support good decision-making by the board**	The Board typically meets eight to ten times a year. There were ten scheduled meetings in 2022 with each attended by all Board Directors. Further ad hoc meetings are held by telephone as necessary. A formal Board programme is agreed before the start of each financial year. This is structured, as far as possible, to align with the Group's annual financial programme.
10	**Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	The Group communicates with shareholders through the Annual Report and Accounts, half-yearly trading updates, the AGM, capital markets days and one-to-one meetings with certain existing or potential new shareholders. Reports from the Audit, Nominations and Remuneration Committees are set out within the Annual Report.

Nominations Committee report

> "The Committee continues to support the Group's leadership development programme and notes the successful promotion of internal candidates into a number of senior roles during the year."
>
> **Andrew Herbert**
> Chair

Nominations Committee report

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

The Committee is comprised of the three independent Non-executive Directors and the Group Managing Director. The Committee met three times in 2022.

Main responsibilities:

- To lead the process for Board appointments and make recommendations to the Board;
- To evaluate the structure, size and composition of the Board (including the balance of skills, knowledge and experience);
- To evaluate diversity and inclusion at both Board and senior management levels;
- Keep under review the leadership needs of the organisation, both executive and Non-executive; and
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Board composition

The Committee is responsible for monitoring the Board's balance of skills, knowledge, experience and diversity, and makes recommendations to the Board throughout the year. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively. The Board regularly reviews its composition, independence and diversity in the context of the Group's international growth.

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

Leadership diversity

The Committee believes that diversity, including skills, experience, gender, culture and ethnicity, strengthens our business. Our Non-executive Directors each bring specific skillsets that complement the experience of the Executive Directors. The gender mix of our Board is 80% male/20% female and, while we have no formal gender or ethnicity targets for Board composition, the Committee is committed to ensuring that diversity is a significant consideration in all Board appointments. Group wide, we are committed to being an inclusive employer.

Board evaluation

In line with prior years, there was a formal Board evaluation and appraisal process in 2022. A survey seeking the individual views of Directors on Board composition and effectiveness, business leadership, QCA code compliance and other matters was undertaken.

A senior Group employee compiled the results and subsequently facilitated a Board discussion during which matters arising were reviewed and actions agreed. During 2022, the Board adopted a hybrid approach to meeting,

Experience Centre, NMK, Dubai

Board evaluation

Step 1

Annual survey of board members

↓

Step 2

Facilitated review of survey findings with agreed action plans

↓

Step 3

Monitoring of progress against agreed plans

and has found this an efficient and effective method of working. The evaluation identified no major issues or concerns about the effectiveness of the Board or its individual members. A few minor points that were raised have been acted upon.

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

Leadership development

The Group's Executive Leadership Team ("ELT") is responsible for determining and driving operational strategy. This team meets frequently and comprises the Group Managing and Finance Directors, as well as the Managing Directors for each of our regions. The ELT's remit also includes succession planning and talent development across the wider business.

The Committee believes that this is the right model to drive performance of the Group whilst ensuring implementation of the agreed strategy. There was regular communication between the ELT and the Board throughout the year.

The Committee continues to support the Group's leadership development programme and notes the successful promotion of internal candidates into a number of senior roles during the year, including new leaders of the APAC region and our business in Iberia, replacing retiring colleagues. The Committee also acknowledges the further expansion in the Group's capabilities through further investment in human resources and IT leadership during the year.

Andrew Herbert
Chair of the Nominations Committee
13 March 2023

Audit Committee report

“The Committee seeks to ensure sufficient rigour and independence of the auditor. The Committee also welcomes feedback from shareholders and I am available for discussion of any matters of concern.”

Andrew Herbert
Chair

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

Membership and responsibilities of the Committee

Membership of the Audit Committee is limited to the independent Non-executive Directors. I am the Chair of the Committee and the member with recent and relevant experience.

The Committee met three times during 2022.

Main responsibilities:

— To monitor the appropriateness and integrity of the Company's external reporting, including its financial statements, interim reports and trading updates;

— To review the relationship with, and performance of the external auditor;

— To review and challenge, where necessary, the consistency of, and any changes to, accounting policies and areas of material judgement both on a year-on-year basis and across the Company/Group;

— To review the appropriateness of the Company's controls to detect and prevent fraud; and

— To keep under review the effectiveness of the Company's internal controls and risk management systems.

Auditors

Grant Thornton UK LLP (“Grant Thornton”) was reappointed as the Company's auditor at the 2022 Annual General Meeting.

While there is no mandated requirement for AIM companies to tender their audit, an audit tender, which was informed by the FRC's Audit Tenders Notes on Best Practice, took place in 2021. Following a comprehensive review of the candidates' proposals and presentations the Committee made the recommendation to the Board to appoint Grant Thornton as the Group's auditors, which was approved by the Board.

The reappointment of Grant Thornton will be recommended to shareholders for approval at the 2023 AGM.

Monitoring audit

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

Review of financial statements and audit findings

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

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

- Under International Standard on Auditing (UK) 240 ("ISA (UK) 240"), there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Audit procedures performed gained reasonable assurance over the occurrence, accuracy, and completeness of revenue;
- Under ISA (UK) 240 there is a non-rebuttable presumed risk over the management over-ride of controls. Audit procedures focused on journal entries, significant accounting estimates and significant unusual transactions and concluded there were no material adjustments;
- Receivables arising from special pricing arrangements described ship and debit quotes ("SDQs") were identified as a significant potential risk. SDQs are agreements that allow vendors to provide credit notes that support the sales of products at a discount. The risk identified surrounded the existence of the receivable. Audit procedures did not identify any issues in relation to the SDQ receivables;
- The judgements and estimates included within the impairment assessments over goodwill and intangible asset arising from were identified as a significant risks due to the unfavourable macro-economic environment. The audit procedures did not identify any impairments; and
- The going concern basis of preparation was identified as a significant audit risk due to the uncertain economic environment. Audit procedures were performed to provide satisfactory evidence over the assumptions made in management's assessment of the use of the going concern assumption.

The Committee has reviewed the 2022 annual report and accounts to ensure they are fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy in a clear, concise and balanced manner.

Internal control and risk management

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

Internal control and risk management *continued*

The Group operates a risk assessment and monitoring process. This is co-ordinated by the Group Finance Director, who reports principal risks and mitigation actions to the Committee. Further detail on these risks is included on pages 55 to 59.

Audit Committee minimum standards

The Committee notes the FRC's recent consultation on minimum standards for audit committees. Although not expected to apply to AIM companies, the Committee is committed to adopting any requirements as far as is practicable. The Committee seeks to ensure sufficient rigour and independence of the auditor, and their process, and has committed to an audit tender at least every ten years. In addition, the Company manages its non-audit relationships with audit firms to ensure that it has a fair choice of suitable external auditors at the next tender. The Committee also welcomes feedback from shareholders and I am available for discussion of any matters of concern.

Assessment of auditors

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

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

— The delivery of a thorough audit, meeting the agreed plan in a timely manner to agreed budget;

— Demonstration of a deep understanding of the Group and its subsidiaries, evidenced in the quality and completeness of presentation material;

— The provision of perceptive advice on key accounting and technical matters;

— The professionalism and competence of the audit team deployed; and

— Confirmation from the firm themselves of their processes to ensure independence.

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

The Committee continues to require the Company to limit use of the auditor to only audit and other assurance related activities. The Group complies with the FRC's Revised Ethical Standard 2019 on audit engagements.

During the year, Grant Thornton UK LLP and its associates were paid fees of £528k (2021: £343k) in respect of audit and non-audit work as follows:

	2022 £'000	2021 £'000
Audit fees in relation to the audit of the Company	**106**	84
Audit fees in relation to the audit of subsidiaries	**390**	231
Audit related assurance fees in relation to the interim review	**24**	20
Total audit fees for audit and audit related assurance services	**520**	335
Tax compliance services	**—**	—
Tax advisory services	**—**	—
Other services	**8**	8
Total fees for audit and non-audit services	**528**	343

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

— No tax advisory work was performed by Grant Thornton in respect of 2022 or 2021.

— Other services represents assurance work under the German Packaging Act. The team performing this work is separate to the Group audit team and led by a different partner.

Terms of reference

The Committee maintains its terms of reference under review and makes recommendations for changes to the Board as required. There were no changes made during 2022. Details of the full terms of reference are available on the Company's website.

Andrew Herbert
Chair of the Audit Committee

Statement from the Chair of the Remuneration Committee

> I am pleased to be able to report that the Group's 2022 financial performance exceeded all of the Board's stretching profit targets."

Mike Ashley
Chair

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration report for the financial year ended 31 December 2022. The Remuneration Committee comprises the three Non-executive Directors.

The Remuneration Committee carried out a review during the year and is satisfied it continues to meet, and exceed, the standards set by the QCA Code.

The report is split into three parts:

- This annual statement;
- A 'Remuneration Overview' section, which provides a brief summary of the Company's remuneration agreements with its Directors; and
- An Annual Report on Remuneration, which sets out payments made to the Directors and details the link between the Company's performance and remuneration for the 2022 financial year.

Main responsibilities

The Committee's main responsibilities are:

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

Key activities of the Remuneration Committee

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

The Remuneration Committee met three times during 2022 and its key activities were as follows:

- Reviewed the 2021 Directors' Remuneration report;
- Discussed and determined bonus outcomes for Executive Directors;
- Reviewed and approved the Executive Directors' remuneration arrangements;
- Considered the remuneration of the ELT; and
- Discussed and approved the targets for the 2023 annual bonus for Executive Directors and senior leaders.

2022 performance and remuneration

Business performance

In the depths of the COVID-19 crisis, the Board set an extremely challenging strategic objective not only to recover, but to emerge significantly stronger, with deeper customer and vendor relationships and with the team even more engaged. The Board determined that the key performance indicator of whether this objective had been successfully achieved would be the delivery of a highly stretching range of profit targets.

Data produced by AVIXA (July 2022), the leading AV industry trade body, showed that the global Pro AV market was forecast to only be marginally ahead of pre-pandemic levels in 2022. Against this backdrop the Group's revenue of £1.2bn in 2022 (up over 75% compared to 2019, i.e. pre-COVID-19) shows the scale of the market share gains achieved in the last three years.

I am pleased to be able to report that the Group's 2022 financial performance exceeded all of the Board's stretching profit targets. In the past year, the Group achieved revenue growth of 40.7% (organic growth of 20.7%) and adjusted profit before tax of £45.2m (up 41.5%). This performance is particularly impressive when considered in the context of supply chain disruption, global inflation and challenging labour markets.

In summary, some of the key performance highlights are:

- Further significant growth in market share;
- Revenue increased by 40.7% to £1.2bn;
- Gross margin maintained at 15.3% despite supply constraints;
- Adjusted operating profit increased by 50% to £51.1m;
- Adjusted profit before tax increased by 41.5% to £45.2m;
- Two acquisitions were completed enhancing unified communications capabilities and entering the security market;
- Dividends of 15p per share (interim and proposed final); and
- £175m revolving credit facility to support future growth.

The Board is pleased with the 2022 performance and believes that the senior management team has taken actions to deliver on the Group's long-term strategic objectives.

2022 remuneration decisions

Salary reviews

From 1 January 2022, the Committee approved salary increases of 3.7%–4.0% for the Executive Directors. As in previous years, these increases were in line with the increases awarded to the general employee population across the Group.

2022 annual bonus

The Committee believes in setting stretching annual performance targets that align the goals of our Executive Directors, senior leaders and the wider business to those of our stakeholders.

Each year the Committee conducts a formulaic assessment of performance against the targets. For 2022 performance targets were linked to the following specific goals:

- Profit growth targets (50% weighting);
- Other financial KPIs (35% weighting); and
- Strategic/personal targets (15% weighting).

The maximum bonus opportunity for 2022 was 100% of salary for both Executive Directors. The Committee reviewed the 2022 performance outcomes against the performance targets set at the start of the financial year. Despite the record financial performance, the formulaic outcome was 65–70% of maximum for the Executive Directors, reflecting the stretching targets set by the Committee.

In addition to the formulaic outcome, the Committee also considered the business' overall performance in the context of the wider market and against the Group's strategic objectives. Taking into account the exceptional performance of the business over 2022, the Committee determined that the formulaic outcome was appropriate and therefore no discretion was exercised by the Committee to adjust the formulaic outcome.

Further details are set out in the Directors' Remuneration report on page 77.

2020 LTIP award vesting

The Committee believes strongly in aligning the goals of the Group's leadership with those of other stakeholders. In addition to annual performance targets, the Committee believes that such alignment is further enhanced by incentivising performance linked to stretching long-term profit growth targets, reflected in the 2020 LTIP award.

The purpose of the 2020 LTIP award was to incentivise the Group's leadership team to strive to not only to fully recover from the COVID-19 disruption but to significantly increase the scale and profitability of the Group as measured by 2022 adjusted profit before tax ("PBT"). For the Executive Directors, only the Group FD was a participant in the award – given his substantial shareholding, the Group Managing Director does not participate in the LTIP.

2022 adjusted PBT performance exceeded the maximum stretch PBT performance level (target range from £33m to £45m). The Committee has considered the Group's performance in the context of the wider AV industry (noting the Group's significant outperformance vs the overall AV market) and has also evaluated the Group's performance against its strategic objectives. The Committee concluded that the formulaic outcome reflects the exceptional performance of the business over the challenging three-year period and has not exercised any discretion in relation to the final outcome.

The Committee is also mindful of recent shareholder guidance relating to the potential risk of windfall gains in relation to LTIP awards granted in 2020, given the impact of COVID-19 on many companies' share prices. The Committee conducted a review of any potential windfall gains in relation to the 2020 LTIP and determined that there has not been a windfall gain and therefore no adjustment to the outcome has been made.

The 2020 LTIP award will therefore vest in full. The base award is subject to a two year post-vesting holding period. Further details are set out on page 81.

LTIP award granted during the year

The Committee granted awards of nominal value share options under the LTIP in 2022 to the Group FD and other senior employees. The Group FD was granted an award of 100% of salary. The award vests after three years subject to performance criteria and is subject to a two-year post-vesting holding period.

In light of the Group Managing Director's substantial shareholding, it was agreed that he will not participate in the 2022 LTIP award. The Committee notes that he has not participated in the LTIP at any point since the Company's IPO in 2016.

The Committee expects Executive Directors to have sufficient shareholdings to align their interests with shareholders. In particular, Executive Directors are expected to develop a shareholding of 200% of base salary over an appropriate period of time from appointment. The MD's substantial shareholding is significantly above this level (at 21,314% of salary as at 31 December 2022). Including share options that have vested but are subject to a holding period (net of estimated tax) the FD has a holding of 79% of salary at 31 December 2022. This is expected to exceed 200% following the vesting of the 2020 LTIP.

Our long-term approach to executive pay

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

In prior years, the Committee has engaged a third party to benchmark executive remuneration. The Committee believes that the remuneration levels are competitive and reflect the current scale and responsibility of the Executive Directors' roles.

The Group operates an LTIP for the Executive Directors and members of the senior management team to incentivise long-term performance and achieve greater alignment with shareholders through share ownership. Where Executive Directors participate in the LTIP scheme, the normal annual awards are subject to a minimum two-year post-vesting holding period, bringing the total period of the awards to five years.

The Committee takes a pragmatic approach to the remuneration of its executives, acknowledging the substantial shareholdings of the MD and the external benchmarking of the remuneration levels of both the MD and FD. The Committee is satisfied that the incumbents are incentivised to achieve strong performance.

However, the Committee recognises that remuneration agreements may need to be reviewed should there be any changes or additions to the executive Board or changes in the scope or responsibilities of a role and will continue to monitor this going forward.

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

Wider workforce reward decisions

We are acutely aware of the cost-of-living pressures over the past year and, across the Group, there has been a significant focus on supporting our team members through this period. Examples of steps taken during the year include providing shopping vouchers, complimentary on-site food and drink, treat bags and free access to everyday household goods.

We believe that our established actions such as enhanced communication, flexible working and a focus on employee wellbeing have ensured that we remain well positioned to support our team members.

We also decided to bring forward an element of the 2023 salary increase. This resulted in a 2% increase for UK-based staff (excluding senior management) from 1 July 2022 (six months earlier than usual) followed by a further average salary increase for the wider UK workforce of 4% from 1 January 2023, resulting in a cumulative average annual increase of 6%.

We continue to encourage employee share ownership across the Group. For the seventh year in a row, we made free share awards to the majority of the wider workforce to recognise the long-term value created by our team members. The award of 300 shares was worth approximately £1,900 at the date of grant and will vest after three years subject to continued employment.

As at 31 December 2022, over 60% of Group employees[1] were either shareholders or participants in share awards that will vest in the next three years. Each year since IPO, the Company has made free share awards and/or LTIP awards to employees that meet the Committee's criteria. Free shares, which vest after three years, have typically been awarded to employees of eligible Group companies based on length of service. Since IPO, over 1.2 million free share awards have been given to members of staff under this programme, with the total value of these awards in excess of £5m, based on the share price at 31 December 2022.

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

1 Excluding businesses acquired during the year.

Alignment with ESG objectives

Across the Group ESG objectives have been part of senior leaders' goals and objectives for a number of years. Following the development of the Group's sustainability strategy the Committee intends to set Group ESG targets in 2023 and include these targets within annual bonus plans for the Executive Directors and senior leadership from 2024.

Advisory vote on Directors' Remuneration report and AGM response

Since 2019, the Company has included an advisory vote at the AGM on the Directors' Remuneration report. Whilst the Committee acknowledges that this is beyond our obligations as an AIM-listed company and the requirements of the QCA code, it has determined that this is an opportunity to better engage with shareholders on this important topic.

The outcome of the advisory vote at the 2022 AGM was 100% in favour (2021: 72%).

The 2022 Directors' Remuneration report will be subject to an advisory vote at the 2023 AGM.

The remuneration policy is summarised in the "Summary of remuneration agreements" section of this report.

Outlook for the 2023 financial year

The Committee also recognises that the Company has delivered long-term shareholder returns, grown strongly, made market share gains and completed numerous strategic acquisitions since its IPO in 2016. The Committee believes that the Group is well positioned to deliver its long-term strategic objectives and believes in incentivising future growth. The Committee will keep the remuneration arrangements under review and retains flexibility to reward significant outperformance through its incentive schemes.

In consideration of the wider cost-of-living backdrop, the Committee determined that base salaries for the Executive Directors should be increased no more than the 6% average salary increases awarded to the broader workforce. The MD's salary was increased by 5.1% to £360,000 and the FD's salary was increased by 5.5% to £290,000 from 1 January 2023.

From 1 January 2023 the fees for the Non-executive Chair were increased by 5% to £90,000 while the fees for the other Non-executives were increased by 6% to £46,000. The Chair of the Remuneration Committee receives a further fee of £2,000 per annum.

The Committee reviewed the Executive Directors' maximum bonus opportunity in the context of both the increased scale and complexity of the business and comparably sized public companies. For 2023 the Committee determined that the maximum bonus opportunity for each Executive Director for 2023 will be 125% of base salary.

The Executive Directors are expected to participate in a 2023 LTIP award.

Summary

The Committee believes that the current remuneration arrangements are in the best interests of the Company and are appropriately aligned to strategic goals, delivering shareholder value and supporting the long-term success of the Company.

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

Mike Ashley
Chair of the
Remuneration Committee

Summary of remuneration agreements

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

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

A summary of the remuneration arrangements applicable to remuneration in 2022 and 2023 is set out below for reference, to assist with the understanding of the contents of this report and to demonstrate alignment with strategy.

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base salary Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed at the discretion of the Committee.	Base salaries will be set by the Committee at an appropriate level, with consideration given to comparable listed companies, experience in role and the Company's performance.	None.
Benefits and pension Provides a competitive level of benefits and pension.	The Executive Directors receive benefits, which include pension contributions, company cars and private medical insurance. The FD also receives a contribution towards weekday accommodation near the Company's head office. Further benefits may also be provided for relocation following the appointment of new executives.	Employer pension contribution of 6% of base salary per annum or a salary supplement representing this contribution net of employer's National Insurance. The maximum value of other benefits will be set at the cost of providing the benefits described.	None.
Annual bonus The annual bonus provides a significant incentive to the Executive Directors linked to achievement in delivering strategic goals, including financial performance. Maximum bonus is only payable for achieving demanding targets.	Performance is measured annually against a range of predetermined performance conditions. Outcomes are determined by the Committee after the year-end based on performance against these targets. All bonus payments are at the ultimate discretion of the Committee, and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year. Annual bonuses are paid in cash or a mix of cash and shares after the end of the financial year to which they relate.	The maximum normal bonus opportunity is currently 125% of base salary. The Committee has the discretion to defer an element of the annual bonus. The Committee retains the discretion to operate a higher maximum bonus in exceptional circumstances.	Performance is measured over the financial year. Targets are set annually by the Committee. Performance metrics for 2023 will include targets for: — Profit growth; — Other financial KPIs; and — Strategic targets.

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Long-term incentive plans ("LTIP") The LTIP provides a significant incentive to the Executive Directors linked to achievement in delivering longer-term strategic goals, including sustained financial performance. Maximum awards are only payable for achieving demanding targets.	LTIP awards are made using nominal cost share options. Performance is measured over three financial years against a range of predetermined performance conditions. Normal LTIP awards are subject to a two-year post-vesting holding period. All LTIP awards are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall LTIP awards reflect its view of corporate performance during the period. LTIP awards may attract dividend equivalents for the duration of the performance period.	The normal maximum LTIP award is 200% of base salary. The Committee retains discretion to grant a higher LTIP award in exceptional circumstances.	Performance is measured over a minimum three-year performance period. Targets are set for each performance period by the Committee. Performance metrics for the awards are based on adjusted profit growth.
Non-executive Director fees Provides a level of fees to support recruitment and retention of Non-executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-executive Directors are paid a base fee. Fees are reviewed from time to time at the Remuneration Committee's discretion based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors.	The base fees for Non-executive Directors are set at a market rate.	None.

Wider employee pay

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

Pay and conditions elsewhere in the Group were taken into account when considering arrangements for the remuneration of the Executive Directors. For example, for 2023 the Executive Directors' salary increases were set below that of the wider UK workforce. In addition, pension contributions are consistent with those for the wider employee population. The same overarching remuneration principles apply but are proportionate to an individual's influence at Group level.

The Committee also encourages the participation of Midwich employees in share ownership and is supportive of the Group's share participation and free share award programmes. At 31 December 2022, over 60% of Group employees[1] were participants in the Group's share ownership programmes.

1 Excluding businesses acquired during the year.

Directors' service agreements and letters of appointment

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

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

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

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

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

Approach to recruitment remuneration of Executive Directors

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

Executive Directors' termination payments

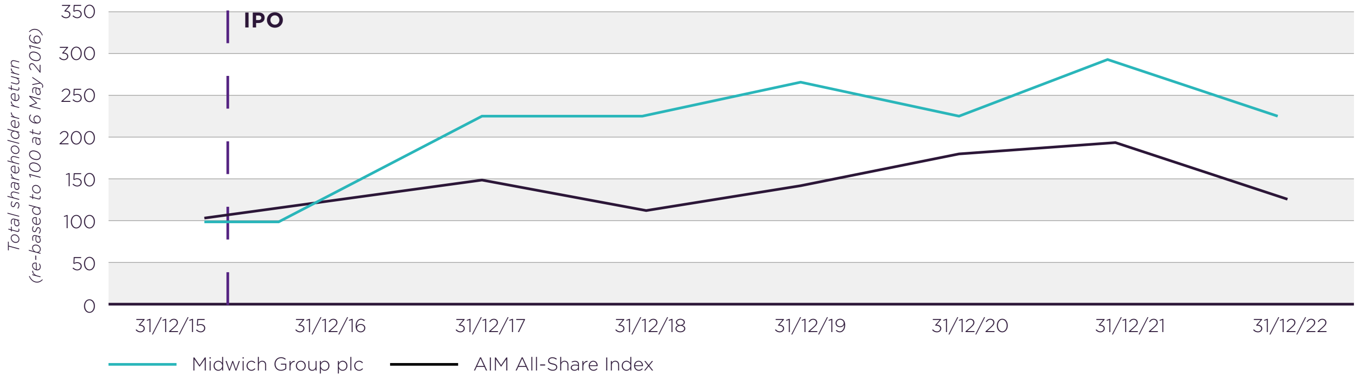
The Remuneration Committee will honour Executive Directors' contractual entitlements. Service agreements do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are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

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

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

Total shareholder returns

The chart below shows Midwich Group plc's annual TSR performance against the AIM All-Share Index over the period since IPO (May 2016).



The Committee believes that a well-run business will deliver superior returns to its shareholders over time. In the period since IPO, we have created over £170m of value through market capitalisation growth and dividends. Over the same period, we have outperformed the AIM All-Share Index by 62%.

Executive Director remuneration

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

The table below sets out the total remuneration with a breakdown for each Executive Director in respect of the 2022 financial year. Comparative figures for the 2021 financial year have also been provided.

	Base salary		Benefits[1]		Annual Bonus		Pension[3]		LTIP/Other[4]		Total	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021[2] £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000	**2022 £'000**	2021 £'000
Stephen Fenby	**343**	326	**12**	12	**223**	603	**17**	17	**—**	—	**595**	958
Stephen Lamb	**275**	261	**15**	22	**193**	484	**14**	13	**1,358**	56	**1,855**	836

1 The taxable benefits received in 2021 and 2022 were principally company cars/car allowances and private medical insurance. Stephen Lamb also receives a contribution to weekday accommodation near the Company's head office.

2 For 2021, the Committee determined that part of the annual bonus would be deferred into shares (in the form of nominal cost share options) for 2 years. This resulted in an overall mix of 73% cash and 27% in deferred share options for each Executive Director.

3 Executive Directors receive pension contributions of 6% of base salary. Pension contributions were delivered as a salary supplement net of employer's National Insurance.

4 For 2022, this relates to the 2020 LTIP which was based on a three-year performance period to 31 December 2022. For the Group FD, 297,116 options will vest in March 2023 at a value of £1,357,820 (net of exercise price) based on an average share price for the final quarter of 2022 of 458p. For 2021, 10,000 options vested on 26 July 2021 at a value (net of exercise price) of £55,900 based on a share price of 560p at the date of vesting.

Non-executive Directors (audited)

The table below sets out the total remuneration and breakdown for each Non-executive Director.

	Fees		Total	
	2022 £'000	2021 £'000	**2022 £'000**	2021 £'000
Andrew Herbert	**85**	83	**85**	83
Mike Ashley	**45**	42	**45**	42
Hilary Wright	**43**	42	**43**	42

Additional information regarding Directors' remuneration

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

Base salary

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

Executive Director	Base salary
Stephen Fenby	£342,500
Stephen Lamb	£275,000

Base salaries for the 2023 financial year are set out on page 82 of this report.

2022 Bonus awards

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

Performance measure	Weighting	Outcome (% of maximum) Stephen Fenby	Stephen Lamb
Profit growth targets	50%	50%	
Other financial KPIs	35%	10%	
Strategic/personal targets	15%	5%	10%
Total	100%	65%	70%

The following bonus awards were approved by the Remuneration Committee for the Executive Directors.

Executive Director	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded (£'000)
Stephen Fenby	65%	65%	223
Stephen Lamb	70%	70%	193

The Remuneration Committee considers that the specific performance targets for the 2022 annual bonus awards remain commercially sensitive.

2020 LTIP outcome

The purpose of the 2020 LTIP award was to incentivise the Group's leadership team to not only fully recover from the COVID-19 disruption but also significantly increase the scale and profitability of the Group as measured by 2022 adjusted profit before tax ("PBT"). For the Executive Directors, only the Group Finance Director was a participant in the award – given his substantial shareholding, the Group Managing Director does not participate in the LTIP.

Whilst the performance targets are generally considered to be commercially sensitive, the 2020 LTIP vesting is of greater scale and significance than the other outstanding LTIP awards. Set out below are the stretching targets compared to the final outcome.

	Performance targets (Based on adjusted PBT)	Vesting (% of maximum award)
Base target	The greater of 2019 PBT (£31.2m) or 5% above the 2021 PBT (Max. £33m)	22.22%
	Base PBT or more, but less than £36.8m	Between 22.22% and 66.66%, determined on a straight line basis
	£36.8m or more, but less than £40m	66.66%
	£40m or more, but less than £45m	83.33%
	£45m or more	100%
Actual outcome	£45.2m	100%

Whilst the above stretching targets were applicable to the Group's executive leadership team, I note that over 75 senior leaders across the Group are participants in the 2020 LTIP scheme and benefit from the scheme vesting in full.

The Committee has considered the Group's performance in the context of the wider AV industry (noting the Group's significant outperformance vs the overall AV market) and has also evaluated the Group's performance against its strategic objectives. The Committee concluded that the formulaic outcome reflects the exceptional performance of the business over the challenging three-year period and has not exercised any discretion in relation to the final outcome.

As mentioned in the Chair's statement, the Committee conducted a review of any potential windfall gains in relation to the 2020 LTIP. The Committee noted that the share price movement over the period since the LTIP grant did not indicate a windfall gain. The Committee also recognised that the Executive Directors voluntarily waived part of their salary for six months in 2020 and received no annual bonus. In light of these factors, and the exceptional performance over the three-year period, the Committee determined that no adjustment to the outcome for windfall gains is appropriate.

The 2020 LTIP will therefore vest in full. The base award is subject to a two-year post-vesting holding period.

Long-term incentives awarded in 2022

To reflect the substantial shareholdings of Stephen Fenby, and in line with the approach taken since IPO, no LTIP awards were granted to him during the year. Stephen Lamb was granted nominal cost options over 52,562 shares (equivalent to 100% of salary) which vest subject to performance criteria over a 3 year period and are subject a two-year post vesting holding period.

Share interests

The interests of Directors and their connected persons in Ordinary Shares and share options as at 31 December 2022 are presented in the table below.

Director	Ordinary shares at 31 December 2022[1]	Vested but not exercised	Vested and subject to holding period[2]	Unvested and subject to performance criteria[3]	Percentage shareholding[4]	Percentage of salary held[4]
Stephen Fenby	17,282,000	—	31,226	—	19.46%	21,314%
Stephen Lamb	38,299	—	25,020	401,178	0.06%	79%
Andrew Herbert	40,000	—	—	—	0.05%	n/a
Mike Ashley	1,442	—	—	—	<0.01%	n/a
Hilary Wright	4,000	—	—	—	<0.01%	n/a

1 Including closely associated people.

2 Deferred 2021 bonus shares.

3 The 2021 and 2022 LTIP awards will be subject to a two-year post-vesting holding period.

4 Based on a share price of £4.22 and base salary on 31 December 2022.

All share options lapse, if they are not exercised, ten years after the grant date.

Non-executive fees in 2022

Fees for the Non-executive Directors were not increased for the year ended 31 December 2022.

Fees at the end of the financial period were:

	Fees
Andrew Herbert	£85,460
Mike Ashley	£45,260
Hilary Wright	£43,260

Non-executive Director fees for the 2023 financial year are set out on page 83 of this report.

Implementation of remuneration agreements in 2023

Base salary

The salaries of the MD and FD were increased by 5.1% and 5.5% respectively from 1 January 2023.

The table below sets out the base salaries effective from 1 January 2023 (with previous base salaries included for reference):

	Stretch targets	
	As at 31 December 2022	As at 1 January 2023
Stephen Fenby	**£342,500**	£360,000
Stephen Lamb	**£275,000**	£290,000

Annual bonus

The maximum annual bonus for the MD and FD will be 125% of base salary. With a strong focus on net profit and profit margins, pay-outs will be determined by performance against the following targets:

— Profit growth targets (65% weighting);

— Other financial KPIs (25% weighting); and

— Strategic/personal targets (10% weighting).

Long-term incentive

The Group MD and FD will be eligible to participate in any long-term incentive awards granted during 2023.

Implementation of remuneration agreements in 2023 *continued*

Pension

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

Non-executive Director fees

Non-executive Directors were increased by 5% (Chair) and 6% (Other Non-executives) from 1 January 2023. An additional fee of £2,000 is payable to the Chair of the Remuneration Committee.

The table below sets out the 2023 fees for the Non-executive Directors (with previous fees included for reference):

	Fees	
	As at 31 December 2022	As at 1 January 2023
Andrew Herbert	**£85,490**	£90,000
Mike Ashley	**£45,260**	£48,000[1]
Hilary Wright	**£43,260**	£46,000

1 Includes £2,000 payable to the Chair of the Remuneration Committee.

Adviser

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

Approval

This report is approved by the Board on 13 March 2023 and signed on its behalf by:

Mike Ashley
Chair of the Remuneration Committee

The Directors present their report and the financial statements of the Group for the year ended 31 December 2022. Some disclosures that would normally be included in the Directors' Report are included in the Strategic Report. These include the review of the principal risks and uncertainties facing the business (page 57), stakeholder engagement (page 46), environmental reporting (page 32) and an indication of likely future developments for the Group (page 24).

Results and dividends

The profit after tax for the period amounted to £16.9m (2021: £13.5m).

The Company paid dividends in the year of £10.9m (2021: £5.6m).

Post balance sheet events

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. In January 2023, the Group increased and extended its revolving credit facility to £175m for a term of 4½ years.

Going concern

In considering the going concern basis for preparing the financial statements, the Board considers the Group's objectives and strategy and its principal risks and uncertainties in achieving its goals and objectives which are set out in the Strategic Report. The Board has undertaken a review of going concern under three scenarios: 1) our base plan, 2) a downside scenario and 3) a reverse stress test for the period to 31 December 2024. The sensitivity stress tests are based on a model that allows the Group to assess its liquidity, solvency and compliance with banking covenants based on inputs for future trading performance. Varying the inputs into the model allows the Group to assess the impact of potential adverse trading conditions.

The Directors consider the working capital and finance facilities of the business to be adequate to fund its operations and growth strategy. The Group has a variety of finance facilities available to it including a revolving credit facility which expires in 2027 and secured invoice discounting facilities which require renewal in the forecast period. The Directors are confident that they will be able to renew the secured invoice discounting facilities given the secured nature of the facility and state of the business. Notwithstanding, this represents an uncertainty and further models (base plan and reverse stress test) have been prepared to assess going concern without the use of on-demand facilities. The base case continues to demonstrate the Group's ability to continue as a going concern. The reverse stress test demonstrates that the Group can withstand severe adverse trading conditions. In assessing the ability to withstand severe adverse trading conditions, the Directors have also considered mitigating actions available to them.

There are no material uncertainties that cast significant doubt on the Group's ability to continue as a going concern and the Group continues to adopt the going concern basis in preparing consolidated financial statements. The Group's strategy remains unchanged, and we will continue to focus on profitable organic growth complemented by targeted acquisitions.

Financial risk management and policies

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

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

Credit risk

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

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

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

The Group uses financial instruments to swap an element of its variable interest rate borrowings into fixed interest rates. The purpose of this is to provide greater certainty of future interest payments.

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

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

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

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

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

Directors
The Directors of the Company during the year and their beneficial interest in the ordinary shares of the Company at 31 December 2022 are set out below:

	Ordinary Shares[1]	
	2022	2021
Stephen Fenby	**17,282,000**	17,262,000
Stephen Lamb	**38,299**	37,716
Andrew Herbert	**40,000**	40,000
Mike Ashley	**1,442**	1,442
Hilary Wright	**4,000**	4,000
	17,365,741	17,345,158

1 Including closely associated people.

The executive Directors' interests in share options of the Company are detailed on page 82.

Directors' remuneration

	2022					
	Salary/fees and bonus £'000	**Pension £'000**	**Benefits in in kind £'000**	**Share option vesting £'000**	**Total £'000**	2021 Total £'000
Stephen Fenby	**566**	**17**	**12**	**—**	**595**	958
Stephen Lamb	**468**	**14**	**15**	**1,358**	**1,855**	836
Andrew Herbert	**85**	**—**	**—**	**—**	**85**	83
Mike Ashley	**45**	**—**	**—**	**—**	**45**	42
Hilary Wright	**43**	**—**	**—**	**—**	**43**	42
	1,207	**31**	**27**	**1,358**	**2,623**	1,961

Directors' and officers' liability insurance

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

Employee involvement and policies

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

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

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

Substantial shareholders

The Company has been notified of the following interests of 3% or more in its issued share capital as at 22 February 2023:

	Number of shares	%
Midwich Group plc Directors & related parties	17,365,741	19.54
Octopus Investment Nominees Limited	11,567,346	13.01
abrdn plc	11,462,998	12.90
Liontrust Investment Partners LLP	8,971,218	10.09
Granular Capital Ltd	6,788,644	7.64
FIL Limited	4,909,035	5.52
Janus Henderson Group plc	2,786,221	3.13

Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law, the Directors have elected to prepare the financial statements in accordance with UK adopted International Accounting Standards ("IAS"). Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company and Group for that period.

In preparing these financial statements, the Directors are required to:

— select suitable accounting policies and then apply them consistently;

— make judgements and estimates that are reasonable and prudent;

— state whether applicable UK adopted IASs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and

— prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors confirm that:

— so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

— the Directors have taken all steps that ought to have been taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

— the group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

— the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Auditor

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

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

Mr S B Fenby
Director
13 March 2023

Company registration number: 08793266

Financial statements

CONTENTS

AWARD-WINNING SOUND DESIGN

The challenge

Music, dialogue and vocal incantations, in their many expressive forms, set the backdrop for the enchanting world stage premiere of My Neighbour Totoro —the Royal Shakespeare Company's hit production of the Japanese animation classic at London's Barbican.

The challenge

Award-winning sound designer Tony Gayle took up the RSC's challenge of designing a unique soundscape, with the often-beguiling audience sound delivered in all its component parts by a HARMAN JBL Professional VTX A8 dual 8in compact line array sound system, supplied by Autograph Sound via Midwich Group company Sound Technology Ltd. Having carried out due diligence on the JBL VTX A8, representatives from Autograph's loudspeaker department undertook training at Sound Technology Ltd's demo facility in Hertfordshire. Tony Gayle went on to win the WhatsOnStage Award for Best Sound Design for his work on My Neighbour Totoro, with the production recently nominated for nine Olivier Awards.

> “This show means a lot to a lot of people. I was adamant that I wanted to use JBL VTX A8...I knew it would do the music justice.”

Tony Gayle
Sound Designer

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Midwich Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated Income statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to each of the Consolidated and Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

— the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;

— the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

— the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

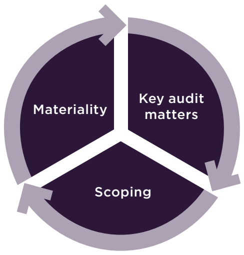
Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: £1,264,000, which represents circa 5% of the group's profit before taxation.

Parent company: £280,000 which represents 1% of the parent company's total assets at the planning stage of the audit, capped at 22% of group materiality.



Key audit matters were identified as:

- Going concern (same as the prior period);
- The risk of impairment in relation to the intangible asset under construction (same as the prior period); and
- The risk of impairment in relation to goodwill (new in the period).

Our auditor's report for the year ended 31 December 2021 included no key audit matters that have not been reported as key audit matters in our current year's report.

There were no additional key audit matters identified with specific regard to the parent company only.

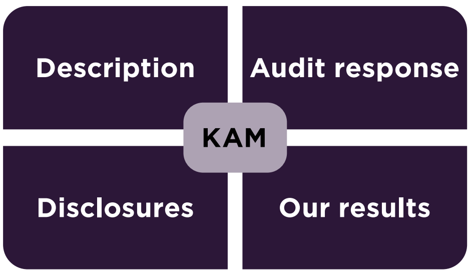
The group engagement team and component audit teams have performed an audit of the financial information for 6 components using component materiality (full scope audit procedures) and specific-scope audit procedures for 9 components.

This resulted in coverage of 75% of the group's revenue and 78% of the group's profit before taxation.

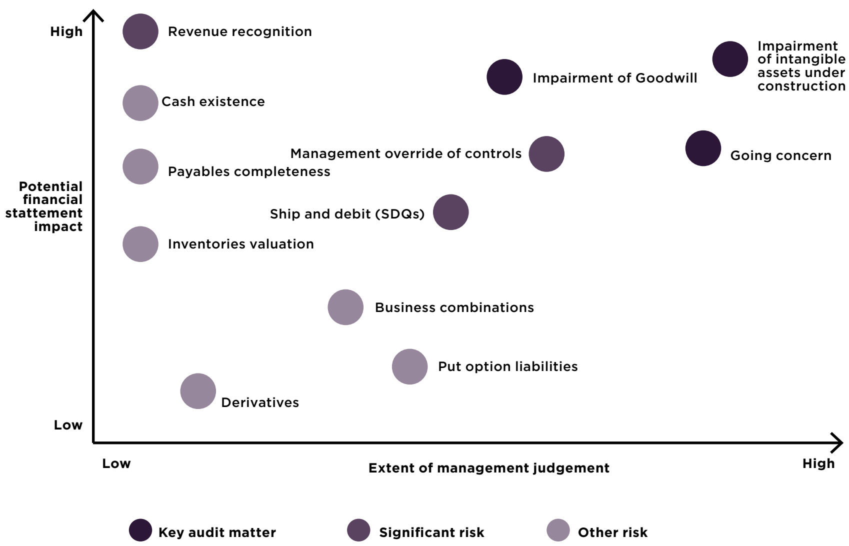
The group engagement team have performed analytical procedures on the financial information of all other components within the group. This is consistent with the scope of the audit in the prior year.

Key audit matters

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



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key audit matters *continued*

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to error. The directors have prepared a base forecast, a reasonably possible downside, and an extreme stress test. Under the base case and reasonably possible downside scenario the group remains in compliance with all debt covenants. In our evaluation of the directors' conclusions, we have identified reliance on uncommitted funding as the most significant assumption in management's evaluation. This is because continued support from the lending institutions contributes a significant proportion to the group's headroom during the going concern assessment period. If the business lost this support, alternative finance would need to be used and/or mitigating actions taken. In response to this risk, the directors have also prepared an adjusted base case forecast, and a reverse stress test in which the uncommitted funding has been removed. The directors have included mitigating actions in the reverse stress test as part of demonstrating the business' ability to withstand severe adverse trading conditions during the assessment period. The directors have concluded, based on the finance facilities available and various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due and have concluded that there exist no material uncertainties relating to the going concern assumptions employed.	In responding to the key audit matter, we performed the following audit procedures: — Obtained an understanding of key controls over management's going concern models, including those concerning the inputs and assumptions used in the models; — Obtained management's cash flow and covenant compliance forecasts covering the period to 31 December 2024, which included a base case, a reasonably possible downside scenario and an extreme stress test scenario. These forecasts were evaluated to confirm the mathematical accuracy of the model used and that the covenant calculations have been agreed to the underlying financing agreements; — Tested the underlying data used to prepare the forecast scenarios and applied professional judgement to determine whether there was adequate support for the assumptions underlying the forecast; — Obtained and compared analyst reports and industry data with management's estimates. This included considering whether the data provided corroborative or contradictory evidence in relation to management's assumptions; — Considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-uncertainties (such as interest and inflationary pressures) on the forecasting period, we assessed and challenged the reasonableness of estimates made and the related disclosures and analysed how those risks might affect the group's and the parent company's business in the going concern period; — Compared management's forecasting to historical financial information for the past four financial periods and post year end for January 2023 to assess the accuracy of that forecasting; — Assessed the likelihood of uncommitted funding being withdrawn during the forecast period. This included the use of an insolvency specialist and was modelled in our sensitivity analysis; — Obtained and assessed further cash flow and covenant compliance forecasts covering the period to 31 December 2024 from management, which assume the non-renewal of uncommitted finance. This included assessing a revised base case and a reverse stress test scenario (which included mitigations available to management); — Understood management's proposed mitigating actions to reduce costs and manage cash flows and assessed the suitability and feasibility of instigating the proposed mitigating actions. The audit team also challenged the expected impact of these mitigating actions based on supporting evidence; and — Evaluated the group's disclosures on going concern for compliance with the requirements of IAS 1 'Presentation of financial statements'.
Relevant disclosures in the Annual Report and Financial Statements 2022 — Financial statements: Note 1, Accounting Policies	**Our results** Based on our audit work, we are satisfied that the assumptions made in management's assessment of the use of the going concern assumption are supported by sufficient appropriate audit evidence. We consider that the group's disclosure is in accordance with IAS 1.

Key Audit Matter – Group	How our scope addressed the matter – Group
The risk of impairment in relation to the intangible asset under construction We identified the risk of impairment (valuation) in relation to the intangible asset under construction as one of the most significant assessed risks of material misstatement due to error. This is due to the high level of management judgement and assumptions required to perform the annual impairment test required under IAS 36, such as the discount rate and expected benefits to be derived from the asset once in use. As a result, there is a risk that the carrying value of the intangible asset under construction (the Group's new Enterprise Resource Planning (ERP) system) may exceed its recoverable amount and therefore be subject to impairment.	In responding to the key audit matter, we performed the following audit procedures: — Obtained an understanding of the process followed for the impairment assessment of assets under construction; — Obtained management's model to identify the key assumptions and determine the arithmetical accuracy of the model; — Used an auditor's internal expert to calculate an expected range for the discount rate applied to compare to the rate used by management, and to confirm the reasonableness of the key inputs and assumptions used in management's model; — Used an auditor's internal expert to consider the key inputs and assumptions used in the impairment review prepared by management, and to challenge whether the expected timing of remaining development costs and net savings are reasonable. This is based on the experts experience in design and implementation of ERP systems in other organisations; — Challenged management on the classification of the asset as under construction at the year end; — Assessed the historical accuracy of management's forecasting by comparing historical forecasts to actual results for the past four financial periods and post year end to January 2023; — Sensitivity analyses were completed by the engagement team on the key assumptions and inputs into the value in use calculations; and — Evaluated the group's disclosures according to the requirements of IAS 38 and IAS 36.
Relevant disclosures in the Annual Report and Financial Statements 2022 Financial statements: Note 1, Accounting policies and Note 13, Intangible assets	**Our results** Based on our audit work, we are satisfied that the valuation of the intangible asset under construction is not materially misstated.

Key Audit Matter – Group	How our scope addressed the matter – Group
Valuation of goodwill We identified the valuation of the carrying value of goodwill as one of the most significant assessed risks of material misstatement due to error. We have pinpointed the significant risk to the Asia-Pacific (APAC) group of cash generating units ("CGUs"). The goodwill recognised in respect of historical acquisitions is subject to an annual test for impairment under IAS 36. There is a risk that goodwill recognised on historical acquisitions may be impaired due to the current trading performance relating to such acquisitions. Management prepare impairment models to assess the value in use. Management's assessment of potential impairment incorporates significant judgements in assumptions, such as determining the groups of CGUs along with the appropriate allocation of goodwill to them, and the timing and extent of future cash flows related to those groups of CGUs whilst applying an appropriate discount rate that is at risk of management bias. The selection of certain inputs within the cash flow forecasts can also significantly impact the results of the impairment assessment.	In responding to the key audit matter, we performed the following audit procedures: — Updated our understanding of, and evaluated, the business processes and controls over the year-end impairment process; — Obtained management's impairment assessment for each group of CGUs, which are based on discounted cash flow models; — Evaluated management's basis for determination of CGUs and considered its appropriateness in line with the requirements of IAS 36, corroborating key judgements to supporting evidence; — Assessed the mathematical accuracy of the impairment models; — Evaluated the key assumptions using industry data and other external information to assess the reasonableness of management's assumptions. This included engaging our internal valuation experts to evaluate the discount rate who derived an estimated range based on a WACC determined on a market participant basis; — Tested the accuracy of management's historical forecasting through a comparison of budget to actual data and historical variance trends; — Performed our own sensitivity analysis to understand the impact of any reasonably possible changes in assumptions, and evaluated the headroom available from different outcomes to assess whether goodwill could be impaired; — Evaluated the information included in management's impairment models through our knowledge of the business and discussions with management; and — Assessed the accounting policy and disclosure to ensure it is in accordance with the financial reporting framework, including IAS 36.
Relevant disclosures in the Annual Report and Financial Statements 2022 Financial statements: Note 1, Accounting policies and Note 12, Goodwill	**Our results** Based on our audit work, we are satisfied that the valuation of goodwill is not materially misstated.

There were no key audit matters identified that solely relate to the parent company.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

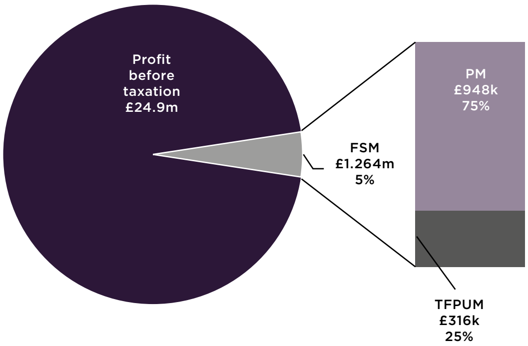
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£ 1,264,000 which is circa 5% of the group's profit before taxation.	£ 280,000 which represents 1% of the parent company's total assets at the planning stage of the audit, capped at 22% of group materiality.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: — The selection of the appropriate benchmark. Profit before taxation (PBT) is a key performance indicator (KPI) used to measure the performance of the group and is of primary interest to the users of the financial statements. — The selection of an appropriate percentage to apply to that benchmark. 5 % was considered to be an appropriate percentage as it is in line with industry practice. — The consideration of other qualitative factors such as the group being stable profit generating and operating in a mature sector. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 to reflect the increase in group profit before taxation for the year.	In determining materiality, we made the following significant judgements: — Total assets were considered to be the most appropriate benchmark as the company does not undertake any trading activities. — 1% was considered to be an appropriate percentage as it is in line with industry practice. — We have capped materiality at 22% of Group materiality. Materiality for the current year is higher than for the year ended 31 December 2021 due to an increase in group materiality.
Significant revision of our materiality threshold was made as the audit progressed	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual group profit before taxation for the year ended 31 December 2022. This resulted in a decrease of materiality to that calculated at the planning stage of the audit due to a larger than expected increase in the put option liability. Our audit procedures were adjusted accordingly as a result of the commensurate reduction in materiality for the individual components.	We calculated materiality during the planning stage of the audit and then during the course of our audit, we re-assessed initial materiality based on actual group profit before taxation for the year ended 31 December 2022 and adjusted our parent company materiality accordingly, which is capped at 22% of group materiality.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£ 948,000, which is 75% of financial statement materiality.	£ 210,000, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the significant judgement of setting it at 75% based on the fact that there were no material adjustments identified in the 2021 audit, and the absence of any significant control deficiencies.	In determining performance materiality, we made the significant judgement of setting it at 75% based on the fact that there were no material adjustments identified in the 2021 audit, and the absence of any significant control deficiencies.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for directors' remuneration and related party transactions (excluding intercompany transactions).	We determined a lower level of specific materiality for directors' remuneration and related party transactions (excluding intercompany transactions).

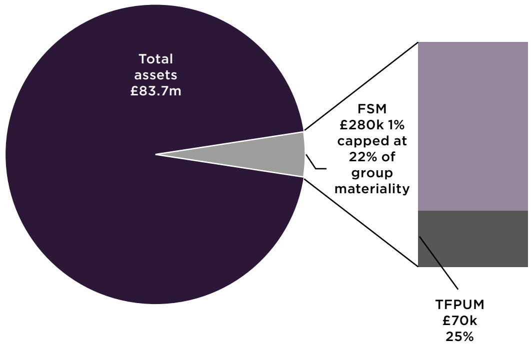
Materiality measure	Group	Parent company
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£ 63,200 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£ 14,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

— the engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level; and

— the engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, identifying that the group financial reporting system is centralised, and that there is a use of management experts where required. The group had forty-one subsidiaries as at 31 December 2022. During the period three subsidiaries were dissolved, one subsidiary was incorporated, one subsidiary was hived-up into another subsidiary in the group, and seven subsidiaries were acquired through two business combinations. The entities are registered in several countries across the world.

Identifying significant components

— Five components were identified as significant through assessing their relative share of key financial metrics including revenue and profit before taxation.

— Additional components were selected based on an assessment of the risk of material misstatement to the group. For these components either a full-scope audit or an audit of one or more accounts, balances, class of transactions or disclosures (specific-scope audit) was performed.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

— Performance of full-scope audit procedures on the financial information of the parent company Midwich Group Plc, Midwich Limited, Staring Marketing Inc., Kern & Stelly Medientechnik GmbH, Sidev SAS, and Nimans Limited. These full-scope audits included all our audit work on the identified key audit matters as described in the key audit matters section of our report.

— Specified audit procedures were performed at the components Bauer and Trummer GmbH, Prase Engineering S.p.A., NMK Technologies Trading LLC, Gebroeders van Domburg B.V., Edge Electronics Trading LLC, Earpro S.A., Network Sales & Solutions Limited, Yealink (UK) Limited, and Sound Technology Limited.

— Analytical procedures were performed at all other components.

Performance of our audit

— Testing has been performed over 75% of total group revenues, either through full-scope or specified procedures and 78% of total group profit before taxation, either through full-scope or specified audit procedures.

Audit approach	No. of components	% coverage of revenue	% coverage of PBT
Full-scope audit	6	58	47
Specified audit procedures	9	17	31
Analytical procedures	13	25	22

— The group engagement team visited components in the UK, USA, Germany, and the Netherlands. Visits to the individual components take place on a rotational basis, with reference to the significance of the component to the group.

Communications with component auditors

— The group engagement team communicated with two component auditors covering two components performing full-scope procedures, two component auditors covering five components performing full-scope or specified audit procedures, and five component auditors performing specified audit procedures, throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures. All nine component auditors reported to the group engagement team in relation to the audit procedures communicated.

Changes in approach from previous period

— Our overall scope of the audit has not changed from the prior year other than the inclusion of the newly acquired subsidiaries.

Other information

The other information comprises the information included in the annual report and financial statements 2022, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and financial statements 2022. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

— the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company through discussions with management. We determined that the most significant frameworks that are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework, being UK-adopted international standards (for the group), Financial Reporting Standard 101 'Reduced Disclosure Framework' (for the parent company) and the Companies Act 2006, together with the Quoted Companies Alliance Corporate Governance Code and the UK tax legislation.
- We enquired of management and the Audit Committee about the Group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed whether there is a culture of honesty and ethical behaviour and whether there is a strong emphasis on the prevention and detection of fraud.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, specifically acquisition accounting and the impairment of intangible assets, all of which could be impacted by management bias, as well as the risk of fraud through the use of journal entries that increase revenues. We also looked at management's onboarding process for new customers.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. This was completed through an understanding of their practical experience with similar engagements, knowledge of the industry, and understanding of the relevant legal and regulatory frameworks of the group and parent company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of component auditors whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

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

Use of our report

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

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
London
13 March 2023

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	3	**1,204,049**	855,973
Cost of sales		**(1,020,335)**	(724,712)
Gross profit		**183,714**	131,261
Distribution costs		**(109,042)**	(80,585)
Administrative expenses		**(45,592)**	(34,871)
Other operating income	4	**5,973**	5,175
Operating profit	5	**35,053**	20,980
Comprising			
Adjusted operating profit		**51,108**	34,012
Costs of acquisitions	6	**(435)**	(486)
Share based payments		**(6,031)**	(4,416)
Employer taxes on share based payments		**(176)**	(904)
Amortisation of brands, customer relationships, and supplier relationships	13	**(9,413)**	(7,226)
		35,053	20,980
Finance income		**95**	108
Finance costs	8	**(10,232)**	(2,193)
Profit before taxation		**24,916**	18,895
Taxation	9	**(8,061)**	(5,422)
Profit after taxation		**16,855**	13,473
Profit for the financial year attributable to:			
The Company's equity shareholders		**15,293**	12,429
Non-controlling interest		**1,562**	1,044
		16,855	13,473
Basic earnings per share	10	**17.32p**	14.11p
Diluted earnings per share	10	**16.74p**	13.76p

The financial statements are also comprised of the notes on pages 104 to 139.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Profit for the financial year	**16,855**	13,473
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	**588**	254
Items that will be reclassified subsequently to profit or loss:		
Foreign exchange gains and (losses) on consolidation	**8,282**	(4,710)
Other comprehensive income for the financial year, net of tax	**8,870**	(4,456)
Total comprehensive income for the year	**25,725**	9,017
Attributable to:		
Owners of the Parent Company	**23,419**	8,384
Non-controlling interests	**2,306**	633
	25,725	9,017

The financial statements are also comprised of the notes on pages 104 to 139.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Goodwill	12	**35,765**	21,163
Intangible assets	13	**76,002**	51,972
Right of use assets	14	**21,559**	19,826
Property, plant and equipment	15	**14,961**	11,792
Deferred tax assets	9	**2,567**	2,725
		150,854	107,478
Current assets			
Inventories	16	**159,823**	125,825
Trade and other receivables	17	**218,612**	124,256
Derivative financial instruments	20	**4,630**	492
Cash and cash equivalents		**25,855**	15,476
		408,920	266,049
Current liabilities			
Trade and other payables	18	**(225,899)**	(142,546)
Derivative financial instruments	20	**(1,483)**	—
Put option liabilities over non-controlling interests	21	**—**	(3,863)
Deferred and contingent considerations	22	**(9,275)**	(466)
Borrowings and financial liabilities	23	**(44,955)**	(34,053)
Current tax		**(3,541)**	(2,869)
		(285,153)	(183,797)
Net current assets		**123,767**	82,252
Total assets less current liabilities		**274,621**	189,730
Non-current liabilities			
Trade and other payables	18	**(1,872)**	(1,418)
Put option liabilities over non-controlling interests	21	**(15,975)**	(4,287)
Deferred and contingent considerations	22	**(8,157)**	(1,468)
Borrowings and financial liabilities	23	**(100,324)**	(60,399)
Deferred tax liabilities	9	**(10,576)**	(5,066)
Other provisions	19	**(3,583)**	(2,696)
		(140,487)	(75,334)
Net assets		**134,134**	114,396
Equity			
Share capital	30	**889**	887
Share premium		**67,047**	67,047
Share based payment reserve		**12,025**	7,879
Investment in own shares		**(5)**	(5)
Retained earnings		**46,023**	39,078
Translation reserve		**5,356**	(2,182)
Hedging reserve		**—**	—
Put option reserve		**(10,799)**	(7,784)
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Equity attributable to owners of the Parent Company		**120,736**	105,120
Non-controlling interests		**13,398**	9,276
Total equity		**134,134**	114,396

The financial statements are also comprised of the notes on pages 104 to 139. The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2023 and were signed on its behalf by:

Mr S B Fenby
Director
13 March 2023
Company registration number: 08793266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital £'000 (note 30)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 31)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2022	**887**	**67,047**	**(5)**	**39,078**	**(1,887)**	**105,120**	**9,276**	**114,396**
Profit for the year	**—**	**—**	**—**	**15,293**	**—**	**15,293**	**1,562**	**16,855**
Other comprehensive income	**—**	**—**	**—**	**588**	**7,538**	**8,126**	**744**	**8,870**
Total comprehensive income for the year	**—**	**—**	**—**	**15,881**	**7,538**	**23,419**	**2,306**	**25,725**
Shares issued (note 30)	**2**	**—**	**(2)**	**—**	**—**	**—**	**—**	**—**
Share based payments	**—**	**—**	**—**	**—**	**6,006**	**6,006**	**—**	**6,006**
Deferred tax on share based payments	**—**	**—**	**—**	**—**	**(1,093)**	**(1,093)**	**—**	**(1,093)**
Share options exercised	**—**	**—**	**2**	**766**	**(767)**	**1**	**—**	**1**
Acquisition of subsidiaries (note 21)	**—**	**—**	**—**	**—**	**(6,933)**	**(6,933)**	**6,933**	**—**
Dividends paid (note 36)	**—**	**—**	**—**	**(10,901)**	**—**	**(10,901)**	**—**	**(10,901)**
Acquisition of non-controlling interest (note 33)	**—**	**—**	**—**	**1,199**	**3,918**	**5,117**	**(5,117)**	**—**
Balance at 31 December 2022	**889**	**67,047**	**(5)**	**46,023**	**6,782**	**120,736**	**13,398**	**134,134**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital £'000 (note 30)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 31)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2021	886	67,047	(6)	30,436	1,976	100,339	6,148	106,487
Profit for the year	—	—	—	12,429	—	12,429	1,044	13,473
Other comprehensive income	—	—	—	254	(4,299)	(4,045)	(411)	(4,456)
Total comprehensive income for the year	—	—	—	12,683	(4,299)	8,384	633	9,017
Shares issued (note 30)	1	—	(1)	—	—	—	—	—
Share based payments	—	—	—	—	4,398	4,398	—	4,398
Deferred tax on share based payments	—	—	—	—	61	61	—	61
Share options exercised	—	—	2	1,051	(1,052)	1	—	1
Acquisition of subsidiaries (note 21)	—	—	—	—	(3,866)	(3,866)	3,866	—
Dividends paid (note 36)	—	—	—	(5,568)	—	(5,568)	—	(5,568)
Acquisition of non-controlling interest (note 33)	—	—	—	476	895	1,371	(1,371)	—
Balance at 31 December 2021	887	67,047	(5)	39,078	(1,887)	105,120	9,276	114,396

The financial statements are also comprised of the notes on pages 104 to 139.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit before tax	**24,916**	18,895
Depreciation	**7,039**	5,793
Amortisation	**9,807**	7,502
Loss on disposal of assets	**141**	25
Share based payments	**6,006**	4,398
Foreign exchange losses	**3,827**	(1,026)
Finance income	**(95)**	(108)
Finance costs	**10,232**	2,193
Profit from operations before changes in working capital	**61,873**	37,672
Increase in inventories	**(15,670)**	(36,496)
Increase in trade and other receivables	**(70,654)**	(12,473)
Increase in trade and other payables	**59,779**	27,943
Cash inflow from operations	**35,328**	16,646
Income tax paid	**(9,142)**	(5,151)
Net cash inflow from operating activities	**26,186**	11,495
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	**(22,372)**	(16,836)
Purchase of intangible assets	**(5,760)**	(2,401)
Purchase of plant and equipment	**(5,328)**	(3,558)
Proceeds on disposal of plant and equipment	**140**	253
Interest received	**95**	108
Net cash used in investing activities	**(33,225)**	(22,434)
Net cash flows from financing activities		
Proceeds on exercise of share options	**1**	1
Deferred consideration paid	**(198)**	(11,265)
Acquisition of non-controlling interest	**(3,974)**	(2,055)
Dividends paid	**(10,901)**	(5,568)
Invoice financing inflows/(outflows)	**14,282**	6,261
Proceeds from borrowings	**31,304**	23,222
Repayment of loans	**(4,947)**	(4,660)
Interest paid	**(5,217)**	(2,087)
Interest on leases	**(602)**	(439)
Capital element of lease payments	**(4,126)**	(3,072)
Net cash inflow/(outflow) from financing activities	**15,622**	338
Net increase/(decrease) in cash and cash equivalents	**8,583**	(10,601)
Cash and cash equivalents at beginning of financial year	**11,639**	23,795
Effects of exchange rate changes	**716**	(1,555)
Cash and cash equivalents at end of financial year	**20,938**	11,639
Comprising:		
Cash at bank	**25,855**	15,476
Bank overdrafts	**(4,917)**	(3,837)
	20,938	11,639

The financial statements are also comprised of the notes on pages 104 to 139.

1. Accounting policies

General information and nature of operations

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

Basis of preparation

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

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

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

Basis of consolidation

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

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

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

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

Acquisition of interests from non-controlling shareholders

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

Going concern

In considering the going concern basis for preparing the financial statements, the Board considers the Group's objectives and strategy, its principal risks and uncertainties in achieving its goals and objectives which are set out in the Strategic Report. The Board has undertaken a review of going concern under three scenarios: 1) our base plan, 2) a downside scenario and 3) a reverse stress test for the period to 31 December 2024. The sensitivity stress test is based on a model that allows the Group to assess its liquidity, solvency and compliance with banking covenants based on inputs for future trading performance. Varying the inputs into the model allows the Group to assess the impact of potential adverse trading conditions.

The Directors consider the working capital and finance facilities of the business to be adequate to fund its operations and growth strategy. The Group has a variety of finance facilities available to it including a revolving credit facility which expires in 2027 and secured invoice discounting facilities which require renewal in the forecast period. The Directors are confident that they will be able to renew the secured invoice discounting facilities given the secured nature of the facility and state of the business. Notwithstanding, this represents an uncertainty and further models (base plan and reverse stress test) have been prepared to assess going concern without the use of on demand facilities. The base case continues to demonstrate the Group's ability to continue as a going concern. The reverse stress test demonstrates that the Group can withstand severe adverse trading conditions. In assessing the ability to withstand severe adverse trading conditions, the Directors have also considered mitigating actions available to them.

There are no material uncertainties that cast significant doubt on the Group's ability to continue as a going concern and the Group continues to adopt the going concern basis in preparing consolidated financial statements. The Group's strategy remains unchanged, and we will continue to focus on profitable organic growth complemented by targeted acquisitions.

1. Accounting policies *continued*

Revenue

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

Revenue from the sale of goods is recognised on despatch when control of the products is transferred to the customer. All performance obligations are met on despatch when the customer obtains control to direct the goods within the sales channel and incurs the risk of obsolescence.

Ancillary services include support services, managed services, licences, transport, installations, removals, warranties, and repairs. Where contracts for ancillary services include multiple performance obligations the transaction price is allocated to each separate performance obligation within the contact based on estimated cost-plus margin. Revenues from support services, managed services, and warranties are recognised over time as the services are performed. Revenues from all other ancillary services including licences, transport, installations, removals, and repairs are recognised at a point in time upon delivery of the service. Revenues from licences comprise the services to arrange for the provision of the licence.

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

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

Finance income and costs

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

Goodwill

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

Intangible assets other than goodwill

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

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

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

— Patents and licences	3–10 years
— Software	3–10 years
— Brands	5–15 years
— Customer relationships	5–15 years
— Supplier relationships	5–15 years

Right of use assets

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

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

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

1. Accounting policies continued

Property, plant and equipment

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

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

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

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

Impairment of non-financial assets including goodwill

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

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

Inventory

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

Financial instruments

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

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

1. Accounting policies *continued*

Financial assets

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

The Group classifies financial assets into two categories:

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

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

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

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

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

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

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

Financial liabilities

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

The Group classifies financial liabilities into three categories:

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

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

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

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

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

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

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

Trade and other receivables

Trade and other receivables are financial assets recognised when the Group becomes party to the contractual provisions of the instrument.

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

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

1. Accounting policies *continued*

Supplier rebates and other income

Supplier rebates include promotional income and are recognised when the conditions attached to the rebate have been satisfied and after deducting any probable liability to repay the rebate. Supplier rebates are deducted from inventory or recorded within cost of sales depending on the contractual terms of the rebate. Promotional income from suppliers does not relate to the purchase of inventory and is therefore recognised within other income.

Cash and cash equivalents

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

Borrowings

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

Trade and other payables

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

Derivative financial instruments

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

Put option liabilities

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

Foreign currency

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

Current taxation

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

1. Accounting policies *continued*

Deferred taxation

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

Employment benefits

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

Leases

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

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

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

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

Government grants

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

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

1. Accounting policies *continued*

Equity

Equity comprises the following:

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

Share based payments

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

Employee Benefit Trust

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

Segment reporting

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

1. Accounting policies *continued*

New and amended International Accounting Standards adopted by the Group

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

Amendments to IFRS 3 Business combinations – References to the conceptual framework;

Amendments to IAS 16 Property, plant and equipment – Proceeds before intended use; and

Amendments to IAS 37 Provisions, contingent liabilities and contingent assets – Costs of fulfilling an onerous contract.

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

International Accounting Standards in issue but not yet effective

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

Use of alternative performance measures

The Group has defined certain measures that it uses to understand and manage performance. These measures are not defined under IAS and they may not be directly comparable with other companies' adjusted measures. These non-GAAP measures are not intended to be a substitute for any IAS measures of performance, but management has included them as they consider them to be key measures used within the business for assessing the underlying performance.

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

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

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

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

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

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

Adjusted EPS: Adjusted EPS is EPS calculated using the basis of adjusted profit after tax instead of profit after tax after deducting adjustments to profit after tax due to non-controlling interests.

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

Accounting judgements and sources of estimation uncertainty

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

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

1. Accounting policies *continued*

Put options over non-controlling interests

Where the Group has acquired less than 100% ownership of a subsidiary it has always issued put and call options over the remaining non-controlling interests. The significant accounting judgement is whether the Group has 100% control despite not having 100% ownership. If the Group judges that it has 100% control, there would be no recognition of a put option liability or non-controlling interest. If the Group judges that it does not have 100% control, it recognises a put option liability and non-controlling interest. The key judgements to determine the proportion of control are assessments of the level of risks and rewards, the proportionate right to dividends, and the exposure to changes in the value of shares.

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

Inventory write down

Inventory is written down to the lower of cost and net realisable value. To determine inventory write downs the Group is required to estimate the future sales volumes, sales prices, costs to sell inventory, and shrinkage. The gross value and write down of inventories, as well as cost of inventory write downs in the period, are disclosed in note 16.

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

The only uncertainty associated with estimating the write down of inventory is whether the realisable value on sale or disposal of inventory approximates the value of inventory after write downs have been applied. The ultimate sale or disposal of inventory results in a reversal of the write down against the cost of inventory disposed with a potential gain or loss depending upon the accuracy of the estimation.

If each write down percentage applied to inventory were increased by ten percentage points the total write down against inventory held at the reporting date would increase by £5,657k. This increase excludes inventory on which no write down has been applied and is subject to an increase up to a maximum write down of 100%.

If each write down percentage applied to inventory were decreased by ten percentage points the total write down against inventory held at the reporting date would decrease by £5,474k. This decrease is subject to a minimum write down of 0%.

Fair value of separately identifiable intangible assets in business combinations

The Group is required to calculate the fair value of identifiable assets and liabilities acquired in business combinations. To estimate the fair value of separately identifiable assets in business combinations certain assumptions must be made about future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. The fair values of assets and liabilities acquired in business combinations are disclosed in note 34 and the carrying values of separately identifiable intangible assets initially measured at fair value are disclosed in note 13.

Contingent considerations and put option liabilities

The Group is required to record contingent considerations at fair value. The Group initially measures put option liabilities at present value and subsequently measures put option liabilities at amortised cost using the effective interest rate method. The Group use a range of present valuation techniques including both the discount rate adjustment technique and the expected present value technique to determine the fair values of contingent considerations and the present values of put option liabilities. The fair value of contingent consideration is disclosed in note 22 and the amortised cost of put option liabilities is disclosed in note 21.

2. Segmental reporting

Operating segments

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

2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	492,203	534,962	53,763	123,121	—	1,204,049
Gross profit	79,104	78,014	9,312	17,284	—	183,714
Gross profit %	16.1%	14.6%	17.3%	14.0%	—	15.3%
Adjusted operating profit	26,500	22,718	1,378	6,437	(5,925)	51,108
Costs of acquisitions	—	—	—	—	(435)	(435)
Share based payments	(2,260)	(1,911)	(469)	(96)	(1,295)	(6,031)
Employer taxes on share based payments	(56)	(57)	3	(4)	(62)	(176)
Amortisation of brands, customer and supplier relationships	(4,201)	(3,566)	(282)	(1,364)	—	(9,413)
Operating profit	19,983	17,184	630	4,973	(7,717)	35,053
Interest						(10,137)
Profit before tax						24,916

2. Segmental reporting *continued*

Operating segments *continued*

2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	**235,716**	**245,321**	**27,024**	**51,002**	**711**	**559,774**
Segment liabilities	**(196,934)**	**(187,802)**	**(19,013)**	**(20,985)**	**(906)**	**(425,640)**
Segment net assets	**38,782**	**57,519**	**8,011**	**30,017**	**(195)**	**134,134**
Depreciation	**2,731**	**3,294**	**443**	**571**	**—**	**7,039**
Amortisation	**4,290**	**3,652**	**297**	**1,568**	**—**	**9,807**

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	**68,547**	**82,307**	**150,854**
Deferred tax asset	**1,051**	**1,516**	**2,567**
Non-current assets excluding deferred tax	**67,496**	**80,791**	**148,287**

2021	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	286,060	455,434	45,384	69,094	—	855,972
Gross profit	45,333	67,000	7,958	10,969	—	131,260
Gross profit %	15.8%	14.7%	17.5%	15.9%	—	15.3%
Adjusted operating profit	12,720	21,356	926	4,556	(5,546)	34,012
Costs of acquisitions	—	—	—	—	(486)	(486)
Share based payments	(1,599)	(1,384)	(366)	(45)	(1,022)	(4,416)
Employer taxes on share based payments	(249)	(401)	(33)	(5)	(216)	(904)
Amortisation of brands, customer and supplier relationships	(2,371)	(3,356)	(273)	(1,226)	—	(7,226)
Operating profit	8,501	16,215	254	3,280	(7,270)	20,980
Interest						(2,085)
Profit before tax						18,895

2021	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	106,426	203,066	21,489	41,987	559	373,527
Segment liabilities	(74,564)	(148,943)	(17,357)	(17,454)	(813)	(259,131)
Segment net assets	31,862	54,123	4,132	24,533	(254)	114,396
Depreciation	2,064	2,761	563	405	—	5,793
Amortisation	2,391	3,446	288	1,377	—	7,502

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	25,575	81,903	107,478
Deferred tax asset	1,268	1,457	2,725
Non-current assets excluding deferred tax	24,307	80,446	104,753

Revenue from the UK, being the domicile of the Parent Company, amounted to £470,930k (2021: £270,954k). Revenue from Germany amounted to £249,570k (2021: £228,487k) and revenue from the USA amounted to £123,121k (2021: £69,094k). There was no other revenue from a country that amounted to more than 10% of total revenue. Included within the international non-current assets excluding deferred tax is £19,108k (2021: £12,531k) for Germany and £16,181k (2021: £15,709k) for the USA. There were no other non-current assets excluding deferred tax in any country that amounted to more than 10%.

Segment revenues above are generated from external customers. The accounting policies of the reportable segments have been consistently applied. Segment operating profits include the costs of share based payments arising from both cash and equity settled share options, and the amortisation of intangible assets measured at fair value acquired in business combinations.

In addition to the external revenue reported by segment the UK & Ireland segment made £17,647k (2021: £6,149k) of intercompany sales and the EMEA segment made £20,084k (2021: £3,739k) of intercompany sales. The North America segment made £nil (2021: £274k) of intercompany sales. There were no intercompany sales made by the Asia Pacific segments for the current and prior year.

2. Segmental reporting *continued*

Sales to the largest customer

Included in revenue is £12.4m (2021: £21.5m) that arose from sales to the Group's largest customer based in Germany. No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Revenue

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

	2022 £'000	2021 £'000
Sale of goods and ancillary services	**1,200,435**	855,308
Rental of goods (operating lease income)	**3,614**	665
	1,204,049	855,973

4. Other operating income

	2022 £'000	2021 £'000
Promotional receipts	**5,914**	5,119
Other income	**59**	56
	5,973	5,175

5. Operating profit

Operating profit is stated after charging:	2022 £'000	2021 £'000
Auditor's remuneration		
– audit service in relation to the Company	**106**	84
– audit services in relation to the subsidiaries	**390**	231
– audit related assurance services	**24**	20
– all non-audit services not covered above	**8**	8
Net loss/(gain) on foreign exchange	**1,882**	(1,026)
Short term lease cost	**1,016**	1,000

6. Administrative expenses

Administrative expenses in the period include £435k of acquisition related costs (2021: £486k). For details of acquisitions in the year see note 34.

7. Directors and employees

The aggregate payroll costs of the employees were as follows:

	2022 £'000	2021 £'000
Staff costs		
Wages and salaries	**71,085**	54,392
Social security costs	**8,705**	6,786
Pension costs	**2,329**	1,571
	82,119	62,749

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

	2022 Number	2021 Number
By activity:		
Administration	**286**	208
Sales and distribution	**1,217**	887
	1,503	1,095

	2022 £'000	2021 £'000
Remuneration of Directors		
Remuneration	**2,450**	1,794
Gain on the exercise of share options	**—**	324
Employer contribution to defined contribution schemes	**—**	—

7. Directors and employees *continued*

	2022 £'000	2021 £'000
Emoluments of highest paid Director		
Remuneration	**1,855**	958
Employer contribution to defined contribution scheme	**—**	—

No retirement benefits were accruing to Directors (2021: nil) under a money purchase pension scheme. During the year 108,898 (2021: 51,500) share options were granted to Directors under the Long Term Incentive Plan.

Details of key management personnel and their remuneration is disclosed within note 35. The Directors' remuneration report forms part of these financial statements.

8. Finance costs

	2022 £'000	2021 £'000
Interest on overdraft and invoice discounting	**2,221**	867
Interest on leases	**602**	439
Interest on loans	**2,470**	810
Foreign exchange derivative costs	**733**	77
Other interest costs	**26**	15
Borrowings derivative costs	**(2,888)**	(1,244)
Foreign exchange losses/(gains) on borrowings for acquisitions	**1,694**	(814)
Interest, foreign exchange and other finance costs of deferred and contingent considerations	**508**	347
Interest, foreign exchange and other finance costs of put option liabilities	**4,866**	1,696
	10,232	2,193

9. Taxation on ordinary activities

Analysis of charge

	2022 £'000	2021 £'000
Current tax		
UK corporation tax for the current year	**3,614**	652
Adjustment in respect of prior years	**(215)**	167
Total UK current tax	**3,399**	819
Overseas tax for the current year	**6,054**	6,682
Adjustment in respect of prior years	**56**	46
Total overseas current tax	**6,110**	6,728
Total current tax	**9,509**	7,547
Deferred tax		
Deferred tax for the current year	**(1,448)**	(2,125)
Adjustment in respect of prior years	**—**	—
Total deferred tax	**(1,448)**	(2,125)
Tax on profit on ordinary activities	**8,061**	5,422

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

9. Taxation on ordinary activities *continued*

Reconciliation of the effective tax charge

	2022 £'000	2021 £'000
Profit on ordinary activities before taxation	**24,916**	18,895
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2021: 19%)	**4,734**	3,590
Factors affecting tax expense for the year:		
Adjustment in respect of prior years	**(159)**	213
Tax losses with no available relief	**282**	50
Expenses not deductible for tax purposes	**1,558**	456
Effects of different tax rates in foreign jurisdictions	**368**	1,080
Effects of different tax rates in the UK	**305**	—
Effects of changes in tax rates in all jurisdictions	**973**	33
Total amount of tax	**8,061**	5,422

Included within expenses not deductible for tax purposes are the effects of the increases in foreign exchange losses/(gains) on borrowings for acquisitions and interest, foreign exchange and other finance costs of put option liabilities that are included in note 8. The foreign exchange losses/(gains) on borrowings for acquisitions have increased by £2,508k when compared to the prior year. The interest, foreign exchange and other finance costs of put option liabilities have increased by £3,170k when compared to the prior year. Applying the standard rate of corporation tax of 19% to the increases compared to the prior year for these items provides an increase in the factors affecting the tax expense for the year of £1,078k, which broadly equates to the increase in expenses not deductible for tax purposes.

The main UK Corporation tax rate for the current and prior year has remained at 19%. On 24 May 2021 the Finance Act 2021 was substantively enacted increasing the UK corporation tax rate from 19% to 25% from 1 April 2023. The increase in UK tax rate from 19% to 25% has increased both deferred tax assets and liabilities for all UK companies within the Group.

Deferred tax

	Losses available for relief £'000	Accelerated capital allowances liabilities £'000	Accelerated capital allowances assets £'000	Company share schemes £'000	Total £'000
At 1 January 2021	(96)	7,011	(1,741)	(549)	4,625
Acquired in business combinations	—	81	—	—	81
Credited to income statement	96	(1,762)	323	(782)	(2,125)
Charged to equity	—	—	—	(61)	(61)
Foreign exchange movements	—	(264)	85	—	(179)
At 31 December 2021	—	5,066	(1,333)	(1,392)	2,341
Acquired in business combinations	—	6,096	(165)	—	5,931
Credited to income statement	—	(678)	497	(1,267)	(1,448)
Credited to equity	—	—	—	1,093	1,093
Foreign exchange movements	—	92	—	—	92
At 31 December 2022	**—**	**10,576**	**(1,001)**	**(1,566)**	**8,009**

	2022 £'000	2021 £'000
Deferred tax asset	**2,567**	2,725
Deferred tax liability	**(10,576)**	(5,066)
Net deferred liability	**(8,009)**	(2,341)

10. Earnings per share

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

	2022	2021
Profit attributable to equity holders of the Group (£'000)	**15,293**	12,429
Weighted average number of shares in issue	**88,299,098**	88,101,300
Potentially dilutive effect of the Group's share option schemes	**3,064,305**	2,204,110
Weighted average number of diluted Ordinary Shares	**91,363,403**	90,305,410
Basic earnings per share	**17.32p**	14.11p
Diluted earnings per share	**16.74p**	13.76p

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

11. Subsidiaries

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

Name	Address	Country of incorporation	% ownership held by the Group 2022	2021
Midwich Limited[1]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Midwich Employees' Trustees Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
True Colours Distribution[2] Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**N/A**	100%
Invision UK Ltd[3]	Vince's Rd, Diss IP22 4YT	England and Wales	**N/A**	100%
Square One Distribution Limited	Bray South Business Park, Unit 9, Killarney Rd, Bray, Co. Wicklow, A98 D7V2	Republic of Ireland	**100%**	100%
Sidev SAS	183 Av. de l'Industrie, 69143 Rillieux-la-Pape	France	**100%**	100%
Midwich Australia Pty Limited	Parklands Estate, 4/23 South St, Rydalmere NSW 2116	Australia	**100%**	100%
Midwich Limited	7a 19 Edwin Street, Mount Eden, Auckland 1024	New Zealand	**100%**	100%
Kern Und Stelly Medientechnik GmbH	Sportallee 8, 22335 Hamburg	Germany	**100%**	100%
Holdan Limited	Brookfield House, Brookfield Industrial Estate, Peakdale Road, Glossop SK13 6LQ	England and Wales	**100%**	100%
Midwich Iberia S.A.U.[4]	Carrer Miguel Hernández, 69, 08908 L'Hospitalet de Llobregat, Barcelona	Spain	**100%**	88%
Gebroeders van Domburg B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
van Domburg Partners B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Transport en Opslagbedrijf van Domburg B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
van Domburg Services B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Dutch Light Pro B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Sound Technology Limited	17 Letchworth Point, Letchworth Garden City SG6 1ND	England and Wales	**100%**	100%
Bauer Und Trummer GmbH	Pirnaer Strasse 20, 90411 Nuremberg	Germany	**100%**	100%
Holdan Benelux B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Blonde Robot Pty Limited[5]	8 Theobald St, Thornbury, Melbourne, Victoria 3071	Australia	**100%**	100%
Blonde Robot Pte Limited[5]	51 Goldhill Plaza, 308900	Singapore	**100%**	100%
MobilePro AG	Europa-Strasse 19a, 8152 Opfikon	Switzerland	**100%**	100%
Midwich Asia Pte Limited	229 Mountbatten Rd, 1-19 Mountbatten Square, 398007	Singapore	**100%**	100%
Prase Engineering SpA[6]	Via Nobel, 10, 30020 Noventa di Piave VE	Italy	**100%**	80%
AV Partner AS	Ole Deviks v. 18, 0666 Oslo	Norway	**100%**	100%
Entertainment Equipment Supplies SL[7]	Pol. Bidebitarte, Donostia Ibilbidea, 118, 20115 Astigarraga, Gipuzkoa	Spain	**N/A**	88%
New Tension Inc	136 Venturi Drive, Chesterton, Indiana 46304	USA	**100%**	100%
Starin Marketing Inc	136 Venturi Drive, Chesterton, Indiana 46304	USA	**100%**	100%
Think Fast Holdings LLC	136 Venturi Drive, Chesterton, Indiana 46304	USA	**100%**	100%
Midwich International Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**80%**	80%
Midwich UCD B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
NMK Technologies Trading LLC[8]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**80%**	80%
NMK Electronics Trading LLC[8]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**80%**	80%
NMK Middle East FZE[8,9]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**N/A**	80%
Edge Electronics Trading LLC[8]	Porto Holding Group Building, 2nd floor, Office 9, C-Ring Road, Doha	Qatar	**80%**	80%
Van Domburg Belgie B.V. [10]	Kolenbranderstraat 10, 2984 AT Ridderkerk, Netherlands	Belgium	**100%**	100%
NMK International FZE[11]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**80%**	80%
NMK Middle East Trading LLC[12]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**80%**	N/A
Cooper Projects Limited[13]	Unit 3, Neptune Point, Vanguard Way, Cardiff, CF24 5PG	England and Wales	**65%**	N/A
DVS Ltd[13]	Unit 3, Neptune Point, Vanguard Way, Cardiff, CF24 5PG	England and Wales	**65%**	N/A
Edge CCTV Ltd[13]	Unit 3, Neptune Point, Vanguard Way, Cardiff, CF24 5PG	England and Wales	**65%**	N/A
Nimans Limited[14]	Agecroft Road, Pendlebury, Manchester, M27 8SB	England and Wales	**100%**	N/A
Network Sales & Solutions Limited[14]	Agecroft Road, Pendlebury, Manchester, M27 8SB	England and Wales	**100%**	N/A
Interquartz (UK) Limited[14]	Agecroft Road, Pendlebury, Manchester, M27 8SB	England and Wales	**100%**	N/A
Yealink (UK) Limited[14]	Agecroft Road, Pendlebury, Manchester, M27 8SB	England and Wales	**100%**	N/A

11. Subsidiaries *continued*

1 Investments held directly by Midwich Group plc.

2 Dissolved 4 October 2022.

3 Dissolved 4 October 2022.

4 Acquired remaining shares on 29 April 2022. See note 33.

5 Acquired remaining shares on 13 October 2021. See note 33.

6 Acquired remaining shares on 5 July 2022. See note 33.

7 Company hived-up into Midwich Iberia S.A.U. on 1 January 2022.

8 Acquired 1 January 2021. See "NMK" acquisition in note 34.

9 Dissolved 24 March 2022.

10 Incorporated 1 January 2021.

11 Incorporated 16 December 2021.

12 Incorporated 5 October 2022.

13 Acquired 7 January 2022. See "DVS" acquisition in note 34.

14 Acquired 7 February 2022. See "Nimans" acquisition in note 34.

12. Goodwill

	Total £'000
Cost	
At 1 January 2021	15,350
On acquisition of NMK	3,769
On acquisition of eLink	2,634
On acquisition of Intro 2020	20
Foreign exchange movements	(610)
At 31 December 2021	21,163
On acquisition of DVS	5,055
On acquisition of Nimans	8,388
Foreign exchange movements	1,159
At 31 December 2022	**35,765**

Allocation of goodwill to cash generating units

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

Allocation of goodwill to groups of CGUs	2022 £'000	2021 £'000
United Kingdom & Ireland	**18,356**	4,893
EMEA	**14,748**	13,768
Asia Pacific	**2,103**	2,003
North America	**558**	499
Other	**—**	—
	35,765	21,163

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

Other major assumptions are as follows:

Forecast profitability assumptions

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

Growth rates

The annual growth rates used to extrapolate the approved forecast for years 2 to 5 within the value in use calculation are between 0%–2.0% (2021: 0%–2.0%). The growth rates are based on economic data for the wider economy and represent a prudent expectation of growth.

12. Goodwill *continued*

Discount rates

Discount rates are based on management's assessment of the specific risks relating to the groups of CGUs within each operating segment. The risks included with the discount factors include both systematic risks and unsystematic risks. The discount factors vary by segment based on the country specific risk premium and the asset specific risks that are assessed according to the expected growth in the management budgets and forecasts. Discount rates used in the value in use calculation for assessing the recoverable amount of goodwill for each operating segment are as follows:

Operating segment	2022 £'000	2021 £'000
United Kingdom & Ireland	**13.0%**	13.6%
EMEA	**12.7%**	11.4%
Asia Pacific	**12.2%**	11.5%
North America	**12.0%**	10.8%
Other	**N/A**	N/A

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

Amount by which recoverable amount exceeds carrying amount

	2022 £'000	2021 £'000
United Kingdom & Ireland	**81,072**	70,241
EMEA	**67,879**	82,055
Asia Pacific	**3,859**	7,910
North America	**22,943**	11,888
Other	**—**	—
Total	**175,753**	172,094

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

13. Intangible assets

	Assets arising from development £'000	Patents and software £'000	Brands £'000	Customer relationships £'000	Supplier relationships £'000	Total £'000
Cost						
At 1 January 2021	3,702	970	9,722	32,953	22,087	69,434
On acquisition	—	—	893	2,672	10,934	14,499
Additions	1,608	793	—	—	—	2,401
Transfer	(216)	216	—	—	—	—
Disposals	—	(333)	—	—	—	(333)
Foreign exchange movements	—	(41)	(107)	(866)	(448)	(1,462)
At 31 December 2021	5,094	1,605	10,508	34,759	32,573	84,539
On acquisition	—	103	4,238	5,608	14,539	24,488
Additions	5,338	422	—	—	—	5,760
Foreign exchange movements	—	186	740	1,304	2,623	4,853
At 31 December 2022	**10,432**	**2,316**	**15,486**	**41,671**	**49,735**	**119,640**
Amortisation						
At 1 January 2021	—	427	3,439	17,285	4,652	25,803
Charge for year	—	276	1,072	3,546	2,608	7,502
Disposals	—	(128)	—	—	—	(128)
Foreign exchange movements	—	(26)	(49)	(414)	(121)	(610)
At 31 December 2021	—	549	4,462	20,417	7,139	32,567
Charge for year	—	394	1,558	3,893	3,962	9,807
Foreign exchange movements	—	95	207	521	441	1,264
At 31 December 2022	**—**	**1,038**	**6,227**	**24,831**	**11,542**	**43,638**
Net book value						
At 31 December 2021	5,094	1,056	6,046	14,342	25,434	51,972
At 31 December 2022	**10,432**	**1,278**	**9,259**	**16,840**	**38,193**	**76,002**

13. Intangible assets *continued*

Intangible assets arising from development includes £10,432k (2021: £5,094k) relating to the development of an Enterprise Resource Planning system. The Enterprise Resource Planning system is considered a corporate asset with cash flows derived from the entire trading Group.

Intangible assets arising from development are tested for impairment annually with the recoverable amount being determined from value in use calculations. The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using a 2% growth rate over a ten-year period from the reporting date. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of intangible assets arising from development to exceed the value in use. The value in use exceeded cost by £12,407k (2021: £23,964k) using a discount rate of 8.9% (2021: 8.0%). An element of the price of uncertainty and to a lesser extent the risk of variability over the timing of cash flows has been included in the cash flows. The discount rate does not include risks which have been reflected in the cash flows. Therefore, the discount factor applied does not reflect the full premium for these risks.

Included within intangible assets are £64,292k of separately identifiable intangible assets that were measured at fair value on acquisition in business combinations. These assets have subsequently been measured at cost less accumulated amortisation. The fair value of separately identifiable intangible assets is calculated based on the estimation of future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. If the estimated fair values of intangible assets on acquisition were 10% higher or 10% lower the effect would be a decrease or increase of £941k respectively in profit before tax for the year.

14. Right of use assets

	Land and buildings £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2021	20,514	82	2,524	23,120
Additions	5,994	500	259	6,753
Disposals	(1,405)	—	(452)	(1,857)
Foreign exchange movements	(816)	8	(290)	(1,098)
At 31 December 2021	24,287	590	2,041	26,918
On acquisition	1,924	—	—	1,924
Additions	1,434	1,017	332	2,783
Disposals	(1,069)	—	(598)	(1,667)
Foreign exchange movements	1,496	78	98	1,672
At 31 December 2022	**28,072**	**1,685**	**1,873**	**31,630**
Depreciation				
At 1 January 2021	4,723	7	1,288	6,018
Charge for year	2,507	113	604	3,224
Disposals	(1,141)	—	(555)	(1,696)
Foreign exchange movements	(229)	—	(225)	(454)
At 31 December 2021	5,860	120	1,112	7,092
Charge for year	2,993	449	514	3,956
Disposals	(1,059)	—	(598)	(1,657)
Foreign exchange movements	596	21	63	680
At 31 December 2022	**8,390**	**590**	**1,091**	**10,071**
Net book value				
At 31 December 2021	18,427	470	929	19,826
At 31 December 2022	**19,682**	**1,095**	**782**	**21,559**

15. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost					
At 1 January 2021	5,058	2,597	3,375	7,150	18,180
On acquisition	—	—	—	97	97
Additions	57	328	717	2,456	3,558
Disposals	—	(20)	(1,095)	(1,174)	(2,289)
Foreign exchange differences	(147)	(25)	—	(635)	(807)
At 31 December 2021	4,968	2,880	2,997	7,894	18,739
On acquisition	—	190	—	562	752
Additions	24	785	1,129	3,390	5,328
Disposals	—	(195)	(936)	(2,796)	(3,927)
Foreign exchange differences	116	61	—	805	982
At 31 December 2022	**5,108**	**3,721**	**3,190**	**9,855**	**21,874**
Depreciation					
At 1 January 2021	363	545	2,295	3,771	6,974
Charge for year	80	314	708	1,467	2,569
Disposals	—	(20)	(910)	(1,150)	(2,080)
Foreign exchange differences	(5)	(13)	—	(498)	(516)
At 31 December 2021	438	826	2,093	3,590	6,947
Charge for year	90	357	684	1,952	3,083
Disposals	—	(104)	(935)	(2,607)	(3,646)
Foreign exchange differences	6	18	—	505	529
At 31 December 2022	**534**	**1,097**	**1,842**	**3,440**	**6,913**
Net book value					
At 31 December 2021	4,530	2,054	904	4,304	11,792
At 31 December 2022	**4,574**	**2,624**	**1,348**	**6,415**	**14,961**

Included in land and buildings is land at £607k (2021: £607k) that is not depreciated.

16. Inventories

	2022 £'000	2021 £'000
Finished goods for resale		
Gross inventory	**178,668**	141,024
Write down	**(18,845)**	(15,199)
	159,823	125,825

	2022 £'000	2021 £'000
Amounts of inventories recognised as an expense during the period as cost of sales (gross of vendor rebates) are:	**1,042,095**	741,636

	2022 £'000	2021 £'000
Total movement in inventory write down (credited)/charged for the period:	**877**	(10,324)

During the prior year the Group experienced an economic recovery from the pandemic, which resulted in a decrease in aged inventory and a release in the write down offset by the cost of inventory sold.

17. Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	**193,027**	109,088
Other receivables	**6,500**	3,270
Prepayments	**19,085**	11,898
	218,612	124,256

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

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

Trade receivables includes a total of £84,157k (2021: £66,077k) subject to a receivables financing agreement.

Included within prepayments and accrued income is £4k (2021: £nil) of accrued income. The accrued income arises from the issue of sales invoices after revenue can be recognised. The revenue is recognised as the performance obligations are satisfied over time. The performance obligations relate to the rental of products, provision of warranties and services.

	2022 £'000	2021 £'000
Impairments at 1 January	**2,500**	2,906
Increase in impairments on acquired businesses	**921**	137
Increase in impairments in the year	**951**	321
Release of impairments against receivables written off	**(190)**	(766)
Foreign exchange variance	**160**	(98)
Impairments at 31 December	**4,342**	2,500

18. Trade and other payables

Amounts falling due within one year:

	2022 £'000	2021 £'000
Trade payables	**175,634**	106,376
Other taxation and social security	**18,230**	11,907
Other payables	**213**	348
Accruals and deferred income	**31,822**	23,915
	225,899	142,546

Amounts falling due after one year:

	2022 £'000	2021 £'000
Trade payables	**12**	—
Accruals	**1,860**	1,418
	1,872	1,418

Included within accruals and deferred income is £1,667k (2021: £991k) of deferred income. The deferred income arises from the issue of sales invoices before the revenue can be recognised. The revenue is recognised as the performance obligations are satisfied over time. The performance obligations relate to the rental of products, provision of warranties, and services. All significant performance obligations for deferred income are satisfied within 12 months of the invoice date.

19. Provisions

	2022 £'000	2021 £'000
Dilapidations provision	**2,140**	897
Defined benefit obligations (see note 29)	**1,225**	1,633
Agency contract severance provisions	**218**	166
	3,583	2,696

19. Provisions *continued*

Dilapidations and other provision	2022 £'000	2021 £'000
Provision at 1 January	**897**	587
Increase in impairments on acquired businesses	**897**	50
Increase in provision	**326**	287
Amortised interest cost	**5**	3
Release of provision	**(27)**	(28)
Foreign exchange variance	**42**	(2)
Provision at 31 December	**2,140**	897

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

Agency contract severance provision	2022 £'000	2021 £'000
Provision at 1 January	**166**	171
Increase/(decrease) in provision	**41**	6
Foreign exchange variance	**11**	(11)
Provision at 31 December	**218**	166

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

20. Derivative financial instruments

	2022 £'000	2021 £'000
Derivative financial assets/(liabilities)		
Foreign currency forward contract and call options (see note 24)	**(1,483)**	130
Interest rate swaps (see note 24)	**4,630**	362
Net derivative financial instruments	**3,147**	492

	2022 £'000	2021 £'000
Derivative financial assets	**4,630**	492
Derivative financial liabilities	**(1,483)**	—
Net derivative financial instruments	**3,147**	492

During the year the Group entered into foreign currency call options and forward exchange contracts in relation to foreign currencies. Details of the Group's management of foreign exchange risk are included in note 25.

21. Put option liabilities

	2022 £'000	2021 £'000
Current	**—**	3,863
Non-current	**15,975**	4,287
	15,975	8,150

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

	2022 £'000	2021 £'000
Brought forward	**8,150**	4,643
Recognition of put options over non-controlling interest acquired	**6,933**	3,866
Subsequent remeasurement to present value	**3,140**	1,375
Interest cost amortised	**1,033**	590
Loss/(gain) on foreign exchange	**693**	(269)
Extinguished on acquisition of non-controlling interest	**(3,974)**	(2,055)
At 31 December	**15,975**	8,150

During the year the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the DVS acquisition (see note 34). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2024.

21. Put option liabilities *continued*

During the prior year the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the NMK acquisition (see note 34). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2024.

During 2019 the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the acquisition of Prase Engineering SpA. The put and call option to acquire the non-controlling interest in Prase Engineering SpA was exercised during the year and further detail is provided in note 33.

During 2018 the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the acquisition of Blonde Robot Pty Limited. The put and call option to acquire the non-controlling interests was exercised during the prior year and further detail is provided in note 33.

During 2017 the Group entered into symmetrical put and call option contracts to acquire the non-controlling interests that were created by the acquisition of Earpro SA. The put and call option to acquire the non-controlling interest in Earpro SA was exercised during the year and further detail is provided in note 33.

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

The present value of put option liabilities is based on estimations of future trading performance. The discount factors for an item recognised at present value are measured on initial recognition of the item. The discount factor is required to remain constant if the amount is remeasured due to modifications in the contractual cash flows. If the estimated future trading performance were 10% higher or 10% lower the effect would be an increase of £291k or decrease of £277k respectively in the present value of the put option liabilities.

22. Deferred consideration

	2022 £'000	2021 £'000
Current:		
— Deferred consideration at amortised cost	**9,275**	—
— Contingent consideration	**—**	466
Total current deferred and contingent considerations	**9,275**	466
Non-current:		
— Deferred consideration at amortised cost	**6,139**	—
— Contingent consideration	**2,018**	1,468
Total non-current deferred and contingent considerations	**8,157**	1,468
Total deferred consideration at amortised cost	**15,414**	—
Total contingent consideration	**2,018**	1,934
Total deferred and contingent considerations	**17,432**	1,934

During the year the Group recognised deferred considerations in respect of the DVS and Nimans acquisitions (see note 34). Deferred considerations for both the DVS and Nimans acquisitions are due to be part settled in 2023 and fully settled in 2024.

During the prior year the Group recognised deferred consideration in respect of the NMK acquisition and contingent consideration in respect of the eLink acquisition (see note 34). Deferred consideration in relation to the NMK acquisition was settled during the prior year. Contingent consideration in relation to eLink acquisition is due to be settled in 2024.

During 2020 the Group recognised deferred consideration in respect of the acquisition of Statin Marketing Inc and contingent consideration in respect of the acquisition of the trade and assets of Vantage Systems Pty Limited. Deferred consideration in relation to the acquisition of Statin Marketing Inc was settled during the prior year. Contingent consideration in relation to the acquisition of the trade and assets of Vantage Systems Pty Limited was settled during the year.

During 2019 the Group recognised deferred consideration in relation to the acquisition of Prase Engineering SpA. The deferred consideration was partially settled during 2020 with the remaining deferred consideration settled during the prior year.

During 2018 the Group recognised contingent consideration in relation to the acquisition of Bauer Und Trummer GmbH, which was settled during the prior year.

The total fair value of contingent consideration has been valued at £2,018k as at 31 December 2022 (2021: £1,934k). The final payments depend upon the future profitability of the subsidiaries acquired.

The fair value of contingent consideration is based on estimations of future trading performance and discount factors. If the estimated future trading performance were 10% higher or 10% lower the effect would be an increase or decrease of £91k respectively in the fair value of the deferred contingent consideration liability.

If the estimated discount factors were 1 percentage point higher or lower the effect would be a decrease or increase of £23k respectively in the fair value of the deferred contingent consideration liability.

23. Borrowings

	2022 £'000	2021 £'000
Secured borrowings		
— Bank overdrafts and invoice discounting	**47,052**	30,856
— Bank loans	**74,782**	42,604
— Leases (see note 27)	**23,445**	20,992
	145,279	94,452
Current	**44,955**	34,053
Non-current	**100,324**	60,399
	145,279	94,452

Summary of borrowing arrangements

The Group has overdraft borrowings which comprised £4,917k at the end of 2022 (2021: £3,837k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group.

At the reporting date the Group had drawn down £42,135k (2021: £27,019k) on invoice discounting and short-term borrowing facilities. The total amount drawn down on invoice discounting facilities was £30,352k (2021: £20,628k). The short-term borrowing facilities are secured with floating charges over the assets of the Group. The invoice discounting facilities comprise fully revolving receivables financing agreements which are secured on the underlying receivables. The facilities have no fixed repayment dates and receivables are automatically offset against the outstanding amounts of the facility on settlement of the receivable. The Group retains the credit risk associated with the receivables. Invoice discounting arrangements included within acquisitions completed during the year totalled £3,968k.

At the reporting date the Group had drawn down £74,782k (2021: £42,604k) of its long-term loan facilities. The loans are secured with fixed and floating charges over the assets of the Group. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has lease liabilities of £23,445k at the end of 2022 (2021: £20,992k). Lease obligations included within acquisitions completed during the year totalled £2,720k. There were no lease obligations included within acquisitions in the prior year.

For details of leases please refer to note 27.

Borrowings

	2022 £'000	2021 £'000
Borrowings due within 1 year	**40,900**	30,900
Borrowings due after 1 year	**80,934**	42,560
Leases (see note 27)	**23,445**	20,992
	145,279	94,452

Reconciliation of liabilities arising from financing activities

	2022 £'000	2021 £'000
At 1 January	**94,452**	64,764
Cash flows:		
Invoice financing inflows/(outflows)	**14,282**	6,261
Proceeds from borrowings	**32,384**	25,369
Repayment of loans	**(4,947)**	(4,660)
Capital element of leases	**(4,126)**	(3,072)
Non-cash:		
Acquisitions	**6,689**	—
New liabilities arising on leases	**2,783**	6,753
Disposals on modification or termination of leases	**(10)**	(297)
Foreign exchange gain or loss	**3,772**	(666)
At 31 December	**145,279**	94,452

24. Financial instruments

Classification of financial instruments

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

The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year (2021: none). Financial instruments measured at fair value through profit or loss comprise interest forward contracts and contingent consideration.

As at 31 December 2022 the Group had interest rate swaps and foreign exchange options which were measured at fair value. The valuation of the interest rate swap and foreign exchange options contracts is based on observable inputs other than quoted prices and hence is a Level 2 valuation.

The contingent consideration in relation to the acquisition of eLink (see note 22) has been measured at fair value. The valuation of the contingent consideration is based on unobservable inputs and hence is a Level 3 valuation. The fair value has been calculated using the expected present value technique using a discount factor based on the risk-free rate that has been adjusted to include systematic risk. A discount factor of 10.4% has been applied to probability weighted cash flows that are not certainty-equivalent because they have not been adjusted to exclude systematic risk.

The contingent consideration in relation to the acquisition of the trade and assets of Vantage Systems Pty Limited in 2020 was measured at fair value. The present value was calculated using the discount rate adjustment technique using a discount rate derived from market data for comparable assets. The discount rate of 15.5% was applied to the most likely cash flows.

Put option liabilities over the remaining non-controlling interests that arose in the NMK acquisition (see note 34) and the acquisitions Prase Engineering SpA in 2019 and Earpro SA in 2017 were initially measured at present value.

A discount factor of 2.5% was applied to certainty equivalent cash flows that were adjusted to exclude systematic risk to discount the put option liability over the non-controlling interest for the acquisition of Prase Engineering SpA. Discount factors of 9.4% and 10.2% were applied to the most likely cash flows to calculate the put option liabilities over the non-controlling interests of Earpro SA and the NMK acquisition respectively.

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

During the year the Group exercised put and call options in relation to Prase Engineering SpA and Earpro SA to acquire the remaining non-controlling interest (see note 33). During the prior year the Group exercised the put and call option in relation to Blonde Robot Pty Limited to acquire the remaining non-controlling interest (see note 33).

The expected cash flows in relation to the put option liabilities are provided in note 25. The maximum amount payable under all put option liabilities over non-controlling interests is £30,518k (2021: £18,518k).

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

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

Financial assets

Financial assets at amortised cost

	2022 £'000	2021 £'000
Trade and other receivables (note 17)	**199,527**	112,358
Cash and cash equivalents	**25,855**	15,476
	225,382	127,834

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

24. Financial instruments *continued*

Financial assets *continued*

Financial assets at fair value through profit or loss

	2022 £'000	2021 £'000
Derivative financial instruments (note 20)	**4,630**	492

Financial liabilities at amortised cost

	2022 £'000	2021 £'000
Trade and other payables (note 18)	**175,859**	106,724
Accruals (note 18)	**33,682**	25,333
Lease payables (note 27)	**23,445**	20,992
Put option liabilities (note 21)	**15,975**	8,150
Bank loans, overdrafts and invoice discounting (note 23)	**121,834**	73,460
Deferred consideration (note 22)	**15,414**	—
	386,209	234,659

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

Financial liabilities at fair value through profit or loss

	2022 £'000	2021 £'000
Derivative financial instruments (note 20)	**1,483**	—

Contingent consideration

	2022 £'000	2021 £'000
Contingent consideration (note 22)	**2,018**	1,934

25. Financial instrument risk exposure and management

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

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 17 to 24.

Credit risk

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

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A. The Group's total credit risk amounts to the total of the sum of the trade receivables and cash and cash equivalents. At 31 December 2022 total credit risk amounted to £216,735k (2021: £124,564k).

Interest rate risk

The interest on the Group's overdrafts, invoice discounting facilities and Revolving Credit Facility borrowings are variable. Since 2019 the Group has entered into interest rate swap contracts in respect of the Group's variable interest rates in order to achieve a fixed rate of interest. Rising interest rates present an increased cash flow risk associated with the high cost of servicing debt. Rising interest rates also increase the finance costs of working capital. The Group manages the increased cost of working capital by focusing on profitability margins and working capital arrangements of the business.

25. Financial instrument risk exposure and management *continued*

Foreign exchange risk

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

The Group holds certain borrowings in the currencies of foreign acquired operations to reduce the Group's exposure to fluctuations in the value of foreign currencies that have a negative effect on the value of foreign operations. The Group does not adopt hedge accounting and recognises gains and losses on foreign exchange in both the income statement and translation reserve.

The total value of borrowings held in foreign currencies by companies whose functional currency is GBP relating to overseas acquired operations is as follows:

	2022 £'000	2021 £'000
EUR	**20,578**	17,574
AUD	**—**	3,925
USD	**17,600**	15,722

At the reporting date the Group was in the process of renewing its borrowing facilities and repaid the AUD borrowing facility relating to the overseas operations in the APAC segment for renewal. A 10% increase or decrease in the strength of sterling against all borrowings held in foreign currencies by companies whose functional currency is GBP would increase or decrease profit before tax by £3,818k (2021: £3,722k).

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

	Annual average		Year end	
	2022	2021	**2022**	2021
EUR/GBP	**1.170**	1.166	**1.128**	1.191
AUD/GBP	**1.777**	1.839	**1.771**	1.859
NZD/GBP	**1.946**	1.950	**1.897**	1.973
USD/GBP	**1.231**	1.374	**1.204**	1.348
CHF/GBP	**1.173**	1.257	**1.111**	1.231
NOK/GBP	**11.832**	11.864	**11.846**	11.893
AED/GBP	**4.525**	5.049	**4.435**	4.971
QAR/GBP	**4.485**	5.004	**4.396**	4.927

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

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

Profit/(loss) before tax

	2021 £'000	Revised 2021 £'000	Impact £'000	Impact %
EUR	18,895	18,774	(121)	(0.6)%
AUD	18,895	18,899	4	0.0%
NZD	18,895	18,895	—	0.0%
USD	18,895	19,261	366	1.9%
CHF	18,895	18,875	(20)	(0.1)%
NOK	18,895	18,896	1	0.0%
AED	18,895	19,268	373	1.9%
QAR	18,895	19,008	113	0.6%
All currencies	18,895	19,611	716	3.7%

25. Financial instrument risk exposure and management *continued*

Net assets

	2021 £'000	Revised 2021 £'000	Impact £'000	Impact %
EUR	114,396	117,541	3,145	2.7%
AUD	114,396	114,514	118	0.1%
NZD	114,396	114,408	12	0.0%
USD	114,396	115,604	1,208	1.0%
CHF	114,396	114,352	(44)	(0.0)%
NOK	114,396	114,404	8	0.0%
AED	114,396	115,252	856	0.7%
QAR	114,396	114,627	231	0.2%
All currencies	114,396	119,930	5,534	4.6%

Liquidity risk

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

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

See note 23 for details of borrowing arrangements.

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2022 and 2021, on the basis of their earliest possible contractual maturity:

At 31 December 2022

	Total £'000	**Within 2 months £'000**	**Within 2–6 months £'000**	**Between 6–12 months £'000**	**Between 1–2 years £'000**	**After than 2 years £'000**
Trade payables	**175,646**	**167,753**	**7,878**	**3**	**—**	**12**
Other payables	**213**	**153**	**53**	**7**	**—**	**—**
Deferred consideration	**17,902**	**3,800**	**5,500**	**—**	**8,602**	**—**
Put option liabilities	**17,499**	**—**	**—**	**—**	**17,499**	**—**
Leases	**25,817**	**764**	**1,602**	**2,263**	**4,120**	**17,068**
Accruals	**33,682**	**26,277**	**4,488**	**1,057**	**191**	**1,669**
Bank overdrafts, loans and invoice discounting	**121,834**	**39,901**	**531**	**468**	**72,970**	**7,964**
	392,593	**238,648**	**20,052**	**3,798**	**103,382**	**26,713**

At 31 December 2021

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

26. Capital management

The Group's capital management objectives are:

— to ensure the Group's ability to continue as a going concern; and

— to provide long-term returns to shareholders.

The Group defines and monitors capital based on the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the statement of financial position and as follows:

	2022 £'000	2021 £'000
Equity	**120,736**	105,120
Borrowings	**145,279**	94,452
Cash and cash equivalents	**(25,855)**	(15,476)
	240,160	184,096

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

27. Leases

Lease liabilities minimum lease payments

	2022 £'000	2021 £'000
Not later than one year	**4,629**	3,578
Later than one year and not later than five years	**21,188**	19,529
	25,817	23,107
Less: future finance charges	**(2,372)**	(2,115)
Present value of minimum lease payments	**23,445**	20,992

Lease liabilities are included in liabilities

	2022 £'000	2021 £'000
Current	**4,055**	3,153
Non-current	**19,390**	17,839
	23,445	20,992

The Group classifies its right of use assets associated with lease liabilities consistently with its classification of property, plant, and equipment. The Group has leases in respect of land and buildings, plant and machinery, and rental assets. Leases in respect of land and buildings relate to sales offices and warehouses and leases in respect and plant and machinery relate to motor vehicles. Leases in respect of rental assets relate to products that are held for use by the Group to generate rental income under operating leases.

28. Guarantees and other financial commitments

The Group has provided a cross guarantee to HSBC Bank plc in respect of borrowings due by companies within the Group headed by Midwich Group plc. The liabilities covered by these guarantees at the year end were £108,562k (2021: £67,859k).

29. Retirement benefit plans

The Group contributes to several retirement benefit pension schemes according to service contracts of employees working in the various countries in which the Group operates. The retirement benefit pension schemes include both defined contribution and defined benefit pension schemes.

Defined contribution retirement benefit pension schemes

Most of the Group's retirement benefits are provided in the form of defined contribution pension schemes. The Group contributions to these schemes are charged as an expense to the consolidated income statement as they fall due. The assets of these schemes are held separately from those of the Group in independently administered funds.

Expenses for retirement benefit pension schemes recognised as defined contribution schemes are as follows:

	2022 £'000	2021 £'000
Defined contribution pension schemes expense	**2,116**	1,545

29. Retirement benefit plans

Defined benefit retirement obligations

The Group participates in the "Pensioenfonds Vervoer", an industry-wide pension fund in the Netherlands, "Swiss Life", a defined benefit pension scheme in Switzerland, and has statutory obligations to pay employee severance in Italy, UAE and Qatar, which are recognised as defined benefit obligations.

Pensioenfonds Vervoer is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The investment risk is shared collectively among the members of the scheme and the employers. The employer is only required to make a fixed contribution for current employees. Fixed contributions could be increased or decreased in future but it is legally prohibited for the pension fund to require any additional contribution in excess of the fixed contributions. Equally the Group has no claim to any excess pension scheme assets. The Group has accounted for the pension scheme as a defined contribution pension scheme because the records of the industry-wide pension fund are not able to provide the sufficient satisfactory information to enable reporting a defined benefit pension scheme.

Swiss Life is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The scheme is funded by payments to an independently managed fund. Contributions are calculated by qualified actuaries using projected unit credit method valuations and are charged to the income statement. The liabilities of the scheme are measured by discounting the future cash flows to participants estimated by actuaries using the projected unit credit method. Changes in the value of assets and liabilities in the scheme excluding contributions charged to the income statement are recognised in other comprehensive income.

Employee severance is payable to employees in Italy under a scheme called TFR. In addition to TFR there are also amounts payable to Directors under a scheme called TFM. In the UAE and Qatar gratuity benefits are provided to employees as an end of service benefit.

The obligations for TFR, TFM and gratuity benefits are recognised as defined benefit obligations in accordance with IAS 19.

Defined benefit retirement obligations

	2022 £'000	2021 £'000
Present value of defined benefit pension obligations	**(3,003)**	(3,027)
Fair value of plan assets	**1,778**	1,394
Net defined benefit pension liability	**(1,225)**	(1,633)

	Defined benefit obligation £'000	**Fair value of plan assets £'000**	**Net defined benefit liability £'000**
At 1 January 2022	(3,027)	1,394	(1,633)
Service cost			
Current service cost	(289)	—	(289)
Past service cost	29	—	29
	(260)	—	(260)
Net interest			
Interest income on plan assets	—	5	5
Interest cost on defined benefit obligation	(21)	—	(21)
	(21)	5	(16)
Total defined benefit cost recognised in income statement	(281)	5	(276)
Cash flows			
Plan participants' contributions	(96)	96	—
Employer contributions	—	86	86
Benefits paid	(52)	52	—
Unfunded benefits paid	144	—	144
Expected closing position	(3,312)	1,633	(1,679)
Remeasurements			
Changes in demographic assumptions	29	—	29
Changes in financial assumptions	712	—	712
Other experience	(153)	—	(153)
Return on assets excluding amounts included in net interest	—	(17)	(17)
Foreign exchange gain/(loss) recognised in translation reserve	(279)	162	(117)
Total remeasurements recognised in other comprehensive income	309	145	454
At 31 December 2022	**(3,003)**	**1,778**	**(1,225)**

29. Retirement benefit plans *continued*

Defined benefit retirement obligations *continued*

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2021	(3,083)	1,538	(1,545)
On acquisition	(319)	—	(319)
Service cost			
Current service cost	(284)	—	(284)
Past service cost	115	—	115
	(169)	—	(169)
Net interest			
Interest income on plan assets	—	3	3
Interest cost on defined benefit obligation	(12)	—	(12)
	(12)	3	(9)
Total defined benefit cost recognised in income statement	(181)	3	(178)
Cash flows			
Plan participants' contributions	(81)	81	—
Employer contributions	—	76	76
Benefits paid	246	(246)	—
Unfunded benefits paid	11	—	11
Expected closing position	(3,407)	1,452	(1,955)
Remeasurements			
Changes in demographic assumptions	111	—	111
Changes in financial assumptions	83	—	83
Other experience	79	—	79
Return on assets excluding amounts included in net interest	—	(20)	(20)
Foreign exchange gain/(loss) recognised in translation reserve	107	(38)	69
Total remeasurements recognised in other comprehensive income	380	(58)	322
At 31 December 2021	(3,027)	1,394	(1,633)

Plan assets

	2022 £'000	2021 £'000
Cash and cash equivalents	**—**	—
Insurance contracts with a quoted market price	**1,778**	1,394
	1,778	1,394

Actuarial assumptions

	2022 £'000	2021 £'000
Salary increase rate	**0.5-3.0%**	2.0–3.0%
Discount rate	**2.3-5.3%**	0.3–2.3%
Inflation rate	**1.5-3.0%**	0.8–3.0%
Life expectancy	**BVG 2020**	BVG 2020

Sensitivity analysis

The defined benefit obligation would increase/(decrease) by the following amounts due to the respective changes in the following actuarial assumptions:

	2022 £'000	2021 £'000
0.5% increase in discount rate	**(148)**	(198)
0.5% decrease in discount rate	**169**	229
0.5% increase in salary increase rate	**40**	49
0.5% decrease in salary increase rate	**(38)**	(46)

29. Retirement benefit plans *continued*

Funding

The total amount of contributions expected to be paid during the financial year ending 31 December 2023 is £336k.

30. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2022		2021	
	Number	£'000	Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	**88,735,612**	**887**	88,604,712	886
Shares issued	**144,300**	**2**	130,900	1
At 31 December	**88,879,912**	**889**	88,735,612	887

During the year the Company issued 144,300 shares to the Group's employee benefit trusts (2021: 130,900).

Employee benefit trust

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

	2022		2021	
	Number	£'000	Number	£'000
At 1 January	**518,300**	**5**	593,600	6
Allocated during the year	**144,300**	**2**	130,900	1
Shares issued on exercise of options	**(161,140)**	**(2)**	(206,200)	(2)
At 31 December	**501,460**	**5**	518,300	5

31. Other reserves

Movement in other reserves for the year ended 31 December 2022

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2022	**7,879**	**(2,182)**	**(7,784)**	**50**	**150**	**(1,887)**
Other comprehensive income	**—**	**7,538**	**—**	**—**	**—**	**7,538**
Total comprehensive income for the year	**—**	**7,538**	**—**	**—**	**—**	**7,538**
Share based payments	**6,006**	**—**	**—**	**—**	**—**	**6,006**
Deferred tax on share based payments	**(1,093)**	**—**	**—**	**—**	**—**	**(1,093)**
Share options exercised	**(767)**	**—**	**—**	**—**	**—**	**(767)**
Acquisition of subsidiary (note 34)	**—**	**—**	**(6,933)**	**—**	**—**	**(6,933)**
Acquisition of non-controlling interest (note 33)	**—**	**—**	**3,918**	**—**	**—**	**3,918**
Balance at 31 December 2022	**12,025**	**5,356**	**(10,799)**	**50**	**150**	**6,782**

Movement in other reserves for the year ended 31 December 2021

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2021	4,472	2,117	(4,813)	50	150	1,976
Other comprehensive income	—	(4,299)	—	—	—	(4,299)
Total comprehensive income for the year	—	(4,299)	—	—	—	(4,299)
Share based payments	4,398	—	—	—	—	4,398
Deferred tax on share based payments	61	—	—	—	—	61
Share options exercised	(1,052)	—	—	—	—	(1,052)
Acquisition of subsidiary (note 34)	—	—	(3,866)	—	—	(3,866)
Acquisition of non-controlling interest (note 33)	—	—	895	—	—	895
Balance at 31 December 2021	7,879	(2,182)	(7,784)	50	150	(1,887)

32. Share based payments

The Group operates two share option plans, the Long Term Incentive Plan ("LTIP") and the Share Incentive Plan ("SIP"). The Group has made a grant under each plan during the year and made three awards under the LTIP and one award under the SIP in the prior year.

Share Incentive Plan

The Group operates a SIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Under the SIP, free shares granted to employees are issued and held in trust in during a conditional vesting period. The SIP shares vest 3 years after the date of grant. The SIP share are settled in equity once exercised.

Long Term Incentive Plan

The Group also operates an LTIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Options issued under the LTIP are exercisable at £0.01 per share but the Group has the option to provide an exemption for this payment. The options vest 3 years after the date of grant, subject to certain service and non-market performance conditions. The Group has the option to require an extended holding period in relation to specific options. The options are settled in equity once exercised except for options issued to employees in certain jurisdictions where settlement in equity is prohibited. For options issued to employees in jurisdictions in which settlement in equity is prohibited the options are issued on the same basis except they are settled in cash.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

LTIP options and SIP shares were valued using the Black-Scholes option-pricing model. The fair value of the 2022 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	21 Jun 2022	8 Apr 2022
Number granted	1,017,141	106,800
Share price at date of grant (£)	£5.96	£6.32
Exercise price (£)	£0.01	—
Expected volatility	18.1%	18.1%
Expected life (years)	1.5-2.75	3
Risk free rate	1.53%	1.18%
Expected dividend yield excluded from option	2.7%	0.0%
Fair value at date of grant	£4,919,088	£482,083
Earliest vesting date	1 Jan 2024	8 Apr 2025
Expiry date	21 Jun 2032	8 Apr 2032

Included within the LTIP issue in 2022 are 13,000 options issued to employees in jurisdictions where settlement in equity is prohibited and the options will be settled in cash.

LTIP options and SIP shares were valued using the Black-Scholes option-pricing model. The fair value of the 2021 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	5 Jul 2021	3 Jun 2021
Number granted	812,700	111,900
Share price at date of grant (£)	£5.89	£5.14
Exercise price (£)	£0.01	—
Expected volatility	17.7%	17.7%
Expected life (years)	3–5	3
Risk free rate	0.02%	0.02%
Expected dividend yield excluded from option	2.7%	0.0%
Fair value at date of grant	£3,713,918	£405,484
Earliest vesting date	31 Mar 2024	3 Jun 2024
Expiry date	5 Jul 2031	3 Jun 2031

Included within the LTIP issue in 2021 are 18,000 options issued to employees in jurisdictions where settlement in equity is prohibited and the options will be settled in cash.

The expected volatility is based on the volatility of similar companies in the industry. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised total expenses of £6,006k (2021: £4,398k) related to equity-settled share based payment transactions.

In addition to equity settled share based payment transactions the Group recognised £25k (2021: £18k) related to cash-settled share based payment transactions and £176k (2021: £904k) related to employer taxes on share options for the above schemes during the year.

32. Share based payments *continued*

Long Term Incentive Plan *continued*

A reconciliation of LTIP option movements over the current and prior year excluding any options to be settled in cash is shown below:

	As at 31 December 2022		As at 31 December 2021	
	Number of LTIP options	**Weighted average exercise price**	Number of LTIP options	Weighted average exercise price
Outstanding at start of year	**3,284,374**	**0.01**	2,691,676	0.01
Granted	**1,004,141**	**0.01**	794,700	0.01
Lapsed	**(89,458)**	**0.01**	(61,202)	0.01
Exercised	**(83,740)**	**0.01**	(140,800)	0.01
Outstanding at end of year	**4,115,317**	**0.01**	3,284,374	0.01
Weighted average remaining contractual life	**3.0 years**		2.6 years	

A reconciliation of SIP movements over the current and prior year is shown below:

	As at 31 December 2022		As at 31 December 2021	
	Number of SIP shares	**Weighted average exercise price**	Number of SIP shares	Weighted average exercise price
Outstanding at 1 January	**267,900**	**—**	254,700	—
Granted	**106,800**	**—**	111,900	—
Lapsed	**(16,500)**	**—**	(33,300)	—
Exercised	**(77,400)**	**—**	(65,400)	—
Outstanding at 31 December	**280,800**	**—**	267,900	—
Weighted average remaining contractual life	**3.6 years**		2.7 years	

As at the year end there were 167,000 (2021: 199,500) equity settled share options that had vested and had yet to be exercised.

33. Acquisition of non-controlling interest

During the current year the Group acquired the remaining 12% non-controlling interest in Earpro SA and the remaining 20% non-controlling interest in Prase Engineering SpA. The non-controlling interest in Earpro SA had a value of £1,309k and was acquired for a consideration of £1,062k. The non-controlling interest in Prase Engineering SpA had a value of £3,808k and was acquired for a consideration of £2,912k. £1,033k of the put option reserve was transferred to retained earnings when the Earpro SA element of the put option was extinguished and £2,885k of the put option reserve was transferred to retained earnings when the Prase Engineering SpA element of the put option was extinguished.

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

34. Business combinations

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

Subsidiaries acquired

Acquisition[1]	**Principal activity**	**Date of acquisition**	**Proportion acquired (%)**	**Fair value of consideration £'000**
Nimans	Distribution of audio visual products and telephone network services	7 February 2022	100%	27,271
DVS	Distribution of audio visual and security products to trade customers	7 January 2022	65%	12,877
NMK	Distribution of audio visual products to trade customers	1 January 2021	80%	15,463

1 See note 11 for details of companies acquired during the current and prior year.

34. Business combinations *continued*

Trade and assets acquired

In addition to the acquisition of subsidiaries listed above during 2021 the Group also acquired trade and assets from eLink Distribution AG ("eLink"), a company registered in Germany and Intro 2020 Limited ("Intro 2020"), a company registered in England and Wales.

Fair value of consideration transferred 2022	DVS £'000	Nimans £'000
Cash	8,580	16,500
Deferred consideration	4,297	10,771
Total	**12,877**	**27,271**

Acquisition costs of £376k were expensed to the income statement during the year in relation to the acquisition of DVS and Nimans. £59k of acquisition costs were expensed to the income statement during the year in relation to acquisitions not completed by the reporting date.

Fair value of acquisitions 2022	DVS £'000	Nimans £'000
Non-current assets		
Goodwill	5,055	8,388
Intangible assets – patents and software	103	—
Intangible assets – brands	1,288	2,950
Intangible assets – customer relationships	799	4,809
Intangible assets – supplier relationships	5,948	8,591
Right of use assets	314	1,610
Property, plant and equipment	242	510
	13,749	26,858
Current assets		
Inventories	6,513	11,815
Trade and other receivables	7,841	15,861
Cash and cash equivalents	643	2,065
	14,997	29,741
Current liabilities		
Trade and other payables	(2,297)	(22,308)
Borrowings and financial liabilities	(4,119)	(275)
Current tax	(142)	—
	(6,558)	(22,583)
Non-current liabilities		
Borrowings and financial liabilities	(256)	(2,039)
Deferred tax	(2,057)	(3,874)
Other provisions	(65)	(832)
	(2,378)	(6,745)
Non-controlling interests	(6,933)	—
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	12,877	27,271

Goodwill acquired in 2022 relates to the workforce, synergies, sales and purchasing knowledge and experience. Goodwill arising on the DVS and Nimans acquisitions has been allocated to the UK and Ireland segment.

Net cash outflows of acquisitions 2022	DVS £'000	Nimans £'000
Consideration paid in cash	8,580	16,500
Less: cash and cash equivalent balances acquired	(643)	(2,065)
Net cash outflow	**7,937**	**14,435**
Plus: borrowings acquired	4,375	2,314
Net debt outflow	**12,312**	**16,749**

34. Business combinations *continued*

Post-acquisition contribution 2022

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

	DVS £'000	Nimans £'000
Date acquired	7 Jan	7 Feb
Post-acquisition contribution to Group revenue	38,600	115,055
Post-acquisition contribution to Group profit after tax	762	4,245

Proforma full year contribution 2022

Acquired subsidiaries would have made the following contributions to the Group's results for the year in which they were acquired if they were acquired on 1 January 2022:

	DVS £'000	Nimans £'000
Date acquired	7 Jan	7 Feb
Post-acquisition contribution to Group revenue[1]	38,600	125,703
Post-acquisition contribution to Group profit after tax[1]	762	4,738

As the acquisition of DVS occurred on 7 January 2022 the acquired subsidiary made a full year contribution to the Group's results for the year. The revenue and profit after tax[1] for the Group would have been no different if the DVS were acquired earlier.

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

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

Acquisition costs of £53k in relation to the acquisition of NMK, £29k in relation to the eLink acquisition of trade and assets, £199k in relation to the Intro 2020 acquisition of trade and assets, and £205k in relation to acquisitions not completed by the year end were expensed to the income statement during the year ended 31 December 2021.

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

34. Business combinations *continued*

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

Net cash outflows of acquisitions 2021	NMK £'000	eLink £'000	Intro 2020 £'000
Consideration paid in cash	11,350	7,441	702
Less: cash and cash equivalent balances acquired	(2,657)	—	—
Net cash outflow	8,693	7,441	702
Plus: borrowings acquired	—	—	—
Net debt outflow	8,693	7,441	702

Post-acquisition contribution 2021

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

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

Proforma full year contribution 2021

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

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

35. Related party transactions

Transactions and outstanding balances between the Group companies have been eliminated on consolidation.
For transactions between the Company and subsidiaries see note 9 of the separate company financial statements.

Key management personnel are identified as the executive and Non-executive Directors and other members of the senior management team, and their remuneration is disclosed as follows:

Remuneration of key management	**2022 £'000**	2021 £'000
Remuneration cost	**1,843**	2,977
Share Based Payment cost	**1,325**	1,268
Employer taxes	**521**	327
Company pension contributions to defined contributions scheme	**17**	35
	3,706	4,607

The definition of key management personnel for 2022 includes the board of Directors and executive leadership team. In the prior year the definition of key management personnel also included a representative of the senior management team from each reporting segment. Share options for 214,345 (2021: 157,500) shares were awarded to members of the senior management team. There were no share options exercised by key management personnel during the year. During the prior year 50,000 share options were exercised by key management personnel.

There were no related party borrowing or share transactions during the current or prior year.

36. Dividends

On the 17 June 2022 the Company paid a final dividend of £6,910k. Excluding the effects of waived dividends this equated to 7.80 pence per share. On 25 October 2022 the Company paid an interim dividend of £3,991k. Excluding the effects of waived dividends this equated to 4.50 pence per share. During the prior year the Company paid a special dividend of £2,650k and an interim dividend of £2,918k. Excluding the effects of waived dividends this equated to 3.00 and 3.30 pence per share respectively.

The Board is recommending a final dividend of 10.5 pence per share which, if approved, will be paid on 16 June 2023 to shareholders on the register on 5 May 2023.

37. Events after the reporting date

As at 31 December 2022, Midwich Group plc had no ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Investments	3	**44,343**	39,633
Deferred tax	4	**643**	532
		44,986	40,165
Current assets			
Receivables	5	**38,715**	37,396
		38,715	37,396
Current liabilities			
Payables	6	**(548)**	(514)
Net current assets		**38,167**	36,882
Total assets less current liabilities		**83,153**	77,047
Non-current liabilities	6	**(359)**	(300)
Net assets		**82,794**	76,747
Share capital	7	**889**	887
Share premium		**67,047**	67,047
Share based payment reserve		**13,412**	8,311
Investment in own shares		**(5)**	(5)
Retained earnings:			
Opening retained earnings		**307**	2,314
Profit/(loss) for the year		**11,069**	2,536
Dividends paid		**(10,901)**	(5,568)
Transfers into retained earnings		**776**	1,025
Total retained earnings		**1,251**	307
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Shareholders' funds		**82,794**	76,747

The financial statements are also comprised of the notes on pages 142 to 146. The financial statements were approved by the Board of Directors and authorised for issue on 6 March 2023 and were signed on its behalf by:

Mr S B Fenby
Director
13 March 2023
Company registration number: 08793266

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2022	**887**	**67,047**	**8,311**	**(5)**	**307**	**50**	**150**	**76,747**
Profit for the year	**—**	**—**	**—**	**—**	**11,069**	**—**	**—**	**11,069**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**11,069**	**—**	**—**	**11,069**
Shares issued	**2**	**—**	**—**	**(2)**	**—**	**—**	**—**	**—**
Share based payments	**—**	**—**	**6,006**	**—**	**—**	**—**	**—**	**6,006**
Deferred tax on share based payments	**—**	**—**	**(128)**	**—**	**—**	**—**	**—**	**(128)**
Share options exercised	**—**	**—**	**(777)**	**2**	**776**	**—**	**—**	**1**
Dividends paid (note 8)	**—**	**—**	**—**	**—**	**(10,901)**	**—**	**—**	**(10,901)**
Balance at 31 December 2022	**889**	**67,047**	**13,412**	**(5)**	**1,251**	**50**	**150**	**82,794**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2021	886	67,047	4,716	6	2,314	50	150	75,157
Profit for the year	—	—	—	—	2,536	—	—	2,536
Total comprehensive income for the year	—	—	—	—	2,536	—	—	2,536
Shares issued	1	—	—	(1)	—	—	—	—
Share based payments	—	—	4,398	—	—	—	—	4,398
Deferred tax on share based payments	—	—	223	—	—	—	—	223
Share options exercised	—	—	(1,026)	2	1,025	—	—	1
Dividends paid (note 8)	—	—	—	(5,568)	—	—	(5,568)	—
Balance at 31 December 2021	887	67,047	8,311	(5)	307	50	150	76,747

The financial statements are also comprised of the notes on pages 142 to 146.

1. Accounting policies

Basis of preparation

The annual financial statements of Midwich Group plc (the parent company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

— certain comparative information as otherwise required by IAS;

— certain disclosures regarding the Company's capital;

— a statement of cash flows;

— the effect of future accounting standards not yet adopted;

— the disclosure of the remuneration of key management personnel; and

— disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

— financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and

— fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

As permitted by Section 408 of the Companies Act 2006, a separate income statement for the Company has not been included in these financial statements.

The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

Finance income and costs

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

Investments

Investments are valued at cost less provision for any permanent impairment.

Financial instruments

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

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

Financial assets

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

The Company classifies financial assets into two categories:

— financial assets measured at amortised cost; and

— financial assets measured at fair value through profit or loss.

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

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

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

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

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

1. Accounting policies *continued*

Financial assets *continued*

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

Financial liabilities

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

The Company classifies financial liabilities into three categories:

— financial liabilities measured at amortised cost;

— financial liabilities measured at fair value through profit or loss; and

— contingent consideration recognised in a business combination.

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

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

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

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

— the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the financial liability;

— a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

— the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

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

Trade and other receivables

Trade and other receivables are financial assets recognised when the Company becomes party to the contractual provisions of the instrument.

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

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

Trade and other payables

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

Foreign currency

The presentation currency for the Company's financial statements is Sterling. Foreign currency transactions are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the reporting date, with any exchange adjustments being charged or credited to the income statement, within administrative expenses. The Parent Company's functional currency is Sterling.

Current taxation

Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

1. Accounting policies *continued*

Deferred taxation

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

Equity

Equity comprises the following:

— "Share capital" represents the nominal value of equity shares issued.

— "Share premium" represents the amounts subscribed for share capital, net of issue costs, above the nominal value.

— "Share based payment reserve" represents the accumulated value of share based payments expensed in the income statement.

— "Investment in own shares" represents amounts of the Parent Company's own shares held within an Employee Benefit Trust.

— "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.

— "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.

— "Other reserve" relate to the Employee Benefit Trust.

Employee benefit trust

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

Share based payments

Equity-settled share based payments are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of the grant incorporating market based vesting conditions. The fair value of goods and services received is measured by reference to the fair value of options. The fair values of share options are measured using the Black Scholes model. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance 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 Company's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

2. Directors and employees

The aggregate payroll costs of the employees were as follows:

Staff costs	2022 £'000	2021 £'000
Wages and salaries	**3,360**	4,179
Social security costs	**436**	579
Pension costs	**72**	55
	3,868	4,813

The Directors' remuneration is as stated in the Directors' remuneration disclosure in the Directors' Report and in note 7 to the consolidated financial statements.

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

By activity	2022 Number	2021 Number
Administration	**33**	22

3. Investments

	2022 £'000	2021 £'000
At 1 January	**39,633**	36,421
Additions	**4,710**	3,377
Disposals	**—**	(165)
At 31 December	**44,343**	39,633

The Company holds 100% of the share capital of Midwich Limited, a company incorporated in England and Wales. Indirect share interests in the Midwich Group of companies are disclosed in note 11 of the consolidated financial statements. Additions in the year represent the capital contributions to subsidiaries in respect of share option schemes. See note 31 of the consolidated financial statements for details of share options.

4. Deferred tax

	2022 £'000	2021 £'000
Deferred tax asset on temporary differences	**643**	532
	643	532

5. Receivables

	2022 £'000	2021 £'000
Prepayments	**67**	26
Amounts due from Group undertakings	**38,648**	37,370
	38,715	37,396

6. Payables

Amounts falling due within one year:	2022 £'000	2021 £'000
Accruals	**548**	514

Amounts falling due after one year:	2022 £'000	2021 £'000
Accruals	**359**	300

7. Share capital

The total allotted share capital of the Company is:

Allotted, issued and fully paid	2022 Number	£'000	2021 Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At start of year	**88,735,612**	**887**	88,604,712	886
Shares issued	**144,300**	**2**	130,900	1
At end of year	**88,879,912**	**889**	88,735,612	887

During the year the Company issued 144,300 shares to the Group's employee benefit trusts (2021: 130,900).

Employee benefit trust

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

	2022 Number	£'000	2021 Number	£'000
At 1 January	**518,300**	**5**	593,600	6
Allocated during the year	**144,300**	**2**	130,900	1
Shares issued on exercise of options	**(161,140)**	**(2)**	(206,200)	(2)
At 31 December	**501,460**	**5**	518,300	5

8. Dividends

On the 17 June 2022 the Company paid a final dividend of £6,910k, excluding the effects of waived dividends this equated to 7.80 pence per share. On 25 October 2022 the Company paid an interim dividend of £3,991k, excluding the effects of waived dividends this equated to 4.50 pence per share. During the prior year the Company paid a special dividend of £2,650k and an interim dividend of £2,918k, excluding the effects of waived dividends this equated to 3.00 and 3.30 pence per share respectively.

The Board is recommending a final dividend of 10.5 pence per share which, if approved, will be paid on 16 June 2023 to shareholders on the register on 5 May 2023.

9. Related parties and transactions with Directors

There were no related party transactions or transactions with the Directors during the current or prior year. The Directors are remunerated by subsidiary entities and recharged to the Company.

Other related party transactions

Included within other debtors are the following transactions and outstanding amounts with Midwich Limited, a wholly owned subsidiary:

	2022 £'000	2021 £'000
Outstanding at 1 January	**37,370**	39,124
Amounts advanced	**7,000**	4,000
Management charges	**204**	204
Amounts repaid	**(5,926)**	(5,958)
Outstanding at 31 December	**38,648**	37,370

Audit fees for the entity are borne by subsidiary entities and recharged to the Company.

10. Ultimate controlling party

As at 31 December 2022, Midwich Group plc had no ultimate controlling party.

Annual General Meeting

The notice convening the Annual General Meeting (the "AGM") is set out on pages 149 to 150. Resolutions 1 to 9 set out in the notice of the AGM deal with the ordinary business to be transacted at the AGM. The special business to be transacted at the meeting is set out in Resolutions 10 to 12.

Resolutions 1 to 10 are being proposed as ordinary resolutions (and therefore need the approval of a simple majority of those shareholders who are present and voting in person or by proxy at the AGM) and Resolutions 11 and 12 are being proposed as special resolutions (and therefore need the approval of at least 75 per cent of those shareholders who are present and voting in person or by proxy at the AGM).

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

Resolution 1 deals with the adoption of the Company's annual accounts for the financial year ending 31 December 2022.

Re-election of Directors (Resolutions 2 to 6)

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

Information about the Directors is set out on pages 64 to 65.

Re-appointment and remuneration of auditors (Resolution 7)

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

Declaration of dividend (Resolution 8)

The Directors are recommending a final dividend for the financial year ended 31 December 2022 of 10.5p per ordinary share, which requires the approval of the shareholders.

Directors' Remuneration Report (Resolution 9)

This Resolution seeks shareholder approval for the Directors' Remuneration Report (excluding the remuneration policy). The Directors' Remuneration Report can be found on pages 77 to 83 (inclusive) of the Annual Report and Financial Statements.

In accordance with regulations which came into force on 1 October 2013, Resolution 9 offers shareholders an advisory vote on the Directors' Remuneration Report (which reflects the implementation of the Company's existing remuneration policy). Although the requirement to put this report to a shareholder vote does not apply to the Company directly, the Directors believe that they should give the shareholders an advisory vote on this matter in the interests of good corporate governance.

Authority to allot shares (Resolution 10)

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

Resolution 10, which complies with new guidance issued by the Investment Association in 2023, will, if passed, authorise the Directors to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares, up to an aggregate nominal value of £303,974 (corresponding to approximately one-third of the issued share capital at 29 March 2023 and up to an aggregate nominal value of £607,949 (corresponding to approximately two-thirds of the issued share capital at 29 March 2023) in the case of allotments only in connection with a fully pre-emptive offer. Previously, the Investment Association's guidelines recommended that the second one-third of the issued share capital authorised by shareholder resolution be used only in connection with a fully pre-emptive rights issue. The Directors have no present intention to exercise the authority sought under this Resolution. However, the Directors may consider doing so if they believe it would be appropriate in respect of business opportunities that may arise consistent with the Company's strategic objectives.

This authority will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, the date which is 15 months after the date of passing of the Resolution.. It is the Board's current intention to seek renewal of such authority at each future Annual General Meeting of the Company.

As at 29 March 2023, the Company does not hold any shares in the Company in treasury.

Disapplication of pre-emption rights (Resolutions 11 and 12)

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

Resolutions 11 and 12 are special resolutions to renew the Directors' authority to allot shares for cash without first offering them to existing shareholders on a pro-rata basis. Although there is currently no intention to make use of this authority, the Directors consider that it is in the interests of the Company, in certain circumstances, for the Directors to have limited flexibility so as to be able to allot shares without having first to offer them to existing shareholders. These resolutions are consistent with the Pre-Emption Group 2022 Statement of Principles for the disapplication of pre-emption rights (the "2022 Statement of Principles"), which have increased the thresholds in relation to the disapplication of pre-emption rights. In accordance with institutional guidelines, under Resolution 11, to be proposed as a special resolution, authority is sought to allot shares for cash:

i. in relation to a pre-emptive rights issue, open offer or other pre-emptive issue only, up to an aggregate nominal amount of £607,949 (being the nominal value of approximately two thirds of the issued share capital of the Company); and

ii. in any other case, up to an aggregate nominal amount of £91,192 (representing 10% of the issued share capital of the Company at 29 March 2023).

In addition, Resolution 12, again in accordance with the 2022 Statement of Principles and which is also to be proposed as a special resolution, asks the shareholders to waive their pre-emption rights in relation to the allotment of equity securities or sale of treasury shares up to a further aggregate nominal amount of £91,192 (representing 10% of the issued share capital of the Company at 29 March 2023), but where such authority may only be used in connection with an acquisition or specified capital investment of a kind contemplated by the 2022 Statement of Principles.

The Directors confirm that the additional ten per cent. authority will only be used in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue, or which has taken place in the preceding twelve-month period and is disclosed in the announcement of the issue.

If Resolutions 11 and 12 are passed, the authorities will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, the date which is 15 months after the date of passing of the Resolutions. It is the Board's current intention to seek renewal of such authorities at each future Annual General Meeting of the Company.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "**Meeting**") of Midwich Group plc (the "**Company**") will be held at the offices of the Company at Vinces Road, Diss, Norfolk, IP22 4YT on Tuesday 09 May 2023 at 10.00 am. Noting the location of the Meeting, for those shareholders unable to attend, but who would like to follow its progress and potentially ask questions, the Company intends to take advantage of the flexibility that has become standard practice in recent years and will provide a conference call link to enable such shareholders to follow the Meeting remotely. Any shareholders who wish to listen to the meeting by such means, should contact the Company Secretary prior to the day of the meeting at Stephen.Lamb@midwich.com in order to request conference dial-in details. **However, please note that shareholders joining the conference call will not be able to vote on the day or form part of the quorum for the meeting and must appoint a proxy in advance in order to ensure their vote is counted.**

At the Meeting you will be asked to consider and vote on the resolutions below. Resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions.

Ordinary business

Report and accounts

1. THAT the Company's annual accounts for the financial year ended 31 December 2022, together with the Directors' report and auditor's report on those accounts, be received and adopted.

Re-election of Directors

2. THAT Stephen Fenby be re-elected as a Director of the Company.
3. THAT Andrew Herbert be re-elected as a Director of the Company.
4. THAT Mike Ashley be re-elected as a Director of the Company.
5. THAT Stephen Lamb be re-elected as a Director of the Company.
6. THAT Hilary Wright be re-elected as a Director of the Company.

Reappointment and remuneration of auditors

7. THAT Grant Thornton UK LLP be reappointed as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company and that the Directors be authorised to agree the remuneration of the auditors.

Dividend

8 THAT a final dividend recommended by the Directors of the Company for the financial year ended 31 December 2022 of 10.5p per ordinary share of £0.01 each in the capital of the Company ("**Ordinary Share**") be declared.

Directors' remuneration report

9. THAT the Directors' remuneration report which is set out on pages 77 to 83 of the Company's annual report and accounts for the financial year ended 31 December 2022 (excluding the Directors' remuneration policy which is set out on pages 77 to 79 of the Directors' remuneration report), be approved.

Special business

Issue of Ordinary Shares

10. THAT the Directors of the Company be hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "**CA 2006**"), to exercise all the powers of the Company to allot shares and or grant rights to subscribe for or to convert any security into shares ("**Rights**"):

    i. up to an aggregate nominal value of £303,974 (being the nominal value of approximately one third of the issued share capital of the Company); and

    ii. up to an aggregate nominal value of £607,949 (being the nominal value of approximately two thirds of the issued share capital of the Company) (such amount to be reduced by the nominal amount of any shares allotted or Rights granted under paragraph (i)) in connection with an offer by way of a rights issue or other pre-emptive offer to:

        a. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and

        b. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

    and so that, in each case, the Directors of the Company may impose any limits or restrictions or exclusions or other arrangements that they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter,

Special business *continued*

Issue of Ordinary Shares *continued*

such authorities to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution becomes unconditional and the date 15 months after the passing of this resolution, save that the Company may at any time before such expiry make any offer(s) or enter into any agreement(s) which would or might require shares to be allotted or Rights to be granted after such expiry and the Directors may allot shares or grant Rights in pursuance of any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

11. THAT, subject to the passing of resolution 10, the Directors of the Company be authorised in accordance with section 570 of the CA 2006 to allot equity securities (as defined in Section 560 of the CA 2006) for cash under the authority conferred by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares as if Section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:

    i. the allotment of equity securities in connection with an offer of equity securities by way of a rights issue or other pre-emptive offer to:

        a. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and

        b. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary,

        but subject to such limits or restrictions or exclusions or other arrangements, which the Directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

    ii. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph (i) of this resolution) to any person up to an aggregate nominal amount of £91,192 (being the nominal value of approximately ten per cent. of the issued share capital of the Company),

    such authorities granted by this resolution to expire at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

12. THAT, subject to the passing of resolution 10, the Directors of the Company be authorised in accordance with section 570 of the CA 2006, in addition to any authority granted under resolution 11, to allot equity securities (as defined in Section 560 of the CA 2006) for cash under the authority conferred by resolution 10 and/or to sell Ordinary Shares held by the Company as treasury shares as if Section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:

    i. limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £91,192; and

    ii. used only for the purpose of financing (or refinancing, if the authority is to be used within twelve months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    such authority granted by this resolution to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the Directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

Dated 29 March 2023

By order of the Board

Stephen Lamb
Company Secretary
Registered Office
Vinces Road
Diss
Norfolk
IP22 4YT

Notes:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members:

   — at the time which is 48 hours prior to the Meeting; or

   — if this Meeting is adjourned, at the time which is 48 hours prior to the adjourned meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section.

4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. Failure to specify the number of shares to which each proxy appointment relates or specifying more shares than the number of shares held by you at the time set out in note 1 above will result in the proxy appointments being invalid.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Meeting.

Appointment of proxies using hard copy form

7. You will not receive a hard copy form of proxy for the Meeting in the post. Instead, you will be able to vote electronically using the link www.signalshares.com. You will need to log into your Signal Shares account, or register if you have not previously done so. To register you will need your Investor Code. This is detailed on your share certificate or available from our Registrar, Link Group. If you need help with voting online, please contact the portal team of our Registrar, Link Group, on 0371 664 0391. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 – 17:30, Monday to Friday excluding public holidays in England and Wales or via email at shareholderenquiries@linkgroup.co.uk.

   Proxy votes must be received no later than 10 am on 4 May 2023 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

   You may request a hard copy form of proxy directly from the Registrars, Link Group, on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09.00 – 17:30, Monday to Friday, excluding public holidays in England and Wales.

   CREST members should use the CREST electronic proxy appointment service and refer to note 9 below in relation to the submission of a proxy appointment via CREST.

Appointment of proxies via the web

8. As an alternative, shareholders may cast their vote online via the registrars' website at www.signalshares.com.

Appointment of Proxies via Proxymity

9. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged 48 hours prior to the time appointed for the Meeting in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointment of proxies through CREST

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & International ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

10. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

Changing proxy instructions

11. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy forms (see above) also apply in relation to amended instructions; any amended proxy form received after the relevant cut-off time will be disregarded.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence. If the Company is unable to determine which was last deposited or received, none of them shall be treated as valid.

Termination of proxy appointments

12. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by the Company's registrars not less than 48 hours before the time for holding the Meeting or adjourned meeting.

    If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

    Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

13. A corporation that is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

14. As at 5.00 pm on 29 March 2023, the Company's issued share capital comprised 91,192,388 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 pm on the 29 March 2023 is 91,192,388.

Communication

15. Except as provided above, members who have general queries about the Meeting should use the following means of communication:

    — calling the Company Secretary on +44 (0) 1379 774 661; or

    — calling our shareholder helpline provided by the Company's registrars, Link Group, on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider) or +44 (0) 371 664 0300 from outside the UK. Lines are open Monday to Friday, 9.00 am to 5.30 pm; or

    — emailing the Company Secretary at stephen.lamb@midwich.com.

You may not use any electronic address provided either:

— in this Notice of Annual General Meeting; or

— any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

Directors
Mr S B Fenby
Mr S Lamb
Mr M Ashley
Mr A C Herbert
Mrs H Wright

Company Secretary
Mr S Lamb

Independent auditor
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Registered office
Vince's Road
Diss
Norfolk
IP22 4YT

Bankers
HSBC Bank plc
19 Midsummer Place
Milton Keynes
Buckinghamshire
MK9 3GB

Solicitors
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Botanic House
100 Hills Road
Cambridge
CB2 1PH

Nominated advisers and brokers
Investec
30 Gresham Street
London
EC2V 7QP

Berenberg
60 Threadneedle Street
London
EC2R 8HP

Company registration number
08793266

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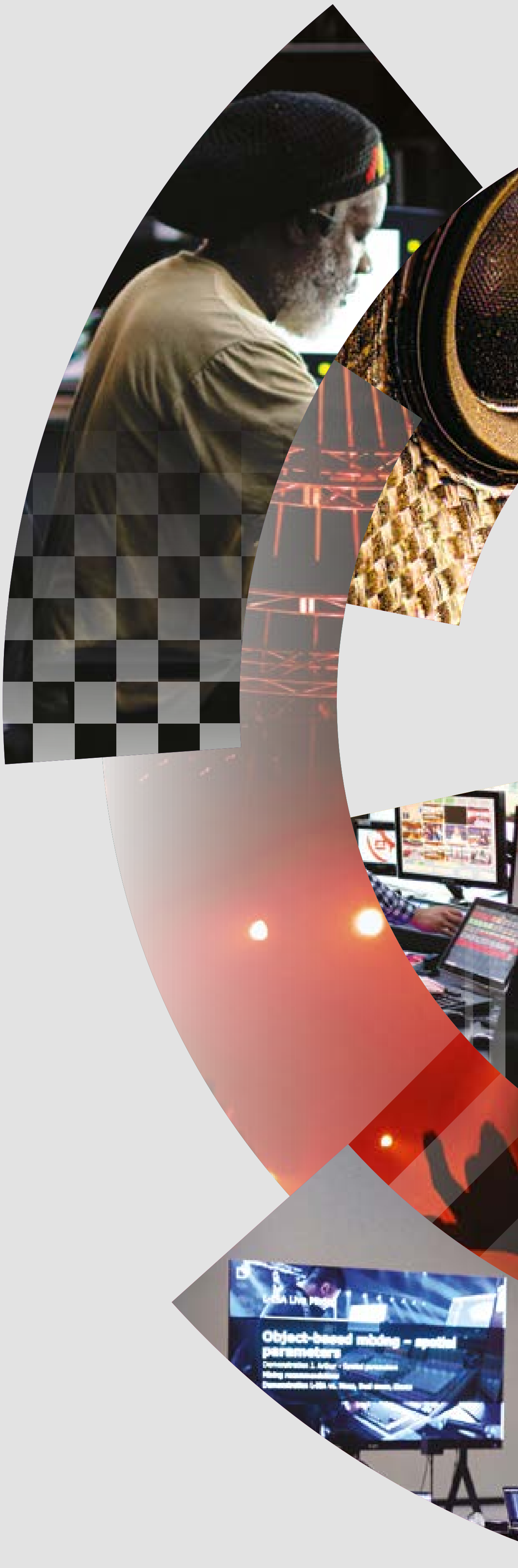

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