



OUR EXPERTISE IS YOUR ADVANTAGE

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document, or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) who specialises in advising on the acquisition of shares and other securities.

This document comprises an admission document prepared in accordance with the rules of the AIM Market of the London Stock Exchange plc (“AIM”). Application has been made for the whole of the issued and to be issued ordinary share capital of Midwich Group plc (“Company”) to be admitted to trading on AIM. It is expected that such application to AIM will become effective and that dealings will commence on 6 May 2016. The ordinary share capital of the Company is not dealt on any other recognised investment exchange and no application has been or is being made for any such admission to any such exchange. It is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List of the United Kingdom Listing Authority.

This document does not constitute a prospectus within the meaning of section 85 of FSMA, has not been drawn up in accordance with the Prospectus Rules published by the Financial Conduct Authority (“FCA”) and a copy of this document has not been, and will not be, filed or reviewed by the FCA, the United Kingdom Listing Authority or any other competent authority.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers.

The London Stock Exchange has not itself examined or approved the contents of this document.

The whole of the text of this document should be read. The attention of investors is drawn especially to the Risk Factors set out in Part II of this document. All statements regarding the Company’s business, financial position and prospects should be viewed in light of these risk factors.

Midwich Group plc

(incorporated and registered in England and Wales with registered number 08793266)

Placing of 36,157,010 New Ordinary Shares and Existing Ordinary Shares at 208 pence per new Ordinary Share

and

Admission to trading on AIM

NOMINATED ADVISER, SOLE BOOKRUNNER AND BROKER

Investec Bank plc

Share capital immediately following the Placing and on Admission

<i>Issued and fully paid</i>	<i>Amount</i>	<i>Number</i>
Ordinary Shares of £0.01 each	£794,482	79,448,200

The directors of the Company whose names appear on page 8 of this Admission Document accept responsibility both individually and collectively for the information contained in this document. Those directors have taken all reasonable care to ensure that the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Placing is conditional, amongst other things, on Admission taking place on or before 6 May 2016 (or such later date as the Company and Investec Bank plc may agree, but in any event not later than 20 May 2016). The Ordinary Shares will, on Admission, rank pari passu in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, made or paid after Admission.

Investec Bank plc (“Investec”), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the FCA and the Prudential Regulation Authority, is acting exclusively as nominated adviser, sole bookrunner and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this Admission Document) or otherwise be responsible to any person for providing the protections afforded to clients of Investec or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document. Investec’s responsibilities as the Company’s nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or shareholder of the Company or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this Admission Document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Investec by FSMA or the regulatory regime established thereunder, Investec does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Investec accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this Admission Document or any such statement.

A copy of this Admission Document is available, subject to certain restrictions relating to persons resident in certain overseas jurisdictions, at the Company's website www.midwichgroupplc.com.

PRESENTATION OF INFORMATION

General

Prospective investors should only rely on the information contained in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors or Investec. No representation or warranty, express or implied, is made by Investec as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by Investec as to the past, present or future. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised. Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary admission document pursuant to the AIM Rules for Companies, neither the delivery of this document nor any subscription or sale made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group taken as a whole since the date of this document or that the information in it is correct as of any time after the date of this document.

The Company will update the information provided in this document by means of a supplement to it if a significant new factor, material mistake or inaccuracy arises or is noted relating to the information included in this document. Any supplementary admission document will be made public in accordance with the AIM Rules for Companies.

The contents of this document are not to be construed as legal, financial or tax advice. Each prospective investor should consult a legal adviser, an independent financial adviser duly authorised under FSMA or a tax adviser for legal, financial or tax advice in relation to any investment in or holding of Ordinary Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

Investing in and holding the Ordinary Shares involves financial risk. Prior to investing in the Ordinary Shares, investors should carefully consider all of the information contained in this document, paying particular attention to the section entitled Risk Factors in Part II of this document. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in light of the information contained in this document and their personal circumstances.

Investec, which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the FCA and the Prudential Regulation Authority, is acting exclusively as nominated adviser, sole bookrunner and broker to the Company in connection with the proposed Placing and Admission and will not be acting for any other person (including a recipient of this document) or otherwise be responsible to any person for providing the protections afforded to clients of Investec or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document. Investec's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or shareholder of the Company or to any other person in respect of their decision to acquire shares in the Company in reliance on any part of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Investec by FSMA or the regulatory regime established thereunder, Investec does not accept any responsibility whatsoever for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Ordinary Shares or the Placing and Admission. Investec accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement.

In connection with the Placing, Investec and any of its affiliates, acting as investors for their own accounts, may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Ordinary Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Ordinary Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Investec and any of its affiliates acting as investors for their own accounts. Investec does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Investec and its affiliates may have in the past engaged, and may in the future, from time to time, engage in transactions with, and provided various investment banking, financial advisory and other ancillary activities in the ordinary course of their business with the Company, in respect of which they have received, and may in the future receive, customary fees and commissions. As a result of these transactions, these parties may have interest that may not be aligned, or could possibly conflict, with the interests of investors.

Notice to overseas persons

This document does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, Ordinary Shares to any person to whom, or in any jurisdiction in which, such offer or solicitation is unlawful and is not for distribution in or into the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa, Japan, New Zealand or any other jurisdiction where to do so would be in breach of any law and/or regulations (the “**Prohibited Territories**”). The Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”) or under the securities laws of any state or other jurisdiction of the United States or under any applicable securities laws of any of the Prohibited Territories. The Ordinary Shares may not be offered for sale or subscription, or sold or subscribed, directly or indirectly, within the United States unless the offer and sale of the Ordinary Shares has been registered under the Securities Act or is made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold only in “offshore transactions” outside the United States in reliance on Regulation S of the Securities Act.

The distribution of this document and the Placing in certain jurisdictions may be restricted by law. No action has been taken or will be taken by the Company, the Directors or Investec to permit a public offer of Ordinary Shares or to permit the possession or distribution of this document in any jurisdiction where action for that purpose may be required. This document may not be distributed in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document comes are required by the Company, the Directors and Investec to inform themselves about and to observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of the relevant jurisdiction.

THE ORDINARY SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) OR BY ANY US STATE SECURITIES COMMISSION OR AUTHORITY, NOR HAS ANY SUCH US AUTHORITY PASSED ON THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE. THE ORDINARY SHARES HAVE NOT BEEN (AND WILL NOT BE) REGISTERED UNDER THE SECURITIES ACT OR SECURITIES LAWS OF ANY US STATE AND WILL NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS.

Forward-looking statements

This document contains statements that are, or may be deemed to be, “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including, without limitation, the terms “anticipates”, “believes”, “could”, “envisages”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “should”, “will” or, in each case, their negative or other

variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the intentions, beliefs and current expectations of the Company or the Directors concerning, amongst other things, the results of operations, financial condition, liquidity, prospects, growth and strategies of the Company and the industry in which the Group operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual results, performance or achievements of the Company or developments in the industry in which the Group operates may differ materially from the future results, performance or achievements or industry developments expressed or implied by the forward-looking statements contained in this document. Prospective investors are strongly recommended to read the risk factors set out in Part II of this document for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Group operates. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. The forward-looking statements contained in this document speak only as at the date of this document. The Company undertakes no obligation to update or revise publicly the forward-looking statements contained in this document to reflect any change in expectations or to reflect events or circumstances occurring or arising after the date of this document, except as required in order to comply with its legal and regulatory obligations (including under the AIM Rules for Companies).

Market and financial information

The data, statistics and information and other statements in this document regarding the markets in which the Group operates, or the Group's position therein, are based on the Group's records or are taken or derived from statistical data and information derived from the sources described in this document. In relation to these sources, such information has been accurately reproduced from the published information and, so far as the Directors are aware and are able to ascertain from the information provided by the suppliers of these sources, no facts have been omitted which would render such information inaccurate or misleading.

In this context, Part I of this document includes data and market analysis extracted from reports produced by InfoComm International of 11242 Waples Mill Road, Suite 200, Fairfax, VA 22030-6079; Futuresource Consulting Ltd of 1st Floor, 45 Grosvenor Road, St Albans, AL1 3AW, Hertfordshire; and Context World Limited of Dial House, 2 Burston Road, London, SW15 6AR.

Presentation of financial information

The report on financial information included in Part III of this document has been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to its inclusion in this document appearing in Part IV of this document has been included as required by the AIM Rules for Companies and solely for that purpose.

Unless otherwise indicated, the historical financial information included in Part IV of this document, including the Group's audited consolidated historical financial information for the years ended 31 December 2013, 2014 and 2015 and the notes to those financial statements, has been prepared in accordance with IFRS and is presented in Sterling.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group (as applicable). The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's historical financial information, are disclosed in the Group's historical financial information.

Non-IFRS information

Unless stated otherwise, all trading information included in this document not extracted from the Group's historical financial information is derived from the unaudited management accounts or internal financial reporting systems supporting the preparation of Group's historical financial information for the relevant

periods. These management accounts and internal financial reporting systems are prepared in accordance with the principles of UK GAAP using information derived from accounting records used in the preparation of the Group's historical financial information, but may also include certain other management assumptions and analyses.

This document contains certain financial measures that are not defined or recognised under IFRS, including EBITDA, Adjusted profit after tax, EBITDA cash conversion and Organic growth CAGR. These financial measures are used as the Directors believe that these provide important alternative measures with which to assess the Group's performance. Such measures as presented in this document may not be comparable to similarly titled measures of performance presented by other companies, and they should not be considered as substitutes for, or superior to, measures calculated and presented in accordance with IFRS.

Rounding

Certain data in this document, including financial, statistical and operational information has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data. Percentages in tables have been rounded and, accordingly, may not add up to 100 per cent.

Currency presentation

In the document, references to "sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom and references to "€" and "euros" are to the lawful currency of certain of the countries within the EU.

In the document references to "\$" or "US dollars" are to the lawful currency of the United States of America.

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds sterling. The Group presents its financial statements in sterling.

No incorporation of website information

The contents of the Company's website or any hyperlinks accessible from the Company's website do not form part of this document and investors should not rely on them.

Defined terms and references

Certain terms used in this document are defined and certain technical and other terms used in this document are explained at the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>EVENT</i>	<i>DATE</i>
Publication of this document	3 May 2016
Admission and commencement of dealings in the Enlarged Ordinary Share Capital on AIM	8.00 a.m. on 6 May 2016
Delivery of Ordinary Shares in CREST accounts (where applicable)	6 May 2016
Dispatch of definitive share certificates (where applicable)	by 20 May 2016

Notes

- (1) Each of the times and dates set out above and mentioned elsewhere in this document may be subject to change at the absolute discretion of the Company and Investec without further notice. References in this document to time are to London time unless otherwise stated.

PLACING STATISTICS

Placing Price	208 pence
Number of Placing Shares	36,157,010
Percentage of Enlarged Ordinary Share Capital being placed pursuant to the Placing	45.5
Number of New Ordinary Shares to be issued by the Company	12,500,000
Gross proceeds of the Placing receivable by the Company	£26.0 million
Estimated net proceeds of the Placing receivable by the Company	£24.2 million
Number of Existing Ordinary Shares to be sold by the Selling Shareholders	23,657,010
Gross proceeds of the Placing receivable by the Selling Shareholders	£49.2 million
Estimated net proceeds of the Placing receivable by the Selling Shareholders	£48.0 million
Number of Ordinary Shares in issue at Admission	79,448,200
Market capitalisation of the Company at the Placing Price at Admission	£165.3 million
ISIN number	GB00BYSXWW41
SEDOL number	BYSXWW4
AIM "ticker"	MIDW

DIRECTORS, SECRETARY AND ADVISERS

Directors	Andrew Herbert Stephen Barry Fenby Anthony Michael George Bailey Michael Ashley	<i>Non-Executive Chairman</i> <i>Managing Director</i> <i>Finance Director</i> <i>Non-Executive Director</i>
Company Secretary	Anthony Michael George Bailey	
Registered Office	Vinces Road Diss Norfolk IP22 4YT	
Company website	www.midwichgroupplc.com	
Nominated Adviser and Broker	Investec Bank plc 2 Gresham Street London EC2V 7QP	
Legal advisers to the Company	Mills & Reeve LLP Botanic House 100 Hills Road Cambridge CB2 1PH	
Legal advisers to the Nominated Adviser and Broker	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ	
Auditors and Reporting Accountants to the Company	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY	
Bankers to the Company	HSBC Bank PLC 8 Canada Square London E14 5HQ	
Registrar	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	
Public Relations adviser to the Company	FTI Consulting LLP 200 Aldersgate Street London EC1A 4HD	

DEFINITIONS AND TERMS

“A Ordinary Shares”	A ordinary shares of £0.01 each in the capital of the Company;
“Accumulation Period”	in relation to Partnership Shares, a period specified by the Board not exceeding twelve months during which the trustee of the SIP Trust accumulates an Eligible Employee’s Partnership Share Money before acquiring Partnership Shares or repaying it to the employee;
“Act”	the Companies Act 2006, as amended from time to time;
“Adjusted profit after tax”	defined by the Directors as being profit after taxation for the period adjusted for goodwill amortisation and exceptional finance charges (finance charges are considered exceptional in nature by virtue of their size or incidence or those having a distortive effect);
“Admission”	admission of the Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
“Admission Document”	this document;
“AIM”	the AIM market operated by the London Stock Exchange;
“AIM Rules”	the rules of AIM as issued by the London Stock Exchange;
“Articles of Association”	the articles of association of the Company adopted on 29 April;
“Award(s)”	a Conditional Award, Option, Nil-Cost Option, Discounted Option or Cash Award granted under the LTIP;
“B1 Ordinary Shares”	B1 ordinary shares of £0.01 each in the capital of the Company;
“B2 Ordinary Shares”	B2 ordinary shares of £0.01 each in the capital of the Company;
“B3 Ordinary Shares”	B3 ordinary shares of £0.01 each in the capital of the Company;
“B4 Ordinary Shares”	B4 ordinary shares of £0.01 each in the capital of the Company;
“B5 Ordinary Shares”	B5 ordinary shares of £0.01 each in the capital of the Company;
“Bank”	HSBC Bank PLC;
“Board” or “Directors”	the Directors whose names appear on page 8 of this document;
“Business Day”	means a day other than Saturday, Sunday or a day on which banks are authorised to close in London for general banking business;
“CAGR”	compound annual growth rate;
“Cash Award”	a right to receive a cash amount which relates to the value of a certain number of notional Ordinary Shares;
“certificated” or “in certificated form”	a share or other security which is not in un-certificated form (i.e. not in CREST);
“CGT”	UK capital gains tax;
“City Code”	the City Code on Takeovers and Mergers;
“Committee”	the Remuneration Committee, Board or other authorised committee;
“Company” or “Midwich”	Midwich Group plc;

“Conditional Award”	a conditional right (granted under the LTIP) to acquire Ordinary Shares at no cost to the participant;
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations), which facilitates the transfer of title to shares without a written instrument;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755 (as amended));
“Deferred Shares”	Deferred Shares of £0.01 each in the capital of the Company;
“Director Sale Shares”	20,020,370 Ordinary Shares;
“Director Selling Shareholders”	Stephen Fenby and Anthony Bailey (whose respective business address is the Company’s registered office address);
“Directors”	the directors of the Company;
“Discounted Option”	an Option to acquire Ordinary Shares at a discount to their market value as at the grant date;
“Dividend Shares”	Ordinary Shares acquired on behalf of a participant from the reinvestment of dividends paid on Ordinary Shares that the participant holds in the SIP;
“Eligible Employee”	any employee invited to participate in the SIP who has completed a minimum qualifying period of 12 months’ service with the Company or any qualifying company under the SIP legislation;
“Employee Shareholders”	all existing shareholders of the Company (save for the EBT);
“Enlarged Ordinary Share Capital”	the Existing Ordinary Shares and the New Ordinary Shares;
“Existing Ordinary Shares”	the 66,948,200 Ordinary Shares of the Company in issue prior to the Placing;
“EBITDA”	defined by the Directors as profit or loss for the period before tax, finance costs, finance income, depreciation and amortisation;
“EBITDA cash conversion”	defined by the Directors as cash generated by operations divided by EBITDA;
“EBT”	the employee benefit trust as described in paragraph 8.3 of Part V of this document;
“EU”	European Union;
“Euroclear”	Euroclear UK & Ireland Limited (registered number 02878738) whose registered office address is at 33 Cannon Street, EC4M 5SB;
“FCA”	the Financial Conduct Authority;
“Free Shares”	Ordinary Shares awarded to a participant under the SIP up to a maximum value of £3,600 per tax year;
“FSMA”	Financial Services and Markets Act 2000;
“Group”	the Company and its wholly owned subsidiaries (and a reference to a “Group Company” shall be interpreted accordingly);

“HIF”	HSBC Invoice Finance (UK) Limited;
“ICTA”	Income and Corporation Taxes Act 1988 (as amended);
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board;
“Investec”	Investec Bank plc;
“Invision”	Invision UK Limited a company incorporated under the laws of England & Wales with registered number 04799073 whose registered office is at Invision (UK), Vines Road, Diss, Norfolk, IP22 4YT;
“HMRC”	Her Majesty’s Revenue & Customs;
“Kern & Stelly” or “K&S”	Kern & Stelly Medientechnik GmbH, a private limited liability company first entered in the commercial register of the local court of Hamburg on 19 August 2004 under registration number HRB 91318;
“Lock-in Agreement”	lock-in agreement between (1) Investec, (2) the Company and (3) the Employee Shareholders;
“Lock-in Period”	has the meaning given in paragraph 14 of Part I;
“London Stock Exchange”	London Stock Exchange plc;
“LTIP”	The Midwich Group plc 2016 Long Term Incentive Plan;
“Matching Shares”	Ordinary Shares awarded to a participant under the SIP in a ratio of up to two free matching shares for each Partnership Share bought;
“Midwich Australia”	Midwich Australia Pty Limited a company incorporated under the laws of Australia on 14 April 1998 with Australian Company Number CAN 082 281 543;
“Midwich New Zealand”	Midwich Limited a limited liability company incorporated under the laws of New Zealand on 1 May 2008 with registered number NZBN 942 903 280 1965;
“New Ordinary Shares”	the 12,500,000 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing;
“Nil-Cost Option”	an option to acquire Ordinary Shares at no cost to the participant;
“Option”	an option to acquire Ordinary Shares at their market value at the grant date;
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company;
“Organic Revenue CAGR”	defined by the Directors as total revenue excluding the annualised revenue run-rate contributed from acquired businesses in the period;
“Organic EBITDA CAGR”	defined by the Directors as total EBITDA excluding the annualised EBITDA run-rate contributed from acquired businesses in the period;
“Other Sale Shares”	3,636,640 Ordinary Shares;
“Other Selling Shareholders”	those existing Shareholders, other than the Director Shareholders, who intend to sell certain of their Ordinary Shares pursuant to the

	terms of the Placing, the details of which are set out in paragraph 12 of Part I;
“Partnership Share Money”	money deducted from an Eligible Employee’s salary, held by the trustee of the SIP Trust to acquire Partnership Shares or to be returned to the employee;
“Partnership Shares”	Ordinary Shares participants in the SIP may purchase using up to £1,800 of pre-tax salary per tax year;
“Placing”	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement;
“Placing Agreement”	the conditional agreement dated 3 May 2016 relating to the Placing between (1) the Company, (2) the Directors (in their capacities as directors and, where applicable, Director Selling Shareholders), (3) the Director Selling Shareholders and (4) Investec, relating to the Placing, further details of which are set out in paragraph 10 of Part V of this document;
“Placing Shares”	the 12,500,000 New Ordinary Shares to be issued by the Company and the 23,657,010 Existing Ordinary Shares being sold on behalf of the Selling Shareholders, in each case at the Placing Price, pursuant to the Placing;
“Placing Price”	208 pence per Placing Share;
“Preference Shares”	preference shares of £0.01 each in the capital of the Company;
“Previous Ordinary Shares”	ordinary shares of £1.00 each in the capital of the Company;
“Previous Preference Shares”	preference shares of £1.00 each in the capital of the Company;
“Prohibited Territories”	has the meaning given on page 3 of this document, and “ Prohibited Territory ” shall be construed accordingly;
“PSCo”	PSCo Limited a company incorporated under the laws of England & Wales with registered number 03321501 on 20 February 1997 whose registered office is at Vines Road, Diss, Norfolk, IP22 4YT;
“QCA”	Quoted Companies Alliance;
“QCA Code”	the Corporate Governance Code for Small and Mid Size Quoted Companies 2013 issued by the QCA;
“Rights”	has the meaning given in paragraph 3.10 of Part V;
“Sale Shares”	the Director Sale Shares and the Other Sale Shares;
“SDRT”	stamp duty reserve tax;
“Selling Shareholders”	the Director Selling Shareholders and the Other Selling Shareholders;
“Selling Shareholders Agreement”	the conditional agreement dated 3 May 2015 made between (1) the Other Selling Shareholders, (2) the Company and (3) Investec relating to the sale of Existing Ordinary Shares in the Placing, further details of which are set out in paragraph 10 of Part V of this document;
“Shareholders”	the holders of Ordinary Shares from time to time;

“Share Plans”	the LTIP, the SIP and the EBT, details of which are set out in paragraph 8 of Part V of this document;
“Sidev”	Sidev SAS a joint stock company (société par actions simplifiée) incorporated under the laws of France on 28 May 2010 with registered number 522 677 137;
“SIP”	The Midwich Group plc 2016 Share Incentive Plan;
“SIP Trust”	the UK resident trust through which the SIP operates;
“Square One”	Square One Distribution Limited a company incorporated under the laws of Ireland on 30 January with registered number 243979;
“subsidiary” or “subsidiary undertaking”	have the meanings given to them by the Act;
“Takeover Panel”	the Panel on Takeovers and Mergers;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for the purposes of Part IV of FSMA;
“United States” or “US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction;
“VAT”	UK Value Added Tax;
“Voting Rights”	the voting rights attached to the Ordinary Shares;
“£”	UK pounds sterling, the lawful currency of the United Kingdom;
“\$”	US dollar, the lawful currency of the United States of America; and
“€”	the lawful currency of certain of the countries comprising the EU.

Notes:

- (1) Any reference to any provision of any legislation includes any amendment, modification, re-enactment or extension of it. Words importing the singular include the plural and vice versa and words importing the masculine gender shall include the feminine or neuter gender.

GLOSSARY OF TERMS

The following glossary of terms applies throughout this document, unless the context otherwise requires:

“AV”	the industry that provides both Audio and Visual products and associated services;
“AV integrator”	specialists that cover the full life cycle of a product on behalf of their clients, from design, implementation, project management, technical support, training and maintenance;
“Broad-line distributor”	often IT-focused distributors servicing a wide variety of accounts with a wide variety of products, often operating at the high volume, low margin end of the market;
“IT reseller”	intermediaries that purchase products from a distributor and sell it directly to end-users;
“LCD”	liquid-crystal display; a type of flat panel display that can be backlit by lamps and has largely replaced legacy CRT technology;
“LED”	light emitting diode; flat panel display, which uses an array of light-emitting diodes as pixels for a video display;
“LFD”	large format display; flat screen monitors that allow businesses to display messages and presentations to customers;
“MFP”	multifunction printers with capabilities such as copying, scanning, fax and network connectivity;
“Pro AV”	professional AV, i.e. excluding consumer AV;
“SFP”	single function printers;
“Vendors”	the party in the supply chain that makes goods and services; and
“Videowall”	a multi-display solution where flat panels are joined together to create a larger overall display, with applications including control rooms and public venues.

KEY INFORMATION

The following is a brief summary only and should be read in conjunction with the more detailed information and financial data and statements and risk factors appearing elsewhere in this document.

Prospective investors should read the whole of this document and not rely solely on the summarised information set out below:

1. Information on the Group

Midwich is a specialist AV and document solutions distributor to the trade market, with operations in the UK and Ireland, France, Germany and Australasia. The Group's long-standing relationships with over 300 vendors, including blue-chip organisations such as Samsung, LG, Epson and NEC, supports a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, digital signage and printers. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets. The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of approximately 10,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality. Although the Group does not sell directly to end users, it believes that the majority of its products are used by commercial and educational establishments rather than consumers.

Initially a UK only distributor, the Group now has 481 employees across the UK, Germany, France, Ireland, Australia and New Zealand, and for the year ended 31 December 2015, 30 per cent. of the Group's revenues were derived from outside the UK. A core component of the Group's growth strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions.

2. Key strengths and Advantages

The Directors believe that the key strengths of the Group are as follows:

- Proven buy and build capabilities
- Strong financial track record and delivery of growth strategy
- Focus on the AV and document solutions markets
- Key long-term, value-add relationships with major vendors and customers
- High value-add distribution with specialisms and bespoke service acting as a key differentiator
- Leading competitive position and established international platform for future growth, underpinned by compelling market drivers
- Experienced management team with long-standing industry experience

3. Financial history

Income statement

<i>Year ending 31 December</i>	<i>2013</i> <i>£'000</i>	<i>2014</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
Revenue	233,742	280,750	314,283
Cost of sales	(201,631)	(240,600)	(267,322)
Gross profit	32,111	40,150	46,961
Distribution costs	(22,465)	(27,043)	(30,037)
Administrative expenses	(2,180)	(5,588)	(6,751)
Other operating income	1,989	2,441	2,468
Operating profit	9,455	9,960	12,641
Net finance costs	(604)	(2,620)	(4,083)
Profit before taxation	8,851	7,340	8,558
Taxation	(2,021)	(1,993)	(2,746)
Profit after taxation	6,830	5,347	5,812

Income statement – non IFRS measures

<i>Year ending 31 December</i>	<i>2013</i> <i>£'000</i>	<i>2014</i> <i>£'000</i>	<i>2015</i> <i>£'000</i>
Operating profit	9,455	9,960	12,641
Depreciation	467	417	810
Amortisation	53	2,360	2,473
EBITDA	<u>9,975</u>	<u>12,737</u>	<u>15,924</u>
Profit after taxation	6,830	5,347	5,812
Goodwill amortisation	53	2,360	2,473
Exceptional finance charges	171	2,075	3,497
Adjusted profit after taxation	<u>7,054</u>	<u>9,718</u>	<u>11,722</u>

4. Current Trading and Prospects

Historical financial information for the year ended 31 December 2015 is set out in Part III of this document. Since 31 December 2015, the Group has continued to trade well and in line with the Board's expectations, with no significant change in the financial or trading position of the Group since 31 December 2015. The Board continues to implement the Group's strategy, as set out in Part I of this document, and remains confident about the future prospects of the Group.

Further details of the Group's current trading and prospects can be found in Part I of this document.

5. Strategy

The Group's growth strategy is both organic and inorganic, reflective of the contributors to the successful growth track record in recent years. Underpinning the Group's growth strategy is its success in sourcing, executing and integrating its chosen acquisitions. The Group takes a disciplined approach to acquisitions, seeking to add capital value without an adverse impact on the existing business. Acquisitions remain a fundamental aspect of the Group's strategy and it has a strong ongoing pipeline of multiple opportunities that it will be reviewing and actively engaging with at any given time.

Overall strategy comprises development across the Group's established jurisdictions, its developing jurisdictions and potential new jurisdictions. It involves continued progression in areas of technology, product and vendor selection to ensure that the right growth areas are targeted in order to maximise the value that the Group can add to customers in a manner that maximises gross margins.

6. Reasons for Admission to AIM and use of proceeds

The Directors believe that Admission will provide the Group with a stable, independent ownership structure and a long-term framework to support future growth and investment.

The Directors believe that Admission will position the Group for its next stage of development by:

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

The issue of the New Ordinary Shares will raise net proceeds for the Group of approximately £24.2 million from the Placing (after the deduction of placing commissions and estimated fees and expenses of approximately £1.8 million). The proceeds of the placing of the New Ordinary Shares will be used to partially pay down debt under the Group's existing facilities and fund the final £7.3 million cash consideration relating to the acquisition of Kern & Stelly. The balance of the proceeds will be used to repay existing shareholder loans.

In addition, the Placing of the Sale Shares will provide a partial realisation of their investment in the Group for the Selling Shareholders by raising approximately £48.0 million (net of expenses).

7. Placing

In relation to the Placing, the Company, the Directors (in their capacities as directors and, where applicable, as Director Selling Shareholders) and Investec have entered into the Placing Agreement and the Other Selling Shareholders have each entered into the Selling Shareholders Agreement with the Company and Investec. Pursuant to the terms of the Placing Agreement and the Selling Shareholders Agreement and subject to certain conditions, Investec has conditionally placed, as agent for the Company, 36,157,010 Placing Shares at the Placing Price with institutional and other investors, which will represent approximately 45.5 per cent. of the Enlarged Ordinary Share Capital following Admission. The Placing has not been underwritten.

The Placing will raise approximately £26.0 million (before expenses) for the Company and will raise approximately £49.2 million (before expenses) for the Selling Shareholders.

The Placing Agreement and the Selling Shareholders Agreement are each conditional, inter alia, upon Admission having become effective by not later than 8.00 a.m. on 6 May 2016 or such later time and date, being not later than 8.00 a.m. on 20 May 2016, as the Company and Investec shall agree.

8. Directors and Senior Management

Andrew Herbert (aged 56) – *Non-Executive Chairman*

Andrew was Group Finance Director of Domino Printing Sciences plc from 1998 until the sale of the company to Brother Industries in 2015. He joined the business in 1986 and held senior Finance, Operational and General Management roles prior to joining the Board of Domino Printing Sciences plc. He has extensive experience of managing profitable growth in a global business, including acquisition and disposal strategy and line management of overseas subsidiaries.

Andrew has a BA in Business Studies from Hatfield Polytechnic and is a Fellow of the Chartered Institute of Management Accountants.

Stephen Fenby (*aged 52*) – *Managing Director*

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 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.

Anthony Bailey (*aged 49*) – *Finance Director*

Tony joined Midwich as Finance Director in September 2011. He is qualified as a Chartered Certified Accountant.

Previously Tony was Finance Director at Kettle Foods for seven years, having been promoted from Financial Controller. He was involved in the sale of the business to Lion Capital, a private equity firm, in 2006. After this transaction he was appointed Group Head of Treasury, UK and USA. In addition to his core role, Tony was involved in the sale of Kettle Foods to Nasdaq listed Diamond Foods in 2010. Tony has also held roles at Mills & Reeve and Lakeside Foods of Norfolk.

Tony has an MA in French and German from the University of St. Andrews.

Michael Ashley (*aged 48*) – *Non-Executive Director*

Michael joined retailer Wickes, owned by Travis Perkins PLC, in 2014 as Chief Commercial Officer. Prior to this Michael 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. Michael was a member of the Executive Board for five years with 30 months as Chief Executive Officer, experiencing and driving several corporate transactions.

Michael has extensive retail and consumer experience through senior commercial, marketing and strategic roles at Boots, Argos and Dixons Retail Group.

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

Senior Management

Iain Campbell (*aged 43*) – *Sales Director – Midwich*

Iain joined Midwich in 2006 following the company's acquisition of True Colours Distribution, a company he co-founded in 2000. Prior to founding True Colours Distribution, Iain worked for an AV systems integrator. In 2014 Iain became Sales Director of Midwich Limited. He has a diploma in electronic engineering.

Thomas Sumner (*aged 30*) – *Director of European Business*

Thomas joined Midwich directly from university. He commenced his career managing Midwich's newly established projector lamp activity, a business with a significant European focus. Following the acquisition of Sidev in 2010, Thomas became heavily involved in the integration, planning and development of this business. In 2013, his remit was widened to include the development of the Group's business in Europe.

He has a BSc in Business Management from the Norwich Business School (University of East Anglia).

Tracey Perkins (*aged 40*) – *Operations Director – Midwich*

Tracey joined the Midwich credit team in 1995 and was promoted to Group Credit Services Manager in 2007 before becoming Director of Operations in 2014. This extended her responsibilities to IT, logistics, facilities and Group integration projects. Tracey is ACICM qualified.

Stuart Mizon (*aged 35*) – *Divisional Director – Midwich*

Stuart joined Midwich in 2002 and worked in a number of different roles across the business including sales and business management before becoming Divisional Director in 2013. In his current role he is responsible for all supplier relationships, product strategy, procurement and profitability of the projection and document solutions product categories.

Stuart has a BSc in Accounting and Finance from the University of Essex.

Lee Baker (*aged 39*) – *Divisional Director – Midwich*

Prior to joining Midwich in 2005, Lee held management roles with retailer DSGI and manufacturer Acer UK. He now manages a number of key product areas within Midwich, such as display and consumer electronics. Lee has also been instrumental in developing areas such as audio, accessories and video conferencing. His role involves managing the company's relationships with vendors in his area, such as Samsung, LG, Iiyama and NEC Display.

Lee has a BA in Licensed Retail Management from Leeds Metropolitan University.

Lutz Kern (*aged 47*) – *Joint Managing Director – Kern & Stelly*

After graduating from Hamburg University with a business degree in 1995, Lutz started his professional career as a product manager in the AV distribution company Anders + Kern in Hamburg. In the following years, he successfully worked his way through the organisation as Marketing Manager, Key Account Manager and Sales Manager. Finally, he took over responsibility for Sales and Marketing as Managing Director in 2001. After some significant restructuring measures in the parent company, Lutz resigned from his Managing Director position and founded Kern & Stelly Medientechnik GmbH, together with his former colleague Andreas Stelly, in 2004. Since then they have formed Kern & Stelly.

Andreas Stelly (*aged 47*) – *Joint Managing Director – Kern & Stelly*

Born and graduated in Hamburg, Andreas finished his three-year apprenticeship as a wholesale and export trader at Jos. Hansen & Söhne in 1993. After undertaking a number of sales roles, latterly as export manager in AV distribution company Anders + Kern, Andreas formed Kern & Stelly with Lutz Kern.

Marc Peigay (*aged 62*) – *General Director – Sidev*

Marc has led Sidev after founding the company 25 years ago. Since the acquisition of Sidev in 2010, his wealth of experience and contacts within the French market have helped Sidev to build a strong management team, and achieve significant profitable growth. Marc has been responsible for the creation of a new office and experience centre, and continues to work on projects key to the company's development.

Marc has a diploma in Fine Art, specialising in design from the National School of Fine Arts (Ecole Nationale des Beaux-Arts).

Mathieu Payet (*aged 37*) – *General Manager – Sidev*

Mathieu graduated with an MSc in management from EMLYON Business School. He started his career as a product manager for the Kesa group, buying and distributing consumer electronics across Europe. He then joined Hitachi DMG (videoprojection and professional LFD) and was in charge of the B2B channel in France and Africa until he joined Sidev in October 2011 as general sales manager. Mathieu was then appointed general manager of Sidev in January 2015.

Garnett Stewart (*aged 46*) – *Managing Director – Square One Distribution Limited*

Garnett has over 20 years' experience in the Irish technology industry working in a variety of sales and management roles. He led the team that established Square One as an audio visual distribution business in 2004. Garnett is a graduate of the Dublin Business School having studied Marketing, German and Spanish.

Michael Broadbent (aged 51) – *Managing Director – Midwich Australia Pty Limited*

Michael has 25 years' experience within the Australian and New Zealand commercial Audio Visual market, including 10 years as an owner of a leading Australian systems integrator. He spent three years as General Manager of the AV division at Programmed, one of the largest Australian technology integrators. Michael has also held senior roles with companies such as Rexel, which was the Australian distributor for Panasonic. He joined Midwich Australia as a consultant in 2012 and took over as Managing Director of Midwich ANZ in June 2014.

Stuart Holmes (aged 41) – *Director, PSCo*

Stuart started work in the AV industry in 1998 working for a systems integrator. He joined the recently formed Plasma Screen Company in 2002. At that time, the business was a division of an AV distribution business. Stuart led the buy-out of the division in 2005 and renamed the business PSCo. He has since steered the growth of the business, ensuring that it moves with the changes in the displays technology market.

Jon Dew-Stanley (aged 36) – *Director, Midwich Solutions*

Jon has 17 years' experience in audio visual product distribution and joined Midwich in May 2014. He is responsible for the technical video, professional audio and project systems division known as Midwich Solutions. Jon has had a successful career developing a systems sales approach with integrators and value added reseller partners through a 13 year role as technical director of Beyerdynamic Limited and technical sales director of Polar Audio Limited distribution businesses. Prior to this he was product manager for broadcast equipment manufacturer Harris Corporation PLC. Jon was awarded industry technical person of the year in 2004 by AV Magazine at the AV awards and regularly contributes to the trade press, recognised as an industry specialist in the field of audio system design and sound systems.

Stephen Beahan (aged 57) – *Managing Director, Invision UK Limited*

Stephen founded Invision UK and leads the company's business development, product strategy, trade marketing, vendor management and sales functions. He has over 20 years' experience in the smart-home technology market.

During a successful business career spanning 35 years, Stephen previously held leadership positions in international sales, product management, marketing and distribution.

9. Dividend Policy

The Board intends to adopt a progressive dividend policy to reflect the Group's strong earnings potential and cash generative qualities whilst maintaining an appropriate level of dividend cover to allow the Board to invest in the Group's long term growth. The Board intend to target a dividend cover of c.1.7x Adjusted profit after tax.

It is envisaged that the Group will pay an interim dividend and a final dividend, to be announced at the time of the interim and preliminary results, in approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The Board expects the Group's first dividend payment will be a pro-rated interim dividend for the six months ended 30 June 2016 to reflect the proportion of this half year as a listed business.

The Board may revise the Group's dividend policy from time to time in line with the actual results of the Group.

PART I

INFORMATION ON THE GROUP

1. Overview

Midwich is a specialist AV and document solutions distributor to the trade market, with operations in the UK and Ireland, France, Germany and Australasia. The Group's long-standing relationships with over 300 vendors, including blue-chip organisations such as Samsung, LG, Epson and NEC, supports a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, digital signage and printers. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets. The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of approximately 10,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality. Although the Group does not sell directly to end users, it believes that the majority of its products are used by commercial and educational establishments rather than consumers.

Founded in 1979 as a distributor of computers, computer components and printers, the Group's strategy shifted in the 1990's through the introduction of AV products to the portfolio and the implementation of a trade-only channel approach. The Group ceased selling computers in 2007 and AV now represents the core focus of the business (84 per cent. of revenue for the year ended 31 December 2015), supplemented by document solutions products such as printers and scanners. The Group has grown organically and through targeted acquisitions which have enabled it to enter new geographies and expand both its product offering and end market exposure. The Group now has a diverse set of specialist brands operating across multiple jurisdictions and market segments, with each brand positioned as a specialist distributor with a focus on products in their early to mid-growth phase or where the technology is new and/or technically complex and therefore active selling is required. The Group seeks to deliver a high value-add service proposition in order to allow it to compete effectively against a number of IT broad-line (high margin, low volume) distributors focused on the commoditised end of the AV market.

Midwich's long term track record of revenue and profitability has been driven by its ability to identify and react to technological developments whilst leveraging its strong market position. Furthermore, the relevance of Midwich and its brands to both vendors and customers is derived from, and enhanced by, the provision of value-added service and expertise. This comprises specialisms in product areas and technologies and, in some cases, the ability to offer full project and networking solutions through the Midwich Solutions team that provides a complementary value-add skillset in terms of technical know-how and product specification. Unlike some other distributors, Midwich does not compete with its vendors by selling own branded products.

The Group has a demonstrably successful track record within the broader European AV market, which itself is forecast to grow at an 8 per cent. CAGR between 2014 and 2016. This performance and market growth expectations are underpinned by compelling growth drivers such as technology advancements, increases in AV adoption, evolving workplace practices and social/consumer trends. Strong execution of the Group's organic and acquisitive strategy has delivered revenue CAGR between 2013 and 2015 of 16.0 per cent. (organic¹ revenue CAGR of 9.3 per cent.) and EBITDA CAGR of 26.4 per cent. (organic EBITDA CAGR of 17.8 per cent.). The Group's key financial focus has been on gross margin improvement through changes to its product mix towards more specialised and high growth technology groups, supported by effective buying and procurement. Gross margins have increased from 13.7 per cent. in 2013 to 14.9 per cent. in 2015. The Directors believe that the strength and depth of relationships that the Group has with both vendors and customers, combined with its diverse market access and relevance, is supportive of continued strong and stable margins.

¹ Organic revenues defined as total revenue excluding the annualised revenue run rate contributed from acquired businesses in the period.

Initially a UK only distributor, the Group now has 481 employees across the UK, Ireland, Germany, France, Australia and New Zealand, and for the year ended 31 December 2015, 30 per cent. of the Group’s revenues were derived from outside the UK. A core component of the Group’s growth strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions. The Directors see the Group’s strong competitive positioning across its market segments and geographies, coupled with its long-term vendor and customer relationships, as providing a compelling platform for future growth, with Admission providing a stable, independent ownership structure and a long-term framework to support future growth and investment.

For the year ended 31 December 2015, Midwich generated revenues of £314.3 million (2014: £280.8 million), gross profit of £47.0 million (2014: £40.2 million), and EBITDA of £15.9 million (2014: £12.7 million).

2. History and Development

The Group was established in 1979, with its principal activity being the design and distribution of computers, computer components and printers, with a particular focus on disk drives for the BBC and the Acorn range of home and school computers. The Group’s strategy was refocused in the mid-1990s through the implementation of a trade-only channel policy and the introduction of an AV division distributing projectors. The growth of the business accelerated thereafter, with a consistent addition of new vendors contributing to an enlarged and more diverse product portfolio, culminating in revenue reaching £100 million in 2002.

The operational focus of the Group shifted again in the mid-2000s, as the distribution of computing products was discontinued and the Group began to pursue an active acquisition strategy. Between 2006 and 2010, six bolt-on acquisitions were completed, resulting in the Group’s entry into Ireland and France and the expansion of the UK’s technical AV product offering and sector exposure. This acquisition strategy continued following the appointment of Stephen Fenby as Managing Director in 2010, having previously served as Finance Director since 2004. Acquisitions since 2010 have taken the Group into Germany, Australia and New Zealand, and along with further organic developments in the business, have delivered a broader expertise across audio distribution and technical support (Midwich Solutions), and have introduced a trade rental offering that the Group intends to further develop and deploy across its wider customer base.

Today, the Group operates with strong market positions in the UK, Ireland, Germany and France, and a growing presence in Australia and New Zealand. The Group’s product offering is broad and reflective of its strong vendor and brand line-up, and encompasses both AV (the principal part of the business, representing 84 per cent. of the Group’s revenue for the year ended 31 December 2015), and document solution products.

The successful execution of the Group’s strategy is demonstrated by its long-term track record of both revenue growth and gross margin increases in each of the past ten years, highlighting its resilience through the economic cycle. This long-term growth progression is highlighted in the chart below:



Note:

Financials pre-2013 are calculated on a UK GAAP basis, whereas 2013-2015 financials are reported in IFRS

Key milestones in the development of the Group are set out below:

- 1979:** Midwich founded as a distributor of computers, computer components and printers
- 1985:** Acquisition by Memec PLC
- 1991:** Memec PLC acquired by Raab-Karcher (Vebe AG)
- 1995:** Introduction of trade-only distribution channel policy, and commencement of distribution of digital cameras
- 1996:** Establishment of AV division, initially through the distribution of projectors
- 2000:** Acquisition by Avnet Inc, and commencement of large format plasma display distribution
- 2001:** Management Buy Out from Avnet Inc
- 2004:** Management Buy Out with Stephen Fenby joining as Finance Director. Entry into TV market
- 2006:** Acquisition of True Colours Distribution Limited, a technical commercial AV products distributor
- 2007:** Cessation of computing products distribution. Acquisition of Invision UK Ltd, a distributor of smart home technology products
- 2008:** Acquisition of Owl Visual Systems, an AV distributor to customers, serving primarily the hospitality and leisure industries
- 2009:** Entry into Ireland through acquisition of AV distributor, Square One
- 2010:** Establishment of Midwich Security to focus on IP security market and entry into France through the acquisition of technical AV distributor, Sidev. Reorganisation of the Board, with Stephen Fenby appointed Managing Director
- 2011:** Anthony Bailey appointed Finance Director
- 2012:** Acquisition of RW Salt, a specialist audio distributor, and expansion into Australia and New Zealand through the acquisition of AV distributor IDT (now named Midwich Australia)
- 2013:** Entry into Germany through the acquisition of AV distributor, Kern & Stelly
- 2015:** Acquisition of PSCo, specialists in trade rental and distribution of display technologies. Midwich Solutions launched to provide end-to-end technical support for customers

Acquisition track record

The Group has undertaken 10 acquisitions over the last 11 years, investing a cumulative c.£17 million in its acquisition growth strategy. The two most recent acquisitions of Kern & Stelly and PSCo have accounted for c.£13.3 million of this total spend, with Kern & Stelly being the largest with a total cost of c.£11.3 million spread over three years from its acquisition in 2013 to 2016. The vast majority of these acquisitions have therefore been small relative to the size of the Group at the time of acquisition. The Group has been successful in driving significant revenue and profit growth in these businesses post acquisition.

With regards to the acquisition of Kern & Stelly, the Group acquired 51 per cent. of Kern & Stelly in September 2013 for £4.0 million and an option to acquire the remaining 49 per cent. in September 2016 or later. The upfront cash consideration was partly paid on completion, and partly spread over the following two years. Based on the annualised normalised EBITDA at the time of the acquisition, this valued Kern & Stelly at 5.5x EV/EBITDA, although the value of the option on the remaining 49 per cent. was linked to performance in the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015. Whilst the strong performance of the business increased the cost of the remaining 49 per cent., to be acquired for c.£7.3 million on Admission (pursuant to a signed binding agreement), the acquisition multiple based on EBITDA for the year ended 31 December 2015 for Kern & Stelly has reduced to 3.7x EV/EBITDA. The

Directors believe that the multiple range paid for K&S is indicative of deal values they would expect to pay for profitable and scaled acquisitions.

Many of the Group's completed acquisitions have been at lower valuations or indeed been businesses bought out of administration and successfully turned around and grown into material parts of the Group, as is the case with Owl Visual Systems and Sidev. Sidev was acquired in June 2010 for c.£0.8 million and following a significant turnaround and growth strategy within the Midwich group, generated gross profit of £3.3 million in the year ended 31 December 2015 and grew at a CAGR of 26 per cent. between FY13 and FY15.

3. Business Overview

The Group is organised geographically, with its key divisions being the UK and Ireland, France, Germany and Australasia; in each of which the Group is at various stages of its market penetration development. The Group's geographic management model aims to ensure that senior managers of the Group are able to deploy their local market knowledge independently, whilst being supported from head office.

The Group's core operating model can be broadly broken down into four key areas:

- Business management
- Sales
- Marketing
- Central support

The business management and sales functions account for the majority of employees within the Group and are the key vendor and customer facing roles. The sales function is primarily charged with driving the Group's sales, whilst the business management team's focus is on managing the Group's cost of sales and stock. Therefore it is these two functions within Midwich that are critical to maximising gross margins and ultimately profits.

The business management teams across the Group total 76 employees, with the split of these by jurisdiction broadly in line with the revenue split. These teams are focused on managing the Group's relationships with its vendors, buying and managing pricing of products, new vendor selection and stock management, and have a deep product expertise and knowledge.

The sales teams are focused on the Group's customer base. Due to the nature of the customer base in the AV market being highly fragmented, the Group is required to have a large sales team, with 279 sales employees in total across the Group, again, spread broadly in line with the Group's jurisdictional revenue split. Whilst the sales teams focus on general account management, business development and promotion, there are also a large number of specialist teams and specialist skills related to technical pre and post-sale support, product specialists and project support. The Group's most technical sales team, branded Midwich Solutions, is also grouped within the sales function. Further details of the Midwich Solutions offering are set out later in this section I.

Vendors

An important focus of the Group's business management function is on ensuring that the vendor line-up is appropriate for its target markets and customer base. The Group has a diversified vendor base comprising a number of the major global AV and IT brands, such as Samsung, LG, Epson, NEC and Panasonic. Across its jurisdictions, the Group is the sole or largest in-country distributor across the Group's product sets for a number of its vendors, with whom relationships are close and long-standing. In some instances, these relationships commenced with the launch of these vendors into the AV market and have developed and expanded thereafter. Vendor relationships are governed by domestic framework agreements and, in some cases with smaller specialist vendors, there are formal exclusivity arrangements. These framework agreements do not provide any guarantees of volumes, but are reinforced by the mutual reliance that the Group and its vendors place on each other, with relationships having multiple touch points across local

markets. As with many distribution models, vendor rebates form a key part in managing the revenues and profits of the Group. The Group tends to benefit from rebates from its vendors on both a monthly and quarterly basis, with quarterly rebates being the more significant. Rebates are a feature of many distribution models and the Directors believe that the Group has a strong track record in managing vendor rebates whilst balancing stock management through the year.

The strength of the Group's vendor relationships ensures favourable and early access to new product models and can lead to pricing support on slow-moving stock and discounts on bulk orders. The value that vendors derive from such a relationship with Midwich, given its ability to both promote brand awareness to a large customer base and provide insightful market intelligence, often translates into early-stage involvement in product and technology launches. In addition, vendors are typically prepared to invest significant time and cost in educating the Group's sales team with regard to technical aspects of products, highlighting the relevance of the Group as their distribution platform. The nature of the highly fragmented client base in the pro AV market also means vendors are heavily reliant on the Group to act as an outsourced sales and marketing function and therefore remove the need for significant financial and management investment of their own in promoting new and earlier development cycle products. The important role that the Group fulfils for its vendors is highlighted by its strong vendor retention rate, having only lost one major vendor in the last three years, in the auto ID product area that the Group has since withdrawn from.

The Group has long-standing relationships with its key vendors across multiple geographies and product types. The Group's largest vendor relationships are often trading relationships across a number of different jurisdictions, and the Directors believe that most vendors consider each country separately and have local operating models. The table below sets out the concentration of the Group's vendor portfolio by revenue for the year ended 31 December 2015, with the Group's top ten vendors, all of which are global brands with strong market positions, representing 64.4 per cent. of total revenue. The strength of these relationships, with an average length of relationship amongst the top ten vendors of 14 years, are highlighted by the multi-jurisdictional and multi-product breadth in many cases. The table also shows how many of the Group's four geographic divisions sell that particular vendor's products and the number of separate product areas, where a product area is a single category of products (such as displays or projection) sold in a single geography. This number indicates the breadth of different relationships within a single vendor.

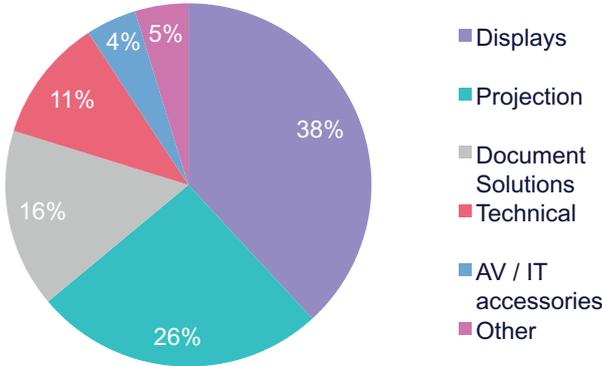
Vendor	Length of relationship (years)	Group revenue 2015 (%)	Number of Group divisions covered	Number of separate product groups covered
1	14	21.2%	4	8
2	14	12.1%	4	4
3	15	9.0%	4	8
4	14	6.2%	3	4
5	14	3.4%	2	9
6	12	2.8%	3	3
7	22	2.8%	2	2
8	7	2.5%	1	1
9	19	2.3%	1	1
10	9	2.3%	2	2
Others		35.6%		

Product offering

Given its large vendor base, the Group can offer its customers a comprehensive range of AV and document solutions products. The Group's focus is on products in the early to mid-growth phase of their adoption cycle or where the technology is new and/or technically complex and therefore active selling is required, rather than just pure demand fulfilment. The ability to offer high levels of product and technical support and training for these technology groups often translates to higher margin profiles and differentiated customer offerings. Midwich does not seek to compete with its portfolio of vendors, unlike many competitor

distributors, through the sale of own branded products. The range of products available to customers varies across geographies, with the UK offering a full suite of options. More detail on the product offering across the Group’s geographic divisions is covered later in this section. At a Group level, the diversity of product offering reduces the reliance on any particular technologies or technology groups and allows for flexibility on product options as technological trends and customers preferences develop and evolve.

For the year ended 31 December 2015, the Group’s revenue by product grouping was as follows:



Displays

The largest category is displays, which represented 38 per cent. of Group revenue for the year ended 31 December 2015. Displays includes the following sub-categories:

- Large format LCD displays
- Interactive touch displays
- Desktop monitors
- Televisions (including specialist hotel televisions)
- LED displays
- Interactive whiteboards

Between the financial years of 2013 and 2015, sales of displays increased at a CAGR of 25 per cent.

Projection

Projection represented 26 per cent. of Group revenue for the year ended 31 December 2015. Products within the Projection category include:

- Commercial (from small meeting room to large venue applications)
- Home cinema
- Mobile projectors
- Visualisers

Projectors may contain lamps, but the Group also sells higher-end lampless (laser) projectors which use solid state technology.

Between the financial years of 2013 and 2015, sales of projectors increased at a CAGR of 14 per cent.

Document solutions

Document solutions represented 16 per cent. of Group revenue for the year ended 31 December 2015 and predominantly comprises:

- Printers

- Scanners
- Consumables (e.g. ink cartridges)
- 3D printers

Whilst representing the Group's lowest margin product area, the ability to provide document solutions products in addition to the core AV offering of the Group further strengthens vendor relationships. During the past two years, the Group has shifted its focus away from the more commoditised lower specification printers, a strategic move that helped drive an increase in the Group's gross margins.

Between the financial years of 2013 and 2015, sales of document solutions remained at a constant absolute level, with a CAGR of 1 per cent., resulting in a smaller proportion of overall Group sales.

Technical

Technical represented 11 per cent. of Group revenue for the year ended 31 December 2015 and includes the following sub-categories:

- Audio
- Security
- Broadcast
- Technical consumer AV (Invision)
- Technical commercial AV (Midwich Solutions)

The technical category attracts a high margin due to the high end and technical nature of the products, resulting in increased demand from customers for the Group's specialist sales and solutions offerings.

Between the financial years of 2013 and 2015, sales of technical products increased at a CAGR of 24 per cent.

AV accessories

AV accessories represented 4 per cent. of Group revenue for the year ended 31 December 2015 and predominantly comprises products such as stands, brackets, mounts, lamps and screens sold with various other product lines such as displays and projectors. Gross margin for AV accessories is high relative to other product categories, reflecting the relative low cost compared to the cost of the main product purchased at the time of sale and the Group's ability to up sell as part of a wider product solution.

Between the financial years of 2013 and 2015, sales of AV accessories increased at a CAGR of 27 per cent.

Other

In addition to the categories above, the Group also distributes a range of other products, which together represented 5 per cent. of revenue for the year ended 31 December 2015. This includes imaging (predominantly small cameras and camcorders) and the rental product category from the PSCo acquisition. Rental is a service solution rather than a product sale and therefore attracts higher gross margins. Customers may choose to rent nascent technologies before they buy due to the high cost of such products and a desire to gain a technical understanding of the products before committing significant capital. The rental service solution therefore provides the Group with access to, and insight into, the latest technology trends.

In the event that a product or technology becomes commoditised and shows a declining margin profile, the Group will consider its further presence in the market, as evidenced by the Group's deliberate strategic move away from lower end projectors and printers. In recent years, strong growth has been exhibited across large format display, audio and technical commercial products. Whilst document solutions does not fall into the Group's core AV focus and generates a lower margin given the product maturity and lower requirement for technical support, this segment is an important source of business and a key contributor to the Group's deep relationships with many of its key vendors and customers who operate across both the document solutions

and AV technology markets. The Group's shift towards more technical products and away from the more commoditised solutions across the document solutions and projection categories has been a key driver in its ability to increase overall gross margin consistently.

The Group seeks to offer competitive pricing on products, but is not typically a price-leader in the market and will not look to secure sales based on pricing alone, reflecting its value-add service and technical offering. Where the Group experiences pricing pressure in certain situations, it is often able to rely on the support of its vendors to protect its margins.

Midwich Solutions

The Midwich Solutions offering was established in 2015 to deliver full project solutions in the UK, rather than just component parts to clients. The team has expertise covering both product specialisms and project expertise, and offer high value-add services such as:

- Specialist knowledge of products and brands
- Product specification
- Site visits
- System design
- Networking solutions

The Directors believe that Midwich Solutions represents a differentiated offering in the market and is a valuable service proposition for clients.

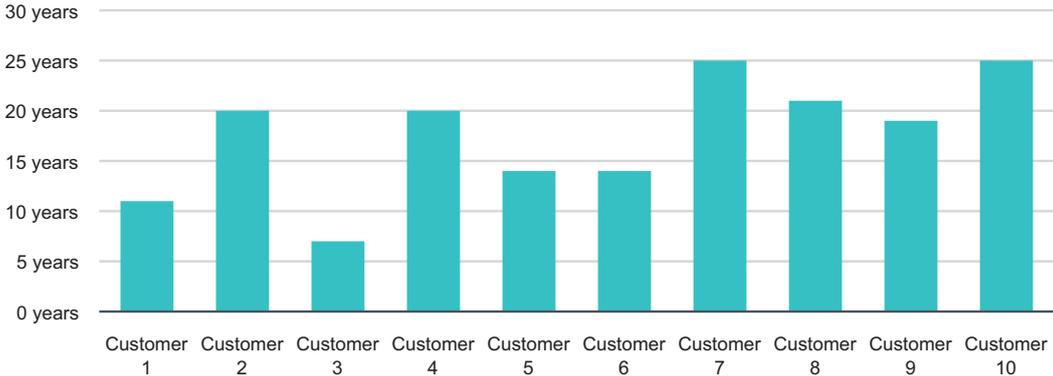
Customers

The Group benefits from a large and diverse base of approximately 10,000 customers, with no customer accounting for more than 2.5 per cent. of the Group's revenue for the year ended 31 December 2015. The customer base has three principal groups:

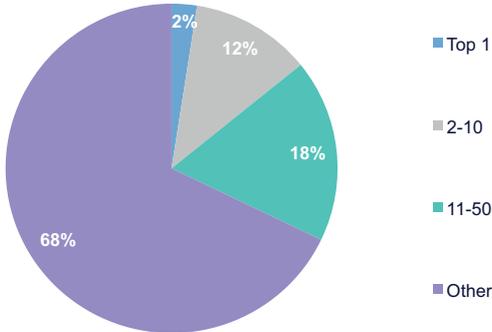
- **Professional AV integrators:** specialists that cover the full life cycle of a product on behalf of their clients, from design, implementation, project management, technical support, training and maintenance. This customer group tends to focus on serving complex products to their client base, which typically comprises the education, government, corporate and retail sectors. This customer group represented 51 per cent. of Group revenue for the year ended 31 December 2015.
- **IT resellers:** intermediaries that purchase products from a wholesaler or distributor and sell it directly to end-users. This group comprises both resellers, who simply buy and sell products, and value-added resellers who take an existing product, adds additional features or services and then resells it as an integrated product. This customer group represented 31 per cent. of Group revenue for the year ended 31 December 2015.
- **Online B2B and B2C:** comprises online sellers to both consumer and corporate client groups. This customer group represented 9 per cent. of Group revenue for the year ended 31 December 2015.

A cornerstone of the Group's success is the strength and depth of its long term customer relationships, which results in the Group securing a significant proportion of the AV or document solutions spend by each customer. This is due to the high quality service they receive from Midwich and the subsequent reliance they place on the pre and post-sale service offering, such as a next day delivery service, the provision of finance, product demonstrations and project planning support. The Group's commitment to customer relationships facilitates up-selling and bundling product opportunities, particularly in areas such as accessories.

The average length of relationship with the Group’s top ten customers, who accounted for approximately 14 per cent. of the Group’s revenue for the year ended 31 December 2015, is over 17 years, as shown below:



In addition to the length of customer relationships, the Group’s large customer base is important in ensuring diversification across customer groupings and reducing reliance on any particular customers. This is illustrated by the chart below showing the Group’s revenue by customer for the year ended 31 December 2015:



The Group operates on a geographic basis, with central oversight from the UK. The majority of sales are domestic only, with limited distribution outside of operating locations, given the preference amongst vendors for an in-country presence and local relationship points. The Directors consider a decentralised structure to be appropriate for the Group as vendor and customer relationships are locally driven and an understanding of the local market is a critical component behind the success of the Group’s international divisions.

Geographic operations

UK and Ireland (70 per cent. of Group revenue for the year ended 31 December 2015)

The growth of the UK and Ireland division has been accelerated through a number of strategic bolt-on acquisitions, which have expanded the Group’s product offering and provided access to new markets and sectors. The division comprises the following brands:

- **Midwich:** Trade-only distributor of technology solutions in the AV and IT channels
- **Midwich Security:** Midwich’s security arm, distributing analogue, IP and network solutions
- **Midwich Home:** Specialist distributor of consumer electronics to retailers and residential custom installers
- **Owl Visual:** Specialist distributor to customers serving the hospitality and leisure industry
- **Invision UK:** Distributor of smart home technology products, supplying a portfolio of audio, video, surveillance, networking and control products for residential custom installation

- **PSCo:** Specialists in the trade rental and distribution of display technologies such as LED, video walls and large format displays
- **Square One:** Distributor of AV and document solutions products in Ireland

Whilst the majority of these brands are fully integrated and run as part of the core Midwich UK business, Invision is run on a standalone basis given its differentiated product offering. The main Midwich business in the UK is run from Diss, with additional offices in Reading, Crowthorne, Lewes and Trafford Park. Invision operates from Bury St Edmunds.

The acquisition of PSCo in 2015 has provided the Group with entry into the market for the rental to trade of high value displays for short-term events such as concerts and conferences. The PSCo business model is to focus on new AV display technologies at a very early stage in the product adoption life cycle. It has previously had a specialist focus on plasma and then LCD display technologies and currently specialises in cutting edge LED display products. Therefore, in addition to introducing a rental model to the Group, PSCo also brings technological expertise and product knowledge that the Directors believe should be instrumental in ensuring the wider Group is well informed and educated on the latest product and market trends.

The Group established a notable presence in the Irish market in 2009 with the acquisition of Square One, based in Bray (Ireland). Initially exclusively an AV distributor, Square One has subsequently developed a document solutions offering. Midwich UK supports Square One through supplying purchasing, warehousing, stock, vendor management and accounting functions.

Year ending 31 December	2013	2014	2015
Revenue	198.7	206.3	221.4
Growth		3.8%	7.3%
Gross profit	27.1	29.9	34.7
Gross margin	13.6%	14.5%	15.7%

The financial performance of the UK businesses have benefited from an evolution in product mix, deliberately targeting sales of high margin products such as large format displays, technical and audio products, instead of lower margin imaging products and document solutions.

The performance of the UK business has also benefited from the introduction of a part year revenue contribution from PSCo in the year ended 31 December 2015, reflecting the 8 months of ownership post acquisition. Rental is expected to be a strong growth area for the Group as PSCo capitalises on the opportunities to cross-sell to the Group's existing customer base.

Whilst Ireland constitutes a small proportion of the division, with revenues of approximately £14 million, growth in this market has been strong. A key factor behind this growth has been the strategic shift by a printer manufacturer in Ireland from a direct sales approach to using Square One as its distributor. This manufacturer is also a vendor in the UK, demonstrating the cross-selling ability of the Group's brands and penetration of vendors across Group jurisdictions.

Germany (16 per cent. of Group revenue for the year ended 31 December 2015)

The Group entered the German market in 2013 with the acquisition of Kern & Stelly, a Hamburg-based distributor of AV products focused on the domestic market. Kern & Stelly is run by its joint managing directors, Lutz Kern and Andreas Stelly, who co-founded the company in 2004. The Group acquired 51 per cent. of Kern & Stelly in September 2013, at which time the remaining 49 per cent. was subject to a call option, the value of which was determined by the performance of Kern & Stelly in the financial years ended 31 December 2013, 31 December 2014 and 31 December 2015. The Group has subsequently entered into a binding agreement to acquire the remaining 49 per cent. of Kern & Stelly, which will complete on Admission. The total consideration for Kern & Stelly will equate to £11.3 million, which comprises the original cash consideration of £4.0 million spread over 2014 and 2015, and the £7.3 million cash consideration for the acquisition of the remaining 49 per cent., to be funded from the proceeds of the Placing of the Subscription Shares.

Kern & Stelly has a particular expertise in the distribution of projectors, whiteboards and visualisers, and a growing expertise in large format display and technical products.

Year ending 31 December	2013	2014	2015
Revenue	12.9	43.1	51.0
Growth		n/m	18.4%
Gross profit	1.6	5.4	6.4
Gross margin	12.4%	12.4%	12.5%

Note:

Only a partial contribution in the year ended 31 December 2013 given acquisition took place in September 2013

Growth in the Kern & Stelly business has been driven by a combination of continued organic development of existing products, customer relationships and market position, as well as benefiting from expertise across the wider Group in helping to expand Kern & Stelly's product and vendor portfolio. Specifically, the Group has helped Kern & Stelly develop a displays and technical products offering. In addition, Kern & Stelly has been able to gain exclusivity with one of its larger interactive whiteboard vendors.

France (8 per cent. of Group revenue for the year ended 31 December 2015)

The Group entered the French market in 2010 with the acquisition of Sidev, which was in administration at that time. Sidev is based in Lyon, where it has significant training and demonstration facilities, and supplies AV products throughout France.

The Group has undertaken a period of significant investment and refocusing in Sidev, including strengthening the management team, introducing a business management function and substantially growing the sales team, moving and expanding the office and showroom facilities, and outsourcing the warehousing and logistics functions

Year ending 31 December	2013	2014	2015
Revenue	15.1	19.7	24.0
Growth		30.7%	21.6%
Gross profit	2.1	3.0	3.3
Gross margin	13.8%	15.0%	13.8%

Sidev's revenue and gross profit have improved year on year since the turnaround was complete in 2013, and it is now a significant contributor to Group profit. The investment in a demonstration centre has been an important part in improving performance and developing relationships with vendors and customers. The Group considers the LED market in France a significant growth opportunity and the Directors believe that Sidev is well positioned with strong vendor brands to capitalise on this. In addition, the Directors expect projector sales to continue performing strongly given a recent launch with a new vendor and Sidev's focus on the higher specification end of the product range.

Australasia (6 per cent. of Group revenue for the year ended 31 December 2015)

The Group entered the Australian and New Zealand markets in 2012 with the acquisition of IDT and its subsidiary, IDTNZ (since renamed as "Midwich Australia Pty Limited" and "Midwich New Zealand Limited", respectively). Based in Sydney, Melbourne and Auckland, the Australasian business operates as a niche distributor of high end and volume video solutions, with new products being added to the portfolio as the business grows.

Year ending 31 December	2013	2014	2015
Revenue	7.1	11.6	17.9
Growth		65.0%	53.3%
Gross profit	1.4	2.0	2.5
Gross margin	19.1%	17.0%	14.3%

On acquisition, Midwich Australia was performing purely project work but has since broadened its product offering and introduced a dedicated telephone sales function, both of which have contributed to strong revenue growth. A key project in the year ended 31 December 2015 was at a lower margin than most other projects undertaken in the period, but has proved to be significant in establishing the division's local reputation and demonstrating its ability to execute large projects. The Directors expect gross margins in Australasia to increase as buying power improves.

The Group has established a platform in New Zealand, with access to some large vendors. Whilst the market is smaller than in Australia, there is potential to grow the business as good product and brand opportunities arise.

4. Key Strengths of the Group

The Directors believe that the key strengths of the Group are as follows:

- ***Proven buy and build capabilities***
The Group has proven expertise in entering new geographies and product markets through acquisition and then substantially growing the acquired businesses.
- ***Strong financial track record and delivery of growth strategy***
For each of the last ten years, the Group has delivered revenue growth and gross margin improvement.
- ***Focus on the AV and document solutions markets***
Depth of expertise and focus ensures that the Group has built up a strong position in the AV and document solutions markets, and is at the forefront of technological developments.
- ***Key long-term, value-add relationships with major vendors and customers***
Expertise and consistent delivery of high value-add services has built mutually beneficial long-term trading relationships with the Group's key vendors and customers. The Group's market insight, highly effective sales and marketing operations and efficient logistics provide significant value to both vendors and customers.
- ***High value-add distribution with specialisms and bespoke service offering acting as a key differentiator***
The focus on adding value rather than just cost differentiates the Group from its competitors and increases its relevance to customers and vendors. The Group's focus on products and technologies that are in their early to mid-growth phase increases its ability to provide a value-add service and enhances the value that vendors and customers can gain from the Group's offering.
- ***Leading competitive position and established international platform for future growth, underpinned by compelling market drivers***
With strong market positions in most of its product and geographical markets, the Group is well placed to take advantage of the opportunities presented by increased demand for AV products and the development of new technologies.
- ***Experienced management team with long-standing industry expertise***
Senior management team with an average of 18 years' experience in the AV and/or document solutions markets. Experience gained through distributors, integrators and manufacturers gives an in-depth understanding of the needs of different parts of the market.

5. Market Overview

AV market characteristics

The Pro AV market comprises the manufacturers, dealers, systems integrators, consultants, programmers, presentations professionals and technology managers of AV products and services. AV products cover areas such as sound, video, lighting, display and projection systems, and are prevalent and relied upon in many areas of daily life – at home, in transit, at the workplace and in a wide range of leisure and recreational uses. The application of AV systems is found in areas such as collaborative conferencing, and digital signage solutions, with end users broadly covering the corporate, events, government, education, retail, hospitality, healthcare and residential markets.

The chosen route to market for individual vendors will depend upon factors such as the volume or value of product to be supplied; the ability of the vendor to reach a wide enough range of customers to maximise product sales; and willingness to invest in the infrastructure needed to support the supply and sale of the desired volume of product. The channels to market for vendors of AV products and services are broadly defined as:

- Direct to end users from the vendor without the use of an intermediary
- Indirectly via a reseller or integrator to end users
- Indirectly through a distributor to the reseller or integrator, and then to end users

A direct model tends to be used more for high margin, complex products where the population of end users or resellers is small, high levels of technical support are required, and the available margin is sufficient to support the cost of a direct sales team within the vendor. However, most vendors will employ an indirect model, which can take the form of:

- The distributor assisting in selling to resellers and systems integrators, providing primarily stock warehousing and inventory management, and logistics and fulfilment services
- The distributor providing a range of value-added services beyond the basic functions typically employed by a distributor

The Directors believe that the recent trend in the AV market has been towards increased use of distributors as intermediaries in the AV supply chain utilised by large manufacturers, driven by economic factors (vendors trying to reduce costs and financial risk) and growth aspirations (vendors seeking to maximise growth prospects for expanded product lines by an increased distribution reach). A vendor may not have the logistics capability or back office infrastructure in place to be able to trade directly with the large number of small customers that a distributor such as Midwich is able to.

A vendor may choose to use one primary distributor in order to benefit from core expertise and brand loyalty or may choose to use a group of distributors segregated on the basis of target markets or resellers served. The skills of a successful distributor includes the nature of their understanding of a vendor's strategy and how they fit into the delivery of such strategy, the ability to provide high level tangible and intangible services to a vendor, and having the flexibility to accommodate changes in vendor channel strategies.

The types of distributors serving the AV market tend to fall into three categories:

1. **Broad-line distributors** – often IT-focused distributors servicing a wide variety of accounts with a wide variety of products. They are able to operate at low margins given their logistics skills, often at the high volume, cheaper end of a product range.
2. **Specialty distributors** – focus on higher margin products with a greater need for technical and product expertise, as well as the provision of value-add services. Customers are resellers in specific market verticals.
3. **Adjacent generalists** – focus on niche products such as networking products and high specification technologies, with very specific and targeted customer bases.

A significant proportion of the product supplied in the AV market is provided by the high volume, low value-add, low margin broad-line distributors. Midwich's model of specialist product, technology and market expertise, together with its high value-add service offering, differentiates the Group from the broad-line distributors.

AV market size and growth drivers

InfoComm, the international trade association representing the professional AV and IT communications industries, has estimated end user spending in the global Pro AV market to have been \$75.5 billion in 2012, increasing to \$114.2 billion in 2016, a CAGR of 11 per cent.² The Pro AV market has demonstrated a strong track record of growth in recent years, even growing at 11 per cent. CAGR during the period of 2009-2012, which global GDP growth was considerably weaker. Europe is projected to represent 17.7 per cent. of the global AV market in 2016, with Western Europe³ accounting for approximately 80 per cent. of the overall European segment (\$16.2 billion). European growth is projected to be 8 per cent. between 2014 and 2016, with Northern Europe (primarily the UK, Germany and Benelux) growing at a faster rate according to InfoComm. Midwich's European operations (UK, Ireland, France and Germany) together comprised around 94 per cent. of Group revenues for the year ended 31 December 2015.

Growth in the European market is being driven by a number of inter-related factors, such as an increased pace of both technological advancements and technology adoption, changes to working day practices, continued technology convergence, and evolving social and consumer trends. Economic recovery since the global recession has also been beneficial for the AV market, albeit even a more benign corporate and consumer investment environment failed to significantly dampen growth in the market. Other specific trends driving growth in AV spend include:

- Shifts in workplace trends and workforce mobility, such as increased working from home and 'Bring Your Own Device' trend of mobiles, requiring enhanced systems and networking solutions
- Globalisation requiring international collaboration and dialogue through conferencing equipment
- Rise of online commerce causing traditional retailers to use AV solutions to attract customers to stores and provide a better and more interactive shopping experience
- Demand for real-time news and images driving innovation in on-the-go content and broadcasting solutions, including advertising and travel information at rail stations transmitted via large format displays

The UK is a large and mature market for AV products, driven by the fact that UK consumers are considered to be early adopters of new technologies, and AV has evolved to become highly important for many public and private sector organisations. Additional characteristics of the UK market are the strong presence and brand recognition of foreign manufacturers (such as a number of businesses from Japan and Korea) and a structural shift towards a service driven model. The Directors believe that a combination of these factors has increased the relevance of Midwich to its customers, given both the offering of well-established global brands and the value-add service model it deploys. In the Group's other core European markets, the German AV market is growing at mid-to-high single digits and outpacing general economic growth. InfoComm has reported that Germany contains a large number of mid-sized companies who have yet to adopt AV to a significant extent, emphasising the opportunity for continued growth. In contrast to the UK, French end-users are considered to be late adopters of technology and typically watch the development of innovation in other countries before rolling out investment programmes. The public sector is a big driver of investment in France, with fluctuations in AV spending often directly related to French public sector technology and innovation projects.

Across Europe, the corporate, government, venues/events and education segments comprise the top four markets and represent approximately two-thirds of AV spending. The corporate market is forecast by

2 InfoComm International, 2014 AV Market Definition & Strategy Study

3 Austria, Belgium, France, Germany, Ireland, Italy, Liechtenstein, Luxembourg, Malta, the Netherlands, Portugal, Spain, Switzerland, UK

InfoComm to account for over \$6.6 billion in 2016 alone (over one-third of the European market) with a total forecast CAGR of 9 per cent. from 2014-2016 as backlogged corporate demand is addressed in conjunction with a pick-up in investment budgets. Pro AV is now being implemented across all levels of organisations, rather than just being focused on senior management areas, which is facilitating growth alongside the need for modernisation and replacement programmes and changing workplace dynamics that are requiring integration of personal and mobile devices ('Bring Your Own Device') and a shift in methods of cross-country and cross-border communication. The financial sub-sector is an important end user segment within the corporate market but more broadly, InfoComm have summarised that "businesses are gaining greater understanding of the value of AV technology to the organisation".

Factors driving growth in other end customer segments include:

- Education/training
 - Video-related technologies for capturing lectures in universities, interactive learning, videoconferencing, streaming media
- Healthcare
 - Collaboration between different hospitals (including so called "telemedicine"), growing demand for information distribution in public areas
- Hospitality
 - Desire to provide a better consumer experience, tourism growth, adoption of digital signage and entertainment technology (such as large-scale projectors) that increase the time and share of wallet a location can derive from customers
- Residential
 - High specification housing developments, adoption of security and home cinema applications
- Retail/distribution
 - Growing incorporation of technology into the shopping experience, such as digital signage, interactive video, improved audio systems, streaming media, 'Click and Collect' offerings
- Venues/events
 - Capturing of live events and global distribution, multiple screen displays, push advertising

AV products

The three largest product segments in Europe are displays, projectors, and AV acquisition and delivery equipment (e.g. recording media and storage devices). InfoComm analysis has shown the display segment to be the largest of these product segments (22 per cent. of the European market in 2014) and one of the fastest growing behind software, and alongside storage and recording media devices. Projectors have underperformed in recent years resulting in a loss of market share.

The Group's two largest product categories are displays and projection, which together represent over 50 per cent. of the Group's revenue for the year ended 31 December 2015.

Displays

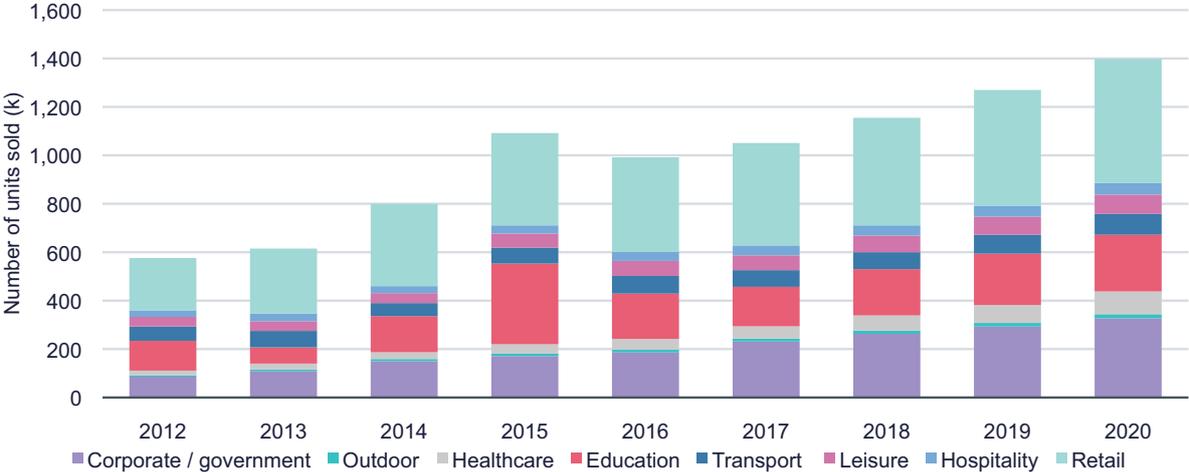
Displays represent the largest product category for the Group, accounting for 38 per cent. of Group revenue for the year ended 31 December 2015. This segment of the AV market has been a strong performer, with InfoComm data showing displays growing at a CAGR of 8 per cent. from 2012 to 2014 and forecast growth of 9 per cent from 2014 to 2016. This growth is a function of strong demand for larger and higher resolution displays, although the market is also being driven by increasing adoption of the available applications of display products.

The displays segment can be broadly split into the following three categories:

- Commercial monitors: commercial flat panel displays excluding interactive and videowall products.
- Interactive flat panels: a flat panel display where interactivity using finger and/or pen touch is directly integrated.
- Videowalls: super narrow bezel display products designed for use in a videowall matrix.

Adoption of display products is evident across a number of end market sectors, such as evolving education and corporate markets that are transitioning from interactive whiteboards to interactive flat panels, as well as adapting to trends driving the creation of connected, smart classrooms and meeting rooms. Videowall products are gaining traction across multiple sectors in addition to greater penetration of digital signage solutions in markets such as retail and events. Within the videowall category, LED solutions are gaining popularity as end users look to move away from displays with noticeable bezels to true bezel-less LED walls.

Futuresource Consulting has forecast the number of display units to be sold by end user sector, each year across Europe for signage and presentation applications. This data, shown in the chart below, is skewed by a major government project in Turkey in 2015 (“Project Fatih”) that saw a significant order of interactive flat plan displays in the education market and was expected to conclude during the first quarter of 2016. The underlying trend is one of consistent positive growth.



Source: Futuresource Consulting

The Group’s key markets in the UK, Germany and France are the three largest components of the European displays market, collectively expected to account for 41.0 per cent. of total sales in the 2017 calendar year. Futuresource Consulting forecasts for these three markets indicate strong historic and forecast growth, as the table below highlights:

	UK	Germany	France
2014	126	91	67
2015	156	107	87
2016	172	123	92
2017	189	143	99
2014-2017 CAGR	14.5%	16.3%	13.9%

The Directors anticipate a continuation of the strong growth experienced in recent years across the displays product categories.

Projection

Projection, which accounted for 26 per cent. of Group revenue for the year ended 31 December 2015, has been trailing behind other product verticals in terms of technological advancement as users increasingly

anticipate their devices being smart, connected and intuitive – features not typically associated with projectors. InfoComm have estimated the European projector market to have remained at a broadly constant size of c.\$1.9-2.0 billion between 2012 and 2016, with the lack of growth driven by competition from the displays product vertical, with larger and cheaper displays and video walls causing some end users to switch technologies. Pricing pressure from the introduction of new low specification products in 2015 has also contributed to the flat reported market growth.

Nonetheless, the projection market is said by InfoComm to be finding niche segments in which it can develop into, such as laser projection, ultra HD, projection mapping, interactive projection and virtual reality. Sony have referred to a “dramatic” evolution in the market as solid state light source technology, specifically laser, gains traction and is adopted in rental and staging segments, as well becoming increasingly used in the higher education and entertainment sectors. According to Futuresource Consulting, sales in this area climbed fivefold in 2015 (accounting for 6 per cent. in the European installation projector market).

Certain dynamics, such as reduced cost of ownership, increasing quality of images and increasing definitions, are supporting the projection market as it evolves and addresses competition from display products. InfoComm have highlighted growth in large small, high-end setups and outdoor usage as areas where projection can compete effectively, particularly in end user verticals such as education, events and venues. The education sector remains an important source of revenue for the projection market, with the corporate sector a declining segment for projectors given the investment in high specification displays technologies in recent years.

Relative country share of the European market

Rank	Country	2015	2020	2020 cumulative
1	UK	20.9%	22.6%	22.6%
2	Germany	18.8%	21.4%	44.0%
3	France	11.8%	11.1%	55.0%
4	Netherlands	7.0%	7.2%	62.3%
5	Italy	6.7%	5.7%	68.0%
6	Spain	6.0%	5.2%	73.2%
7	Sweden	4.1%	3.7%	76.8%
8	Poland	3.5%	3.4%	80.3%
9	Denmark	3.2%	2.9%	83.2%
10	Switzerland	2.8%	2.8%	86.0%
11	Belgium	2.5%	2.7%	88.7%
12+	Rest of Europe	12.7%	11.3%	100.0%

The chart above shows the aggregation of data on the European market size for the projection, large format display and interactive whiteboard product groups, provided by Futuresource. This Futuresource data indicates that the UK, Germany and France represented the largest markets, measured by number of units sold, for these products in 2015. Together, the UK, Germany and France represented 51.5 per cent. of the total market for such products in 2015, and Futuresource’s forecast data for 2020 indicates that this will increase to 55.05 per cent. in 2020.

Whilst representing just a portion of the wider European AV market, the Directors believe that these figures provide a useful proxy for the Group’s target markets and highlight the large market opportunity available in its three largest jurisdictions (the UK, Germany and France). The Directors believe that this data also indicates that the Group has the potential to increase its addressable share of the European market to over 75 per cent. through entry into a handful of other jurisdictions.

Document solutions

As well as the core AV focus, the Group continues to operate in the document solutions market (16 per cent. of Group revenue for the year ended 31 December 2015), predominantly comprising printers, scanners, consumables and 3D printers. Whilst generally representing mature and lower margin product groups than

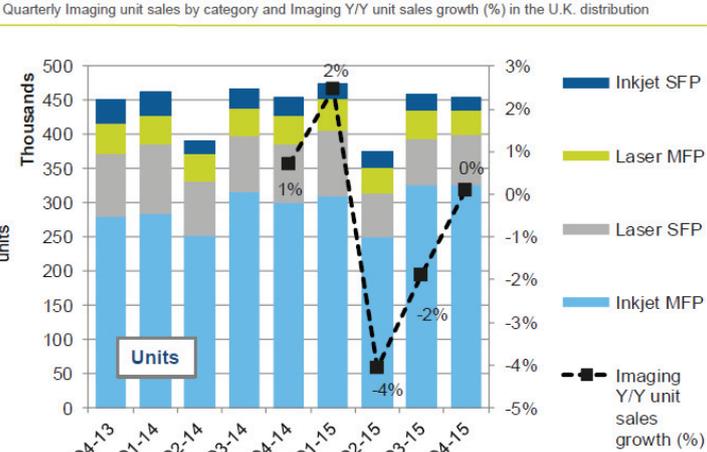
the AV segments, document solutions operations act as a key component of the deep and diversified relationship the Group has with its key vendors and customers, many of whom operate across both document solutions and AV.

Context Data have estimated the UK print distribution market to be worth £195 million in 2015, of which Midwich accounts for approximately 15 per cent. of total sales. The Group does not distribute on behalf of the two largest vendors in the market – HP and Xerox – whom together represent over 55 per cent. of the UK market. This deliberate strategy is a result of management assessing this market segment to be at the lower margin, higher volume end with substantial competition. Excluding these two vendors, the Context Data suggests that the addressable document solutions market for Midwich UK is £87.5 million, of which the Group has an implied market share of approximately 35 per cent. given its revenue of £49.9 million from document solutions products in the year to 31 December 2015. Within this, the Directors believe that Midwich UK is the largest distributor by value for vendors such as Brother, Oki, Samsung, Lexmark and Kyocera.

Within the document solutions market, products can be segregated as either multifunction printers (“MFP”) or single function printers (“SFP”). MFP bring users a range of additional features to printing such as copying, scanning and fax capabilities, as well as recent innovations such as network connectivity and direct email functions. SFP are typically more compact than the MFP equivalents with very few added functions outside of the core printing capability, although newer models offer network connectivity features. Within both MFP and SFP, printers come as either inkjet or laser. Laser printers able to print large volumes of text documents while inkjets, which are more expensive to run and maintain, excel at producing high quality colour graphics.

Context Data have calculated that document solution distribution sales declined by 1 per cent. in 2015, driven by a continuous fall in sales of laser SFPs.

Midwich focuses particularly on the B2B part of the document solutions market rather than in the retail segment. B2B seems to be a part of the market that is of particular interest to manufacturers, as it typically offers higher hardware selling prices and a much greater usage of consumables.



Source: Context Data

The Group’s major print brands address each of the market segments above.

The Directors anticipate the overall document solutions market in the geographies it addresses is likely to continue to exhibit signs of gradual and long-term decline. This will be mainly driven by the decline of single function product (SFP). This will be offset to some degree by the growth in multi-function devices (MFP), particularly inkjet printers which are primarily sold in the retail channel. It is also anticipated that A3 and A4 Laser MFPs will continue to deliver solid performance, particularly colour print devices.

Competitive landscape

The Group competes across local markets and across product sets, rather than having pure international competitors. As outlined earlier, vendors choosing to utilise a distributor within their AV supply chain will generally face a choice between a broad-line distributor and a specialist distributor. Given the Group's focus on products in their early to mid-growth phase or where the technology is technically complex and therefore active selling is required rather than just pure demand fulfilment, the Group will generally not look to compete with any distributors employing a low-margin, high-volume broad-line model at the commoditised end of the market. In addition, the Group's ability to offer high levels of product and technical support and training for these technology groups often relates to higher margin profiles and differentiated customer offerings. As such, the Directors believe that the Group's differentiated offering and scale clearly distinguishes it from a number of other players in the market.

UK and Ireland

The Directors believe that the Group is significantly larger than its competitors in the specialist UK market, which, when coupled with its brand diversification, provides the Group with the ability to target a wide range of market segments:

- Midwich UK competes with different distributors on different market segments and product sets. Some of these competitors adopt broad-line distribution models and are focused on fulfilment rather than adding value:
 - Document solutions: Exertis, Westcoast, Ingram Micro and Northamber
 - Projection: Sahara, Medium, Steljes and Tech Data
 - Displays: Medium and Sahara
- Invision is a specialist audio business and its main competitors are AWE Europe, Habitech and RGB Direct
- PSCo has few direct competitors for its service and rental product offering. In addition, PSCo has a specialist machine used for repairing individual LED components
- Square One competes with Exertis and Avio in Ireland

Germany

The Directors believe that Kern & Stelly has a distinct offering compared with other distributors in the market, many of which the Directors consider to be focused more on fulfilment than a full value-add suite of services. The business has been able to utilise this distinction to drive margin appreciation and market share growth and the Directors do not consider any other distributors in the market to be offering a similar service to customers or vendors. Across different product sets and technologies, Kern & Stelly compete at times with Dalo, Maverick, Medium and Luxion.

France

The French market is characterised by a number of relatively small, specialist distributors and a small number of broad-liners (such as Maverick) and distributors linked to pro AV integrators (such as Intelware). The Directors believe that Sidev's technical and volume offerings give Sidev a competitive advantage in the French market and enable it to provide a more comprehensive offering than its competitors. In addition, the company has a relatively large training and experience centre in Lyon which enable customers and their end-users to gain close experience of products and solutions. These factors, when combined with the financial strength of the Group have enabled Sidev to build a strong business in the French market.

Australasia

Midwich Australia competes with a number of larger, more established distributors in the region. Within its current technical video specialist area, the Directors believe that the business is positioned well against competitors and has started to win business in contested processes. A number of other distributors in the

region benefit from longer track records. As the Group increases its presence and scale in the region, the Directors expect that the business will perform well in both its core video solutions market and in other market segments that it expands into.

6. Strategy

The Group's growth strategy is both organic and inorganic, reflective of the contributors to the successful growth track record in recent years. Underpinning the Group's growth strategy is its success in sourcing, executing and integrating its chosen acquisitions. The Group takes a disciplined approach to acquisitions, seeking to add capital value without an adverse impact on the existing business. Acquisitions remain a fundamental aspect of the Group's strategy, of which it has a strong ongoing pipeline of multiple opportunities that it will be reviewing and actively engaging with at any given time. The Group expects its future acquisitions to fit a similar mould to those it has completed historically with regards size and valuation. The Board believe they have had success in acquiring businesses for sensible multiples and driving good growth post-acquisition and is something they will continue to target.

Overall strategy comprises development across the Group's established jurisdictions, developing jurisdictions and potential new jurisdictions. It involves continued progression in areas of technology, product and vendor selection to ensure that the right growth areas are targeted in order to maximise the value that the Group can add to customers in a manner that maximises gross margins.

Established jurisdictions

Across the UK and Ireland, the core focus is on the continued development of the respective product portfolios and the appropriate mix of higher margin and higher growth product sets. Areas of particular focus are currently large format display, LED display technology, audio and technical products. The development of the business is reliant on continued success in identifying and developing the business into new product areas and technologies. In addition, the success of the Group's operations in its established markets has been underpinned by the high levels of service provided to both vendors and customers. The future growth of the business will continue to be driven by the ability of the Group to consistently deliver high general service levels and further penetration of the Midwich Solutions offering across the client base. The Group will also continue to use selective acquisitions to enter or grow its presence in market niches where it sees opportunities. This is most likely to include acquisitions that will add to the Group's capability in a new or underweight technology or product area, such as security or broadcast equipment.

Developing jurisdictions

Across the Group's developing markets – France, Germany, Australia and New Zealand – the core focus is on driving profitable market share growth in these regions. The means of driving this growth will be the continued expansion of the product range, which are more limited in these geographies than in the Group's more established UK market, with a bias towards higher margin and technical products. The Group has established a successful blueprint in the UK for targeted acquisitions to bolster its product offering and sector penetration. Bolt-on acquisitions to either gain access to new areas or increase scale will be a key focus of the Group in its developing markets.

New jurisdictions

The Group intends to continue executing its successful strategy of entering into new jurisdictions through carefully targeted acquisitions, as was the case with its entry into each of the German, French, Irish and Australasian markets. The Group has so far chosen to enter new jurisdictions by way of acquisition rather than organically in order to ensure immediate local market knowledge, an established brand name and a local reputation. However, the Group may choose to enter organically in some circumstances.

The Group takes a disciplined approach to acquisitions with assessments made as to the long-term strategic rationale of opportunities based on the following criteria used to assess opportunities and new markets:

- Size of the local market
- Global brand penetration and interest

- Vendor perceptions
- Market dynamics
- Competitive positions
- Cultural fit of brands and management teams

Further expansion opportunities have been identified across Europe and the Group expects to increase its European footprint within three years. Specifically, the Netherlands, Italy, Spain, Sweden and Poland are large AV European markets and could all present attractive opportunities for the Group. Outside of Europe, it is intended that the Group will further develop its Asia Pacific presence from its current Australasian base.

7. Summary financial information

The tables below, which have been extracted from the historical financial information set out in Part III of this document, set out a summary of the financial results of the Group for the three years ended 31 December 2015. Prospective investors should read the full historical financial information in Part III of this document and not solely rely upon the summary below.

Income statement

Year ending 31 December	2013 £'000	2014 £'000	2015 £'000
Revenue	233,742	280,750	314,283
Cost of sales	(201,631)	(240,600)	(267,322)
Gross profit	32,111	40,150	46,961
Distribution costs	(22,465)	(27,043)	(30,037)
Administrative expenses	(2,180)	(5,588)	(6,751)
Other operating income	1,989	2,441	2,468
Operating profit	9,455	9,960	12,641
Net finance costs	(604)	(2,620)	(4,083)
Profit before taxation	8,851	7,340	8,558
Taxation	(2,021)	(1,993)	(2,746)
Profit after taxation	6,830	5,347	5,812

Income statement – non IFRS measures

Year ending 31 December	2013 £'000	2014 £'000	2015 £'000
Operating profit	9,455	9,960	12,641
Depreciation	467	417	810
Amortisation	53	2,360	2,473
EBITDA	9,975	12,737	15,924
Profit after taxation	6,830	5,347	5,812
Goodwill amortisation	53	2,360	2,473
Exceptional finance charges	171	2,075	3,497
Adjusted profit after taxation	7,054	9,718	11,722

Balance sheet

Year ending 31 December	2013 £'000	2014 £'000	2015 £'000
Assets			
Non-current assets	24,579	25,923	26,476
Current assets			
Inventories	27,815	35,592	37,849
Trade and other receivables	32,942	37,761	42,707
Cash and cash equivalents	9,032	11,295	18,102
	<u>69,789</u>	<u>84,648</u>	<u>98,658</u>
Current liabilities			
Trade and other payables	(33,181)	(40,140)	(52,692)
Financial instruments	–	–	(6,094)
Deferred consideration	(1,422)	(1,422)	–
Borrowings	(28,942)	(38,514)	(41,968)
Current tax	(532)	(1,279)	(2,264)
	<u>(64,077)</u>	<u>(81,355)</u>	<u>(103,018)</u>
Net current assets/(liabilities)	<u>5,712</u>	<u>3,293</u>	<u>(4,360)</u>
	2013	2014	2015
Year ending 31 December	£'000	£'000	£'000
Non-current liabilities			
Financial instruments	(1,735)	(3,106)	–
Borrowings	–	(13,597)	(5,908)
Finance lease payables	–	–	(166)
Deferred consideration	(1,422)	–	–
Deferred tax	(741)	(4,101)	(3,664)
	<u>(3,898)</u>	<u>(20,804)</u>	<u>(9,738)</u>
Net assets	<u>26,393</u>	<u>8,412</u>	<u>12,378</u>

Cash flow	2013	2014	2015
Year ending 31 December	£'000	£'000	£'000
Cash outflow from operating activities			
Profit before tax	8,851	7,340	8,558
Depreciation	467	417	810
Amortisation	53	2,360	2,473
Gain on disposal of assets	–	–	(121)
Foreign exchange (gains)/losses	140	10	(22)
Finance income	(14)	(3)	(4)
Finance costs	618	2,623	4,087
Adjusted profit from operations before changes in working capital	10,115	12,747	15,781
Increase in inventories	(2,922)	(7,777)	(1,265)
Increase in trade and other receivables	(4,840)	(4,819)	(3,168)
Increase in trade and other payables	3,198	9,319	9,104
Cash flow from operations	5,551	9,470	20,452
Income tax paid	(2,074)	(1,407)	(2,248)
Net cash inflow from operating activities	3,477	8,063	18,204
Cash flow from investing activities			
Net cash from/(used) in investing activities	(1,273)	4,411	(3,778)
Net cash flow from financing activities			
Net cash outflow from financing activities	(3,918)	(4,206)	(7,387)
Net (decrease)/increase in cash and cash equivalents	(1,714)	8,268	7,039
Cash and cash equivalents at beginning of financial year	7,690	–	8,053
Effects of exchange rate changes	(228)	(215)	(741)
Cash and cash equivalents at end of financial year	5,748	8,053	14,351
Comprising			
Cash at bank	9,032	11,295	18,102
Bank overdrafts	(3,284)	(3,242)	(3,751)
	5,748	8,053	14,351
Cash flow – non IFRS measures			
Year ending 31 December	2013	2014	2015
	£'000	£'000	£'000
EBITDA	9,975	12,737	15,924
Movement in working capital			
Increase in inventories	(2,922)	(7,777)	(1,265)
Increase in trade and other receivables	(4,840)	(4,819)	(3,168)
Increase in trade and other payables	3,198	9,319	9,104
Movement in working capital	(4,564)	(3,277)	4,671
Cash from operations (excluding FX movements)	5,411	9,460	20,595
EBITDA	9,975	12,737	15,924
Cash from operations (excluding FX movements)	5,411	9,460	20,595
EBITDA cash conversion	54.2%	74.3%	129.3%

Income statement

The Group has enjoyed strong revenue growth over the last three years, with growth of 20.1 per cent. in 2014 and 11.9 per cent. in 2015. Overall CAGR from 2013 to 2015 was 16.0 per cent. Revenue growth from 2013

to 2015 has been both organic (9.3 per cent.) and acquired through the acquisitions of Kern & Stelly in September 2013, which contributed £12.9 million of revenue in 2013 and £43.1 million in 2014, and of PSCo in April 2015, which contributed £10.2 million in the period post acquisition in 2015. Organic growth in the period was principally driven by continued growth in the French and Australasian divisions as they benefited from exposure to the Group's expanded product range.

The Group's core financial KPI is gross margin improvement. Over the last three years the Group has improved its gross margin from 13.7 per cent. in 2013 to 14.3 per cent. in 2014 and then 14.9 per cent. in 2015. This improvement has been delivered through a combination of:

- A shift away from the distribution of some lower margin, lower specification document solutions products
- A continued focus on higher margin technical and display products, such as large format displays
- A shift away from low margin projection sales
- The addition of PSCo's high margin rental model to the Group in 2015

The Group has maintained a consistent discipline around its overhead costs, which have typically been around 10 per cent. of revenues. The growth in the absolute level of the Group's overheads in the period between 2013 and 2015 is reflective of the acquisitions completed, whilst the underlying level has increased broadly in line with revenue growth. The main component of overheads is staff costs (approximately 6 per cent. of revenue).

At an EBITDA level, the Group has delivered CAGR from 2013 to 2015 of 26.4 per cent., with EBITDA margins increasing from 4.3 per cent. in 2013 to 4.5 per cent. in 2014 and 5.1 per cent. in 2015.

Cash flow

The Group has a strong history of positive cash generation with an average EBITDA cash conversion of 85.9 per cent. in the three years to 31 December 2015. The cash generative nature of the business has allowed the Group to invest in the growth of the business' working capital base as well as fund a number of acquisitions in the historic review period. The operating cash conversion ratio for the Group, comparing the adjusted profit from operations before changes in working capital and cash flow from operations has fluctuated across the three years shown in the table above. These year on year fluctuations are driven by timing differences in the movement of the Group's working capital across each period end. These differences have included short term investment in inventory as well as the normalisation of either inventory, receivable or payable levels following a fluctuation in the prior year.

The Group has historically had minimal capital expenditure requirements. Capital expenditure did increase in 2015 as a result of a new product demonstration centre in France, various office fit-outs and investment in PSCo rental equipment. It is expected that capital expenditure will increase in 2016 and 2017 as the Directors intend to invest in a new Group-wide ERP system to support higher transaction volumes and give additional control and oversight of international divisions. It is currently anticipated that the ERP system will be implemented during 2017 with a total investment cost of approximately £2 million phased across 2016 and 2017.

The Group had a cash balance of £18.1 million at 31 December 2015 with drawn invoice discounting facilities, overdrafts, bank loans, shareholder loans and preference shares classed as liabilities of £47.9 million at the same date. Since the year end the Group has agreed an extension to its existing invoice discounting facility from £38 million to £40 million. This facility was £30.7 million drawn at 31 December 2015.

8. Current Trading and Prospects

Historical financial information for the year ended 31 December 2015 is set out in Part III of this document. Since 31 December 2015, the Group has continued to trade well and in line with the Board's expectations, with no significant change in the financial or trading position of the Group since 31 December 2015. The

Board continues to implement the Group's strategy, as set out in this Part I, and remains confident about the future prospects of the Group.

9. Dividend Policy

The Board intends to adopt a progressive dividend policy to reflect the Group's strong earnings potential and cash generative qualities whilst maintaining an appropriate level of dividend cover to allow the Board to invest in the Group's long term growth. The Board intend to target a dividend cover of c.1.7x Adjusted profit after tax.

It is envisaged that the Group will pay an interim dividend and a final dividend, to be announced at the time of the interim and preliminary results in approximate proportions of one-third and two-thirds, respectively, of the total annual dividend. The Board expects the Group's first dividend payment will be a pro-rated interim dividend for the six months ended 30 June 2016 to reflect the proportion of this half year as a listed business.

The Board may revise the Group's dividend policy from time to time in line with the actual results of the Group.

10. Board of Directors and Senior Management

Board of Directors

On Admission, the Board will consist of two Executive Directors and two Independent Non-Executive Directors. Brief biographies of the Directors and the senior managers of the Group are set out below. Paragraph 7.2 of Part V of this document contains further details of current and past directorships and certain other information relating to the Directors. The Board believes that Midwich benefits from a strong, stable and proven executive and senior management team.

Andrew Herbert (*aged 56*) – *Non-Executive Chairman*

Andrew was Group Finance Director of Domino Printing Sciences plc from 1998 until the sale of the company to Brother Industries in 2015. He joined the business in 1986 and held senior Finance, Operational and General Management roles prior to joining the Board of Domino Printing Sciences plc. He has extensive experience of managing profitable growth in a global business, including acquisition and disposal strategy and line management of overseas subsidiaries.

Andrew has a BA in Business Studies from Hatfield Polytechnic and is a Fellow of the Chartered Institute of Management Accountants.

Andrew joined the Board of the Company on 13 April 2016.

Stephen Fenby (*aged 52*) – *Managing Director*

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 the Managing Director in 2010. He has led the Group's acquisition and development programme.

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.

Anthony Bailey (*aged 49*) – *Finance Director*

Tony joined Midwich as Finance Director in September 2011. He is qualified as a Chartered Certified Accountant.

Previously Tony was Finance Director at Kettle Foods for seven years, having been promoted from Financial Controller. He was involved in the sale of the business to Lion Capital, a private equity firm, in 2006. After

this transaction he was appointed Group Head of Treasury, UK and USA, in addition to his core role Tony was involved in the sale of Kettle Foods to Nasdaq listed Diamond Foods in 2010. Tony has also had roles at Mills & Reeve and Lakeside Foods of Norfolk.

Tony has an MA in French and German from the University of St. Andrews.

Michael Ashley (*aged 48*) – *Non-Executive Director*

Michael joined retailer Wickes, owned by Travis Perkins PLC, in 2014 as Chief Commercial Officer. Prior to this Michael 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. Michael was a member of the Executive Board for five years with 30 months as Chief Executive Officer, experiencing and driving several corporate transactions.

Michael has extensive retail and consumer experience through senior commercial, marketing and strategic roles at Boots, Argos and Dixons Retail Group.

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

Michael joined the Board of the Company on 13 April 2016.

Senior Management

Iain Campbell (*aged 43*) – *Sales Director – Midwich*

Iain joined Midwich in 2006 following the company's acquisition of True Colours Distribution, a company he co-founded in 2000. Prior to founding True Colours Distribution, Iain worked for an AV systems integrator. In 2014 Iain became sales director of Midwich Limited. He has a diploma in electronic engineering.

Thomas Sumner (*aged 30*) – *Director of European Business*

Thomas joined Midwich directly from university. He commenced his career managing Midwich's newly established projector lamp activity, a business with a significant European focus. Following the acquisition of Sidev in 2010, Thomas became heavily involved in the integration, planning and development of this business. In 2013, his remit was widened to include the development of the Group's business in Europe.

He has a BSc in Business Management from the Norwich Business School (University of East Anglia).

Tracey Perkins (*aged 40*) – *Operations Director – Midwich*

Tracey joined the Midwich credit team in 1995 and was promoted to Group Credit Services Manager in 2007 before becoming Director of Operations in 2014. This extended her responsibilities to IT, logistics, facilities and Group integration projects. Tracey is ACICM qualified.

Stuart Mizon (*aged 35*) – *Divisional Director – Midwich*

Stuart joined Midwich in 2002 and worked in a number of different roles across the business including sales and business management before becoming divisional director in 2013. His current role sees him responsible for all supplier relationships, product strategy, procurement and profitability of the projection and document solutions product categories.

Stuart has a BSc in Accounting and Finance from the University of Essex.

Lee Baker (*aged 39*) – *Divisional Director – Midwich*

Prior to joining Midwich in 2005, Lee held management roles with retailer DSGI and manufacturer Acer UK. He now manages a number of key product areas within Midwich, such as display and consumer electronics. Lee has also been instrumental in developing areas such as audio, accessories and video conferencing. His role involves managing the company's relationships with vendors in his area, such as Samsung, LG, Iiyama and NEC Display.

Lee has a BA in Licensed Retail Management from Leeds Metropolitan University.

Lutz Kern (*aged 47*) – *Joint Managing Director – Kern & Stelly*

After graduating from Hamburg University with a business degree in 1995, Lutz started his professional career as a product manager in the AV distribution company Anders + Kern in Hamburg. In the following years, he successfully worked his way through the organisation as Marketing Manager, Key Account Manager and Sales Manager. Finally he took over responsibility for Sales and Marketing as Managing Director in 2001. After some significant restructuring measures in the parent company, Lutz resigned from his Managing Director position and founded Kern & Stelly Medientechnik GmbH together with his former colleague Andreas Stelly in 2004. Since then they have developed Kern & Stelly into the number one AV distribution company in Germany.

Andreas Stelly (*aged 47*) – *Joint Managing Director – Kern & Stelly*

Born and graduated in Hamburg, Andreas finished his three-year apprenticeship as a wholesale and export trader at Jos. Hansen & Söhne in 1993. After undertaking a number of sales roles, latterly as export manager in AV distribution company Anders + Kern, Andreas formed Kern & Stelly with Lutz Kern.

Marc Peigay (*aged 62*) – *General Director – Sidev*

Marc has led Sidev after founding the company 25 years ago. Since the acquisition of Sidev in 2010, his wealth of experience and contacts within the French market have helped Sidev to build a strong management team, and achieve significant profitable growth. Marc has been responsible for the creation of a new office and experience centre, and continues to work on projects key to the company's development.

Marc has a diploma in Fine Art, specialising in design from the National School of Fine Arts (Ecole Nationale des Beaux-Arts).

Mathieu Payet (*aged 37*) – *General Manager – Sidev*

Mathieu graduated with an MSc in management from EMLYON Business School. He started his career as a product manager for the Kesa group, buying and distributing consumer electronics across Europe. He then joined Hitachi DMG (videoprojection and professional LFD) and was in charge of the B2B channel in France and Africa until he joined Sidev in October 2011 as general sales manager. Mathieu was then appointed general manager of Sidev in January 2015.

Garnett Stewart (*aged 46*) – *Managing Director – Square One Distribution Limited*

Garnett has over 20 years' experience in the Irish technology industry working in a variety of sales and management roles. He led the team that established Square One as an audio visual distribution business in 2004. Garnett is a graduate of the Dublin Business School having studied Marketing, German and Spanish.

Michael Broadbent (*aged 51*) – *Managing Director – Midwich Australia Pty Limited*

Michael has 25 years' experience within the Australian and New Zealand commercial Audio Visual market, including 10 years as an owner of a leading Australian system integrator. He spent three years as General Manager of the AV division at Programmed, one of the largest Australian technology integrators. Michael has also held senior roles with companies such as Rexel which was the Australian distributor for Panasonic. He joined Midwich Australia as a consultant in 2012 and took over as Managing Director of Midwich ANZ in June 2014.

Stuart Holmes (*aged 41*) – *Director, PSCo*

Stuart started work in the AV industry in 1998 working for a systems integrator. He joined the recently formed Plasma Screen Company in 2002. At that time the business was a division of a AV distribution business. Stuart led the buy-out of the division in 2005 and renamed the business PSCo. He has steered the growth of the business, ensuring that it moves with the changes in the displays technology market.

Jon Dew-Stanley (*aged 36*) – *Director, Midwich Solutions*

Jon has 17 years' experience in audio visual product distribution and joined Midwich in May 2014. He is responsible for the technical video, professional audio and project systems division known as Midwich Solutions. Jon has had a successful career developing a systems sales approach with integrators and value added reseller partners through a 13 year role as technical director of Beyerdynamic Limited and technical sales director of Polar Audio Limited distribution businesses. Prior to this he was product manager for broadcast equipment manufacturer Harris Corporation PLC. Jon was awarded industry technical person of the year in 2004 by AV Magazine at the AV awards and regularly contributes to the trade press, recognised as an industry specialist in the field of audio system design and sound systems.

Stephen Beahan (*aged 57*) – *Managing Director, Invision UK Limited*

Stephen founded Invision UK and leads the company's business development, product strategy, trade marketing, vendor management and sales functions. He has over 20 years' experience in the smart-home technology market.

During a successful business career spanning 35 years, he previously held leadership positions in international sales, product management, marketing and distribution.

11. Employees and locations

Midwich is headquartered in Diss, Norfolk, with further offices and demonstration facilities throughout the UK and internationally, comprising:

- Crowthorne, Berkshire (Midwich Solutions team and technical products demonstration facilities)
- Lewes, East Sussex (office of Owl Visual)
- Trafford Park, Manchester (technical sales team and audio solutions)
- Bury St Edmunds, Suffolk (office of Invision UK)
- Reading (office of PSCo)
- Bray, Dublin (office of Square One Distribution)
- Lyon, France (office of Sidev)
- Hamburg, Germany (office of Kern & Stelly)
- Sydney and Melbourne, Australia (offices of Midwich Australia)
- Auckland, New Zealand (office of Midwich New Zealand)

As at 31 December 2015, the Group employed 481 people, of whom 385 were employed in the UK and Ireland. The Group's employee base is broadly divided into four key functions:

- Business management (buying and stock management; vendor relations; new vendor/product selection; pricing)
- Marketing (promotional activity; PR; events; website; social media)
- Sales (account management; vendor/product specialists; technical and project support; business development)
- Central support (finance; administration; credit control; IT and operations; HR; warehousing and logistics)

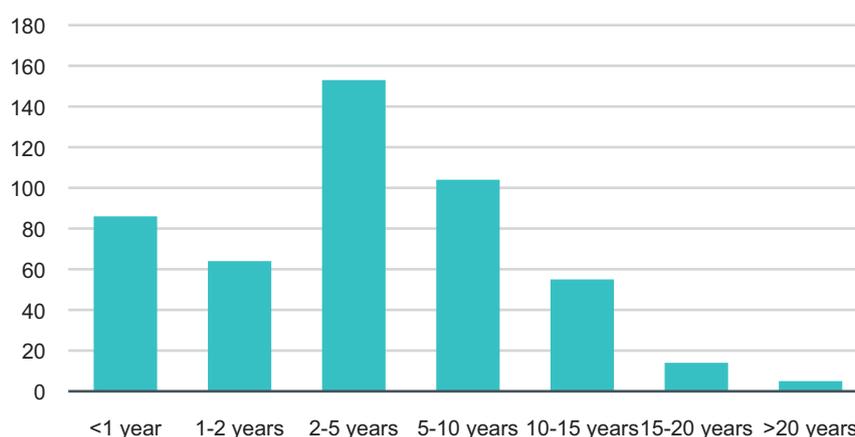
The Group's employees by geography and core business function as at 31 December 2015 are set out in the table below:

	<i>Business management</i>	<i>Marketing</i>	<i>Sales</i>	<i>Central support</i>	<i>Total</i>
UK & Ireland	51	13	214	91	369
France	7	3	27	3	40
Germany	9	4	25	6	44
Australasia	9	0	13	6	28
Total	<u>76</u>	<u>20</u>	<u>279</u>	<u>106</u>	<u>481</u>

The Group aims to provide remuneration packages which are competitive in the local markets. Typical packages include a significant element of bonus or commission based remuneration, both of which are based primarily on the profitability of the area in which the employee is engaged.

The Directors believe that the average length of service of staff is relatively high, a factor which contributes to the building and retention of strong relationships with customers and vendors, and valuable market and product expertise.

At 31 December 2015 the average length of service of staff was five years. Over one third of staff had in excess of five years' experience within the business and three have over 30 years' service. The length of service of the Group's employees is as follows:



The Group employs an in-house training manager and runs many internal and external skills and product training courses. Senior executives are sent on external management development courses and the business has used several personal development coaches.

12. Details of the Placing

In relation to the Placing, the Company, the Directors (in their capacities as directors and, where applicable, Director Selling Shareholders) and Investec have entered into the Placing Agreement and the Other Selling Shareholders have each entered into the Selling Shareholders Agreement with the Company and Investec. Pursuant to the Placing Agreement and the Selling Shareholders Agreement and subject to certain conditions, Investec has conditionally placed, as agent for the Company, 36,157,010 Placing Shares at the Placing Price with institutional and other investors, which will represent approximately 45.5 per cent. of the Enlarged Ordinary Share Capital following Admission. The Placing has not been underwritten.

Details of the names of the Selling Shareholders and the number of Ordinary Shares each Selling Shareholder is selling pursuant to the Placing are set out below:

Name of Selling Shareholder	Number of Existing Ordinary Shares to be offered for sale pursuant to the terms of the Placing
Stephen Fenby	15,795,000
Jane Fenby	1,125,000
William Fenby	250,000
Edward Fenby	250,000
Anthony Bailey	2,600,370
Lee Baker	816,420
Stuart Mizon	614,280
Iain Campbell	584,280
Jonathon Francis	282,860
Thomas Sumner	264,280
Tracey Perkins	262,860
Stuart Holmes	231,640
Stephen Beahan	172,140
Steven Fay	142,860
Garnett Stewart	76,960
Mark Lowe	68,060
Karen Horsup	40,000
Carla Shipp	40,000
Neil Colgate	40,000
TOTAL	23,657,010

Each Selling Shareholder is a Director, a person connected to a Director, or an employee of the Group and the business address of each of them is Vines Road, Diss, Norfolk, IP22 4YT.

The Placing will raise approximately £26.0 million (before expenses) for the Company and will raise approximately £49.2 million (before expenses) for the Selling Shareholders.

The issue of the Placing Shares will dilute existing Shareholders by 15.7 per cent.

The Placing Agreement and the Selling Shareholders Agreement are each conditional, inter alia, upon Admission having become effective by not later than 8.00 a.m. on 6 May 2016 or such later time and date, being not later than 8.00 a.m. on 20 May 2016, as the Company and Investec shall agree.

The Placing Agreement and Selling Shareholders Agreement each contain provisions entitling Investec to terminate such agreements at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse.

Further details of the Placing Agreement and the Selling Shareholders Agreements are set out in paragraph 10 of Part V of this document.

Application has been made to the London Stock Exchange for all issued Ordinary Shares to be admitted to trading on AIM. The Placing Shares are expected to be issued and admission to AIM of the Ordinary Shares is expected to become effective on 6 May 2016.

The Placing Shares will be issued fully paid, and following allotment, will rank in full for all dividends or other distributions hereafter declared, made or paid on the Ordinary Share capital of the Company and will rank pari passu in all other respects with all other Ordinary Shares in issue on Admission. The rights attaching to such Ordinary Shares are set out in paragraph 9 of Part V of this document.

13. Reasons for Admission to AIM and use of proceeds

The Directors believe that Admission will provide the Group with a stable, independent ownership structure and a long-term framework to support future growth and investment.

The Directors believe that Admission will position the Group for its next stage of development by:

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

The issue of the New Ordinary Shares will raise net proceeds for the Group of approximately £24.2 million from the Placing (after the deduction of Placing commissions and estimated fees and expenses of approximately £1.8 million). The proceeds of the placing of the New Ordinary Shares will be used to partially pay down debt under the Group's existing facilities and fund the final £7.3 million cash consideration relating to the acquisition of Kern & Stelly. Approximately £6 million of the net proceeds will be used to repay bank loans arising from a historic buyout of former shareholders. The balance of the proceeds, approximately £6.6 million, will be used to repay shareholder loans held by Stephen Fenby and Jane Fenby.

In addition, the Placing of the Sale Shares will provide a partial realisation of their investment in the Group for the Selling Shareholders by raising approximately £48.0 million (net of expenses).

14. Lock-in and Orderly Market Arrangements

Each of the Employee Shareholders have undertaken to the Company and Investec (subject to certain limited customary exceptions) not to dispose of the Ordinary Shares held by each of them following Admission or any other shares which they may acquire at any time prior to the date 12 months from Admission (the "**Lock-in Period**") without the prior written consent of Investec. Each of the Employee Shareholders has also undertaken to the Company and Investec not to dispose of their Ordinary Shares following the expiry of the Lock-in Period otherwise than through Investec save in certain limited circumstances, for the period of 12 months following the expiry of the Lock-in Period.

In addition, under the terms of the Lock-In Agreement, the Employee Shareholders have undertaken with the Company further limited restrictions in relation to their holdings of Ordinary Shares following the end of the Lock-in Period. A more detailed summary of these restrictions and the terms of the Lock-in Agreement are set out in paragraph 10 of Part V of this document.

15. Share Plans

The Directors recognise that the success of the Group in future depends to a significant degree on the performance of the management team. The Directors also believe in the importance of ensuring that all employees are well motivated and identify closely with the success of the Group. To that end, the Company has adopted the LTIP, the SIP and the EBT, to align the interests of senior management, the Shareholders and the Group.

The LTIP

The Company has established the LTIP and intends to make awards to certain selected senior employees as soon as practicable after Admission, with further awards being made in 2017 (around the anniversary of Admission). Although they will not receive awards on Admission, it is intended that awards may be made to executive directors in the future. Further details on the LTIP are set out in paragraph 8.1 of Part V of this document.

The SIP

The Company has established the SIP and intends shortly after Admission to make free share awards over up to £1,000 of Ordinary Shares each to all Eligible Employees in the UK under the SIP and, where practicable, to make equivalent awards (under the SIP or otherwise) to employees of overseas subsidiaries. Further details on the SIP are set out in paragraph 8.2 of Part V of this document.

EBT

An employee benefit trust, known as the Midwich Employees' Share Trust, and whose trustee is Midwich Employees' Trustees Limited will at Admission hold 480,700 Ordinary Shares. Under the terms of the trust deed governing the Midwich Employees' Share Trust, the trustee may not exercise any voting rights attached to the Ordinary Shares or receive any dividends declared in respect of the Ordinary Shares (except in a case where beneficial ownership of an Ordinary Share has come to be held by a beneficiary). Further details on the EBT are set out in paragraph 8.3 of Part V of this document.

16. Admission to Trading, Settlement and Dealing Arrangements

Application has been made for admission of the Ordinary Shares comprised within the issued and to be issued share capital of the Company to trading on AIM. It is expected that Admission will become effective and that dealing in the Ordinary Shares will commence on 6 May 2016.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the placees subscribing for or acquiring them and issued or transferred either:

- (a) in CREST, where the placee so elects and only if the placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for or purchased expected to take place on 6 May 2016; or
- (b) otherwise, in certificated form, with the relevant share certificate expected to be despatched by post by 20 May 2016.

Notwithstanding the election by placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to placees or as they may direct will be sent through the post at their risk.

Pending despatch of definitive share certificates or crediting of CREST stock accounts (as applicable), the CREST service provider will certify any instrument of transfer against the Company's register of members.

The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

17. CREST

CREST is a paperless settlement procedure which allows securities to be evidenced without a certificate and transferred other than by written instruction. The Company's Articles permit the holding of Ordinary Shares under the CREST system. Application has been made for all of the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if the individual Shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

The Directors have applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, it is expected that the Ordinary Shares will be enabled for settlement in CREST following Admission.

18. Corporate Governance

There is no prescribed corporate governance regime in the UK for AIM companies. Although the UK Corporate Governance Code does not apply to companies whose shares are admitted to trading on AIM, the Directors recognise the importance of sound corporate governance commensurate with the size and nature of the Group and the interests of its Shareholders.

The QCA has published the QCA Code, a set of corporate governance guidelines for AIM companies, which include a code of best practice, comprising principles intended as a minimum standard, and recommendations for reporting corporate governance matters. The Board has adopted the QCA Code with effect from Admission, so far as it is practicable having regard to the size and nature of the Group.

The Board

The Board will meet regularly and will be responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. The Board has delegated specific responsibilities to the committees referred to below.

Audit Committee

The Company has established an Audit Committee, which will comprise Andrew Herbert as Chairman and Michael Ashley. It will meet at least twice each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The Audit Committee is responsible for determining the application of the financial reporting and internal control principles, including reviewing regularly the effectiveness of the Company's financial reporting, internal control and risk-management procedures and the scope, quality and results of the external audit.

Remuneration Committee

The Company has established a Remuneration Committee which will comprise Michael Ashley as Chairman and Andrew Herbert, who will review the performance of the executive Directors and set the scale and structure of their remuneration and the basis of their service agreements with due regards to the interests of Shareholders. In determining the remuneration of executive Directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of the highest calibre. The Remuneration Committee also makes recommendations to the Board concerning the allocation of awards to executives under the Share Plans referred to in paragraph 8 of Part V of this document and for the administration of this plan. No Director is permitted to participate in discussions or decisions concerning their own remuneration.

Nomination Committee

The Company has established a Nomination Committee which will comprise Andrew Herbert as Chairman, Stephen Fenby and Michael Ashley and will be responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

19. Share Dealing Code

The Company has adopted, with effect from Admission, a share dealing code for the Directors and all employees, which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during close periods in accordance with Rule 21 of the AIM Rules for Companies) and the Company will take all reasonable steps to ensure compliance by the Directors and any relevant employees.

20. The City Code

The City Code applies to the Company. Under Rule 9 of the City Code, if an acquisition of interests in shares were to cause the acquirer and/or persons acting in concert with it to be interested in shares carrying, in aggregate, 30 per cent. or more of the voting rights in the Company, the acquirer and/or (depending on the circumstances) persons acting in concert with it would be required (except with the consent of the Takeover Panel) to make a cash offer for all of the equity share capital of the Company not already owned by the acquirer and persons acting in concert with it at a price not less than the highest price paid for an interest in a share by the acquirer or persons acting in concert with it during the previous 12 months. A similar obligation to make such a mandatory cash offer would also arise on the acquisition of interests in shares by a person who alone or together with persons acting in concert with is interested in shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and the persons acting in concert with it.

The City Code defines persons “acting in concert” to comprise “persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company or to frustrate an offer for a company”. The City Code defines “control” to mean “an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interest give de facto control.”

The Company has agreed with the Takeover Panel that:

- each of Stephen Fenby, Jane Fenby, William Fenby, and Edward Fenby who are all members of the same family, should be treated as persons acting in concert for the purposes of the City Code (“**Fenby Concert Party**”);
- each of Michael Broadbent and Jamcan Super ATF Pty Limited (the operator of a pension fund connected to Michael Broadbent) should be treated as persons acting in concert for the purposes of the City Code (“**Broadbent Concert Party**”); and
- each of Lutz Kern and Andreas Stelly should be treated as persons acting in concert for the purposes of the City Code (“**K&S Concert Party**”),

(together, the “**Concert Parties**” and each a “**Concert Party**”).

The Takeover Panel has agreed with the Company that

- each Concert Party should not be regarded as acting in concert with either of the other Concert Parties; and
- no other Shareholders should be regarded as acting in concert either with each other nor with any of the Concert Parties.

Following Admission, the interests of the Fenby Concert Party will be as follows:

Name	Number of Ordinary Shares (conferring voting rights)	Percentage of Ordinary Shares (conferring voting rights)
Stephen Fenby	19,305,000	24.3
Jane Fenby	1,375,000	1.7
William Fenby	750,000	0.9
Edward Fenby	750,000	0.9
Aggregate interests of the Fenby Concert Party	22,180,000	27.9

Following Admission, the interests of the Broadbent Concert Party will be as follows:

Name	Number of Ordinary Shares (conferring voting rights)	Percentage of Ordinary Shares (conferring voting rights)
Michael Broadbent	222,000	0.3
Jamcan Super ATF Pty Limited	148,000	0.2
Aggregate interests of the Broadbent Concert Party	370,000	0.5

Following Admission, the interests of the K&S Concert Party will be as follows:

Name	Number of Ordinary Shares (conferring voting rights)	Percentage of Ordinary Shares (conferring voting rights)
Lutz Kern	1,000,000	1.3
Andreas Stelly	1,000,000	1.3
Aggregate interests of the K&S Concert Party	2,000,000	2.5

Squeeze out

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making the offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding shareholders.

The consideration offered to the shareholders whose shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the takeover offer.

Sell out

The Act also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can require the offeror to acquire his shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

21. Taxation

Information regarding taxation is set out in paragraph 14 of Part V of this document. These details are, however, intended only as a general guide to the current tax position under UK taxation law. If you are in any doubt as to your tax position you should consult your own independent financial adviser immediately.

22. Further Information

Prospective investors should read the whole of this document which provides additional information on the Company and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part II of this document, which contains a summary of the risk factors relating to any investment in the Ordinary Shares of the Company.

PART II

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Accordingly prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares. The Board considers the following risk factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group. In particular, the Company's performance may be affected by changes in the market and/or economic conditions and in legal, regulatory and tax requirements.

An investment in the Ordinary Shares described in this document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of FSMA who specialises in advising on the acquisition of shares and other securities before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her. If you are in any doubt about the action you should take, you should consult your independent professional adviser authorised under FSMA.

1. Risks relating to the Group

The following sets out some of the risks relating to the Group. If any of the following risks are borne out in reality, the Group's business, financial condition or results of operations could be seriously affected.

The Group relies on the sustainability of key vendors relationships, which might not be easily replaced if they elect not to do business with the Group

Given that the Group's strategy is solely to distribute AV and document solutions products on behalf of its vendors, and not seek to compete with them by manufacturing and distributing own branded products, the Group is wholly dependent on its vendors. The Group's largest vendor represented 21 per cent. of the Group's distributed products by revenue for the year ended 31 December 2015. In total, the Group's top five vendors represented 52 per cent. of the Group's total revenue for the year ended 31 December 2015. Whilst the Directors consider the Group's relationships with its vendors to be mutually dependent and enhanced by the high quality service offering delivered over a consistent period, the loss of, or a significant reduction of trading with, one or more of the Group's key vendors could have an adverse effect on the Group's business, financial condition and results of operations.

The Group's vendors are typically able to terminate their contracts on provision of notice (which tends to vary between one month and three months depending on the vendor) which could result in the Group no longer being able to rely on access to the products previously supplied by these vendors. In any event, the majority of vendors are subject to framework agreements that do not give any guarantees of volumes. If such key vendors cease to conduct business with the Group, or adversely change the terms on which they supply products to the Group, and the Group is unable to procure alternative vendors on similar terms and for a similar level of volume, this could have a material adverse effect on the Group's results of operations, financial condition and prospects.

The performance of the Group's vendors can be affected by factors such as general economic conditions, disruptions to their business, ability to adjust to rapid technological shifts and reputational risks. Although

the Group has a diversified portfolio of vendors, the failure of one or more of the Group's key vendors could mean that the Group has to dispose of stock at a loss or at a substantial discount.

Dependence on key customers

The Group has continued to grow its business in the UK and internationally, and has a large customer base of approximately 10,000 AV integrators and IT resellers with whom many have long-term relationships with Midwich. The diversity of the Group's customer base is demonstrated by the fact that no customer accounted for more than 2.5 per cent. of overall Group revenues for the year ended 31 December 2015 and the top ten customers accounted for just 14 per cent. of revenues.

Most of the Group's customers contract with the Group on a deal-by-deal basis, with no formal ongoing purchasing commitment. As such, they have a voluntary right to terminate their contractual relationships with the Group, without notice or penalties. Following Admission some customers may decide to terminate their relationship with the Group as a result of the change of control of the Group arising as a result of the Placing of the Sale Shares by the Selling Shareholders. There is therefore a lack of certainty in respect of the retention of existing customers who may elect not to continue contracting with the Group following Admission, or the volume with which they will continue to trade with the Group. Any loss of key customers, who generate substantial revenue for the Group, could have a material adverse effect on the Group's results of operations, financial condition and prospects.

The Group is dependent on key personnel and the ability to attract and retain skilled employees in order to successfully deliver its strategy

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

While the Group actively measures the retention of talent within the business, actively engages with employees by focusing on training and development, customer relationships, leadership and communications, and conducts annual assessments of remuneration packages to ensure market position is maintained, there can be no guarantee that the Group's business model, strategy and remuneration packages will remain effective in retaining key employees or securing applications (and subsequently acceptances of employment) from a high calibre of candidates in all Group jurisdictions, and this could diminish the quality of the services that the Group is able to provide to its vendors and customers.

The Group's success partly depends upon the ability of its business management and sales team to add new vendors and customers and continue to provide high quality service to existing vendors and customers of the Group. In addition, as the Group seeks to expand its offering of value-add solutions to customers, it will need to attract and retain skilled employees with specialist technical and technology expertise, for whom the market is competitive. If the Group were unable to attract, recruit and retain the talent required to support its growth strategy, the Group may experience a decline in its ability to effectively provide high value-add solutions and levels of service, which may have a material adverse effect on the Group's business, results of operations and financial condition.

The Board recognises the importance of ensuring that employees of the Group are effectively and appropriately incentivised and their interests aligned with those of the Group. Historical incentive schemes have resulted in the Company's share capital being held across a broad spread of the group's senior management team. In addition, the Group has adopted the Share Plans, to align the interests senior management and the broader employee workforce alike, with those of the Shareholders.

Commercial terms operated with the Group's vendors may be significant reduced

Certain vendors provide the Group with incentives in the form of rebates, and other income such as marketing development funds, early payment discounts and price protections, which enable the Group to improve its profitability. Qualification for such incentives may be based, for example, on the Group's level of stock purchases, volume of sales to its customers (either in total or to specific customer groups) and the

quality and volume of promotional activity undertaken by the Group. There can be no assurances that the Group will continue to receive the same level of income. If the Group is unable to adjust its operating practices in a timely manner to any fundamental changes in these commercial terms, it may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group relies upon its strong market reputation

The Group's reputation is key to its future success in terms of the services it provides, the way in which it conducts its business, its ability to attract and retain key vendors and customers, and the financial results it achieves. Failure to meet the expectations of its employees, vendors, customers and Shareholders may have a material adverse effect on the Group's reputation. Any damage to the Group's reputation from this or from any negative publicity surrounding the Group, its prospects or its competitive position may have a harmful impact on the Group's ability to maintain existing vendor and customer relations, its ability to attract new vendors or customers, and on the Group's attempts to retain key employees or attract new employees. Therefore, any damage to the Group's reputation could have a material adverse effect on the Group's business, results of operations and financial condition.

Expected benefits from acquisitions and investments may not be realised

The Group intends to continue executing its strategy of entering into new jurisdictions through carefully targeted acquisitions, as was the case with its entry into each of the German, French, Irish and Australasian markets. The Group also intends to pursue targeted acquisitions in its current markets in order to bolster product offerings and sector penetration, increase scale or gain access to new market segments. Notwithstanding the fragmented nature of the markets in which the Group operates, there is no guarantee that the Group will succeed in identifying suitable acquisition opportunities in the future, or that they will be capable of being executed on advantageous terms, or at all.

Acquisitions also give rise to inherent execution and integration risk. The process of integration may produce unforeseen operating difficulties and expenditures, and may absorb significant attention of the Group's management that would otherwise be available for the ongoing development of the business. In addition, acquisitions also involve a number of other risks including unforeseen liabilities, difficulties in realising costs or revenues, loss of key employees and customer relationship issues. Accordingly, the Group may not obtain the intended benefits from any acquisitions that the Group may pursue in the future.

Failure to adequately protect the Group from losses resulting from acquisitions, including losses resulting from the unsuccessful integration of future acquisitions, could damage the Group's reputation and brand, and could have an adverse effect on the Group's business, financial condition and results of operations. Furthermore, the Group's acquisition strategy and costs of integrating acquired businesses may involve capital outlays that could impact the financial position and funding structure of the Group, as well as having an effect on the Group's ability to finance its long-term working capital requirements.

Funding – access to liquidity and credit

Liquidity and credit risks relate to the ability of the Group to pay for products required to be held as stock by the Group in order to trade on a day-to-day basis. One of the Group's main sources of funding is through its invoice discounting facility.

The Group relies heavily on invoice discounting to fund its core working capital, and peaks and troughs. The invoice discounting facility provides the Group with a level of funding linked to its eligible debtors. There is a risk that the level of funding made available may reduce if the value of eligible debtors falls (for example because the Group suffers a prolonged period of low sales, or a significant increase in balances which are not funded) or because the Group's funders reduce the percentage of debts which they are prepared to advance. In these eventualities, the amount of funding made available to the Group could reduce and it may not be able to convert its debtors and stock into cash quickly enough, or renegotiate payment terms with its key suppliers.

Disruption or loss of supply chain, logistics or IT systems/security

The Group relies on its operational infrastructure, including its logistics, supply chain and IT infrastructure, for the successful transaction of its business including, amongst other things, the management and fulfilment of customer orders on a timely basis, the coordination of its sales activities across all products and services, and invoicing and credit control. Any prolonged disruption to or loss of any part of the Group's logistics, supply chain or IT infrastructure could have a material adverse effect on the Group's business, financial condition and results of operations.

Whilst the Directors consider the Group's IT systems and processes as adequate for current operations, it is intended that the Group invest in a new Group-wide ERP system during the years ending 31 December 2016 and 31 December 2017 to support higher transaction volumes and give greater control and oversight of international divisions. It is currently anticipated that the ERP system will be implemented during FY17 with a total investment cost of approximately £2 million. Despite a detailed planning exercise undertaken in relation to this planned investment, there is a risk that the cost of implementing the system will increase over budget and there is a further risk that it may not complete on schedule, which could lead to further cost overrun and disruption to the ongoing business.

The secure management and transmission of confidential client data is integral to service delivery. Networks may be vulnerable to unauthorised access, computer viruses and other security breaches. Third parties who circumvent security measures could wrongfully use Group or client confidential data or cause interruptions or malfunctions in operations. Notwithstanding the investments made by the Group and its service providers to protect against security breaches, it may not be possible to implement security measures that protect against all security risks.

A breach of confidentiality either by actions of a member of staff or as a result of unauthorised access could result in claims against the Group from both customers and vendors and/or result in the Group having to pay damages which could have a material adverse effect on the Group's reputation, results of operations and financial condition.

Jurisdictional factors

The Group is active across multiple jurisdictions and often operates a de-centralised management system. The Group has in place formal policies, procedures and control protocols to govern its operation. However, given the large number of employees and the geographical spread of the Group, it cannot guarantee that these policies are always fully adhered to or that its control procedures will never fail. In such circumstances, this could result in a negative financial or reputational impact on the Group.

As the Group has expanded into new jurisdictions, it has implemented centrally approved procedures and controls. However, as new geographic operations are established, there is a risk that the culture and processes applied by the Group may not be immediately embedded within the new location. In addition, further geographic expansion of the Group's operations may lead to operational difficulties in central oversight of the regional offices.

Employee misconduct may damage or result in the loss of vendor or customer relationships

The Group may be unable to prevent its employees from engaging in misconduct, fraud or other improper activities that could adversely affect its business and reputation. Misconduct may include the failure to comply with the Group's, vendors' or customers' policies and procedures, as well as with applicable legislation and regulation. The precautions the Group takes to prevent and detect such activity may not be effective, and the Group may be exposed to risks related to and losses caused by actions of its employees. As a result of employee misconduct, the Group may face reputational damage and loss of vendor or customer relationships, which may have a material adverse effect on the Group's business, results of operations and financial condition.

The Group is exposed to litigation and claims in the ordinary course of business

Given the Group's exposure to a number of jurisdictions and their respective legal and compliance requirements, it may be subject to claims, lawsuits and other proceedings in the ordinary course of its

business, both in the UK and overseas. Such proceedings may include commercial, employment and other litigation. Any such actual, pending or threatened litigation or arbitration by, involving or brought against the Group could result in a significant diversion of the Group's resources and management attention before, during and following the issue of proceedings, both in relation to costs and liability, could have a material adverse effect on the Group's business.

Whilst the Group has a track record of no material claims and has taken, and intends to continue to take, such precautions as it considers appropriate to avoid or minimise the likelihood of any legal proceedings or claims, or any resulting financial loss to the Group, the Directors cannot preclude the possibility of litigation being brought against the Group. Any litigation, whether or not determined in the Group's favour or settled by the Group, and notwithstanding the insurance cover maintained by the Group, may be costly and may have a material and adverse effect on the Group.

Intellectual property

The steps the Group has taken, or is taking, to protect its intellectual property may be inadequate to prevent the misappropriation of its proprietary information or other intellectual property rights. Any misappropriation of the Group's intellectual property could have a negative effect on the Group's business, its operating results and the value of the Group's brands. Some jurisdictions may not have adequate laws to protect the intellectual property rights of the Group, and policing unauthorised use of intellectual property, particularly online, is difficult and expensive. Any litigation relating to the Group's intellectual property, whether instigated by the Group to protect its rights or arising out of alleged infringement of third-party rights, might result in substantial costs and the diversion of resources and management attention.

The Group has not traditionally protected its brands through trademark registrations. Where the Group does not have registered trademark protection for its brands, it must rely on any unregistered trademark rights it may have under laws of passing-off, unfair competition, the protection of well-known marks and similar rights. The Group may not satisfy the requirements of the relevant jurisdiction for bringing legal proceedings to enforce such unregistered rights.

Currency fluctuations could materially adversely affect the Group's results

The Group reports its financial results in pounds sterling but conducts a material amount of its business outside of the United Kingdom, through its operating companies in Ireland, France, Germany, Australia and New Zealand. Presently the Group largely manages its exchange rate risk through the natural matching of payments and receipts denominated in local currencies but, to the extent that its products and services have been sourced from countries outside of those currencies, the Group is exposed to the risk of currency fluctuations.

In addition to the currency transactional risk mentioned above, conducting business across multiple jurisdictions may expose the Group to financial risks associated with fluctuations in exchange rates, primarily between pounds sterling, euro and US dollar, exposing the Group to a translational risk. Exchange rate fluctuations may have a material adverse effect on the Group's profitability once translated into the Group's reporting currency of pounds sterling. The Group's reporting profit is translated at an average exchange rate for the relevant financial period whilst the value of net assets (including net debt) is translated at the closing exchange rate for the relevant financial period.

The Group's insurance coverage may not be adequate to cover all possible losses that it could suffer and its insurance costs may increase

The Group maintains insurance coverage which the Directors believe is appropriate for the scope of its business. Although the Group carries insurance for risk areas such as public and product liabilities, loss or damage to inventory, trade debtors and other assets, and business interruption, its insurance policies do not cover all types of losses and liabilities and are subject to limits and excesses. There can be no assurance that the Group's insurance will be sufficient to cover the full extent of any losses or liabilities it may incur and there can be no guarantee that the Group will be able to renew its current insurance policies on favourable terms, or at all. Were the Group's insurance coverage to be inadequate to cover actual losses or its insurance

costs to increase significantly, it may have a material adverse effect on the Group's business, financial condition and results of operations.

Availability of credit insurance capacity

The Group and many of its suppliers make use of credit insurance to mitigate the risk of loss from customer default. The availability of such credit insurance is dependent partly on general economic conditions and also on the availability of underwriting cover at suitable terms. A material reduction in the availability of credit insurance could reduce the Group's ability to obtain sufficient credit from its suppliers, which may result in either the Group needing to pay supplier invoices earlier (leading to an additional outflow of funds) or a reduction in the value of purchases made (and hence products available for sale). If the Group is unable to obtain sufficient credit insurance for its own debtors it may either decide to reduce the size of its business or take on additional uninsured credit risks.

Funding – rise in interest rates

Increases in interest rates could increase the cost of borrowing for the Group and have a negative impact on its financial performance. The Group's borrowing facilities, including its invoice discounting facility arrangement, are linked to either LIBOR or base rate. An increase in either of these benchmarks would impact the Group's cost of borrowing, which in turn would impact the Group's financial performance.

2. Risks relating to the Group's markets

The Group is exposed to changes in macroeconomic conditions and economic activity

The Group's performance is impacted by overall economic conditions, such as GDP, interest rate fluctuations, availability of credit, equity market conditions and changes in fiscal and monetary policy globally, and the level of corporate and consumer confidence and spending in the Group's markets. Weak economic conditions, generally, or a broad-based reduction in AV spending may adversely affect the Group's business, results of operations and financial condition. Whilst the Group and the AV market generally demonstrated its resilience by continuing to grow even during depressed economic conditions during the period from 2008-2010, and the geographic diversity of the Group's operations provide a degree of protection against weakness in any specific regions, activity in the Group's markets are likely to be negative impacted should economic conditions deteriorate significantly.

A prolonged slowdown in the global and/or UK economy or a tightening of credit markets could cause the Group's customers and potential customers to have difficulty accessing capital and credit sources, delay contractual payments or delay or forgo decisions to upgrade or expand their existing AV networks, purchase products or services, or reduce their overall AV budget. Economic or industry downturns may also result in longer payment cycles and defaults in excess of the Group's expectations. Such events may have a material adverse effect on the Group's business, results of operations and financial condition.

The success of the Group depends in part on its ability to identify and respond to evolving macroeconomic and sector trends. Failure to identify or effectively respond to changing expenditure patterns by the Group's customer base could adversely affect the Group's business.

The Group is exposed to strong competitive threats and may be unable to win or maintain market share

Whilst the Group currently has a strong position in its fragmented markets, it operates in a competitive industry with a number of well-established players. Currently, the Group competes at a local level in its chosen jurisdictions, rather than at a global level, and the Directors believe that a combination of the Group's unique product and service offering, and size, serve to ensure Midwich does not encounter any directly comparable competitors of scale, particularly in the UK.

Despite this, there is a risk that a large multinational distributor may seek to enter, or expand in, the AV market in a serious manner. This could manifest itself through the adoption of an aggressive pricing model to gain fast market share, or through the development of an attractive competitive offering which could threaten the Group's brand positioning with vendors and customers, and ultimately, the Group's market share. In addition, some of these distributors may have greater financial resources, be more geographically diversified and have better brand recognition.

The Directors believe that the Group has developed, and continues to develop, a strong business proposition based on key long-term, value-add relationships in its chosen jurisdictions, which is a contrasting model to how many of the major broad-line distributors operate globally through a high volume and low service quality model. However, there are no assurances that the proposition presented by the Group's competitors will not improve and serve as a serious threat to the Group's market position. To the extent that competitors seek to gain market share, there could be a material and adverse effect on the Group's business, financial condition and results of operations.

The Group would be impacted by a fundamental strategic shift in the route to market deployed by a number of its key vendors

The Group is exposed to the risk that its key vendors drastically alter their distribution models, establish their own distribution channel and start supplying significantly more products directly to resellers and integrators, instead of passing through distributors such as Midwich. Were a vendor to make the decision to supply directly, it is likely that they would need to undertake significant investment in the appropriate infrastructure to supply and support the sale of product to a large number of customers. Whilst the Directors do not believe this is the current market trend, were such a shift to materialise and impact the behaviour of the Group's biggest vendors, the Group's revenue could be impacted if it were unable to switch to selling other brands and replace the lost sales. Such a situation may have a material adverse effect on the Group's ability to meet the requirements of its customers and consequently the Group's results of operations and financial condition.

Inventory risk

As a value-added distributor, an important element of the Group's service offering is to have a broad and deep inventory availability. The Group operates in relatively fast changing markets, where technology can become obsolete in relatively short timescales, and/or product prices can reduce rapidly. Although the Group has extensive experience in the management of inventory obsolescence, and can often gain support from its manufacturers in dealing with potentially obsolete or overpriced inventory, there is a risk that it may suffer a significant financial loss from being left with unsaleable or overpriced inventory, which may have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

The Group may be unable to identify and react to technological trends and changing customer demands

The AV market in which the Group operates is subject to regular and fast-paced technological change, with new products and services being introduced to the market frequently and existing products and services becoming outdated or obsolete. Therefore, the Group's success depends, in part, on its ability to develop its offering in line with changing customer demands and preferences for AV products and equipment. Whilst the Group's product offering is very broadly spread and has no significant exposure to any one product group or technology, it may be required to invest significant time and resources to develop or establish the necessary expertise, experience and vendor relationships to effectively sell and deliver new solutions to its customers. Failure to adapt in response to changes in technological innovation and customer demand may limit the Group's ability to serve its customers effectively and restrict its ability to execute its growth strategy, which may have a material adverse effect on the Group's reputation, business, results of operations and financial condition.

Sector consolidation

The AV market may undergo a period of consolidation and the Group's current and potential competitors may pursue strategic acquisitions and/or mergers to enable them to penetrate the market the Group currently occupies and to acquire market share at the Group's expense. Existing and/or increased competition could adversely affect the Group's market share and/or force the Group to consider price reduction which could impact margins and have a material adverse effect on the group's business, results of operations or financial condition.

Similarly, significant consolidation in the Group's supplier base may reduce the Group's choice of vendors and in the Group's negotiating power with those vendors.

3. Risks relating to the Ordinary Shares

Minority Shareholders may have difficulty affecting the outcome of Shareholders' votes

Immediately after Admission, Stephen Fenby will control, directly and indirectly, 27.9 per cent. of the Group's issued share capital. Therefore, after Admission, Stephen Fenby will, through the votes he will be able to exercise at the Group's general meetings, continue to be able to exercise a significant degree of influence over, and in some cases determine, the outcome of certain matters to be considered by Shareholders, including:

- the election of Directors;
- a change of control in the Group, which could deprive Shareholders of an opportunity to earn a premium for the sale of their Ordinary Shares over the then prevailing market price;
- substantial mergers or other business combinations;
- the acquisition or disposal of substantial assets;
- the issuance of equity securities; and
- the payment of any dividends on the Ordinary Shares.

Risk attaching to the market in Ordinary Shares

As the Ordinary Shares have not previously traded, their market value is uncertain. There can be no assurance that the market will value the Ordinary Shares at the Placing Price. Following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. The Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, stock market conditions may affect the Ordinary Shares regardless of the operating performance of the Company. Stock market conditions are affected by many factors, such as general economic outlook or interest rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply of capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which pertain to the Company while others of which may be outside the Company's control.

Lack of liquidity in Ordinary Shares

Although the Company has applied for the Ordinary Shares to be admitted to trading on AIM, no assurance can be given that at any time after Admission a liquid market for the Ordinary Shares will develop. In the future, Shareholders who need to dispose of their Ordinary Shares may be forced to do so at prices that do not fully reflect the net asset value per Ordinary Share.

AIM

Application has been made for the Ordinary Shares to be admitted to AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the United Kingdom Listing Authority. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed.

Dividends

The dividend policy of the Company is dependent upon its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time and on the continued health of the markets in which it operates. There can be no guarantee that the Company will pay dividends in the foreseeable future.

Tax considerations

Changes in tax laws or subordinate legislation or the practice of any taxation authority could have a material adverse effect on the Group. An investment in the Company may involve complex tax considerations which may differ for each investor and each investor is advised to consult its own tax advisers. Any tax legislation and its interpretation and the legal and regulatory regimes which apply in relation to an investment in the Company may change at any time.

Investors should refer to the paragraph entitled “United Kingdom taxation” in paragraph 14 of Part V of this document for a summary of the possible tax consequences of owning the Ordinary Shares.

Conditionality of the Placing

The Placing is conditional upon, among other things, Admission. In the event that any condition to which Admission is subject is not satisfied or, if capable of waiver, waived, Admission will not be implemented.

No prior market for the Ordinary Shares

Before Admission, there has been no prior market for the Ordinary Shares. Although application has been made for the Ordinary Shares to be admitted to trading on AIM, an active public market may not develop or be sustained following Admission.

There is no guarantee that the Company will maintain its quotation on AIM

The Company cannot assure investors that the Company will always retain a quotation on AIM. Additionally, if in the future the Company decides to obtain a listing or quotation on another exchange in addition to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

Issuance of additional Ordinary Shares

Although the Company’s business plan does not involve the issuance of Ordinary Shares other than in connection with the Placing, it is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price or prices higher or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, or the public perception that an issue may occur, could have an adverse effect on the market price of Ordinary Shares and could dilute the proportionate ownership interest, and hence the proportionate voting interest, of Shareholders if, and to the extent that, such an issue of Ordinary Shares is not effected on a pre-emptive basis or Shareholders do not take up their rights to subscribe for further Ordinary Shares as part of a pre-emptive offer.

Substantial sales of Ordinary Shares

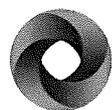
There can be no assurance that certain Shareholders will not elect to sell their Ordinary Shares following the expiry of the lock-in and orderly marketing arrangements contained within the Placing Agreement, details of which are set out in paragraph 10 of Part V of this document, or otherwise. The market price of Ordinary Shares could decline as a result of any such sales of Ordinary Shares or as a result of the perception that these sales may occur. In addition, if these or any other sales were to occur, the Company may in the future have difficulty in offering Ordinary Shares at a time or at a price it deems appropriate.

The risks listed above do not necessarily comprise all of those faced by the Company

PART III

FINANCIAL INFORMATION ON THE COMPANY

SECTION A: ACCOUNTANTS REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF THE GROUP



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Our Ref MC/MM/NH/Brahms

The Directors (acting in such capacity and on behalf of the **Company**)
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3 May 2016

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Dear Sirs

Midwich Group plc (the Company) and its subsidiary undertakings (together the Group) – Accountant's Report on Historical Financial Information

We report on the Group's historical financial information set out in Part III B, for the three years ended 31 December 2015 (the **Historical Financial Information**). The Historical Financial Information has been prepared for inclusion in the Company's AIM admission document dated 3 May 2016 (the **Admission Document**) on the basis of the accounting policies set out in the 'Basis of preparation' note in the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the Historical Financial Information on the basis of preparation set out in the 'Basis of preparation' note in the Historical Financial Information. It is our responsibility to form an opinion as to whether the Historical Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Chartered Accountants

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Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 31 December 2013, 31 December 2014 and 31 December 2015 and of its profits, cash flows and changes in equity for the three years ended 31 December 2015 in accordance with the basis of preparation set out in the 'Basis of preparation' note in the Historical Financial Information.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully


GRANT THORNTON UK LLP

SECTION B: HISTORICAL FINANCIAL INFORMATION ON THE GROUP

Consolidated Income Statement for the year ended 31 December

	<i>Notes</i>	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Revenue	1,2	233,742	280,750	314,283
Cost of sales		(201,631)	(240,600)	(267,322)
Gross profit	1	32,111	40,150	46,961
Distribution costs		(22,465)	(27,043)	(30,037)
Administrative expenses		(2,180)	(5,588)	(6,751)
Other operating income	3	1,989	2,441	2,468
Operating profit	4	9,455	9,960	12,641
Finance income	6	14	3	4
Finance costs	7	(618)	(2,623)	(4,087)
Profit before taxation	1	8,851	7,340	8,558
Taxation	8	(2,021)	(1,993)	(2,746)
Profit after taxation		6,830	5,347	5,812
Profit for the financial year attributable to:				
The Company's equity shareholders		6,542	4,803	5,005
Non-controlling interest		288	544	807
		6,830	5,347	5,812
Basic & diluted earnings per share	9	£1.33	£6.80	£7.14

Consolidated Statement of Comprehensive Income for the year ended 31 December

	<i>M&R 320</i>	<i>Jade 320</i>	<i>Jade 320</i>
	<i>Limited</i>	<i>Limited</i>	<i>Limited</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Profit for the financial year	6,542	4,803	5,005
Other comprehensive income – items that may subsequently be reclassified to profit/loss:			
Foreign exchange (losses)/gains on consolidation	(88)	(205)	(785)
Other comprehensive (loss)/income for the financial year, net of tax	<u>(88)</u>	<u>(205)</u>	<u>(785)</u>
Total comprehensive income for the financial year attributable to the owners of the parent	<u>6,454</u>	<u>4,598</u>	<u>4,220</u>
Total comprehensive income for the financial year attributable to non-controlling interests	<u>288</u>	<u>544</u>	<u>807</u>
Total comprehensive income for the financial year	<u>6,742</u>	<u>5,142</u>	<u>5,027</u>

Consolidated Balance Sheet as at 31 December

	<i>Notes</i>	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Assets				
Non-current assets				
Goodwill	11	18,622	3,005	3,303
Intangible assets	12	3,887	20,869	19,520
Property, plant and equipment	13	2,070	2,049	3,653
		<u>24,579</u>	<u>25,923</u>	<u>26,476</u>
Current assets				
Inventories	14	27,815	35,592	37,849
Trade and other receivables	15	32,942	37,761	42,707
Cash and cash equivalents	16	9,032	11,295	18,102
		<u>69,789</u>	<u>84,648</u>	<u>98,658</u>
Current liabilities				
Trade and other payables	17	(33,181)	(40,140)	(52,692)
Financial instruments	18	–	–	(6,094)
Deferred consideration	19	(1,422)	(1,422)	–
Borrowings	20	(28,942)	(38,514)	(41,968)
Current tax		(532)	(1,279)	(2,264)
		<u>(64,077)</u>	<u>(81,355)</u>	<u>(103,018)</u>
Net current assets/(liabilities)		<u>5,712</u>	<u>3,293</u>	<u>(4,360)</u>
Non-current liabilities				
Financial instruments	18	(1,735)	(3,106)	–
Borrowings	20	–	(13,597)	(5,908)
Finance lease payables	24	–	–	(166)
Deferred consideration	19	(1,422)	–	–
Deferred tax	8	(741)	(4,101)	(3,664)
		<u>(3,898)</u>	<u>(20,804)</u>	<u>(9,738)</u>
Net assets		<u>26,393</u>	<u>8,412</u>	<u>12,378</u>
Equity				
Share capital	27	16,021	1,449	1,398
Investment in own shares		–	(1,000)	(1,000)
Retained earnings		8,156	4,707	8,652
Translation reserve		(88)	(205)	(990)
Put option reserve		(1,735)	(1,735)	(1,735)
Capital redemption reserve		500	–	50
Other reserve		–	1,145	1,145
		<u>22,854</u>	<u>4,361</u>	<u>7,520</u>
Equity attributable to owners of the parent		<u>22,854</u>	<u>4,361</u>	<u>7,520</u>
Non-controlling interests		3,539	4,051	4,858
Total equity		<u>26,393</u>	<u>8,412</u>	<u>12,378</u>

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

M&R 320 Limited

Balance at 1 January 2013

	<i>Investment</i>		<i>Retained</i>	<i>Trans-</i>	<i>Put</i>	<i>Capital</i>	<i>Equity</i>	<i>Non-</i>	<i>Total</i>
	<i>Share</i>	<i>in own</i>	<i>earnings</i>	<i>lation</i>	<i>option</i>	<i>redemption</i>	<i>to owners</i>	<i>controlling</i>	
	<i>capital</i>	<i>shares</i>		<i>reserve</i>	<i>reserve</i>	<i>reserve</i>	<i>of the</i>	<i>interests</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>parent</i>	<i>£'000</i>	<i>£'000</i>
	14,297	(1,144)	9,974	–	–	–	23,127	30	23,157
Profit for the year	–	–	6,542	–	–	–	6,542	288	6,830
Other comprehensive income	–	–	–	(88)	–	–	(88)	–	(88)
Total comprehensive income for the year	–	–	6,542	(88)	–	–	6,454	288	6,742
Equity dividends	–	–	(6,527)	–	–	–	(6,527)	–	(6,527)
Re-designated debt element of preference shares to equity	2,224	–	–	–	–	–	2,224	–	2,224
Purchase of own shares	(500)	–	(689)	–	–	500	(689)	–	(689)
Put option to acquire NCI	–	–	–	–	(1,735)	–	(1,735)	–	(1,735)
Employee benefit trust disposal	–	1,144	(1,144)	–	–	–	–	–	–
Non-controlling interest on acquisitions	–	–	–	–	–	–	–	3,221	3,221
Transactions with owners	1,724	1,144	(8,360)	–	(1,735)	500	(6,727)	3,221	(3,506)
At 31 December 2013	16,021	–	8,156	(88)	(1,735)	500	22,854	3,539	26,393

Jade 320 Limited
For the period ended 31 December 2014

	<i>Share capital</i>	<i>Investment in own shares</i>	<i>Retained earnings</i>	<i>Translation reserve</i>	<i>Put option reserve</i>	<i>Other reserve</i>	<i>Equity attributable to owners of the parent</i>	<i>Non-controlling interests</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 27 November 2013	–	–	–	–	–	–	–	–	–
Profit for the year	–	–	4,803	–	–	–	4,803	544	5,347
Other comprehensive income	–	–	–	(205)	–	–	(205)	–	(205)
Total comprehensive income for the year	–	–	4,803	(205)	–	–	4,598	544	5,142
Issue of shares	1,449	–	–	–	–	–	1,449	–	1,449
Investment in own shares	–	(1,000)	–	–	–	–	(1,000)	–	(1,000)
Share bonus issue	–	–	(3)	–	–	–	(3)	–	(3)
Employee benefit trust acquisition	–	–	–	–	–	1,145	1,145	–	1,145
Put option to acquire NCI	–	–	–	–	(1,735)	–	(1,735)	–	(1,735)
Transactions with owners	1,449	(1,000)	(3)	–	(1,735)	1,145	(144)	–	(144)
Non-controlling interest on acquisitions	–	–	(93)	–	–	–	(93)	3,507	3,414
Balance at 31 December 2014	<u>1,449</u>	<u>(1,000)</u>	<u>4,707</u>	<u>(205)</u>	<u>(1,735)</u>	<u>1,145</u>	<u>4,361</u>	<u>4,051</u>	<u>8,412</u>

For the year ended 31 December 2015

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

Consolidated Statement of Cash Flows for the year ended 31 December

	<i>M&R 320</i>	<i>Jade 320</i>	<i>Jade 320</i>
	<i>Limited</i>	<i>Limited</i>	<i>Limited</i>
<i>Notes</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash outflow from operating activities			
Profit before tax	8,851	7,340	8,558
Depreciation	467	417	810
Amortisation	53	2,360	2,473
Gain on disposal of assets	–	–	(121)
Foreign exchange (gains)/losses	140	10	(22)
Finance Income	(14)	(3)	(4)
Finance costs	618	2,623	4,087
	<hr/>	<hr/>	<hr/>
Adjusted profit from operations before changes in working capital	10,115	12,747	15,781
Increase in inventories	(2,922)	(7,777)	(1,265)
Increase in trade and other receivables	(4,840)	(4,819)	(3,168)
Increase in trade and other payables	3,198	9,319	9,104
	<hr/>	<hr/>	<hr/>
Cash flow from operations	5,551	9,470	20,452
Income tax paid	(2,074)	(1,407)	(2,248)
	<hr/>	<hr/>	<hr/>
Net cash inflow from operating activities	3,477	8,063	18,204
Cash flow from investing activities			
Acquisition of businesses	28 (1,422)	(2,764)	(2,170)
Cash acquired within business combination	557	9,032	686
Deferred consideration paid on prior year business combination	–	(1,422)	(1,422)
Purchase of intangible assets	(4)	(42)	(64)
Purchase of plant and equipment	(418)	(396)	(1,261)
Proceeds on disposal of plant and equipment	–	–	449
Interest received	14	3	4
	<hr/>	<hr/>	<hr/>
Net cash from/(used) in investing activities	(1,273)	4,411	(3,778)
Net cash flow from financing activities			
Purchase of own shares	(689)	–	(1,061)
Dividends paid	(3,021)	–	–
Invoice financing inflows	4,062	(594)	2,337
New loans	–	–	6,500
Repayment of loans	(3,140)	(3,000)	(13,052)
Loan to related parties	(625)	–	–
Interest paid	(505)	(612)	(1,683)
Interest on finance leases	–	–	(22)
Capital element of finance lease payments	–	–	(406)
	<hr/>	<hr/>	<hr/>
Net cash outflow from financing activities	(3,918)	(4,206)	(7,387)

		<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Net (decrease)/increase in cash and cash equivalents		(1,714)	8,268	7,039
Cash and cash equivalents at beginning of financial year		7,690	–	8,053
Effects of exchange rate changes		(228)	(215)	(741)
Cash and cash equivalents at end of financial year		<u>5,748</u>	<u>8,053</u>	<u>14,351</u>
Comprising				
Cash at bank	16	9,032	11,295	18,102
Bank overdrafts	20	(3,284)	(3,242)	(3,751)
		<u>5,748</u>	<u>8,053</u>	<u>14,351</u>

NATURE OF OPERATIONS AND GENERAL INFORMATION

Jade 320 Limited (Jade 320 or ‘the Company’ is a limited company incorporated and domiciled in England and Wales. The registered company number is 08793266 and the registered office is Vines Road, Diss, Norfolk, IP22 4YT.

The company was re-registered as a plc on 15 April 2016.

The principal activities of Jade 320 Limited and its subsidiary companies is the distribution of Audio Visual and Document Solutions to trade customers.

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The Consolidated Historical financial information of Jade 320 Limited and its subsidiaries (together, “the Group”) for the 2014 and 2015 periods, and M&R 320 Limited and its subsidiaries (together, “the former Group”) for the 2013 period, have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted by the EU and IFRIC interpretations.

All accounting policies disclosed below apply to both the Group and the former Group for the respective periods presented, unless otherwise explicitly stated.

The former Group has adopted IFRS for the first time for the purpose of this consolidated historical financial information. The former Group’s transition date to IFRS is 1 January 2013. The Group has adopted IFRS for the first time in the preparation of the 2015 statutory accounts.

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2015.

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

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

The Consolidated Historical Financial Information is based on the annual statutory accounts which have been lodged with the Registrar of Companies. The statutory accounts were prepared on the following bases:

- 2013 – M&R 320 Limited, prepared under UK GAAP
- 2014 – Jade 320 Limited, prepared under UK GAAP
- 2015 – Jade 320 Limited, prepared under IFRS

The independent auditor’s reports for the statutory accounts for the years ended 2013, 2014 and 2015 were unqualified and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006.

The Consolidated Historical Financial Information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

Financial Information is presented in pounds sterling (£) and, unless otherwise stated, amounts are expressed in thousands (£’000), with rounding accordingly.

The Directors of Jade 320 are responsible for the financial information and contents of the consolidated historical financial information.

IFRS transition

This Consolidated Historical Financial Information does not comprise the first set of IFRS financial statements for the Group. The former Group has elected to adopt certain IFRS 1 exemptions from the full retrospective application of IFRS.

The reconciliation between the previously reported UK GAAP numbers to those presented under IFRS are given in notes 31 and 32.

Basis of consolidation

The Consolidated Historical Financial Information presented incorporates the results of:

1. Jade 320 Limited (“the Parent Company”) and entities controlled by the Company (its subsidiaries) for the 2014 and 2015 periods, and
2. The results of M&R 320 Limited (“the former Parent Company”) and entities controlled by the former Parent Company (its subsidiaries) for the 2013 period.

The two companies have collectively been referred to as “the Group” in the Consolidated Historical Financial Information.

The Directors have chosen to present this Consolidated Historical Financial Information for the Group in one document to reflect the underlying trading of the business during the entire period, and for the purposes of consistency with the basis of presentation in the remainder of the Admission Document.

A subsidiary is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee’s returns.

Income and expenses of subsidiaries acquired during the year are included in the Consolidated Income Statement from the effective date of control. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree’s financial statements prior to the acquisition.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

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

Acquisition-related costs are expensed as incurred.

All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue comprises revenue recognised in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

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

Promotional income is recognised on completion of the promotional activity in line with when it is contractually earned, and recorded separately in other operating income.

Finance income and costs

Interest income and expense is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

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

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

Goodwill

Goodwill represents the future economic benefits arising from business combinations which are not individually identified and separately recognised.

Goodwill is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in administrative expenses.

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

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

Patent licences	5 years
Software	3 years
Brands	10 years
Customer relationships	10 years

Property, plant and equipment

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

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

Freehold land and buildings	50 years
Leasehold improvements	Period of the lease
Plant and equipment (including rental assets)	3-5 years

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed.

Each asset's estimated useful life has been assessed with regard to its own physical life limitations and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively.

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

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

Impairment of non-financial assets including goodwill

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the group that independent cash flows are monitored.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

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

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

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where an impairment loss on other non-financial assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Income Statement immediately.

Inventory

Inventory is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cash and cash equivalents

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

Financial instruments

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

Financial instruments held at fair value through profit and loss (FVTPL) include forward currency contracts which meet the definition of stand-alone derivatives.

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

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

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

Financial assets

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

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

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

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

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

Financial liabilities

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

Borrowings include amounts advanced under invoice discounting facilities. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities.

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

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

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

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

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

Foreign currency

The presentation currency for the Group’s Consolidated Historical Financial Information is Sterling. Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the Income Statement, within “administrative expenses”.

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

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

Current taxation

Current taxation for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation

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

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

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

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

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

Employment benefits

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

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

Leases

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

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

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

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares issued.
- “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.
- “Translation reserve” represents the exchange differences arising from the translation of the financial statements of subsidiaries into the Group’s presentational currency.
- “Put option reserve” represents the fair value of written put and call options over shares in a subsidiary held by non-controlling interest shareholders accounted for as contracts over own shares.
- “Capital redemption reserve” represents the nominal value of shares repurchased by the Parent Company.
- “Other reserve” relate to the employee benefit trust.
- “Non-controlling interest” represents the share of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Employee benefit trust

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

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

Segment reporting

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

Details of the Group's reporting segments are provided in note 1.

International Financial Reporting Standards in issue but not yet effective

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

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

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

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

- Impairment review requires judgement with respect to the discount rate, growth rates and components of forecast cash flows.

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

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

Accounting for business combinations

Presentation of the financial information is dependent on the accounting basis adopted on the management buyout of M&R 320 Limited by Jade 320 Limited in December 2013. Judgement has been required in assessing the terms and conditions of the acquisition and the key factors noted include the change in voting rights and control and the resultant change in management. Based on the facts and circumstances of the transaction, Jade 320 Limited has been recognised as the acquirer of M&R 320 Limited.

Fair value of intangibles recognised in business combinations

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

Put and call option

The group has a symmetrical put and call option over the non-controlling interest held by local management in Kern & Stelly Medientechnik GmbH, the call option of which is required to be accounted for as a contract over own shares. The liability is recorded at the present value of the redemption amount and is accounted for as a separate component in equity on the basis that the group does not consider it currently holds the risks and rewards associated with the ownership of these shares.

NOTES TO THE CONSOLIDATED HISTORICAL FINANCIAL INFORMATION

1. Segmental reporting

Operating segments

For the purposes of segmental reporting, the Group's Chief Operating Decision Maker (CODM) is considered to be the Executive Board of Directors. The Group is a distributor of audio visual ("AV") hardware and computer peripherals to trade customers. The Board reviews attributable revenue, expenses, assets and liabilities by geographic region and makes decisions about resources and assesses performance based on this information.

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

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Segment revenues:			
UK & Ireland	198,666	206,282	221,435
France	15,088	19,721	23,981
Germany	12,918	43,102	51,013
Australasia	7,070	11,645	17,854
	<u>233,742</u>	<u>280,750</u>	<u>314,283</u>
Revenue from the UK, being the parent company of domicile, amounted to:			
UK	<u>190,603</u>	<u>194,842</u>	<u>207,164</u>
	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Gross profit by segment:			
UK & Ireland	27,082	29,862	34,745
France	2,075	2,952	3,301
Germany	1,602	5,357	6,366
Australasia	1,352	1,979	2,549
Gross profit	<u>32,111</u>	<u>40,150</u>	<u>46,961</u>
	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Segment results:			
UK & Ireland	8,738	7,536	8,944
France	173	481	489
Germany	677	1,663	2,505
Australasia	(133)	280	703
Operating profit	<u>9,455</u>	<u>9,960</u>	<u>12,641</u>
Interest income	14	3	4
Interest expense	(618)	(2,623)	(4,087)
Profit before tax	<u>8,851</u>	<u>7,340</u>	<u>8,558</u>

Segment revenues above are generated from external customers. There were no inter-segment sales during the periods presented. The accounting policies of the reportable segments have been consistently applied. Segment profit represents the profit earned before tax by each segment after amortisation of intangibles arising on consolidation.

Information about major customers

2015

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

Segment assets and liabilities

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Segment assets:			
UK & Ireland	71,966	84,668	95,732
France	7,406	7,153	7,544
Germany	12,723	13,460	16,824
Australasia	2,273	5,290	5,034
Total Consolidated Assets	<u>94,368</u>	<u>110,571</u>	<u>125,134</u>
	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Segment liabilities:			
UK & Ireland	53,379	85,123	94,255
France	7,840	7,102	7,056
Germany	4,588	4,954	7,118
Australasia	2,168	4,980	4,327
Total Consolidated Liabilities	<u>67,975</u>	<u>102,159</u>	<u>112,756</u>
Other information:			
	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Depreciation and amortisation			
UK & Ireland	396	1,933	2,760
France	55	192	95
Germany	54	522	389
Australasia	15	130	39
Total Consolidated	<u>520</u>	<u>2,777</u>	<u>3,283</u>

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Total non-current assets			
UK	20,208	19,227	20,122
Rest of the world	4,371	6,696	6,354
Total Consolidated	<u>24,579</u>	<u>25,923</u>	<u>26,476</u>

2. Revenue

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

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Sale of goods	233,742	280,750	312,719
Rental of goods	–	–	1,564
	<u>233,742</u>	<u>280,750</u>	<u>314,283</u>

3. Other operating income

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Promotional receipts	1,989	2,237	2,264
Other income	–	204	204
	<u>1,989</u>	<u>2,441</u>	<u>2,468</u>

4. Operating Profit

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Operating profit is stated after charging/(crediting):			
Depreciation of property, plant and equipment			
– owned assets	467	417	624
– assets held under finance lease	–	–	186
Amortisation of intangible fixed assets	53	2,360	2,473
Auditors' remuneration:			
– audit service	42	43	60
– tax compliance services	7	9	9
Difference on foreign exchange	140	10	(22)
Operating lease costs			
– buildings	353	399	548
– motor vehicles	198	164	265
	<u>1,989</u>	<u>2,441</u>	<u>2,468</u>

5. Directors and employees

The aggregate payroll costs of the employees were as follows:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Staff costs			
Wages and salaries	12,243	15,379	16,782
Social security costs	1,329	1,850	2,050
Pension costs	704	602	532
	<u>14,276</u>	<u>17,831</u>	<u>19,364</u>

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

	<i>M&R 320 Limited 2013 Number</i>	<i>Jade 320 Limited 2014 Number</i>	<i>Jade 320 Limited 2015 Number</i>
By activity:			
Administration	101	107	112
Sales and distribution	299	329	350
	<u>400</u>	<u>436</u>	<u>462</u>

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Remuneration of Directors			
Remuneration	678	331	378
Company pension contribution to defined contribution schemes	25	13	14
	<u>703</u>	<u>344</u>	<u>392</u>

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Emoluments of highest paid Director			
Remuneration	318	252	281
Company pension contribution to defined contribution schemes	10	11	12
	<u>328</u>	<u>263</u>	<u>293</u>

Retirement benefits were accruing to 2 Directors under a money purchase pension scheme (2014: 3; 2013: 3).

Details of key management personnel and their remuneration is disclosed within note 29.

6. Finance Income

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Interest on cash deposits	14	3	4

7. Finance costs

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Interest on overdraft and invoice discounting	447	548	568
Interest on finance leases	–	–	22
Dividend on preference shares treated as borrowings	–	64	61
Interest on other loans	171	640	448
Interest on put option liability	–	353	1,415
Movement in fair value of put option liability	–	1,018	1,573
	<u>618</u>	<u>2,623</u>	<u>4,087</u>

8. Taxation on ordinary activities

Analysis of charge in the period

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
UK tax	1,828	1,829	1,965
Overseas tax	177	857	1,268
Under/(over) provision in prior year	16	–	–
Deferred tax	–	(693)	(487)
Tax charge	<u>2,021</u>	<u>1,993</u>	<u>2,746</u>

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Profit on ordinary activities before taxation	<u>8,851</u>	<u>7,340</u>	<u>8,558</u>
Profit on ordinary activities by rate of tax (2013: 23.25%; 2014: 21.5%; 2015: 20.25%)	2,058	1,619	1,733
Expenses not deductible	118	346	739
Deferred tax not provided	(166)	101	(83)
Effect of overseas tax rates	(5)	123	357
Adjustments to deferred tax for change in tax rate	–	(196)	–
Adjustments for prior year	16	–	–
Total tax	<u>2,021</u>	<u>1,993</u>	<u>2,746</u>

Deferred tax:

Analysis of recognised deferred tax balances:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Opening balance (deferred tax asset)	(57)	–	4,101
– Arising on acquisitions in the period	798	4,794	50
– Adjustment to deferred tax rate	–	(231)	–
– Origination and reversal of temporary differences	–	(462)	(487)
Deferred tax liability– closing balance at 31 December	<u>741</u>	<u>4,101</u>	<u>3,664</u>
Deferred tax arising on acquisition of intangibles	798	4,158	3,859
Deferred tax arising from temporary differences	(57)	(57)	(195)
	<u>741</u>	<u>4,101</u>	<u>3,664</u>

9. Earnings per share

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

Diluted earnings per share is calculated by adjusting the average number of shares in issue during the period to assume conversion of all dilutive potential ordinary shares. The Company has no potentially dilutive shares in any period presented. Diluted loss per share is therefore the same as basic loss per share.

	<i>M&R 320 Limited 2013</i>	<i>Jade 320 Limited 2014</i>	<i>Jade 320 Limited 2015</i>
Profit attributable to equity holders of the Group (£'000)	6,542	4,803	5,005
Weighted average number of shares in issue	<u>4,924,658</u>	<u>706,792</u>	<u>700,702</u>
Basic & diluted earnings per share	<u>£1.33</u>	<u>£6.80</u>	<u>£7.14</u>

10. Subsidiaries

Details of the Group's subsidiaries are as follows:

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Place of incorporation and operation</i>	<i>% ownership held by the Group</i>		
			<i>2013</i>	<i>2014</i>	<i>2015</i>
M&R 320 Limited	Non-trading holding company and former parent (2013)	England	Parent company	100%	100%
Midwich Limited	Distribution of audio visual products to trade customers	England	100%	100%	100%
Invision UK Limited*	Distribution of audio visual products to trade customers	England	100%	100%	100%
Square One Distribution Limited*	Distribution of audio visual products to trade customers	Republic of Ireland	100%	100%	100%

<i>Name of subsidiary</i>	<i>Principal activity</i>	<i>Place of incorporation and operation</i>	<i>% ownership held by the Group</i>		
			<i>2013</i>	<i>2014</i>	<i>2015</i>
Sidev SAS*	Distribution of audio visual products to trade customers	France	100%	100%	100%
Synergix Limited*	Dormant company	England	100%	100%	dissolved
True Colours Distribution Limited*	Dormant company	England	100%	100%	100%
Midwich Australia Pty Limited*	Distribution of audio visual products to trade customers	Australia	75%	100%	100%
Midwich NZ Limited**	Distribution of audio visual products to trade customers	New Zealand	75%	100%	100%
Kern & Stelly Medientechnik GmbH*	Distribution of audio visual products to trade customers	Germany	51%	51%	51%
Nearly New Limited***	Dormant company	England	–	–	100%
AV Couriers Limited***	Dormant company	England	–	–	100%
PSCo Limited***	Distribution and rental of audio visual products to trade customers	England	–	–	100%
PSCo Rentals Limited***	Dormant company	England	–	–	100%
PSCo Group Limited*	Non-trading holding company	England	–	–	100%
Yellowglade Limited***	Dormant company	England	–	–	100%

*Investments held indirectly by Midwich Limited
**Investments held indirectly by Midwich Australia Pty Limited
***Investments held indirectly by PSCo Group Limited

11. Goodwill

	<i>M&R 320 Limited £'000</i>
Cost	
At 1 January 2013	17,708
On acquisition of Kern & Stelly Medientechnik	914
At 31 December 2013	<u>18,622</u>

Goodwill at 1 January 2013 arises on the acquisition of Midwich Limited group in 2010. The acquisition is prior to the date of transition to IFRS and hence there was no identification of separable intangible assets. Goodwill is stated at the balance at date of transition to IFRS being 1 January 2013.

	<i>Jade 320 Limited £'000</i>
Cost	
At 27 November 2013	–
On acquisition of M&R 320 Group	3,005
At 31 December 2014	3,005
On acquisition of PSCo Group	298
At 31 December 2015	3,303

Allocation of goodwill to cash generating units

All of the Group's carrying amount of goodwill is allocated across the cash generating units (CGUs) as determined by management as follows:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Midwich	13,382	1,649	1,649
Invision	2,101	299	299
Square One	1,668	362	362
Sidev	377	166	166
Midwich Australia Group	180	122	122
K&S	914	407	407
PSCo	–	–	298
	<u>18,622</u>	<u>3,005</u>	<u>3,303</u>

The recoverable amounts of the CGUs have been determined from value in use calculations based on cash flow projections from a formally approved 12 month forecast which has been extrapolated out over a 5 year period, which is considered by management to be an appropriate projection period for the impairment review of non-amortised assets, having also given consideration to the amortisation periods determined for the acquired intangible assets.

Other major assumptions are as follows:

	<i>M&R 320 Limited 2013 %</i>	<i>Jade 320 Limited 2014 %</i>	<i>Jade 320 Limited 2015 %</i>
<i>Impairment review date</i>			
Discount rate	8.72	8.40	9.42
Annual growth assumptions used to extrapolate 1 year budget forecast:			
2 – 5 years	1.0	1.0	1.0

The 12 month forecast data is based on the most recent annual financial statements uplifted for management's best estimates of reasonable growth targets for the subsequent 12 month period.

Management's key assumption includes stable profit margins based on past experience in the market.

Discount rates are based on management's assessment of specific risks related to the CGU. Growth rates beyond the first year to year 5 are based on economic data for the wider economy, and represent a prudent expectation of growth.

The recoverable amounts for the Group's CGUs exceed their carrying amounts by the following amounts in each year assessed:

Amount by which recoverable amount exceeds carrying amount:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Midwich	15,681	18,912	22,954
Invision	1,707	2,528	2,012
Square One	635	1,197	2,152
Sidev	1,086	2,048	2,748
Midwich Australia Group	363	2,090	2,999
K&S	3,603	4,666	7,357
PSCo	–	–	5,535

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

12. Intangible assets

M&R 320 Limited

	<i>Patents £'000</i>	<i>Software £'000</i>	<i>Brands £'000</i>	<i>Customer relationships £'000</i>	<i>Total £'000</i>
Cost					
At 1 January 2013	29	1,529	–	–	1,558
Additions on acquisition	–	20	500	3,300	3,820
Additions	–	4	–	–	4
At 31 December 2013	<u>29</u>	<u>1,553</u>	<u>500</u>	<u>3,300</u>	<u>5,382</u>
Accumulated Depreciation					
At 1 January 2013	1	1,441	–	–	1,442
Charge for year	2	51	–	–	53
At 31 December 2013	<u>3</u>	<u>1,492</u>	<u>–</u>	<u>–</u>	<u>1,495</u>
Net book value					
At 31 December 2013	<u>26</u>	<u>61</u>	<u>500</u>	<u>3,300</u>	<u>3,887</u>
At 1 January 2013	<u>28</u>	<u>88</u>	<u>–</u>	<u>–</u>	<u>116</u>

Jade 320 Limited

	<i>Patents</i> <i>£'000</i>	<i>Software</i> <i>£'000</i>	<i>Brands</i> <i>£'000</i>	<i>Customer</i> <i>relation-</i> <i>ships</i> <i>£'000</i>	<i>Exclusive</i> <i>Supplier</i> <i>contract</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Cost						
On incorporation	–	–	–	–	–	–
On acquisition	26	61	3,500	19,600	–	23,187
Additions	–	42	–	–	–	42
At 31 December 2014	26	103	3,500	19,600	–	23,229
On acquisition	–	3	100	85	874	1,062
Additions	–	64	–	–	–	64
Foreign exchange differences	–	(5)	–	–	–	(5)
At 31 December 2015	26	165	3,600	19,685	874	24,350
Depreciation						
On incorporation	–	–	–	–	–	–
Charge for year	2	48	350	1,960	–	2,360
At 31 December 2014	2	48	350	1,960	–	2,360
Charge for year	2	36	357	1,962	116	2,473
Foreign exchange differences	–	(3)	–	–	–	(3)
At 31 December 2015	4	81	707	3,922	116	4,830
Net book value						
At 31 December 2015	22	84	2,893	15,763	758	19,520
At 31 December 2014	24	55	3,150	17,640	–	20,869

Amortisation is included within administrative expenses. The remaining amortisation period of brands and customer relationships at 31 December 2015 is 8.04 years.

13. Property, plant and equipment

M&R 320 Limited

	<i>Freehold land</i> <i>and buildings</i> <i>£'000</i>	<i>Leasehold</i> <i>improvements</i> <i>£'000</i>	<i>Plant and</i> <i>equipment</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Cost				
At 1 January 2013	1,359	24	2,684	4,067
Additions on acquisition	–	–	95	95
Additions	1	199	218	418
At 31 December 2013	1,360	223	2,997	4,580
Accumulated Depreciation				
At 1 January 2013	69	23	1,951	2,043
Charge for year	25	26	416	467
At 31 December 2013	94	49	2,367	2,510
Net book value				
At 31 December 2013	1,266	174	630	2,070
At 31 December 2012	1,290	1	733	2,024

Jade 320 Limited

	<i>Freehold land and buildings £'000</i>	<i>Leasehold improvements £'000</i>	<i>Rental assets £'000</i>	<i>Plant and equipment £'000</i>	<i>Total £'000</i>
Cost					
On incorporation	–	–	–	–	–
Additions on acquisition	1,266	174	–	630	2,070
Additions	–	–	–	396	396
At 31 December 2014	1,266	174	–	1,026	2,466
Additions on acquisition	–	28	992	146	1,166
Additions	1	97	862	637	1,597
Disposals	–	–	(659)	(38)	(697)
Foreign exchange differences	–	(2)	–	(53)	(55)
At 31 December 2015	1,267	297	1,195	1,718	4,477
Depreciation					
On incorporation					
Charge for year	25	6	–	386	417
At 31 December 2014	25	6	–	386	417
Charge for year	24	23	404	359	810
Disposals	–	–	(347)	(24)	(371)
Foreign exchange differences	–	(1)	–	(31)	(32)
At 31 December 2015	49	28	57	690	824
Net book value					
At 31 December 2015	1,218	269	1,138	1,028	3,653
At 31 December 2014	1,241	168	–	640	2,049

Depreciation is included within administrative expenses.

Included in Freehold Land & Buildings is land at £127,000 that is not depreciated.

Included within the net book values above are amounts relating to assets held under finance leases:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Rental assets	–	–	342

The depreciation charged in each year in respect of such assets amounted to:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Rental assets	–	–	186

14. Inventories

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Finished goods for resale	27,815	35,592	37,849

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Amounts of inventories recognised as an expense during the period as cost of sales (gross of vendor rebates) are:	207,465	247,879	274,084

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

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Amounts of inventories impaired/(written back) during the period are:	(152)	253	256

Amounts of inventories impaired/(written back) during the period are:

15. Trade and other receivables

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Trade receivables	32,142	36,480	41,236
Other receivables	123	281	–
Prepayments and accrued income	677	1,000	1,471
	<u>32,942</u>	<u>37,761</u>	<u>42,707</u>

Trade receivables includes an amount of £30,541,000 (2014: £28,290,000; 2013: £25,658,000) which is subject to a receivables financing agreement.

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

All of the Group's trade and other receivables have been reviewed for indicators of impairment. The Group suffers a small incidence of credit losses. However, where management views that there is a significant risk of non-payment, a specific provision for impairment is made and recognised as a deduction from trade receivables.

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Impairment provision	1,039	871	915

The amount of trade receivables past due but not impaired at each balance sheet date is as follows:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Trade receivables past due but not impaired at 31 December	817	871	634

16. Cash and cash equivalents

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Cash at bank (GBP)	5,081	6,545	10,597
Cash at bank (EUR)	3,513	4,173	6,753
Cash at bank (USD)	202	225	381
Cash at bank (AUS \$)	176	257	350
Cash at bank (NZ \$)	60	95	21
	<u>9,032</u>	<u>11,295</u>	<u>18,102</u>

All significant cash and cash equivalents were deposited with major clearing banks with at least an 'A' rating. Details of bank overdrafts are given in note 20.

17. Trade and other payables

Amounts falling due within one year:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Trade payables	26,260	32,962	43,430
Amounts owed to group undertakings	144	–	–
Other taxation and social security	3,305	3,562	4,411
Other payables	761	117	617
Finance lease payables (note 24)	–	–	442
Accruals	2,711	3,499	3,792
	<u>33,181</u>	<u>40,140</u>	<u>52,692</u>

18. Put option liability

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Current:	–	–	6,094
Non-current:	1,735	3,106	–
Put option liability (see note 21)	<u>1,735</u>	<u>3,106</u>	<u>6,094</u>

The group is party to a symmetrical put and call option to acquire the remaining non-controlling interest of 49% in Kern & Stelly Medientechnik GmbH.

19. Deferred Consideration

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Current:	1,422	1,422	–
Non-current:	1,422	–	–
	<u>2,844</u>	<u>1,422</u>	<u>–</u>

Deferred consideration is amounts due on the initial acquisition of the interest in Kern & Stelly Medientechnik GmbH. The payment was settled in September 2014 and September 2015 in equal tranches.

20. Borrowings

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Secured – at amortised cost			
– Bank overdrafts and invoice discounting	28,942	31,532	40,933
Unsecured – at amortised cost			
– Unsecured loan notes	–	17,392	3,756
– Preference shares classified as liabilities	–	3,187	3,187
	<u>–</u>	<u>20,579</u>	<u>6,943</u>
Current	28,942	38,514	41,968
Non-current	–	13,597	5,908
	<u>28,942</u>	<u>52,111</u>	<u>47,876</u>

Summary of borrowing arrangements:

The Group has an invoice discounting facility which comprised £30,682,000 at the end of 2015 (2014: £28,290,000, 2013: £25,658,000). The facility is a fully revolving receivables financing agreement secured on the underlying receivables that revolves on a monthly basis and has no fixed repayment date.

The Group has an overdraft facility which comprised £3,751,000 at the end of 2015 (2014 £3,241,900, 2013: £3,284,000). The facility is uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group has a bank loan of £6.5m with a fixed quarterly repayment schedule ending in April 2017. The facility is secured with fixed and floating charges over the assets of the Group.

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

21. Financial instruments

Classification of financial instruments

The fair value hierarchy groups financial assets and liabilities into 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.

Financial instruments measured at fair value through profit or loss comprise forward contracts. There are no material open forward currency contracts at the balance sheet dates.

A symmetrical put and call option held by Midwich Limited to acquire the remaining non-controlling interest of 49% in Kern & Stelly Medientechnik GmbH is initially measured at fair value.

The valuation of the put and call option is based on unobservable inputs and hence is a level 3 valuation.

The fair value is estimated based on the expected future cash outflow and discounting at 19.6% taking into account expected date of settlement.

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

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
At inception and brought forward	1,735	1,735	3,106
Interest costs	–	353	1,415
Other finance being movement in fair value	–	1,018	1,573
At 31 December	1,735	3,106	6,094

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

Financial assets

	<i>Loans and other receivables</i>		
	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Trade receivables (note 15)	32,142	36,480	41,236
Cash and cash equivalents (note 16)	9,032	11,295	18,102
	41,174	47,775	59,338

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

Financial liabilities

	<i>Measured at amortised cost</i>		
	<i>M&R 320</i>	<i>Jade 320</i>	<i>Jade 320</i>
	<i>Limited</i>	<i>Limited</i>	<i>Limited</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables (note 17)	26,260	32,962	43,430
Other payables (note 17)	761	117	617
Accruals (note 17)	2,711	3,499	3,792
Finance lease payables (note 24)	–	–	608
Put option (note 18)	1,735	3,106	6,094
Bank overdrafts and invoice discounting (note 20)	28,942	31,532	40,933
Deferred consideration (note 19)	2,844	1,422	–
Other loans (note 20)	–	17,392	3,756
Preference shares classified as liabilities (note 20)	–	3,187	3,187
	<u>63,253</u>	<u>93,217</u>	<u>102,417</u>

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.

22. Financial instrument risk exposure and management

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

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

Credit risk

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

The 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 receivables and cash and cash equivalents. At the 2015 year end this amounts to £59,338,000 (2014: £47,775,000; 2013: £41,174,000).

Interest rate risk

The Group has £6,943,662 of unsecured shareholder debt consisting £3,187,855 of preference shares and £3,755,807 of shareholder loan notes (2014: £20,579,897; £3,187,466; and £17,392,431). The interest on all of this debt is fixed, with variable rate interest only applying to short-term debt arrangements and therefore interest rate risk is limited.

The Group's only other exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial.

The interest on preference shares and loan notes is fixed at 1.5% and 3.5% respectively. The interest on other borrowings being an overdraft and invoice discounting facility is variable. Based on year end balances a 1% increase in interest rates would impact profit and equity by £409,000 (2014: £315,000; 2013: £289,000).

Foreign exchange risk

The Group is largely able to manage its exchange rate risk through the natural matching of payments and receipts denominated in the same currencies. Any exposure tends to be on the payment side and is mainly in relation to the Sterling strength relative to the Euro or US \$. This transactional risk is considered manageable

as the proportion of Group procurement that is not sourced in local currency is small. However on occasions the Group does buy foreign currency forward to mitigate this risk.

The Group does hold material non domestic balances on occasions and currently does not take any action to mitigate this risk. Inter-company balances tend to be short term and repaid within the month. The Group is able to manage its exchange rate risk through the natural matching of payments and receipts denominated in the same currencies.

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 invoice financing 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 debt repayments as they fall due.

The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 December 2015, 2014 and 2013, on the basis of their earliest possible contractual maturity.

M&R 320 Limited

At 31 December 2013

	<i>Total</i>	<i>Within 2</i>	<i>Within</i>	<i>6 – 12</i>	<i>1 – 2</i>	<i>Greater</i>
	<i>£'000</i>	<i>months</i>	<i>2 – 6</i>	<i>months</i>	<i>years</i>	<i>than</i>
		<i>£'000</i>	<i>months</i>	<i>£'000</i>	<i>£'000</i>	<i>2 years</i>
			<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	26,260	24,743	1,517	–	–	–
Other payables	761	761	–	–	–	–
Put option liability	1,735	–	–	–	–	1,735
Accruals	2,711	2,711	–	–	–	–
Bank overdrafts & invoice discounting	28,942	28,942	–	–	–	–
Deferred consideration	2,844	–	–	1,422	1,422	–
	<u>63,253</u>	<u>57,157</u>	<u>1,517</u>	<u>1,422</u>	<u>1,422</u>	<u>1,735</u>

Jade 320 Limited

At 31 December 2014

	<i>Total</i>	<i>Within 2</i>	<i>Within</i>	<i>6 – 12</i>	<i>1 – 2</i>	<i>Greater</i>
	<i>£'000</i>	<i>months</i>	<i>2 – 6</i>	<i>months</i>	<i>years</i>	<i>than</i>
		<i>£'000</i>	<i>months</i>	<i>£'000</i>	<i>£'000</i>	<i>2 years</i>
			<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	32,962	32,102	860	–	–	–
Other payables	117	117	–	–	–	–
Put option liability	4,614	–	–	–	4,614	–
Accruals	3,499	3,393	33	73	–	–
Bank overdrafts & invoice discounting	31,532	31,532	–	–	–	–
Deferred consideration	1,422	–	–	1,422	–	–
Other loans	18,513	–	5,605	1,374	3,492	8,042
Preference shares	3,187	–	63	–	–	3,124
	<u>95,846</u>	<u>67,144</u>	<u>6,561</u>	<u>2,869</u>	<u>8,106</u>	<u>11,166</u>

At 31 December 2015

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

23. Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide long-term returns to shareholders

The Group defines and monitors capital on the basis of the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the Balance Sheet and as follows:

	<i>M&R 320</i>	<i>Jade 320</i>	<i>Jade 320</i>
	<i>Limited</i>	<i>Limited</i>	<i>Limited</i>
	<i>2013</i>	<i>2014</i>	<i>2015</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Equity	22,854	4,361	7,520
Borrowings	28,942	52,111	47,876
Cash and cash equivalents	(9,032)	(11,295)	(18,102)
	<u>42,764</u>	<u>45,177</u>	<u>37,294</u>

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.

24. Leasing arrangements

Operating Leases

Operating leases primarily relate to land and buildings and motor vehicles.

The Group does not have an option to purchase any of the operating leased assets at the expiry of the lease periods.

Payments recognised as an expense are disclosed in note 4.

Aggregate future minimum lease payments under non-cancellable operating lease commitments

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Land and buildings			
Not later than 1 year	354	341	577
After 1 year and not later than 5 years	708	586	1,109
After 5 years	75	45	42
	<u>1,137</u>	<u>972</u>	<u>1,728</u>
Other			
Not later than 1 year	156	162	171
After 1 year and not later than 5 years	99	103	115
After 5 years	<u>255</u>	<u>265</u>	<u>286</u>

Jade 320 Limited

Finance Leases

The Group leased certain of its equipment under finance leases. The average lease term is 3 years for 2015 (no finance leases in 2013 or 2014).

The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance lease liabilities minimum lease payments:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Not later than one year	–	–	457
Later than one year and not later than five years	–	–	169
			<u>626</u>
Less: future finance charges	–	–	(18)
Present value of minimum lease payments	<u>–</u>	<u>–</u>	<u>608</u>

Finance lease liabilities are included in liabilities:

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Current	–	–	442
Non-current	–	–	166
	<u>–</u>	<u>–</u>	<u>608</u>

25. Guarantees and other financial commitments

M&R 320 Limited

During 2013 the group changed its main bank to HSBC Bank plc. The group provided a cross guarantee to HSBC Bank plc in respect of any borrowings due by companies within the group headed by Jade 320 Limited. The borrowings in respect of these guarantees at 31 December 2013 were £27,761,000 (2012: £nil).

Previously the group had provided a cross guarantee to Barclays Bank plc in respect of any borrowings due by companies within the group headed by M&R 320 Limited. The borrowings in respect of these guarantees at 31 December 2013 were £nil (2012: £16,747,000). On 8 January 2014 this charge was released.

Jade 320 Limited

The group has provided a cross guarantee to HSBC Bank plc in respect of borrowings due by companies within the group headed by Jade 320 Limited. The liabilities in respect of these guarantees at 31 December 2015 were £40,933,000 (2014: £31,532,000).

26. Retirement benefit plans

Benefits from the contributory pension schemes to which the group contribute are related to the cash value of the funds at retirement dates. The group is under no obligation to provide any minimum level of benefits.

The assets of the schemes are administered by trustees in funds independent of the group.

27. A) Share capital

M&R 320 Limited

The total allotted share capital of the company is:

Allotted, issued and fully paid

	<i>2013</i> <i>Number</i>	<i>2013</i> <i>£'000</i>
Ordinary shares of £1	4,500,000	4,500
A preference shares of £1	10,376,564	10,377
B preference shares of £1	1,144,351	1,144
Total equity	<u>16,020,915</u>	<u>16,021</u>

Repurchase of shares

On 6 November 2013 the Company repurchased 500,000 Ordinary shares of £1 each for total cash consideration of £689,000.

Preference shares

A Preference shares carry a coupon rate of 1.5% per annum.

On 20 December 2013 all share capital was acquired by Jade 320 Limited. Jade 320 Limited subsequently waived all future rights to preference dividends. The preference share capital has therefore been classified as equity.

The B Preference shares carry no coupon rate, and have been classified as equity.

Jade 320 Limited

The total allotted share capital of the company is:

Allotted, issued and fully paid

	2014		2015	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Classed as equity:				
Ordinary shares of £1 each	446,000	446	396,000	396
Preference shares of £1 each	4,123,746	4,124	4,123,746	4,124
A Ordinary shares of £0.01 each	47,500	–	52,500	–
B1 Ordinary shares of £0.01 each	169,392	3	174,474	2
B2 Ordinary shares of £0.01 each	9,214	–	–	–
B3 Ordinary shares of £0.01 each	7,179	–	7,179	–
B4 Ordinary shares of £0.01 each	7,179	–	–	–
B5 Ordinary shares of £0.01 each	14,358	–	14,358	–
	<hr/>	<hr/>	<hr/>	<hr/>
	4,824,568	4,573	4,768,257	4,522
Shares classed as financial liabilities:				
Preference shares of £1 each	(3,123,746)	(3,124)	(3,123,746)	(3,124)
Total equity	<hr/>	<hr/>	<hr/>	<hr/>
	1,700,822	1,449	1,644,511	1,398

Issues of shares

The Company issued one Ordinary share on incorporation at 27 November 2013.

On 20 December 2013 the Company issued 445,999 Ordinary shares and 4,123,746 Preference shares as part of the acquisition of M&R 320 Limited.

On 6 August 2014 the Company issued 52,000 A Ordinary shares, 171,535 B1 Ordinary shares, 9,214 B2 Ordinary shares, 7,179 B3 Ordinary shares, 7,179 B4 Ordinary shares and 14,358 B5 Ordinary shares as part of a management incentive plan. The issue of shares was treated as a bonus issue.

On 12 May 2015 the Company issued 6,500 A Ordinary and 5,082 B1 Ordinary shares at par.

Repurchase of shares

On 24 November 2014 the Company purchased 4,500 A Ordinary shares and 2,143 B1 Ordinary shares at par.

On 6 November 2015 the Company bought back 500 A Ordinary and 9,214 B2 Ordinary shares at par. The shares were then cancelled.

On 18 November 2015 the Company bought back 1,000 A Ordinary and 7,179 B4 Ordinary shares at par. The shares were then cancelled.

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

Rights and obligations

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

A Ordinary shares carry no redemption rights, voting rights or rights to attend or speak at an AGM. The shares are entitled to a dividend at the discretion of the board. They also carry the right to capital distribution (including on winding up) equal with Ordinary shares.

B1, B2, B3, B4 and B5 Ordinary shares rank pari passu. They carry no redemption rights, voting rights or rights to attend or speak at an AGM. The shares are entitled to a dividend at the discretion of the board. They also carry the right to capital distribution in the event of a sale if the amount available to distribute (after payments to holders of Preference shares) is greater than £25 million.

Preference shares carry no redemption rights, no conversion rights, no voting rights or any rights to attend or speak at an AGM. On a liquidation or capital reduction their return of capital ranks above all other shares. The shares are entitled to a 1.5% dividend. Preference shares not held by the employee benefit trust are classified as a financial liability.

Employee benefit trust

The employee benefit trust owns 1,000,000 of the Preference shares. This proportion of the share capital is treated as equity for disclosure purposes. All Preference shares rank *pari passu*.

28. Business combinations

M&R 320 Limited

Subsidiaries acquired:

	<i>Principal activity</i>	<i>Date of acquisition</i>	<i>Proportion of voting equity interest acquired (%)</i>	<i>Fair value of consideration transferred £'000</i>
Kern & Stelly Medientechnik GmbH ("K&S")	Distribution of audio visual products to trade customers	30 September 2013	51%	4,266

Fair value of consideration transferred

	<i>2013 Acquisition of K&S £'000</i>
Cash	1,422
Deferred cash consideration	2,844
Total	4,266

On 30 September 2013 the Company acquired 51% of the share capital and control of Kern & Stelly Medientechnik for a cash consideration of £4,266,000. The deferred cash consideration was paid via instalments during 2014 and 2015.

Acquisition costs of £146,000 were expensed to the income statement in relation to the acquisition of Kern & Stelly Medientechnik.

Fair value of assets acquired and liabilities recognised at the date of acquisition:

	<i>2013</i>
	<i>Acquisition of K&S</i>
	<i>£'000</i>
Non-current assets	
Goodwill	914
Intangible assets – brands	500
Intangible assets – customer relationships	3,300
Intangible assets – software	20
Plant and equipment	95
Current assets	
Inventories	2,568
Trade and other receivables	3,631
Cash and cash equivalents	557
Current liabilities	
Trade and other payables	(3,300)
Non-current liabilities	
Deferred tax payables	(798)
Non-controlling interest acquired	(3,221)
	<u>4,266</u>

Goodwill acquired in 2013 relates to sales know how.

Goodwill arising on the acquisition of Kern & Stelly Medientechnik has been allocated to the Germany business segment and is not expected to be deductible for tax purposes.

Gross contractual amounts of trade and other receivables were £3,631,000, with bad debt provision of £336,000.

Net cash outflow on acquisition of subsidiaries

	<i>2013</i>
	<i>Acquisition of K&S</i>
	<i>£'000</i>
	<i>£</i>
Net cash (outflow)/inflow on acquisition of subsidiaries	
Consideration paid in cash	(1,422)
Less: cash and cash equivalent balances acquired	557
Net cash (outflow)/inflow	<u>(865)</u>

Post-acquisition contribution

K&S made the following contributions to the Group's results for the year in which it was acquired, from the acquisition date:

	<i>2013</i>
	<i>Acquisition of K&S</i>
	<i>£'000</i>
<i>30 September – 31 December 2013</i>	
Post-acquisition contribution to Group revenue	12,918
Post-acquisition contribution to Group profit/(loss)	584

Jade 320 Limited

The company was incorporated to acquire M&R 320 Limited in December 2013. Further acquisitions have been completed by the group to increase scale, broaden its addressable market and widen the product offering, namely in LED display technologies.

Subsidiaries acquired:

	<i>Principal activity</i>	<i>Date of acquisition</i>	<i>Proportion of voting equity interest acquired (%)</i>	<i>Fair value of consideration transferred £'000</i>
M&R 320 Ltd (and its subsidiaries)	M&R 320 is a non-trading holding company; group activity is the distribution of audio visual products to trade customers	20 December 2013	100%	30,465
Midwich Australia Pty (Formerly Image Design Technology Pty Limited)	Distribution of audio visual products to trade customers	1 July 2014	25%	125
PSCo Group Limited	Distribution and rental of audio visual products to trade customers	30 April 2015	100%	2,000

Other business acquired:

<i>Trade and assets acquired from:</i>	<i>Principal activity</i>	<i>Date of acquisition</i>	<i>Proportion of voting equity interest acquired (%)</i>	<i>Fair value of consideration transferred £'000</i>
Anthem AV Solutions Ltd	Distribution of audio visual products to trade customers	17 July 2015	–	135
Focus Security Distribution Ltd	Distribution of audio visual products to trade customers	27 May 2015	–	85

2014 acquisitions

Fair value of consideration transferred

	<i>2014</i>	
	<i>Acquisition of M&R 320 Ltd £'000</i>	<i>Acquisition of final 25% interest in Midwich Australia £'000</i>
Cash	2,639	125
Repayment of Directors loans	2,896	–
Directors loan	465	–
EBT	144	–
Ordinary shares	446	–
Preference shares	4,123	–
Loan notes	19,752	–
Total	<u>30,465</u>	<u>125</u>

M&R 320 Limited paid dividends of £383,000 to its former shareholders in 2013 prior to the acquisition by Jade 320 Limited and a further £6,144,000 to Jade 320 Limited of which £2,639,000 was in cash. This dividend was used to fund the non share and non loan note elements of the consideration noted above.

Acquisition costs of £347,000 were expensed to the income statement in relation to the acquisition of M&R 320 Limited.

Fair value of assets acquired and liabilities recognised at the date of acquisition:

	2014	
	<i>Acquisition of M&R 320 Ltd £'000</i>	<i>Acquisition of final 25% interest in Midwich Australia £'000</i>
Non-current assets		
Goodwill	3,005	–
Intangible assets – brands	3,500	–
Intangible assets – customer relationships	19,600	–
Intangible assets – patents	26	–
Intangible assets – software	61	–
Plant and equipment	2,070	–
Current assets		
Inventories	27,815	–
Trade and other receivables	32,942	–
Cash and cash equivalents	9,032	–
Current liabilities		
Trade and other payables	(60,988)	–
Non-current liabilities		
Deferred tax payables	(4,794)	–
Put option reserve acquired	1,735	–
Non-controlling interest in goodwill acquired	(3,539)	–
Non-controlling interest acquired	–	32
Acquisition of entity under common control – equity adjustment	–	93
	<u>30,465</u>	<u>125</u>

Goodwill acquired in 2014 relates to workforce, synergies and sales know how.

Goodwill arising on the acquisition of M&R 320 Limited has been allocated across the business segments identified in note 1 and is not expected to be deductible for tax purposes.

Gross contractual amounts of trade and other receivables were £33,439,000, with bad debt provision of £497,000.

Net cash outflow on acquisition of subsidiaries

	2014	
	<i>Acquisition of M&R 320 Ltd £'000 £</i>	<i>Acquisition of final 25% interest in Midwich Australia £'000 £</i>
Net cash (outflow)/inflow on acquisition of subsidiaries		
Consideration paid in cash	(2,639)	(125)
Less: cash and cash equivalent balances acquired	9,032	–
Net cash (outflow)/inflow	<u>6,393</u>	<u>(125)</u>

The acquisition of M&R 320 was made on 20 December 2013, and therefore the full year's financial information for that subsidiary group are included in the 2014 results for the Group.

As the Midwich Australia group was already consolidated as a subsidiary at 75% ownership, the difference in contribution to the Group from the acquisition of the final 25% interest is in relation to the non-controlling interest.

2015 acquisitions

Fair value of consideration transferred

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

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

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

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

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

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

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

Post-acquisition contribution

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

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

29. Related party transactions

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

	<i>M&R 320 Limited 2013 £'000</i>	<i>Jade 320 Limited 2014 £'000</i>	<i>Jade 320 Limited 2015 £'000</i>
Remuneration of key management			
Remuneration	860	555	569
Social security costs	98	70	73
Company pension contributions to defined contributions scheme	30	18	19
	<u>988</u>	<u>643</u>	<u>661</u>

Related party borrowings transactions are as follows:

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

Dividends on Ordinary shares

During 2013, dividends were paid to Ordinary shareholders of M&R 320 Limited as follows:

- £180,000 on 8 April 2013 (equating to 3.6 pence per Ordinary Share)
- £202,500 on 9 September 2013 (equating to 4.1 pence per Ordinary Share)

M&R 320 Limited*Preference shares*

	<i>Shareholders</i>		
	<i>J Fenby</i>	<i>A Ward*</i>	<i>D Lewitt*</i>
Principal			
At 1 January 2013	3,733,616	3,321,474	3,321,474
Disposal to Jade 320 Limited	<u>(3,733,616)</u>	<u>(3,321,474)</u>	<u>(3,321,474)</u>
At 31 December 2013	–	–	–
Dividend paid			
Year ended 31 December 2013	<u>56,158</u>	<u>49,959</u>	<u>49,959</u>

* = director

Other loans

	<i>Shareholders</i>				
	<i>S Fenby</i>	<i>N Culley</i>	<i>W Culley</i>	<i>A Ward*</i>	<i>D Lewitt*</i>
Principal					
At 1 January 2013	(1,355,000)	1,020,141	2,091,284	8,000	(925,000)
Loans	1,480,000	–	–	492,000	–
Loans repaid	<u>(125,000)</u>	<u>(1,020,141)</u>	<u>(2,091,284)</u>	<u>(500,000)</u>	<u>925,000</u>
At 31 December 2013	–	–	–	–	–
Interest					
At 1 January 2013	–	11,751	17,403	–	–
Interest Accrued	–	40,886	32,118	–	–
Interest Paid	<u>–</u>	<u>(52,637)</u>	<u>(49,521)</u>	<u>–</u>	<u>–</u>
At 31 December 2013	–	–	–	–	–

* = director

All loan notes terms' are described in note 20. Interest is accounted for on an effective interest basis and included within borrowings on the Balance Sheet.

Jade 320 Limited*Preference shares*

	<i>Shareholder</i>
	<i>Mr S Fenby*</i>
Principal	
On incorporation	–
Shares issued	<u>3,123,746</u>
At 31 December 2014 and 2015	3,123,746
Interest (being preference dividend)	
On incorporation	–
Interest Accrued	<u>48,268</u>
At 31 December 2014	48,268
Interest Accrued	46,856
Interest Paid	<u>(60,720)</u>
At 31 December 2015	<u>34,404</u>

Other Loans

	Shareholders		
	Mrs J Fenby**	Mr D P Lewitt*	Mr A C Ward*
Principal			
Loan notes issued	6,584,000	6,584,000	6,584,000
Loans Repaid	(1,000,000)	(1,000,000)	(1,000,000)
At 31 December 2014	5,584,000	5,584,000	5,584,000
Loans repaid	(1,884,333)	(5,584,000)	(5,584,000)
At 31 December 2015	3,699,667	–	–
Interest			
At 27 November 2013	–	–	–
Interest Accrued	217,561	211,686	211,686
At 31 December 2014	217,561	211,686	211,686
Interest Accrued	166,922	140,310	140,310
Interest Paid	(328,341)	(351,996)	(351,996)
At 31 December 2015	56,142	–	–

* = director

** = employee

All loan notes terms' are described in note 20. Interest is accounted for on an effective interest basis and included within borrowings on the Balance Sheet.

30. Ultimate controlling party

Jade 320 Limited

Mr S B Fenby is considered the ultimate controlling party by virtue of his shareholding in Jade 320 Limited.

31. Transition to IFRS

M&R 320 Limited

This is the first time that the former Group has presented its consolidated financial information under IFRS. The accounting policies set out above have been applied in preparing the financial information for the years ended 31 December 2013. The opening IFRS balance sheet is as at 1 January 2013.

M&R 320 Limited reported under UK GAAP in its previously published consolidated financial statements for the year ended 31 December 2013.

The conversion to IFRS has led to a number of changes in respect of the descriptions used and wording of accounting policies.

The main changes are in respect of the primary statements. The Profit and Loss Account has been replaced with an Income Statement, and the Statement of Recognised Gains and Losses has been replaced with a Statement of Comprehensive Income which presents the result for the year as the total comprehensive income for the year instead of the profit for the year.

A Statement of Changes in Equity is presented as a primary statement and provides information on the movements in equity during the financial year. Previously this information was presented as part of the movement in reserves and reconciliations of movement in shareholders' funds notes.

The Group's Statement of Cash Flows is presented in accordance with IAS 7. The statements present substantially the same information as that required under UK GAAP, with no notable exceptions, other than that cash flows are categorised differently.

No IFRS 1 exemptions have been adopted by the Group.

The following notes relate to the numbered adjustments in note 32 below:

- 1 Reversal of goodwill amortised previously under UK GAAP
- 2 Expense business acquisition costs previous capitalised as goodwill under UK GAAP
- 3 Recognise separable intangible assets in accordance with IFRS 3
- 4 Recognition of a separate translation reserve in equity, set translation reserve balance to zero at the date of transition to IFRS
- 5 Reclassification on the balance sheet and income statement of existing balances:
 - Software assets reclassified as intangibles
 - Deferred tax asset reclassified as non-current and offset against deferred tax liabilities
 - Correction to non-controlling interests
 - Offset current tax asset against liability
 - Reclassification between borrowings and cash balances
 - Reclassification of cost and income items
- 6 Recognition of put option liability and reserve arising from the acquisition of K&S

Jade 320 Limited

The Jade 320 Group has presented its consolidated financial information under IFRS as previously published in its annual financial statements for the year ended 31 December 2015, therefore IFRS reconciliations for the Group are excluded here.

32. Reconciliation of equity and profit/(loss) under UK GAAP to IFRS

M&R 320 Limited

a) Reconciliation of equity at 1 January 2013

	UK GAAP £'000	IFRS adjustments:		IFRS £'000
		4 £'000	5 £'000	
Assets				
Non-current assets				
Goodwill	17,708	–	–	17,708
Intangible assets	28	–	88	116
Property, plant and equipment	2,112	–	(88)	2,024
Deferred tax	–	–	57	57
	<u>19,848</u>	<u>–</u>	<u>57</u>	<u>19,905</u>
Current assets				
Inventories	22,325	–	–	22,325
Trade and other receivables	27,144	–	(401)	26,743
Cash and cash equivalents	2,954	–	5,089	8,043
	<u>52,423</u>	<u>–</u>	<u>4,688</u>	<u>57,111</u>
Current liabilities				
Trade and other payables	26,074	–	–	26,074
Borrowings	16,747	–	5,089	21,836
Current tax	929	–	(344)	585
	<u>43,750</u>	<u>–</u>	<u>4,745</u>	<u>48,495</u>
Net current assets	8,673	–	(57)	8,616
Non-current liabilities				
Borrowings	5,364	–	–	5,364
	<u>23,157</u>	<u>–</u>	<u>–</u>	<u>23,157</u>
Net assets				
Capital and reserves				
Share capital	14,297	–	–	14,297
Investment in own shares	(1,144)	–	–	(1,144)
Retained earnings	9,853	121	–	9,974
Other reserve	121	(121)	–	–
Non-controlling interests	30	–	–	30
	<u>23,157</u>	<u>–</u>	<u>–</u>	<u>23,157</u>
Shareholders' funds				

b) *Reconciliation of equity at 31 December 2013*

	UK GAAP £'000	IFRS adjustments:						IFRS £'000
		1 £'000	2 £'000	3 £'000	4 £'000	5 £'000	6 £'000	
Assets								
Non-current assets								
Goodwill	19,274	1,025	(146)	(1,531)	–	–	–	18,622
Intangible assets	26	–	–	3,820	–	41	–	3,887
Property, plant and equipment	2,131	–	–	(20)	–	(41)	–	2,070
	<u>21,431</u>	<u>1,025</u>	<u>(146)</u>	<u>2,269</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>24,579</u>
Current assets								
Inventories	27,815	–	–	–	–	–	–	27,815
Trade and other receivables	32,999	–	–	–	–	(57)	–	32,942
Cash and cash equivalents	5,549	–	–	–	–	3,483	–	9,032
	<u>66,363</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,426</u>	<u>–</u>	<u>69,789</u>
Current liabilities								
Trade and other payables	33,133	–	–	–	–	48	–	33,181
Deferred consideration	1,422	–	–	–	–	–	–	1,422
Borrowings	25,459	–	–	–	–	3,483	–	28,942
Current tax	532	–	–	–	–	–	–	532
	<u>60,546</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,531</u>	<u>–</u>	<u>64,077</u>
Net current assets	5,817	–	–	–	–	(105)	–	5,712
Non-current liabilities								
Derivative financial instruments	–	–	–	–	–	–	1,735	1,735
Deferred consideration	1,422	–	–	–	–	–	–	1,422
Deferred tax	–	–	–	798	–	(57)	–	741
	<u>1,422</u>	<u>–</u>	<u>–</u>	<u>798</u>	<u>–</u>	<u>(57)</u>	<u>1,735</u>	<u>3,898</u>
Net assets	<u>25,826</u>	<u>1,025</u>	<u>(146)</u>	<u>1,471</u>	<u>–</u>	<u>(48)</u>	<u>(1,735)</u>	<u>26,393</u>
Capital and reserves								
Share capital	16,021	–	–	–	–	–	–	16,021
Retained earnings	7,156	1,025	(146)	–	121	–	–	8,156
Translation reserve	–	–	–	–	(88)	–	–	(88)
Put option reserve	–	–	–	–	–	–	(1,735)	(1,735)
Other reserve	533	–	–	–	(33)	–	–	500
Non-controlling interests	2,116	–	–	1,471	–	(48)	–	3,539
Shareholders' funds	<u>25,826</u>	<u>1,025</u>	<u>(146)</u>	<u>1,471</u>	<u>–</u>	<u>(48)</u>	<u>(1,735)</u>	<u>26,393</u>

c) *Reconciliation of profit for the year ended 31 December 2013*

	<i>IFRS adjustments:</i>				
	<i>UK GAAP</i>	<i>1</i>	<i>2</i>	<i>5</i>	<i>IFRS</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Revenue	233,742	–	–	–	233,742
Cost of sales	(214,856)	–	–	13,225	(201,631)
Gross profit	18,886	–	–	13,225	32,111
Distribution costs	(10,055)	–	–	(12,410)	(22,465)
Administrative expenses	(1,105)	(2)	(146)	(927)	(2,180)
Other operating income	1,877	–	–	112	1,989
Amortisation	(2)	2	–	–	–
Goodwill amortisation	(1,025)	1,025	–	–	–
Operating profit	8,576	1,025	(146)	–	9,455
Finance income	14	–	–	–	14
Finance costs	(618)	–	–	–	(618)
Profit before taxation	7,972	1,025	(146)	–	8,851
Taxation	(2,021)	–	–	–	(2,021)
Profit after taxation	5,951	1,025	(146)	–	6,830
Profit for the financial year attributable to:					
The Company's equity shareholders	5,663	1,025	(146)	–	6,542
Non-controlling interest	(288)	–	–	–	(288)

PART IV

TERMS AND CONDITIONS OF THE PLACING

MEMBERS OF THE PUBLIC ARE NOT ELIGIBLE TO TAKE PART IN THE PLACING. THESE TERMS AND CONDITIONS ARE FOR INFORMATION PURPOSES ONLY AND ARE DIRECTED ONLY AT: (A) PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA (EACH A MEMBER STATE) WHO ARE QUALIFIED INVESTORS AS DEFINED IN SECTION 86(7) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, AS AMENDED, (“QUALIFIED INVESTORS”) BEING PERSONS FALLING WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE EU PROSPECTUS DIRECTIVE (WHICH MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING DIRECTIVE MEASURE IN ANY MEMBER STATE) (THE PROSPECTUS DIRECTIVE); (B) IN THE UNITED KINGDOM, QUALIFIED INVESTORS WHO ARE PERSONS WHO (I) FALL WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “ORDER”); (II) FALL WITHIN ARTICLE 49(2)(A) TO (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE ORDER; OR (III) ARE PERSONS TO WHOM IT MAY OTHERWISE BE LAWFULLY COMMUNICATED (ALL SUCH PERSONS WITHIN (A) OR (B) TOGETHER BEING REFERRED TO AS “RELEVANT PERSONS”). THESE TERMS AND CONDITIONS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THESE TERMS AND CONDITIONS RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

1. Introduction

These terms and conditions (**Terms and Conditions**) apply to persons making an offer to acquire Placing Shares under the Placing.

Each person to whom these Terms and Conditions apply, as described above, who confirms its agreement to Investec and the Company (whether orally or in writing) to acquire Placing Shares under the Placing (which may include Investec or its nominee(s)) (an **Investor**) hereby agrees with Investec and the Company, to be bound by these Terms and Conditions as being the terms and conditions upon which the Placing Shares will be sold under the Placing. An Investor shall, without limitation, become so bound if Investec confirms to the Investor (i) the Placing Price and (ii) its allocation of Placing Shares under the Placing.

Each Selling Shareholder has undertaken that the Placing Shares will be sold fully paid and with full title guarantee.

2. Agreement to acquire Placing Shares

Conditional upon: (i) Admission occurring and becoming effective by no later than 8.00 a.m. (London time) on 6 May 2016 (or such other time as Investec may notify to the Company but, in any event, no later than 8.00 a.m. (London time) on 20 May 2016); (ii) the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms; and (iii) Investec confirming to the Investors their allocation of Placing Shares, each Investor agrees to become a member of the Company and agrees to acquire at the Placing Price those Placing Shares allocated to it by Investec. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Investor may have.

3. Payment for Placing Shares

Each Investor undertakes to pay the Placing Price for the Placing Shares acquired by such Investor in the manner and by the time directed by Investec.

If an Investor fails to pay the Placing Price for the Placing Shares acquired by such Investor in such manner as shall be directed by Investec, such Investor is deemed to agree that Investec or any nominee of Investec may sell any or all of the Placing Shares allocated to that Investor and which have not been paid for on such Investor's behalf and retain from the proceeds, for Investec's account and benefit (as agent for the Company and the Selling Shareholders (as the case may be)), an amount equal to the aggregate amount owed by the Investor plus any interest due. Any excess proceeds will be paid to the relevant Investor at its risk. The relevant Investor will, however, remain liable and shall indemnify Investec, the Company and the Selling Shareholders on demand for any shortfall below the aggregate amount owed by it and may be required to bear any stamp duty or stamp duty reserve tax (**SDRT**) or securities transfer tax (together with any interest or penalties) which may arise upon the sale of such Placing Shares on such Investor's behalf. By agreeing to acquire Placing Shares, each Investor confers on Investec all such authorities and powers necessary to carry out any such sale and agrees to ratify and confirm all actions which Investec lawfully takes in pursuance of such sale.

4. Representations and warranties

By agreeing to acquire Placing Shares under the Placing, each Investor which enters into a commitment to acquire Placing Shares will (for itself and any person(s) procured by it to acquire Placing Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Selling Shareholders and Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (the **Registrar**) and Investec that:

- 4.1 it has read this document in its entirety and it is relying solely on this document (and any supplementary admission document published by the Company subsequent to the date of this document) and not on any draft thereof or other information given, or representation or statement made at any time, by any person concerning the Group or the Placing. It acknowledges that its participation in the Placing shall be made solely on the terms and conditions set out in these Terms and Conditions, the Placing Agreement and the Articles of Association. It agrees that these Terms and Conditions and the contract note issued by Investec to such Investor represent the whole and only agreement between the Investor, Investec, the Selling Shareholders and the Company in relation to the Investor's participation in the Placing and supersede any previous agreement between any such parties in relation to such participation. It agrees that none of the Company, the Selling Shareholders, Investec or the Registrar, nor any of their respective directors, officers, agents or employees, will have any liability for any other information or representation and irrevocably and unconditionally waives any rights it may have in respect of any other information or representation. This paragraph 4.1 shall not exclude any liability for fraudulent misrepresentation;
- 4.2 it has not relied on Investec or any of its directors, officers, agents, members, partners, employees or affiliates in connection with any investigation of the accuracy of any information contained in this document or its investment decision in respect of the Placing;
- 4.3 save in the event of fraud on its part (and to the extent permitted by the rules of the FCA), neither Investec nor any of its directors or employees shall be liable to an Investor for any matter arising out of the role of Investec as the Company's nominated adviser and broker or otherwise, and where any such liability nevertheless arises as a matter of law, each Investor will immediately waive any claim against Investec and any of its directors and employees which an Investor may have in respect thereof;
- 4.4 it has the funds available to pay the Placing Price in respect of the Placing Shares for which it has given a commitment under the Placing and it acknowledges, agrees and undertakes that it will pay the total Placing Price in respect of its participation in the Placing;
- 4.5 the contents of this document and any supplementary admission document published by the Company subsequent to the date of this document are exclusively the responsibility of the Company and its Directors and neither Investec, nor any person acting on its behalf, nor any of their respective directors, officers, agents, members, partners, employees or affiliates, accept any responsibility or liability whatsoever for and makes no representation or warranty, express or implied, as to the contents of this document or any information, representation or statement contained in this document or any

supplementary admission document or any other information published by or on behalf of the Company or the Selling Shareholders subsequent to the date of this document and Investec shall not be liable for any decision by an Investor to participate in the Placing based on any information, representation or statement contained in this document or otherwise;

- 4.6 it has complied with all such laws (including any laws of any territory or jurisdiction outside the United Kingdom which are applicable to its agreement to subscribe for Placing Shares under the Placing), obtained all governmental and other consents which may be required in any territory, complied with all requisite formalities (including those which enable the Investor to participate in the Placing and to exercise its rights and perform and comply with its obligations to acquire the Placing Shares under the Placing and to ensure that those obligations are legally binding and enforceable) and has paid any issue, transfer or other taxes due in connection with its placing commitment in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Selling Shareholders, Investec, the Registrar or any of their respective directors, officers, agents, affiliates or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction in connection with the Placing;
- 4.7 its subscription for Placing Shares and payment in respect thereof will comply with, and not violate, its constitutional documents or any agreement to which it is bound or which relates to any of its assets, is duly authorised and constitutes its valid and legally binding agreement and the Investor has the funds available to it to pay the full amount of its subscription as and when due;
- 4.8 it does not have a registered address in and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Placing Shares and it is not acting on a non-discretionary basis for any such person and it has complied with, and, in respect to anything done by an Investor in relation to the Placing in, from or otherwise involving the United Kingdom, it will comply with all applicable provisions of FSMA;
- 4.9 it agrees that, having had the opportunity to read this document, it shall be deemed to have had notice of all information and representations contained in this document, that it is acquiring Placing Shares solely on the basis of this document and any supplementary admission document published by the Company subsequent to the date of this document and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to acquire Placing Shares;
- 4.10 it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document and any supplementary admission document published by the Company subsequent to the date of this document and, if given or made, any information, statement or representation must not be relied upon as having been authorised by Investec, the Company or the Selling Shareholders;
- 4.11 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986 and no instrument under which it acquires Placing Shares (whether as principal, agent or nominee) would be subject to stamp duty or SDRT at the increased rates referred to in those sections and that it, or the person specified by it for registration as a holder of Placing Shares, are not participating in the Placing as nominee or agent for any person or persons to whom the allocation, transfer or delivery of Placing Shares would give rise to such a liability;
- 4.12 it, or the person specified by it for registration as a holder of the Placing Shares, will be liable for any stamp duty or SDRT liability under any of sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services), registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto), if any, payable on acquisition of any of the Placing Shares and acknowledge and agree that, save for the Selling Shareholders who have agreed to pay any stamp duty or SDRT under section 87 of the Finance Act 1986, none of Investec, the Selling Shareholders nor the Company nor any of their respective affiliates nor any person acting on

- behalf of them will be responsible for any other liability to stamp duty or SDRT resulting from a failure to observe this requirement;
- 4.13 it accepts that none of the Placing Shares have been or will be registered under the laws of any Prohibited Territory and, accordingly, the Placing Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Prohibited Territory unless an exemption from any registration requirement is available;
 - 4.14 it will not procure the acquisition of any part of its Placing Shares under the Placing by, or for the account of, any person with an address in any Prohibited Territory, it will not offer any Placing Shares to any such person and will not otherwise treat any Placing Shares in any manner that would contravene any applicable securities legislation in any Prohibited Territory or any other securities legislation and its subscription for Placing Shares under the Placing will not contravene in any respect such legislation;
 - 4.15 if it is receiving the details of the Placing in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction's laws and regulations;
 - 4.16 it is a Relevant Person and undertakes that it will acquire, hold, manage or dispose of any Placing Shares that are allocated to it for the purposes of its business;
 - 4.17 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to acquire Placing Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and acquired by and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
 - 4.18 it acknowledges that none of Investec or any of its respective affiliates nor any person acting on its behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and its participation in the Placing is on the basis that it is not and will not be a client of Investec or any of its affiliates, that Investec is acting solely for the Company and no-one else and that none of Investec or any of its affiliates have any duties or responsibilities to it for providing protections afforded to its or their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertaking or indemnities contained in these Terms and Conditions;
 - 4.19 it acknowledges that if it, and any person on whose behalf it is acting, is not located within or a resident of the United States, it is acquiring Placing Shares in an "offshore transaction" as defined in Regulation S promulgated under the Securities Act (**Regulation S**) and where it is acquiring Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to acquire the Placing Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Investec. It agrees that the provision of this paragraph shall survive any resale of the Placing Shares by or on behalf of any such account;
 - 4.20 if it is within the United Kingdom, it is a person who falls within Articles 49(2) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (**Order**) or is a person to whom the Placing Shares may otherwise lawfully be offered under such Order, or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Placing Shares may be lawfully offered under that other jurisdiction's laws and regulations;

- 4.21 it is a qualified investor within the meaning of the law of the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive;
- 4.22 it is acting as principal only in respect of the Placing, or, if it is acting for any other person, (i) it is and will remain liable to the Company and/or Investec and/or the Selling Shareholders for the performance of all its obligations as an Investor in respect of the Placing (regardless of the fact that it is acting for another person) (ii) it is both an “authorised person” for the purposes of FSMA and a “qualified investor” as defined at Article 2.1(e)(i) of the Prospectus Directive acting as agent for such person and (iii) such person is either (1) a FSMA “qualified investor” or (2) its “client” (as defined in section 86(2) of FSMA) that has engaged it to act as his agent on terms which enable it to make decisions concerning the Placing or any other offers of transferable securities on his behalf without reference to him;
- 4.23 it represents and warrants that it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Placing Shares in, from, or otherwise involving, the United Kingdom;
- 4.24 it represents and warrants that it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 FSMA) relating to the Placing Shares in circumstances in which section 21(1) FSMA does not require approval of the communication by an authorised person;
- 4.25 it confirms that any of its clients, whether or not identified to Investec or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Investec or any of their affiliates or agents for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.26 where it or any person acting on its behalf is dealing with Investec, any money held in an account with Investec on its behalf and/or any person acting on its behalf will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Investec to segregate such money as that money will be held by Investec under a banking relationship and not as trustee;
- 4.27 it has not and will not offer or sell any Placing Shares to persons in the United Kingdom, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and which will not result in an offer to the public in the United Kingdom within the meaning of section 102B of FSMA;
- 4.28 it is an “eligible counterparty” or a “professional investor” within the meaning of Chapter 3 of the FCA’s Conduct of Business Sourcebook and it is subscribing for or purchasing the Placing Shares for investment only and not for resale or distribution;
- 4.29 it irrevocably appoints any Director and any director of Investec to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its acquisition and registration of all or any of the Placing Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- 4.30 it accepts that if the Placing does not proceed or the conditions to Investec’s obligations in respect of such Placing under the Placing Agreement are not satisfied or the Placing Agreement is terminated prior to Admission for any reason whatsoever or such Placing Shares are not admitted to trading on AIM for any reason whatsoever, then neither Investec nor the Company nor the Selling Shareholders nor any of their respective affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

- 4.31 it has not taken any action or omitted to take any action which will or may result in Investec, the Company, the Selling Shareholders or any of their respective directors, officers, agents, affiliates, employees or advisers being in breach of the legal or regulatory requirements of any territory in connection with the Placing or its acquisition of Placing Shares pursuant to the Placing;
- 4.32 in connection with its participation in the Placing it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing including under the Proceeds of Crime Act 2002, the Terrorism Act 2000, the Terrorism Act 2006 and the Money Laundering Regulations 2007 and that its placing commitment is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (**Money Laundering Directive**); or (iii) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 4.33 due to anti-money laundering and the countering of terrorist financing requirements, Investec, the Company and/or the Selling Shareholders may require proof of identity of the Investor and related parties and verification of the source of the payment before the placing commitment can be processed and that, in the event of delay or failure by the Investor to produce any information required for verification purposes, Investec, the Company and/or the Selling Shareholders may refuse to accept the placing commitment and the subscription moneys relating thereto. It holds harmless and will indemnify Investec, the Company and/or the Selling Shareholders against any liability, loss or cost ensuing due to the failure to process the placing commitment, if such information as has been required has not been provided by it or has not been provided in a timely manner;
- 4.34 it is aware of the obligations regarding insider dealing in the Criminal Justice Act 1993, section 118 of FSMA and the Proceeds of Crime Act 2002 and confirms that it has complied and will continue to comply with those obligations;
- 4.35 it and each person or body (including, without limitation, any local authority or the managers of any pension fund) on whose behalf it accepts Placing Shares pursuant to the Placing or to whom it allocates such Placing Shares have the capacity and authority to enter into and to perform their obligations as an Investor of the Placing Shares and will honour those obligations;
- 4.36 as far as it is aware it is not acting in concert (within the meaning given in the Takeover Code) with any other person in relation to the Company and it is not a related party of the Company for the purposes of the AIM Rules for Companies;
- 4.37 Investec is entitled to exercise any of its rights under the Placing Agreement or any other right in its absolute discretion, including the right to terminate the Placing Agreement, without any liability whatsoever to it (or any agent acting on their behalf) and Investec shall not have any obligation to consult or notify Investors in relation to any right or discretion given to it or which it is entitled to exercise under the Placing Agreement;
- 4.38 Investec expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Placing. If such right is exercised, the Placing (and the arrangements associated with it) will lapse and any monies received in respect of the Placing will be returned to Investors without interest;
- 4.39 the representations, undertakings and warranties given by an Investor as contained in this document are irrevocable. It acknowledges that Investec, the Selling Shareholders and the Company and their respective affiliates will rely upon the truth and accuracy of such representations, undertakings and warranties and it agrees that if any of the representations, undertakings or warranties made or deemed

to have been made by its application for Placing Shares are no longer accurate, it shall promptly notify Investec and the Company;

- 4.40 it confirms that it is not and at Admission will not be, an affiliate of the Company or a person acting on behalf of such affiliate and it is not acquiring Placing Shares for the account or benefit of an affiliate of the Company or of a person acting on behalf of such an affiliate;
- 4.41 nothing has been done or will be done by it in relation to the Placing that has resulted or could result in any person being required to publish a prospectus in relation to the Company or to any Ordinary Shares in accordance with FSMA or the Prospectus Rules or in accordance with any other laws applicable in any part of the European Union or the European Economic Area;
- 4.42 it will (or will procure that its nominee will) if applicable, make notification to the Company of the interest in its Ordinary Shares in accordance with Rule 5 of the Disclosure and Transparency Rules as they apply to the Company;
- 4.43 it accepts that the allocation of Placing Shares shall be determined by Investec following consultation with the Company and that Investec may scale down any placing commitments on such basis as it may determine; and
- 4.44 time shall be of the essence as regards its obligations to settle payment for the Placing Shares and to comply with its other obligations under the Placing.

5. Indemnity

Each Investor irrevocably agrees, on its own behalf and on behalf of any person on whose behalf it is acting, to indemnify on an after-tax basis and hold the Company, Investec and the Selling Shareholders and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of any breach by it any person on whose behalf it is acting of the representations, warranties, undertakings, agreements and acknowledgements in these Terms and Conditions.

6. Supply and disclosure of information

If Investec, the Selling Shareholders, the Registrar or the Company or any of their agents request any information in connection with an Investor's agreement to acquire Placing Shares under the Placing or to comply with any relevant legislation, such Investor must promptly disclose it to them.

7. Miscellaneous

- 7.1 The rights and remedies of the Company, the Selling Shareholders, Investec and the Registrar under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.2 On the acceptance of their placing commitment, if an Investor is a discretionary fund manager, that Investor may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Investor's risk. They may be returned by post to such Investor at the address notified by such Investor.
- 7.3 Each Investor agrees to be bound by the Articles of Association (as amended from time to time) once the Placing Shares which the Investor has agreed to acquire pursuant to the Placing have been acquired by the Investor. The contract to acquire Placing Shares under the Placing and the appointments and authorities mentioned in this document will be governed by and construed in accordance with, the laws of England. For the exclusive benefit of the Company, the Selling Shareholders, Investec and the Registrar, each Investor irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against an Investor in any other jurisdiction.

- 7.4 In the case of a joint agreement to acquire Placing Shares under the Placing, references to an “Investor” in these terms and conditions are to each of the Investors who are a party to that joint agreement and their liability is joint and several.
- 7.5 Investec, the Selling Shareholders and the Company expressly reserve the right to modify the terms of the Placing (including, without limitation, its timetable and settlement) at any time before allocations are determined, including the right of Investec to notify to the Company any extension for the dates and times for satisfaction of any or all of the conditions in the Placing Agreement (provided that such conditions are not extended beyond 8.00 a.m. (London time) on 20 May 2016).
- 7.6 The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated in accordance with its terms. For further details of the terms of the Placing Agreement please refer to paragraph 10 of Part V of this document.
- 7.7 Investec may, and its affiliates acting as an investor for its or their own account(s) may, acquire Placing Shares and, in that capacity may retain, purchase, offer to sell or otherwise deal for its or their own account(s) in the Placing Shares, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in these Terms and Conditions to the Placing Shares being offered, subscribed, sold, acquired or otherwise dealt with should be read as including any offer to, or subscription, acquisition or dealing by, Investec and/or any of their respective affiliates acting as an investor for its or their own account(s). Neither Investec nor the Company intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.
- 7.8 Each Investor which acquires Placing Shares will be deemed to undertake that it agrees that it is liable for any capital duty, stamp duty, stamp duty reserve tax and all other stamp, issue, securities, transfer registration, documentary or other duties or taxes (including any interest, fines or penalties relating thereto) payable outside the United Kingdom by such investor or any other person on the acquisition by such Investor of any Placing Shares or the agreement by such Investor to acquire any Placing Shares.
- 7.9 To the fullest extent permitted by law, each Investor acknowledges and agrees to the disclaimers contained in this document including in these Terms and Conditions.

8. Sales outside the United States

Each acquirer of the Placing Shares offered in reliance on Regulation S will be deemed to represent, warrant and agree as follows:

- 8.1 it and any person, if any, for whose account it is acquiring the Placing Shares, is purchasing the Placing Shares outside the United States in an offshore transaction meeting the requirements of Regulation S and the transaction was not pre-arranged with a buyer in the United States;
- 8.2 it is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire the Placing Shares;
- 8.3 it is aware that the Placing Shares have not been and will not be registered under the Securities Act and are being offered and sold only in “offshore transactions” outside the United States in reliance on Regulation S;
- 8.4 it is not acquiring the Placing Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Placing Shares into the United States or any jurisdiction referred to above;
- 8.5 if in the future it decides to offer, sell, transfer, assign or otherwise dispose of the Ordinary Shares, it will do so only pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;

- 8.6 it has received, carefully read and understands this document and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Placing Shares to any persons within the United States or any person with an address in a Prohibited Territory, nor will it do any of the foregoing; and
- 8.7 that the Company, Investec and the Selling Shareholders, their affiliates and others, will rely upon the truth and accuracy of the foregoing acknowledgements, representations or agreements made by it in these Terms and Conditions, if it becomes aware that the foregoing acknowledgements, representations or agreements are no longer accurate or have not been complied with, it will immediately notify the Company and Investec and, if it is acquiring any Placing Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make such foregoing acknowledgements, representations and agreements on behalf of each such account.

9. Selling restrictions

- 9.1 The distribution of this document and the offer of Ordinary Shares pursuant to the Placing in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.
- 9.2 The Ordinary Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of the Ordinary Shares pursuant to the Placing contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to subscribe for or acquire any of the Ordinary Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

9.3 *European Economic Area*

In relation to each Member State, an offer to the public of any Ordinary Shares may not be made in that Member State, except that an offer to the public in that Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Member State:

- (a) to any legal entity which is a “qualified investor” as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if the Member State has implemented the relevant provisions of the 2010 Prospectus Amending Directive (Directive 2010/73/EC), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Member State, subject to obtaining the prior consent of Investec; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the Company or Investec to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Investec and the Company that it is a qualified investor within the meaning of the law in that Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any Ordinary Shares in any Member State means the communication in any form and by any means of sufficient

information on the terms of the Placing and any Ordinary Shares so as to enable an investor to decide to acquire any Ordinary Shares, as the same may be varied for that Member State by any measure implementing the Prospectus Directive in that Member State.

In the case of any Ordinary Shares being offered to a “financial intermediary” as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Placing have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Company and Investec has been obtained to each such proposed offer or resale.

The Company, the Selling Shareholders, Investec and their respective affiliates, representatives and others will rely upon the truth and accuracy of the foregoing representation, warranty, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Investec of such fact in writing may, with the consent of Investec, be permitted to acquire Ordinary Shares in the Placing.

9.4 *United States of America*

The Ordinary Shares have not been and will not be registered under the Securities Act or under the securities laws or regulations of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no offer of the Ordinary Shares in the United States. The Ordinary Shares are being offered and sold only outside the United States in “offshore transactions” in reliance on Regulation S.

In addition, until 40 days after the commencement of the Placing, an offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Placing) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

9.5 *Other Prohibited Territories*

The Ordinary Shares have not been and will not be registered under the applicable securities laws of Canada, Japan, the Republic of Ireland, Australia or the Republic of South Africa or in any jurisdiction where to do so may contravene local securities laws or regulations.

10. Allocation

10.1 Investec has solicited indications of interest from prospective investors to acquire Ordinary Shares in the Placing. On this basis, prospective investors have been asked to specify the number of Ordinary Shares that they are prepared to acquire at different prices. Multiple applications under the Placing are permitted.

10.2 A number of factors have been considered in deciding the Placing Price and the bases of allocation, including prevailing market conditions, the level and the nature of the demand for Ordinary Shares, the objective of encouraging long-term ownership of the Ordinary Shares. The Placing Price has been established at a level determined in accordance with these arrangements, taking into account indications of interest received from persons (including market-makers and fund managers) connected with Investec. Accordingly, the Placing Price may be lower than the highest price at which all of the Ordinary Shares, in respect of which indications of interest have been received or which are available for subscription or sale in the Placing, could have been accepted.

- 10.3 Investors will be advised verbally or by electronic mail of their allocation as soon as practicable following allocation.
- 10.4 Investors will be contractually committed to acquire the number of Placing Shares allocated to them at the Placing Price and, to the fullest extent permitted by law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing with the Placing Shares may not begin before notification is made.
- 10.5 All Ordinary Shares to be issued or sold pursuant to the Placing will be issued or sold, payable in full, at the Placing Price.
- 10.6 The rights attaching to the Ordinary Shares are uniform in all respects and they form a single class for all purposes.
- 10.7 Each Ordinary Share ranks equally in all respects with each other Ordinary Share and has the same rights (including voting and dividend rights and rights to a return of capital) and restrictions as each other Ordinary Share, as set out in the Articles of Association.
- 10.8 Subject to the provisions of the Companies Act 2006, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Companies Act 2006 allow for the disapplication of pre-emption rights which may be waived by special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.
- 10.9 Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profit of the Company.
- 10.10 The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares, subject to the Companies Act 2006.
- 10.11 Further details of the rights attached to the Ordinary Shares are set out in paragraph 9 of Part V of this document.

11. Dealing arrangements

- 11.1 The Placing is subject to the satisfaction of certain conditions contained in the Placing Agreement, which are typical for an agreement of this nature, including Admission occurring and becoming effective by 8.00 a.m. (London time) on 6 May 2016 or such later date as may be determined in accordance with such agreement and the Placing Agreement not having been terminated in accordance with its terms. Certain conditions are related to events which are outside the control of the Company, the Directors, the Selling Shareholders and Investec. Further details of the Placing Agreement are described in paragraph 10 of Part V of this document.
- 11.2 Application will be made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. Admission of the Ordinary Shares is not being sought on any market other than AIM.
- 11.3 It is expected that the Subscription Shares (as defined in the Placing Agreement) will be issued on 6 May 2016 and that Admission will take place and unconditional dealings in the Ordinary Shares will commence on AIM at 8.00 a.m.(London time) on 6 May 2016.
- 11.4 Each Investor will be required to undertake to pay the Placing Price for the Ordinary Shares sold to such Investor in such manner as shall be directed by Investec.
- 11.5 The Ordinary Shares are in registered form and can be held in certificated or uncertificated form. Title to certificated Ordinary Shares (if any) will be evidenced in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry into the operator register maintained by the Registrar (which will form part of the register of members of the Company).

11.6 It is intended that allocations of Placing Shares to Investors who wish to hold Placing Shares in uncertificated form will take place through CREST on Admission. It is intended that, where applicable, definitive share certificates in respect of the Placing Shares will be posted by first class post as soon as is practicable following Admission. Dealings in advance of the crediting of the relevant CREST stock account shall be at the risk of the person concerned. Prior to the despatch of definitive share certificates in respect of any Placing Shares which are not settled in CREST, transfers of those Placing Shares will be certified against the register of members of the Company. No temporary documents of title will be issued.

12. CREST

With effect from Admission, the Articles of Association will permit the holding of Ordinary Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

13. Placing arrangements

13.1 The Company, the Director Selling Shareholders, the Directors (in their capacities as directors and, where applicable, Director Selling Shareholders) and Investec have entered into the Placing Agreement, whereby Investec was appointed as the agent of the Company for the purpose of managing the Placing and has agreed to use reasonable endeavours to procure places to subscribe for the New Ordinary Shares and to purchase the Director Sale Shares, in each case at the Placing Price.

13.2 The Placing Agreement contains provisions entitling Investec to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing and these arrangements will lapse and any monies received in respect of the Placing will be returned to Investors without interest. The Placing Agreement provides for Investec to be paid a commission in respect of the Placing Shares acquired by Investors. Any commission received by Investec may be retained and any Placing Shares acquired by them may be retained or dealt in, by it, for its own benefit.

13.3 The Other Selling Shareholders, the Company and Investec have entered into the Selling Shareholders Agreement whereby each Other Selling Shareholder has appointed Investec as his or her agent for the purpose of managing the Placing and pursuant to which Investec has agreed to use reasonable endeavours to procure places to subscribe for the Existing Ordinary Shares to be offered for sale by each of the Other Selling Shareholders, pursuant to the Placing, at the Placing Price.

13.4 The Selling Shareholders Agreement shall terminate immediately upon termination of the Placing Agreement.

13.5 Further details of the terms of the Placing Agreement are set out in paragraph 10 of Part V of this document.

PART V

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company is domiciled in England and Wales and was incorporated on 27 November 2013 under the name of “Jade 320 Limited” as a private limited liability company.
- 1.2 The liability of the members of the Company is limited.
- 1.3 Effective on 15 April 2016, the Company re-registered as a public limited company, with the name “Midwich Group plc”.
- 1.4 The Company is, and its securities are, governed by the Act.
- 1.5 The Company’s registered office is at Vines Road, Diss, IP22 4YT and this is also its principal place of business. The telephone number of its registered office is 01379 649200.
- 1.6 The principal activities of the Company are to act as the holding company for the Group whose principal activities are to carry on business as a general commercial company and to carry on the business of a specialist AV and document solutions distributor to the trade market, with operations in the UK, Europe and Australia.
- 1.7 The Company has no administrative, management or supervisory bodies other than its Board, the Remuneration Committee, the Audit Committee and the Nomination Committee, such committees having no members other than Directors.

2. Subsidiaries

The Company is the holding company of the Group. The following table contains details of the Company and its subsidiaries.

<i>Company name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage ownership (%)</i>
Midwich Group plc	Holding company for the Group.	England and Wales	100
Midwich Limited	Non-specialised wholesale trade. Distributor of AV products.	England and Wales	100
Invision UK Ltd	Management consultancy activities other than financial management. Trade-only distributors of integrated AV solutions for residential, commercial and marine applications.	England and Wales	100
PSCo Limited	Repair of electrical equipment. Wholesale of electronic and telecommunications equipment and parts Renting and leasing of office machinery and equipment (including computers). Expert in videowall and large format displays, sale of second hand AV technology, rental of display technology to trade.	England and Wales	100
Midwich Employees’ Trustees Limited	Non-trading company which operates as an employee benefit trust.	England and Wales	100
Square One Distribution Limited	Audio visual, print and imaging distribution.	Republic of Ireland	100

<i>Company name</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Percentage ownership (%)</i>
Sidev SAS	Translated from the French: wholesaler audiovisual.	France	100
Kern & Stelly Medientechnik GmbH	Business-to-business wholesale distributor of projectors.	Germany	51
Midwich Limited	Trade-only importer and distributor of audio, video and data distribution and display technology.	New Zealand	100
Midwich Australia Pty Limited	Trade-only importer and distributor of audio, video and data distribution and display technology.	Australia	100
True Colours Distribution Limited	Dormant.	England and Wales	100
M&R 320 Limited	Application for voluntary strike off made 10 March 2016 (voluntary strike off procedure expected to complete 22 May 2016).	England and Wales	100

3. Share Capital

3.1 The Company was incorporated with a share capital comprised of 1 Previous Ordinary Share.

3.2 The following changes to the Company's share capital have taken place since incorporation:

3.2.1 On 20 December 2013:

3.2.1.1 the issued share capital of the Company was increased by the allotment of:

3.2.1.1.1 445,999 Previous Ordinary Shares at nominal value; and

3.2.1.1.2 4,123,746 Previous Preference Shares at nominal value; and

3.2.1.2 the total statement of capital of the Company was: 4,569,746 shares with a total aggregate nominal value of £4,569,746.

3.2.2 On 6 August 2014:

3.2.2.1 the issued share capital of the Company was increased by the allotment of:

3.2.2.1.1 52,000 A Ordinary Shares at nominal value;

3.2.2.1.2 171,535 B1 Ordinary Shares at nominal value;

3.2.2.1.3 9,214 B2 Ordinary Shares at nominal value;

3.2.2.1.4 7,179 B3 Ordinary Shares at nominal value;

3.2.2.1.5 7,179 B4 Ordinary Shares at nominal value;

3.2.2.1.6 14,358 B5 Ordinary Shares at nominal value; and

3.2.2.2 the total statement of capital of the Company was: 4,831,211 shares with a total aggregate nominal value of £4,572,360.65.

3.2.3 On 24 November 2014:

3.2.3.1 the following shares were purchased for cancellation by the Company and then cancelled:

- 3.2.3.1.1 4,500 A Ordinary shares; and
- 3.2.3.1.2 2,143 B1 Ordinary shares;
- 3.2.3.2 the total aggregate amount paid for the shares referred to above was £66.43; and
- 3.2.3.3 following the share purchase and cancellation noted above, the statement of capital of the Company was as follows:

Class of shares	Amount paid up on each share (£)	Number of shares in issue	Aggregate nominal value (£)
A Ordinary Shares	0.01	47,500	475
B1 Ordinary Shares	0.01	169,392	1,693.92
B2 Ordinary Shares	0.01	9,214	92.14
B3 Ordinary Shares	0.01	7,179	71.79
B4 Ordinary Shares	0.01	7,179	71.79
B5 Ordinary Shares	0.01	14,358	143.58
Previous Ordinary Shares	1.00	446,000	446,000
Previous Preference Shares	1.00	4,123,746	4,123,746
Total		<u>4,824,568</u>	<u>4,572,294.22</u>

3.2.4 On 12 May 2015:

- 3.2.4.1 the issued share capital of the Company was increased by the following allotments:
- 3.2.4.1.1 6,500 A Ordinary Shares at nominal value; and
- 3.2.4.1.2 5,082 B1 Ordinary Shares at nominal value; and
- 3.2.4.2 following the share allotments noted above, the statement of capital of the Company was as follows:

Class of shares	Amount paid up on each share (£)	Number of shares in issue	Aggregate nominal value (£)
A Ordinary Shares	0.01	54,000	540
B1 Ordinary Shares	0.01	174,474	1,744.74
B2 Ordinary Shares	0.01	9,214	92.14
B3 Ordinary Shares	0.01	7,179	71.79
B4 Ordinary Shares	0.01	7,179	71.79
B5 Ordinary Shares	0.01	14,358	143.58
Previous Ordinary Shares	1.00	446,000	446,000
Previous Preference Shares	1.00	4,123,746	4,123,746
Total		<u>4,836,150</u>	<u>4,572,410.04</u>

3.2.5 On 6 November 2015:

- 3.2.5.1 The following shares were purchased for cancellation by the Company and then cancelled:
- 3.2.5.1.1 500 A Ordinary shares; and
- 3.2.5.1.2 9,214 B2 Ordinary shares;
- 3.2.5.2 the total aggregate amount paid on the shares referred to above was £ 97.14.

3.2.6 On 18 November 2015:

3.2.6.1 the following shares were purchased for cancellation by the Company and then cancelled:

3.2.6.1.1 1,000 A Ordinary shares; and

3.2.6.1.2 7,179 B4 Ordinary shares;

3.2.6.2 the total aggregate amount paid on the shares referred to above was £81.79; and

3.2.6.3 following the share cancellations noted at paragraphs 3.2.5.1 and 3.2.6.1 above, the statement of capital of the Company was as follows:

Class of shares	Amount paid up on each share (£)	Number of shares in issue	Nominal value of each share
A Ordinary Shares	0.01	52,500	£525
B1 Ordinary Shares	0.01	174,474	£1,744.74
B3 Ordinary Shares	0.01	7,179	£71.79
B5 Ordinary Shares	0.01	14,358	£143.58
Previous Ordinary Shares	1.00	446,000	£446,000
Previous Preference Shares	1.00	4,123,746	£4,123,746
Total		4,818,257	£4,572,231.11

3.2.7 On 25 November 2015:

3.2.7.1 the following shares were purchased for cancellation by the Company, and then cancelled:

3.2.7.1.1 25,000 Previous Ordinary shares, with a total aggregate amount paid on the shares of £460,000; and

3.2.7.1.2 25,000 Previous Ordinary shares with a total aggregate amount paid on the shares of £600,000; and

3.2.7.2 following the share cancellations noted above, the statement of capital of the Company was as follows:

Class of shares	Amount paid up on each share (£)	Number of shares in issue	Aggregate nominal value (£)
A Ordinary Shares	0.01	52,500	525
B1 Ordinary Shares	0.01	174,474	1,744.74
B3 Ordinary Shares	0.01	7,179	71.79
B5 Ordinary Shares	0.01	14,358	143.58
Previous Ordinary Shares	1.00	396,000	396,000
Previous Preference Shares	1.00	4,123,746	4,123,746
Total		4,768,257	4,522,231.11

3.2.8 On 13 January 2016:

3.2.8.1 the issued share capital of the Company was increased by the allotment of 10,000 B1 Ordinary Shares, which were allotted at a price of £21.20 per share; and

3.2.8.2 following the share allotment noted above, the statement of capital of the Company was as follows:

Class of shares	Amount paid up on each share (£)	Number of shares in issue	Aggregate nominal value (£)
A Ordinary Shares	0.01	52,500	525
B1 Ordinary Shares	0.01	184,474	1,844.74
B3 Ordinary Shares	0.01	7,179	71.79
B5 Ordinary Shares	0.01	14,358	143.58
Previous Ordinary Shares	1.00	396,000	396,000
Previous Preference Shares	1.00	4,123,746	4,123,746
Total		4,778,257	4,522,331.11

3.2.9 On 18 January 2016, the Company allotted 20,000 B1 Ordinary at a price of £21.20 per share.

3.2.10 On 4 February 2016, the Company bought back 7,179 B5 Ordinary Shares for cancellation at par value.

3.2.11 On 4 February 2016, the Company allotted 2,220 B1 Ordinary Shares and 1,480 B1 Ordinary Shares at a price of £21.20 per share.

3.2.12 On 10 March 2016, the Company allotted 2,750 B1 Ordinary Shares at a price of £21.20 per share.

3.2.13 Following the share allotments and buy backs noted in paragraphs 3.2.8 to 3.2.12 (inclusive), the statement of capital of the Company was as follows:

Class of shares	Amount paid up on each share (£)	Number of shares in issue	Aggregate nominal value (£)
A Ordinary Shares	0.01	52,500	525
B1 Ordinary Shares	0.01	210,924	2,109.24
B3 Ordinary Shares	0.01	7,179	71.79
B5 Ordinary Shares	0.01	7,179	71.79
Previous Ordinary Shares	1.00	396,000	396,000
Previous Preference Shares	1.00	4,123,746	4,123,746
Total		4,797,528	4,522,523.82

3.3 On 13 April 2016, the Company passed a resolution to:

3.3.1 reduce the preference share capital of the Company from £4,123,746 divided into 4,123,746 Previous Preference Shares (all of which had been issued and were fully paid up) to £41,237.46 divided into 4,123,746 Preference Shares, with the amount by which the share capital was so reduced being credited to a distributable reserve; and

3.3.2 reduce the ordinary share capital of the Company from £396,000 divided into 396,000 Previous Ordinary Shares (all of which had been issued and were fully paid up) to £3,960 divided into 396,000 Ordinary Shares, with the amount by which the share capital was so reduced being credited to a distributable reserve.

3.4 On 13 April 2016, the Company passed a resolution, conditional on the Directors having resolved that the conditions for re-registration as a public company specified in sections 91 and 92 of the Act had been met and the capital reductions referred to in paragraph 3.3 above having been effected, to

re-register the Company as a public company under the Act and to change the name of the Company with effect from such re-registration to “Midwich Group plc”.

- 3.5 On 13 April 2016, the Company passed a resolution, subject to the passing of the resolution referred to in paragraph 3.4 above and taking effect on the re-registration of the Company as a public company under the Act, to adopt new articles of association in substitution for and to the exclusion of the then existing articles of association.
- 3.6 On 22 April 2016 the Company redeemed 3,123,746 Preference Shares held by Stephen Fenby at a price of £1.00 per Preference Share. The proceeds of the redemption of such Preference Shares were lent to the Company by Stephen Fenby as an interest free loan, which will be repaid using the proceeds of the Placing.
- 3.7 Following the redemption of Preference Shares noted above, the statement of capital of the Company was as follows:

Class of shares	Amount paid up on each share (£)	Number of shares in issue	Aggregate nominal value (£)
A Ordinary Shares	0.01	52,500	525
B1 Ordinary Shares	0.01	210,924	2,109.24
B3 Ordinary Shares	0.01	7,179	71.79
B5 Ordinary Shares	0.01	7,179	71.79
Ordinary Shares	0.01	396,000	3,960
Preference Shares	0.01	1,000,000	10,000
Total		1,673,782	16,737.82

- 3.8 On 29 April 2016, the Company passed resolutions conditional on Admission and to take effect immediately prior to Admission to:

3.8.1 re-designate the 52,500 A Ordinary Shares as 52,500 Ordinary Shares;

3.8.2 re-designate the 210,924 B1 Ordinary Shares as 210,924 Ordinary Shares;

3.8.3 re-designate the Preference Percentage (defined below) of the Preference Shares held by each holder of Preference Shares (rounded down to the nearest whole number of Preference Shares) as Ordinary Shares on a one for one basis with the remaining Preference Shares held by each such holder of Preference Shares being re-designated as Deferred Shares.

The Preference Percentage = $1/(100 \times \text{the Placing Price})$;

3.8.4 re-designate the B3 Percentage of the B3 Ordinary Shares held by each holder of B3 Ordinary Shares (rounded down to the nearest whole number of B3 Ordinary Shares) as Ordinary Shares on a one for one basis with the remaining B3 Shares held by each such holder of B3 Ordinary Shares being re-designated as Deferred Shares.

The B3 Percentage = $\text{€}749,990.13$ (in pounds sterling at the exchange rate on the Business Day prior to the date which the Board resolves, in accordance with the articles of association of the Company at such time, to be the Calculation Date as defined in such articles (or any replacement Calculation Date))/($100 \times \text{the Placing Price} \times 7,179$);

3.8.5 re-designate the B5 Percentage of the B5 Ordinary Shares held by each holder of B5 Ordinary Shares (rounded down to the nearest whole number of B5 Ordinary Shares) as Ordinary Shares on a one for one basis with the remaining B5 Ordinary Shares held by each such holder of B5 Shares being re-designated as Deferred Shares.

The B5 Percentage = $\text{£}500,017.35/(100 \times \text{the Placing Price} \times 7,179)$;

- 3.8.6 following the implementation of the resolutions referred to in paragraphs 3.8.1 to 3.8.5 (inclusive) above, appoint the Company Secretary pursuant to article 17.9.2(v)(B) of the Company's articles of association to execute on behalf of all the holders of the Deferred Shares created as a result of the passing of those resolutions referred to in paragraphs 3.8.3 to 3.8.5 (inclusive) above, a transfer of such Deferred Shares in favour of the Company for nil consideration (in accordance with section 659 of the Act), such Deferred Shares to be held by the Company Secretary as nominee and custodian for and on behalf of the Company and for such Deferred Shares be cancelled by the Company and its share capital diminished by the aggregate nominal amount of the Deferred Shares so cancelled; and
- 3.8.7 following the implementation of the resolutions referred to in paragraphs 3.8.1 to 3.8.5 (inclusive) above, capitalise a sum not exceeding £1,000,000, being part of the reserve created following the reductions of capital referred to in paragraph 3.3 above, and appropriate such sum to the holders of Ordinary Shares and to apply such sum on their behalf in paying up in full new Ordinary Shares, such shares to be allotted and distributed, credited as fully paid, to and amongst such holders of Ordinary Shares in the proportion of 99 new Ordinary Shares for each existing Ordinary Share then held by them respectively, so that the new Ordinary Shares shall rank *pari passu* with the existing Ordinary Shares.
- 3.9 On 29 April 2016, the Company passed a resolution conditional on the passing of those resolutions referred to in paragraph 3.8 and on Admission taking place to adopt new articles of association with effect from Admission in substitution for and to the exclusion of the then existing articles of association.
- 3.10 On 29 April 2016, the Company passed a resolution conditional on Admission to authorise its directors generally and unconditionally in accordance with section 551 of the Act to exercise all powers of the Company to allot Ordinary Shares in the Company and to grant rights to subscribe for, or to convert any security into, Ordinary Shares in the Company ("**Rights**") up to the following nominal amounts:
- (a) an aggregate nominal amount of £350,000 in respect of new Ordinary Shares to be issued on or in connection with Admission; and
 - (b) an aggregate nominal value of £570,000 or, if less, the nominal value of one third of the issued share capital of the Company immediately following Admission; and
 - (c) an aggregate nominal value of £1,140,000 or, if less, the nominal value of two thirds of the issued share capital of the Company immediately following Admission (such amount to be reduced by the nominal amount of any Rights allotted or granted under paragraph (b) above) in connection with an offer by way of a rights issue or other pre-emptive offer to:
 - (i) the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and
 - (ii) 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 may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter.

The authorities referred to in paragraphs (a) to (c) (inclusive) expire on the earlier of the next Annual General Meeting of the Company held after the date on which the resolution became unconditional and the date 15 months after the passing of the 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. The resolution had the effect of revoking and replacing 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.

3.11 On 29 April 2016, the Company passed a resolution conditional on the passing of the resolution referred to in paragraph 3.10 above and on Admission to authorise the Directors in accordance with section 570 of the CA Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash as if section 561(1) of the Act did not apply to any such allotment, save that the authority granted is limited to:

- (a) up to an aggregate nominal value of £350,000 in respect of the placing of the Company's shares to be effected on or in connection with Admission;
- (b) the allotment of equity securities in connection with an offer by way of a rights issue or other pre-emptive offer to:
 - (i) the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and
 - (ii) 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 may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter;

- (c) the allotment of equity securities (otherwise than pursuant to paragraphs (a) and (b) above) up to a maximum aggregate nominal value of £170,000 (or, if less, the nominal value of ten per cent. of the issued share capital of the Company immediately following Admission),

The authorities referred to in paragraphs (a) to (c) (inclusive) expire on the earlier of the next Annual General Meeting of the Company held after the date on which the resolution became unconditional and the date 15 months after the passing of the 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. The resolution had the effect of revoking and replacing 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.

In compliance with the Pre-emption Group's Statement of Principles, updated in March 2015, the Directors confirm that they will not allot shares for cash on a non-pre-emptive basis pursuant to the authority in this resolution:

- (i) in excess of an amount equal to 5% of the issued share capital of the Company (excluding treasury shares); or
- (ii) in excess of an amount equal to 7.5% of the issued share capital of the Company (excluding treasury shares) within a rolling three-year period, without prior consultation with the Company's shareholders,

in each case other than in connection with an acquisition or specified capital investment which is announced contemporaneously with the issue or which has taken place in the preceding six-month period and is disclosed in the announcement of the allotment.

3.12 The issued share capital of the Company at the date of this document and on Admission will be:

	Class of share	Number of shares	Aggregate Nominal value (£)	Issued and fully paid number of shares
Existing	Ordinary Shares	396,000	396,000	396,000
	A Ordinary Shares	52,500	525	52,500
	B1 Ordinary Shares	210,924	2,109.24	210,924
	B3 Ordinary Shares	7,179	71.79	7,179
	B5 Ordinary Shares	7,179	71.79	7,179
	Preference Shares	1,000,000	1,000,000	1,000,000
At Admission	Ordinary Shares	79,448,200	£794,482	79,448,200

3.13 The Company has no issued Ordinary Shares that are not fully paid up.

3.14 The Ordinary Shares may be held in certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The Company's registrars, Capita Asset Services, are responsible for keeping the Company's register of members.

3.15 Save as disclosed in this document and as at the date of this document:

- 3.15.1 no share or loan capital of the Company has been issued or is proposed to be issued;
- 3.15.2 there are no outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;
- 3.15.3 there are no Ordinary Shares in the Company not representing capital;
- 3.15.4 there are no Ordinary Shares in the Company held by the Company itself or by its subsidiaries;
- 3.15.5 there are no acquisition rights and/or obligations over authorised but unissued share capital of the Company or undertakings to increase the share capital of the Company;
- 3.15.6 no person has any preferential subscription rights for any share capital of the Company;
- 3.15.7 no commissions, discounts, brokerages or other special items have been granted by the Company since its incorporation in connection with the issue or sale of any Ordinary Shares or loan capital of the Company; and
- 3.15.8 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option and no commissions, discounts, brokerages or other special terms have been granted by the Company since its incorporation in connection with the issue or sale of any share or loan capital of the Company.

3.16 The Placing Shares will be issued pursuant to the authorities set out in paragraphs 3.10 and 3.11 of this Part V.

3.17 The Ordinary Shares have no redemption or conversion provisions.

3.18 The Ordinary Shares all rank pari passu with one another, having equal right to participate in any dividend, distribution or return of capital and having equal voting rights.

3.19 Since the date of incorporation of the Company there has been no takeover offer (within the meaning of Part 28 of the Act) for any of the Company's shares, and the Board has not received any bids or offers:

- 3.19.1 which would constitute a takeover bid; or
- 3.19.2 in relation to which squeeze-out or sell-out rules would apply in relation to the Company's shares.

4. Substantial Shareholder(s)

- 4.1 As at the date of this document, save for the persons set out below, the Directors are not aware of any beneficial holding of Ordinary Shares representing three per cent. or more of the Company's issued Ordinary Share capital nor, so far as the Directors are aware, are there any persons who, directly or indirectly, jointly or severally, exercise control over the Company:

Shareholder	Immediately prior to Admission**		Immediately following Admission	
	Number of Ordinary Shares	Percentage shareholding (%)	Number of Ordinary Shares	Percentage shareholding (%)
Stephen Barry Fenby*	79,200,000	59.2%	22,180,000	27.9%
Schroders plc	0	0.0%	7,932,692	10.0%
Hargreave Hale Limited	0	0.0%	5,817,307	7.3%
Lee Baker	8,164,200	6.1%	3,265,680	4.1%
Anthony Bailey	11,557,200	8.63%	3,178,230	4.0%
Old Mutual plc	0	0.0%	2,884,615	3.6%
Standard Life plc	0	0.0%	2,644,230	3.3%
Stuart Mizon	6,142,800	4.6%	2,457,120	3.1%

* Including 5,000,000 Ordinary Shares held by Jane Fenby, 2,000,000 Ordinary Shares held by William Fenby and 2,000,000 Ordinary Shares held by Edward Fenby.

** Assumes the resolutions referred to in paragraphs 3.8 to 3.11 (inclusive) of this Part V have been passed by the Company and have become effective.

- 4.2 There are no arrangements of which the Directors are aware which may result in a change of control of the Company.
- 4.3 The Ordinary Shares held by the Shareholder set out in paragraph 4.1 above rank pari passu with all other Ordinary Shares and, in particular, have no different voting rights than other Shareholders. Following Admission and the Placing, no major Shareholders will have different voting rights to other Shareholders.

5. Directors' Interests

- 5.1 The beneficial interests of the Directors and connected persons (within the meaning of sections 252 and 253 of the Act) in the Ordinary Share capital of the Company immediately following Admission are expected to be as follows:

Name	Immediately prior to Admission**		Immediately following Admission	
	Number of Ordinary Shares	Percentage shareholding (%)	Number of Ordinary Shares	Percentage shareholding (%)
Stephen Fenby*	79,200,000	59.2%	22,180,000	27.9%
Anthony Bailey	11,557,200	8.6%	3,178,230	4.0%
Andrew Herbert	0	0.0%	10,000	0.0%
Michael Ashley	0	0.0%	1,442	0.0%

* Including 5,000,000 Ordinary Shares held by Jane Fenby, 2,000,000 Ordinary Shares held by William Fenby and 2,000,000 Ordinary Shares held by Edward Fenby.

** Assumes the resolutions referred to in paragraphs 3.8 to 3.11 (inclusive) of this Part V have been passed by the Company and have become effective.

- 5.2 None of the Directors (nor any member of their families) has a related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares.
- 5.3 The voting rights of the Shareholders set out in paragraphs 4.1 and 5.1 above do not differ from the voting rights held by other Shareholders.

6. Directors' Service Agreements and Letters of Appointment

6.1 Set out below are details of the terms and conditions governing the engagement by the Company of the Directors:

- 6.1.1 Stephen Fenby was appointed a director of the Company on 27 November 2013. Midwich Limited entered into a new service agreement with Stephen on 29 April 2016. This sets out the terms of his appointment as Managing Director of the Company. Under the agreement, he is entitled to a salary of £196,860 per annum, together with a bonus which is payable at the discretion of the Remuneration Committee. Either party may terminate the agreement on nine months' notice. Subject to certain exceptions and/or with the consent of the Board, the agreement restricts Stephen from being interested in any other business, or engaged in any activity which might reasonably be considered harmful to or in conflict or competition with the interests of the Company or a Group Company, or which might interfere with his duties to the Group. There are also provisions which, in the event of termination, restrict Stephen from engaging in or having an interest in a competitor and which restrict him from soliciting or dealing with the Group's customers (and prospective customers); interfering with the Group's suppliers; and poaching key employees of the Group. Each of these restrictions apply for a period of 12 months following the termination of employment. The agreement contains provisions protecting the Group's confidential information and intellectual property. Stephen is not entitled to any benefits on termination of employment above those which would apply during his notice period (if a payment in lieu of notice is made this will exclude any bonus and other benefits that might otherwise have been paid during what would have been the notice period), although depending on the terms of the Group's directors' and officers' liability insurance from time to time, he may be entitled to be covered by such insurance for a period of time following the termination of employment.
- 6.1.2 Anthony Bailey was appointed a director of the Company on 15 December 2015. Midwich Limited entered into a new service agreement with Anthony on 29 April 2016. This sets out the terms of his appointment as Finance Director of the Company. Under the agreement, he is entitled to a salary of £153,000 per annum, together with a bonus which is payable at the discretion of the Remuneration Committee. Either party may terminate the agreement on nine months' notice. Subject to certain exceptions and/or with the consent of the Board, the agreement restricts Anthony from being interested in any other business, or engaged in any activity which might reasonably be considered harmful to or in conflict or competition with the interests of the Company or a Group Company, or which might interfere with his duties to the Group. There are also provisions which, in the event of termination, restrict Anthony from engaging in or having an interest in a competitor and which restrict him from soliciting or dealing with the Group's customers (and prospective customers); interfering with the Group's suppliers; and poaching key employees of the Group. Each of these restrictions apply for a period of 12 months following the termination of employment. The agreement contains provisions protecting the Group's confidential information and intellectual property. Anthony is not entitled to any benefits on termination of employment above those which would apply during his notice period (if a payment in lieu of notice is made this will exclude any bonus and other benefits that might otherwise have been paid during what would have been the notice period), although depending on the terms of the Group's directors' and officers' liability insurance from time to time, he may be entitled to be covered by such insurance for a period of time following the termination of employment.
- 6.1.3 Andrew Herbert was appointed as a director and non-executive Chairman of the Board of Directors on 13 April 2016. The Company entered into a letter of appointment with Andrew on 13 April 2016. This letter sets out the terms of Andrew's appointment as the Company's non-executive chairman for a fixed term of three years, subject to annual review, save that either party may terminate the appointment on three months' notice. Under the letter of appointment, Andrew is entitled to an annual fee of £46,000 and reimbursement of reasonable expenses but no other remuneration. The letter includes additional provisions which are relevant to Andrew's appointment, including restrictions in relation to the disclosure of the Group's confidential

information. On termination of the appointment, Andrew is not entitled to anything more than accrued fees as at the date of termination plus reimbursement of expenses properly incurred to that date.

- 6.1.4 Michael Ashley was appointed as a director of the Company on 13 April 2016 (subject to, and conditional on, Admission). The Company entered into a letter of appointment with Michael on 13 April 2016. This letter of appointment sets out the terms of Michael's appointment as a non-executive director. Michael was appointed for an initial period of three years save that either party may terminate the appointment on three months' notice. Under the letter of appointment, Michael is entitled to an annual fee of £29,000 and reimbursement of reasonable expenses but no other remuneration. The letter includes additional provisions which are relevant to Michael's appointment, including restrictions in relation to the disclosure of the Group's confidential information. On termination of the appointment, Michael is not entitled to anything more than accrued fees as at the date of termination plus reimbursement of expenses properly incurred to that date.
- 6.2 The aggregate remuneration paid or payable by any company in the Group (including benefits in kind) to the Directors during the year ended 31 December 2015 was £568,000. The aggregate estimated remuneration paid or payable to the Directors by all companies in the Group for the current financial year ending 31 December 2016 under the arrangements in force is expected to amount to in the region of £600,000.
- 6.3 Save as disclosed in this Part V, there are no service contracts, existing or proposed, between any Director and the Company and no service contract has been entered into or amended by the Company in the six months prior to the date of this document.
- 6.4 Save as disclosed below, there are no outstanding loans or guarantees provided by the Company for the benefit of any of the Directors:
- 6.4.1 Pursuant to a loan agreement dated 5 January 2016 the Company made an unsecured, interest-free, loan to Anthony Bailey in the principal sum of £212,000 in order to enable him to acquire 10,000 B1 ordinary shares in the Company for £212,000. The loan is repayable within 20 Business Days of a written request by the Company, which cannot be served on Anthony prior to the second anniversary of the date of loan agreement. The loan may be repaid early. In any event, the loan is repayable in full on the fifth anniversary of the date of the loan agreement, or on a "sale" or "listing" of the Company, if earlier.

7. Additional Information on the Board

- 7.1 The following table sets out the age and commencement date of each of the Directors:

<i>Name</i>	<i>Age</i>	<i>Commencement date</i>
Stephen Barry Fenby	52	27 November 2013
Anthony Michael George Bailey	49	15 December 2015
Andrew Herbert	56	13 April 2016
Michael Ashley	48	13 April 2016

7.2 The Directors hold or have held the following directorships in companies (other than the Group) incorporated in the United Kingdom and overseas (as the case may be) within the five years prior to the date of this document:

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Stephen Fenby	PSCO Limited (03321501) Midwich Group plc (08793266) Midwich Employees' Trustees Limited (05076394) Invision UK Ltd (04799073) True Colours Distribution Limited (04099583) Midwich Limited (01436289) Sidev Midwich Australia	PSCO Group Limited (07667390) liquidation AV Couriers Limited (06464065) dissolved Nearly New Audio Visual Ltd (06484210) dissolved PSCO Rental Limited (06003716) liquidation Yellowglade Limited (06605326) liquidation RWS Drums & Percussion Limited (03614934) dissolved R.W. Salt Communications Limited (02355159) dissolved M&R 320 Limited (07290298) (being struck off) Synergix Ltd (02156884) dissolved Tayvin 320 Limited (05076091) dissolved Cuckoo Holdings Limited (04136761) dissolved
Anthony Bailey	Midwich Group plc (08793266) Midwich Limited (01436289) Midwich Australia	Cuckoo Holdings Limited (04136761) dissolved Unthank Business Services Ltd (07582606) dissolved M&R 320 Limited (07290298) (being struck off)
Andrew Herbert	Midwich Group plc (08793266)	Domino Printing Sciences plc (01363137) Domino Printing Sciences Quest Trustees Limited (03873096) Domino Amjet Limited (02775454) Domino Packtrack Limited (02397743) Domino UK Limited (01750201) Mailcrafters Europe Limited (01331514) Squid Limited (03163001) Alpha Dot Limited (01925311) Postjet Systems Limited (05743000) Purex International Limited (05136616) Domino Holdings France SARL (France) Domino SAS (France) Domino Amjet Iberica SA (Spain) Domino China Ltd (China) Domino Printech India Private Ltd (India) Domino Printing Mexico SA de CV (Mexico)

<i>Name</i>	<i>Current directorships</i>	<i>Past directorships</i>
Andrew Herbert (continued)		Domino Dubai (Dubai – UAE) Domino Laser GmbH (Germany) Domino Holding Deutschland GmbH (Germany) Wiedenbach Apparatebau GmbH (Germany) Domino Holdings Inc (USA) Labeljet SA (Portugal) Marque TDI SA (Portugal) Domino Asia Pte Ltd (Singapore) Domino Asia Ltd (China) Domino Coding (Hong Kong) Ltd (Hong Kong)
Michael Ashley	Midwich Group plc (08793266) Mike Ashley Limited (08644406)	Harvard Far East Holdings Limited (FC022629) Harvard International Limited (00756128) Goodmans Internet Limited (03973746) Harvard Property Holdings Limited (01654996) Goodmans Radio International Limited (FC020885) Classicshire Limited (00584286) Goodmans Industries Limited (02488249) Harvard Radio Limited (01639253) Harvard Holdings Limited (02235123) View21 Limited (01818709) Roadstar UK Limited (02251810) Harvard Europe Limited (02238907) Alba Broadcasting Corporation Limited (02521772) Goodmans Radio PLC (01101402) Power Devil Limited (02460371) dissolved EBarking.com Limited (03933590) dissolved Betacom Limited (02776193) dissolved EBarking.co.uk Limited (03933614) dissolved Goodmans Domestic Appliances Limited (01391212) dissolved Answercall Limited (02313559) dissolved

7.3 None of the Directors are, nor have been within the five years prior to the publication of this document, partners in any partnerships (other than the Group).

7.4 No Director has:

7.4.1 any unspent convictions in relation to indictable offences;

7.4.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;

- 7.4.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceases to be a director of that company;
 - 7.4.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;
 - 7.4.5 been subject to the receivership of any asset of such director or of a partnership of which the director was a partner at the time of or within 12 months preceding such event; or
 - 7.4.6 received public criticisms by statutory or regulatory authorities (including designated professional bodies) and no director has been disqualified from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.5 No Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.

8. Share Plans

As at the date of this document, the Directors have adopted the LTIP and the SIP.

The LTIP will be administered by the Remuneration Committee or, for Awards not being made to executive directors, the Committee. The operation of the SIP will be supervised by the Board (or authorised Committee). A summary of the main terms of the LTIP and the SIP is set out below.

8.1 *The LTIP*

The Company has established the LTIP and intends to make Awards to certain selected senior employees as soon as practicable after Admission, with further Awards being made in 2017 (around the anniversary of Admission). Although they will not receive awards on Admission, it is intended that Awards may be made to executive directors in the future.

8.1.1 *Eligibility*

Any employee (including an executive director) of the Company or any employee of its subsidiaries will be eligible to participate in the LTIP at the discretion of the Remuneration Committee or, for Awards not being made to executive directors, the Committee.

8.1.2 *Grant of Awards*

The Committee may at any time (subject to any dealing restrictions or obtaining consents or approvals required) grant Awards to participants.

References to Ordinary Shares in this section 8.1 include notional Ordinary Shares to which a Cash Award relates, where appropriate.

8.1.3 *Performance conditions*

Each Award may, or in the case of executive directors must, be subject to the satisfaction of performance conditions over a performance period. Any performance conditions (and the period over which they will be measured) will be determined at the grant date. The performance conditions (where imposed) will determine the proportion (if any) of the Award which will vest at the end of a performance period of at least three years.

The performance condition (where imposed) may be amended or substituted if one or more events occur which cause the Committee to consider that an amended or substituted

performance condition would be more appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

The Committee may set different performance conditions from year to year and for different Awards.

8.1.4 *Dividend equivalents*

The Committee may determine that the number of Ordinary Shares to which a participant's Award relates shall increase to take account of dividends paid on vested Ordinary Shares from the grant date until the date of vesting on such terms as determined by the Committee. The Committee may determine that the participant shall receive the cash equivalent of the additional Ordinary Shares. Alternatively, the Committee may provide additional cash or Ordinary Shares to participants based on the value of some or all of the dividends paid on vested Ordinary Shares to which his Award relates.

8.1.5 *Individual limits*

Awards will not be granted to a participant under the LTIP over Ordinary Shares with a market value (as determined by the Committee and measured at the time of grant) in excess of 100 per cent of salary in respect of any financial year. However, the Remuneration Committee may, in its discretion, grant Awards above this level in exceptional circumstances. In exceptional circumstances, Awards will not be granted over Ordinary Shares with a market value (as determined by the Committee) in excess of 200 per cent of salary.

8.1.6 *Plan limits*

The Committee must not grant any Award that could cause in any 10 year period, the number of Ordinary Shares which may be issued under the LTIP and under any other employee share plan adopted by the Company to exceed 10 per cent of the issued ordinary share capital of the Company from time to time.

Treasury Ordinary Shares will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise. Ordinary Shares issued or committed to be issued to satisfy any awards granted prior to Admission or Ordinary Shares purchased in the market to satisfy awards will not count towards this limit.

Awards may be granted over newly issued Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market. Awards are not transferable (other than on death). No payment will be required for the grant of an Award. Awards will not form part of pensionable earnings.

8.1.7 *Reduction of Awards*

The Remuneration Committee may, in its absolute discretion, determine at any time prior to the vesting of an Award to:

- (i) reduce the number of Ordinary Shares to which an Award relates;
- (ii) cancel an Award; or
- (iii) impose further conditions on an Award;

in circumstances in which the Remuneration Committee considers such action is appropriate.

Such circumstances include, but are not limited to:

- (i) a material misstatement of the Company's audited financial results;

- (ii) a material failure of risk management by the Company, any Group member or a relevant business unit;
- (iii) material misconduct on the part of the participant;
- (iv) a material breach of any applicable health and safety regulations by the Company, any Group member or a relevant business unit;
- (v) serious reputational damage to the Company, any Group member or a relevant business unit as a result of the participant's misconduct or otherwise; or
- (vi) any other circumstances which the Board in its discretion considers to be similar in their nature or effect.

8.1.8 *Vesting, release and exercise*

Awards that are subject to a performance condition will normally vest as soon as practicable after the end of any performance period (or on such later date as the Committee decides) and then only to the extent that any performance condition has been satisfied. Where Awards are granted without a performance condition, they will normally vest on the third anniversary of the grant date or such other period as determined at the grant date by the Committee.

Options, Discounted Options and Nil-Cost Options will then normally be exercisable until the tenth anniversary of the grant date subject to payment of any exercise price by the participant or the participant entering into an undertaking to pay the exercise price.

Any Ordinary Shares or cash that are to be issued, transferred or paid (as appropriate) to a participant in respect of a vested Award or an exercised Option or Nil-Cost Option (including a Cash Award) will be issued, transferred or paid (as appropriate) to the participant as soon as practicable after the date of vesting or exercise (as appropriate).

8.1.9 *Cash equivalent/net settlement*

The Committee can decide that a participant may in substitution for his right to acquire some or all of the Ordinary Shares to which the Award relates instead receive a cash sum or a reduced number of Ordinary Shares. This decision must be taken prior to the date of vest or exercise of the Award.

Where a cash equivalent is offered the cash sum will be equal to the market value of the number of the Ordinary Shares which would otherwise have been issued or transferred (had the Award been settled in the usual way). Where the Award is an Option this will be less any aggregate exercise price payable in respect of the exercise of the Option. Market value will be determined on the date of exercise by the Board on such reasonable basis as it determines.

Where an Award is net-settled, the participant will be entitled to such number of Ordinary Shares as have a market value equal to the market value of the number of the Ordinary Shares which would otherwise have been issued or transferred (had the Award been settled in the usual way). Where the Award is an Option this will be less any aggregate exercise price payable in respect of the exercise of the Option. Market value will be determined on the date of exercise by the Board on such reasonable basis as it determines.

8.1.10 *Cessation of employment*

If a participant dies, an unvested Award will, unless the Committee decides otherwise, vest as soon as reasonably practicable after the participant's death to the extent that the Committee decides, taking into account the satisfaction of any performance condition at that time and, if the Committee so determines, the period of time that has elapsed since the Award was granted until the date of death. Options, Discounted Options and Nil-Cost Options will normally be exercisable for 12 months after vesting in these circumstances.

If a participant ceases to be employed by the Group by reason of ill-health, injury, disability, sale of the entity that employs him out of the Group or for any other reason at the Committee's discretion (except where a participant is dismissed lawfully without notice), a participant's unvested Award will usually continue until the normal vesting date unless the Committee decides that the Award will vest as soon as reasonably practicable following the date on which the participant ceases to be employed by the Group.

The Committee will decide the extent to which an unvested Award vests in these circumstances, taking account of the extent to which any performance condition is satisfied at the end of any performance period or, as appropriate, at the date on which the participant ceases to be employed by the Group. Unless the Committee decides otherwise, the period of time that has elapsed since the Award was granted until the date on which the participant ceases to be employed by the Group will also be taken into account. Options, Discounted Options and Nil-Cost Options will normally be exercisable for six months after vesting in these circumstances.

If a participant ceases employment with the Group in any other circumstances an Award (whether or not vested) shall lapse on the date on which the participant ceases employment.

8.1.11 *Corporate events*

In the event of a change of control of the Company, Awards will vest to the extent that any performance condition has been satisfied at the date of change of control, and, unless the Committee decides otherwise, taking into account the period of time which has elapsed between the grant date and the relevant event. Options, Discounted Options and Nil-Cost Options will then be exercisable for a period of one month.

Alternatively, the Committee may permit or, in the case of an internal reorganisation or if the Board determined any other event, require Awards to be exchanged for equivalent awards which relate to shares in a different company.

If other corporate events occur such as a demerger, delisting, special dividend or other event which, in the opinion of the Committee may affect the current or future value of Ordinary Shares, the Committee may determine that Awards will vest conditional on the event occurring. Where there are no performance conditions in place, vesting will be subject to time pro-rating (i.e. pro-rated to reflect the period from the grant date to the date of the relevant event). If vesting is subject to the satisfaction of the performance conditions, unless the Committee decides otherwise, Awards will vest to the extent that any performance condition has been satisfied at the date of change of control and to reflect the period from the grant date to the date of the relevant event. If the event does not occur, awards will continue.

8.1.12 *Adjustments*

In the event of a variation of the Company's share capital or a demerger, delisting, special dividend, rights issue or other event, which may, in the Committee's opinion, affect the current or future value of Ordinary Shares, the number of Ordinary Shares subject to an Award and/or any performance condition attached to Awards, may be adjusted.

8.1.13 *Amendment and termination*

The Committee may amend the LTIP at any time, provided that no amendment is made that is to the material disadvantage of participants' existing rights and participants are invited to indicate whether they approve the amendment and the amendment is approved by a majority of participants.

The LTIP will usually terminate on the tenth anniversary of Admission but the rights of existing participants will not be affected by any termination.

8.1.14 *Legal entitlement*

Participation in the LTIP does not form part of the terms of a participant's contract of employment and participants have no rights in respect of LTIP benefits.

8.2 *The SIP*

The Company has established the SIP and intends shortly after Admission to make free share awards over up to £1,000 of Ordinary Shares each to all Eligible Employees in the UK under the SIP and, where practicable, to make equivalent awards (under the SIP or otherwise) to employees of overseas subsidiaries.

8.2.1 *Grant of awards*

Under the SIP the Company may award:

- (i) Free Shares;
- (ii) Partnership and Matching Shares; and
- (iii) Dividend Shares.

No SIP awards may be granted more than 10 years after the date of Admission.

8.2.2 *Eligibility*

The SIP is a UK tax-advantaged "all-employee" share ownership plan, the operation of which will be supervised by the Board (or authorised committee). Under the SIP, the Company must offer all Eligible Employees of the Company and participating subsidiaries who are UK-resident taxpayers the opportunity to participate in SIP.

The Company may decide to invite other employees who are not UK resident (e.g. of overseas subsidiaries) to participate in the SIP.

8.2.3 *Free Shares*

The Company can offer up to £3,600 (or such other limit as may be permitted by the tax legislation governing the SIP from time to time) of Free Shares per tax year to each Eligible Employee. The offer must be made on the same terms to all Eligible Employees. The number of Free Shares however can be set by reference to remuneration, length of service, number of hours worked and/or objective performance criteria. Where performance criteria are to be used, the Company will need to communicate this (together with details of the relevant target(s)) to Eligible Employees.

When granting Free Shares the Company may specify a holding period (between three and five years) during which the employee cannot normally withdraw Free Shares unless the individual ceases to be employed by the group.

The Company will stipulate that the Free Shares are at risk of forfeiture if an Eligible Employee leaves the group within a period of three years of the award of Free Shares for any reason other than for the protected good leaver circumstances (see paragraph 8.2.7 below).

8.2.4 *Partnership and Matching Shares*

Immediate awards under the SIP will be limited to Free Share awards however, the SIP will allow for the future award of Partnership and Matching Shares if required.

Employees may use their pre-tax salary to purchase Partnership Shares. The maximum amount that a participant can use to acquire Partnership Shares is currently the lower of £1,800 and 10 per cent of pre-tax salary (or such other limit as may be permitted by the tax legislation governing the SIP from time to time). Any minimum deduction cannot be greater than £10. Ordinary Shares can be purchased at the time deductions from salary are made or, an

Accumulation Period can be used, during which the trustee of the SIP Trust accumulates a participant's deductions before using it to acquire Partnership Shares or repaying it to the employee. Partnership Shares must be acquired within either 30 days of the end of the Accumulation Period or 30 days from the deduction from pay, as appropriate.

An employee may stop and start or vary (with the agreement of the Company) salary deductions at any time. Once they've been acquired, Partnership Shares may be withdrawn from the SIP at any time (subject to the payment of any applicable income tax and national insurance contributions). Partnership Shares are not capable of forfeiture.

Matching Shares may be awarded for free to all employees who have purchased Partnership Shares, up to a maximum of two Matching Shares for every Partnership Share purchased (or such other limit as may be permitted by the tax legislation governing the SIP from time to time). When granting Matching Shares the Company can specify a holding period (of between three to five years) during which the employees cannot normally withdraw the Matching Shares from the SIP unless the employee ceases to be employed by the Group.

The Company can stipulate that Matching Shares are at risk of forfeiture if an Eligible Employee leaves the group. Matching Shares are forfeitable if the employee leaves other than for protected good leaver circumstances (see paragraph 8.2.7 below). The forfeiture period is three years.

8.2.5 *Dividend Shares*

The Company will require employees to reinvest dividends paid on Ordinary Shares in the SIP in Dividend Shares.

Dividend Shares must be held in the SIP for three years, unless the participant leaves. Dividend Shares are not at risk of forfeiture.

The Company can limit the proportion of dividends that may be reinvested (there is no limit set by legislation) but does not currently intend to.

8.2.6 *SIP Trust*

The SIP operates through the SIP Trust. The SIP Trust will be gifted, purchase or subscribe for Ordinary Shares to satisfy awards to be made to Eligible Employees and hold the Ordinary Shares on trust for them.

The individual will be the beneficial owner of any Ordinary Shares held on his behalf by the trustee of the SIP Trust. Any Ordinary Shares held in the SIP Trust will rank equally with Ordinary Shares then in issue. If an employee ceases to be employed by the Group then the Ordinary Shares must be withdrawn from the SIP Trust.

If there is a change of control of the Company, employees will normally be able to direct the trustee of the SIP Trust as to how to act in relation to their Ordinary Shares held in the SIP. In the event of a corporate reorganisation, any Ordinary Shares held by employees may be replaced by equivalent shares in a new holding company.

8.2.7 *Leavers*

If an Eligible Employee leaves the Group because of injury, disability, redundancy, the transfer of the employee's employing business out of the group, retirement or death, they will be treated for the purposes of the SIP as a protected good leaver.

8.2.8 *Variation of capital*

Ordinary Shares acquired on a variation of share capital of the Company will usually be treated in the same way as the Ordinary Shares acquired or awarded under the SIP in respect of which the rights were conferred and as if they were acquired or awarded at the same time. In the event

of a rights issue, participants will be able to direct the trustee of the SIP Trust as to how to act in respect of their Ordinary Shares held in the SIP.

With the exception of Partnership Shares, awards made under the SIP are not transferable other than to a participant's personal representatives in the event of his death. Benefits received under the SIP are not pensionable.

8.2.9 *Overall limits*

In any ten year period, the number of Ordinary Shares which may be issued under the SIP and any other employees' share plan adopted by the Company may not exceed ten percent of the issued ordinary share capital of the company from time to time.

Awards may be granted over newly issued Ordinary Shares, treasury Ordinary Shares or Ordinary Shares purchased in the market. Ordinary Shares held in treasury will be treated as newly issued for the purpose of this limit until such time as guidelines published by institutional investor representative bodies determine otherwise. Ordinary Shares issued or committed to be issued to satisfy any awards granted prior to Admission or Ordinary Shares purchased in the market to satisfy awards will not count towards this limit.

8.2.10 *Amendments*

The SIP may be amended at any time, provided that no amendment is made that is to the material disadvantage of participants' existing rights and participants are invited to indicate whether they approve the amendment and the amendment is approved by a majority of participants.

The Board (or authorised committee) may establish further plans based on the SIP but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any Ordinary Shares made available under such further plans are treated as counting against the limits on individual or overall participation in the SIP.

8.2.11 *Legal entitlement*

Participation in the SIP does not form part of the terms of a participant's contract of employment and participants have no rights in respect of SIP benefits.

8.3 ***The EBT***

An employee benefit trust, known as the Midwich Employees' Share Trust, and whose trustee is Midwich Employees' Trustees Limited will at Admission hold 480,700 Ordinary Shares. Under the terms of the trust deed governing the Midwich Employees' Share Trust, the trustee may not exercise any voting rights attached to the Ordinary Shares or receive any dividends declared in respect of the Ordinary Shares (except in a case where beneficial ownership of an Ordinary Share has come to be held by a beneficiary).

Employees and former employees of any member of the Group which has become a 'Participating Company' under the terms of the trust deed governing the Midwich Employees' Share Trust are within the class of beneficiaries of the Midwich Employees' Share Trust other than 'Excluded Persons'. 'Excluded Persons' are, broadly speaking, certain past or present shareholders in any present or former member of the Group that has contributed assets to the Midwich Employees' Share Trust or who is connected for tax purposes with such a person. The trustee may not confer any benefit on any member of the Group or on any 'Excluded Person' or permit its assets to be used for such a purpose.

The Company intends to recommend from time to time that such Ordinary Shares are:

- (i) used to grant or satisfy Awards made under the LTIP; and/or
- (ii) transferred to the SIP Trust; and/or

- (iii) used to grant or satisfy awards made in the future under any other employee share plan which may be adopted by the Company (including awards made to employees of overseas subsidiaries equivalent in kind and value to the free share awards proposed to be made under the SIP to Eligible Employees in the UK).

The trustee of the Midwich Employees' Share Trust has power to sell Ordinary Shares to meet any liabilities (including tax liabilities) it may incur in the course of carrying out its activities.

9. Articles of Association

The Articles of Association, which were adopted on 29 April 2016 to take effect on Admission, contain, amongst other things, provisions to the following effect.

9.1 *Objects*

Pursuant to section 31 of the Act, the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by law.

9.2 *Voting rights*

Subject to any special terms as to voting upon which any shares may, for the time being, be held, at any general meeting on a show of hands every member who (being an individual) is present in person or by proxy or who (being a corporation) is present by a duly authorised representative shall have one vote and on a poll every member present in person or by proxy or by a representative shall have one vote for every ordinary share in the capital of the Company held by him. A proxy need not be a member of the Company.

9.3 *Variation of rights*

If at any time the capital of the Company is divided into different classes of shares or any other rights or privileges attached to any class of shares in the Company and subject to the provisions of the Act and of the Articles of Association, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. At every such separate general meeting (except an adjourned meeting) the quorum shall be at least two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.

9.4 *Changes in share capital*

The Company may alter its share capital as follows:

- a. it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, sub-divide all or any of its shares into shares of a smaller nominal value and cancel any shares which have not been taken or agreed to be taken by any person;
- b. subject to the provisions of the Act and to any rights for the time being attached to any shares, it may by special resolution reduce or cancel its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
- c. subject to the provisions of the Act and to any rights for the time being attached to any shares, it may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

9.5 *Transfer of shares*

A member may transfer all or any of his shares, save for those shares held in uncertificated form title to which may be transferred by means of a relevant system such as CREST without a written instrument, by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer of a certificated share shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion, refuse to register a transfer of any share held in certificated form unless it is:

- a. in respect of a share which is not fully paid up;
- b. in respect of a share on which the Company has no lien;
- c. in respect of only one class of share;
- d. in favour of a single transferee or not more than four joint transferees;
- e. duly stamped (if required); and
- f. lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer, provided that the Board does not exercise such discretion to prevent dealings in the shares from taking place on an open and proper basis.

The Board may also refuse to register a transfer of shares (whether fully paid or not) which is in favour of more than four persons jointly.

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee along with its reasons for refusal.

9.6 *Uncertificated shares*

The Company may issue shares and other securities which do not have certificates and permit existing shares and other securities to be held without certificates.

A member may transfer all or any of his uncertificated shares by means of a relevant system, as defined in the Uncertificated Securities Regulations 2001, which includes CREST. The Directors may refuse to register any transfer of an uncertificated share where permitted by the Uncertificated Securities Regulations 2001. If the Directors refuse to register a transfer of an uncertificated share they shall, within two months of the date on which the transfer instruction relating to such a transfer was received by the Company, send to the transferee notice of the refusal.

9.7 *Dividends*

Subject to the provisions of the Act and of the Articles of Association and to any special rights attaching to any shares, the Company may by ordinary resolution in a general meeting declare dividends, provided that no dividend shall be paid otherwise than out of profits and no dividend shall exceed the amount recommended by the Board. The Board may from time to time pay such interim dividends as appear to the Board to be justified by the profits available for distribution and the position of the Company.

Except as otherwise provided by the Articles of Association, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. Generally, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes of shares, the Board may pay interim dividends on shares which confer deferred or non-preferred rights

with regard to dividends as well as on shares which confer preferential rights with regard to dividends, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The Board may also pay, at intervals settled by it, any dividend payable at a fixed rate if it appears to it that the profits available for distribution justify the payment.

No amount paid or credited as paid in advance of calls shall be regarded as paid on shares for this purpose. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest.

The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend. The Board may, at its discretion, make the right to participate in any such elections subject to restrictions necessary or expedient to deal with legal, regulatory or other difficulties in respect of overseas shareholders.

Any dividend unclaimed for a period of 12 years after the payment date for such dividend shall (if the Board so resolves) be forfeited and cease to remain owing by the Company and shall thereafter revert to the Company absolutely.

9.8 *Return of Capital*

On a winding-up or other return of capital of the Company, the members will be entitled to share in any surplus assets. A liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie or in kind the whole or any part of the assets to be set at such value and in such manner as shall be deemed fair by the liquidator. A liquidator, with the sanction of a special resolution, may also vest the whole or any part of the assets of the Company in trustees on trusts for the benefit of the members.

9.9 *Pre-emption rights*

There are no rights of pre-emption under the Articles of Association in respect of transfers of issued Ordinary Shares.

In the majority of circumstances (unless dis-applied by special resolution), the Shareholders will have statutory pre-emption rights under the Act in respect of the allotment of new equity securities in the Company. These statutory pre-emption rights require the Company to offer new equity securities for allotment to existing shareholders on a pro rata basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such equity securities would be offered to the Shareholders.

9.10 *Shareholder Meetings*

Annual general meetings should be held within the time periods specified by the Act. Other general meetings may be called whenever the Directors think fit or when one has been requisitioned in accordance with the Act. Two members present in person or by proxy (or being a corporation, present by a duly appointed representative) at the meeting and entitled to vote shall be a quorum for all purposes.

Annual general meetings are called on at least 21 days' notice in writing, exclusive of the day of which the notice is served or deemed to be served and of the day on which the meeting is to be held. Other general meetings are to be called on 14 days' notice in writing exclusive of the day on which the notice is served or deemed to be served and the day on which the meeting is to be held. Notice is to be given to all members on the register at the close of business on a day determined by the Company, such day being not more than 21 days before the day that the notice of meeting is sent.

The Company may specify in the notice of meeting a time, at least 48 hours before the time fixed for the meeting, by which a person must be entered into the register in order to have the right to attend or vote at the meeting. In every notice calling a meeting of the Company there shall appear with

reasonable prominence a statement that a member entitled to attend and vote or a person nominated pursuant to the Articles of Association is entitled to appoint one or more proxies to attend and, on a poll vote instead of him/her, and that a proxy need not be a member.

9.11 *Untraceable shareholders*

The Company is entitled to sell, at the best price reasonably obtainable, any share, of a member who is untraceable, provided that:

- a. all cheques or warrants for any sums payable in cash to the holder of such shares have remained uncashed and each attempt to make a payment in respect of the shares by means of bank transfer or other method for the payment of dividends has failed for a period of 12 years;
- b. during the 12 year period, at least three dividends (whether interim or final) in respect of the shares in question have become payable and no dividend during that period has been claimed by the member;
- c. the Company has not during that time or before the expiry of the three-month period referred to in paragraph (d) below received any communication in respect of such share from such member or person entitled; and
- d. upon expiry of the 12 year period, the Company has caused an advertisement to be published in newspapers in the manner stipulated by the Articles, giving notice of its intention to sell these shares, and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention.

The net proceeds of any such sale shall belong to the Company and when the Company receive these net proceeds the Company shall become indebted to the former member for an amount equal to such net proceeds and the Company shall enter the name of such former or other person in the books of the Company as a creditor for such amount.

9.12 *Directors*

Directors may be appointed by the Company by an ordinary resolution of the Board, either to fill a vacancy or as an addition to the existing Board. If appointed by the Board, that Director holds office until the next annual general meeting, at which he shall be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at the meeting.

At every annual general meeting one third of the Directors shall retire from office, or if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire from office by rotation.

At the meeting at which a Director retires under any provision of the Articles, the retiring Director shall be deemed to have been re-appointed except where:

- a. that Director has given notice to the Company that he is unwilling to be elected; or
- b. at such meeting it is expressly resolved not to fill such vacated office or a resolution for the re-appointment of such Director shall have been put to the meeting and not passed.

No Director shall vacate his office or be ineligible for appointment or re-appointment as a Director by reason only of his having attained any particular age, nor will special notice be required of any resolution appointing or approving the appointment of such a Director or any notice be required to state the age of the person to whom such resolution relates.

As is usual for quoted companies, the Articles of Association contain a cap on the aggregate fees which the Directors shall be entitled to receive for their services in the office of director (other than remuneration for Executive Directors). The Articles of Association state that these fees shall not exceed £400,000 per annum (exclusive of VAT if applicable), or such other sum as may from time to time be determined by an ordinary resolution of the Company. The actual fees paid (unless otherwise

directed by any resolution of the Company by which a limit is approved) shall be determined by the Directors and shall be paid in such proportions and in such manner as the Board may determine.

All the Directors (including alternate directors) are entitled to be repaid out of the funds of the Company all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including their expenses of travelling to and from meetings of the Directors, committee meetings or general meetings.

If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.

A Director may act by himself or his firm in a professional capacity (other than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.

The remuneration and other terms and conditions of appointment of a Director appointed as managing director or to chief executive office of the Company shall from time to time (without prejudice to the provisions of any agreement between him and the Company) be fixed by the Board on such terms as the Board thinks fit.

Any statutory provision which, subject to the provisions of the Articles of Association, would have the effect of rendering any person ineligible for appointment as a director or liable to vacate office as a director on account of his having reached any specified age or of requiring special notice or any other special formality in connection with the appointment of any director over a specified age shall not apply to the Company.

9.13 *Directors' interests in contracts*

Save as provided in the Articles of Association or by the terms of any authorisation given by the Directors, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or any committee of the Board in respect of any contract, arrangement, transaction or any proposal whatsoever in which he has any material interest or duty which (otherwise than by virtue of an interest in shares or debentures or other securities of or otherwise in or through the Company) conflicts or may conflict with the interests of the Company and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting.

If a question arises as to the right of a Director to vote or be counted in the quorum and such question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question may, before the conclusion of the meeting, be referred to the chairman (or vice chairman should the question concern an interest of the chairman) of the meeting and his ruling shall be final and conclusive, except in a case where the nature or extent of the interest has not been fairly disclosed and provided that any such question shall, for the purposes of disclosure of the interest in the accounts of the Company, be finally and conclusively decided by a majority of the Board.

A Director shall (in the absence of some other interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- a. the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- b. the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

- i. where the Company or any of its subsidiary undertakings is offering shares or debentures or other securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- ii. relating to another company in which he or any persons connected with him has a direct or indirect interest (whether as an officer or shareholder or otherwise) provided that he and any persons connected with him are not to his knowledge the holder (otherwise than as a nominee for the Company or any of its subsidiary undertakings) of or beneficially interested in one per cent., or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of the relevant article to be a material interest in all circumstances);
- iii. relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- iv. concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

Where proposals are under consideration concerning the appointments (including fixing or varying the terms of the appointment) of two or more Directors, such proposals may be divided and a separate resolution considered in relation to each Director. In each case, each such Director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

9.14 *Indemnity*

Subject to the provisions of any relevant legislation, the Company may indemnify any Director, alternate director and other officer of the Company (other than an auditor) against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation to those duties.

9.15 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets (present or future) and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

9.16 *Disclosure of interests in shares*

Section 793 of the Act provides a public company with the statutory means to ascertain the persons who are, or have within the last three years been, interested in its relevant share capital and the nature of such interests.

Where notice is served by the Company under section 793 of the Act (“**section 793 notice**”) on a member, or on another person appearing to be interested in shares held by that member, and that member or other person has failed to give the Company the information required within the period set out in the section 793 notice, certain sanctions may apply (as determined by the Board) including:

- a. the member shall not be entitled to be present or vote (either in person or by proxy) at a general meeting or at a separate meeting of the holders of a class of shares or on a poll in respect of the default shares; and
- b. where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of their class:

- i. the member shall not be entitled to receive any dividend or other distribution, or shares in place of a dividend; and
- ii. no transfer of the shares shall be registered except in certain specified circumstances.

Subject to certain restrictions, the above sanctions shall cease to apply with effect from the date that the Company receives notice of an excepted transfer (but only in respect of the shares transferred) or seven days after receipt by the Company of all the information required in the section 793 notice.

The Articles of Association do not restrict in any way the provisions of section 794 of the Companies Act.

10. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and/or any of its subsidiaries in the two years immediately preceding the date of this document and are, or may be, material:

- 10.1 The nominated adviser and broker agreement between Investec and the Company dated 3 May 2016 in respect of Investec acting as nominated adviser and broker for the purposes of AIM for an initial minimum period of 12 months (terminable on 30 days' notice thereafter by either party). The Company has agreed to pay to Investec an annual retainer of £75,000 (plus VAT) for acting as nominated adviser and broker.
- 10.2 A placing agreement dated 3 May 2016 between the Company, the Director Selling Shareholders, the Directors (in their capacities as directors and, where applicable, Director Selling Shareholders), and Investec whereby Investec was appointed as the agent of the Company for the purpose of managing the Placing and has agreed to use reasonable endeavours to procure placees to subscribe for the New Ordinary Shares and to purchase the Director Sale Shares, in each case at the Placing Price. Pursuant to the Placing Agreement, the Company, the Director Selling Shareholders and the Directors have given certain warranties to Investec regarding, amongst other things, the accuracy of the information in this document. The Company has also provided Investec with a customary indemnity to cover Investec for liabilities it may suffer as a result of acting as placing agent pursuant to the Placing Agreement. The Placing Agreement is conditional, amongst other things, on Admission taking place no later than 6 May 2016, or such later date as the Company and Investec may agree being no later than 20 May 2016 and the Company and the Directors complying with certain obligations under the Placing Agreement. Under the Placing Agreement, the Company has agreed to pay to Investec a corporate finance fee of £250,000 (plus VAT) and a commission of 2.5 per cent. on the aggregate value of the New Ordinary Shares at the Placing Price, together with all costs and expenses and VAT thereon, where appropriate. The Director Selling Shareholders have also agreed to pay to Investec a commission of 2.5 per cent. on the aggregate value of the Director Sale Shares at the Placing Price.

Investec is entitled in certain limited circumstances to terminate the Placing Agreement prior to Admission.

- 10.3 A selling shareholders agreement dated 3 May 2016 between each Other Selling Shareholder, the Company and Investec whereby each Other Selling Shareholder has appointed Investec as his or her agent for the purpose of managing the Placing and pursuant to which Investec has agreed to use reasonable endeavours to procure placees to subscribe for the Existing Ordinary Shares to be offered for sale by each of the Other Selling Shareholders, pursuant to the Placing, at the Placing Price.

Pursuant to the Selling Shareholders Agreement, each Other Selling Shareholder has given certain warranties to Investec including regarding their title to the Existing Ordinary Shares they are offering for sale pursuant to the Placing.

The Selling Shareholders Agreement is conditional, amongst other things, on Admission taking place no later than 6 May 2016, or such later date as the Company and Investec may agree being no later than 20 May 2016.

The Selling Shareholders Agreement shall terminate immediately upon termination of the Placing Agreement.

- 10.4 Each of the Employee Shareholders have undertaken to the Company and Investec (subject to certain limited exceptions) not to dispose of the Ordinary Shares held by each of them following Admission or any other shares which they may acquire at any time during the Lock-in Period without the prior written consent of Investec. Each of the Employee Shareholders has also undertaken to the Company and Investec not to dispose of their Ordinary Shares following the expiry of the Lock-in Period otherwise than through Investec save in certain limited circumstances, for the period of 12 months following the expiry of the Lock-in Period.

In addition, under the terms of the Lock-In Agreement, the Employee Shareholders have undertaken with the Company as follows:

- a. during the 12 month period following the expiry of the Lock-in Period, to retain a shareholding equal to 60% of the Ordinary Shares held by them prior to Admission and prior to any sale of Ordinary Shares pursuant to the Selling Shareholders Agreement (such Employee Shareholder's "**Existing Shareholding**") or, if less such Employee Shareholder's holding of Ordinary Shares on Admission;
- b. during the second 12 month period following the expiry of the Lock-in Period, to retain a shareholding equal to 40% of their Existing Shareholding; and
- c. during the third 12 month period following the expiry of the Lock-in Period, to retain a shareholding equal to 20% of their Existing Shareholding.

Furthermore, all Employee Shareholders have agreed with the Company to, other than in certain limited circumstances, only dispose of Ordinary Shares through Investec (or the Company's broker at such time) until the fourth anniversary of Admission. The Employee Shareholders have also undertaken with the Company that should they cease to be an employee of the Group they will retain those shares they hold on the date they leave employment with the Group, until the date which is five years after Admission. This undertaking does not apply in certain limited circumstances, including where the Board determines in any particular case that it should not apply.

- 10.5 By debt purchase agreements each dated 20 December 2013 between HIF and each of Midwich Limited, Invision and Square One and between the Bank and Sidev (the "**Debt Purchase Agreements**"), Midwich Limited, Invision and Square One (the "**HIF Clients**") have invoice finance facilities with HIF and Sidev has invoice finance facilities with the Bank by which HIF has purchased all debts of the HIF Clients and the Bank has purchased all debts of Sidev, in each case existing as at the date of the Debt Purchase Agreements and all future debts arising from those companies' contracts of sale with all customers to whom they hire or supply goods or services, except for certain excluded debts with customers (or their associates) subject to, or whose registered office is located in a country subject to, certain sanctions regimes. The Bank, rather than HIF, provides finance to Sidev due to the regulatory requirements in France which mean that HIF cannot do so, otherwise the Sidev facility is substantially the same as those of the HIF Clients, subject only to minor French law differences.

The facilities under the Debt Purchase Agreements were extended in April 2016 for a minimum period expiring on 31 December 2019. After that date, any HIF Client or HIF, and either Sidev of the Bank, may terminate the facility under the relevant Debt Purchase Agreement on one month's written notice. If a HIF Client or Sidev wishes to terminate its facility prior to the expiry of the minimum period prior to the end of any notice period (or without giving notice), it may only do so (a) if HIF/the Bank (as the case may be) agrees to such termination and (b) if it pays to HIF/the Bank (as the case may be) an amount equal to the charges and/or fees that would have been payable to HIF/the Bank had the minimum period or notice period been served, and those charges will include (x) any service charge (see below) that would have been paid in respect of the period and (y) discounting margin (1.25 per cent. at the date of this document) calculated at a daily rate based on the average amount outstanding to HIF/the Bank over the 12 full calendar months before termination. HIF/the Bank (as the case may be) may also terminate by notice at any time after the occurrence of a termination event,

which includes, but is not limited to: (i) material breach by a HIF Client or Sidev of its Debt Purchase Agreement, (ii) a HIF Client or Sidev becoming insolvent; and (iii) a change in the majority ownership of Midwich Limited, a HIF Client or Sidev without HIF's/the Bank's (as the case may be) prior consent which HIF/the Bank (as the case may be) considers significant.

The purchase price for an eligible debt is the amount received by HIF/the Bank (as the case may be) in discharge of the debt, less the accrued discounting charge applicable to the debt and the currency conversion costs (if any) of converting the remittance in relation to a debt into the same currency of the payment made by HIF/the Bank (as the case may be) in respect of it. The discounting charge is the aggregate of the discounting margin (1.25 per cent. at the date of this document) and the Bank's base rate for sterling debts, and the discounting margin and the base rate determined by the Bank from time to time in relation to other currencies, payable in respect of the prepayment made in relation to the debt and for the period of time that the debt remains outstanding.

To enable payment to Midwich Limited against the purchase price for debts, the purchase price for a debt is assumed, pending receipt of actual remittance in respect of the relevant debt by HIF/the Bank (as the case may be), to be the face value of the debt notified by a HIF Client to HIF or by Sidev to the Bank. The purchase price is credited by HIF/the Bank (as the case may be) by HIF/the Bank (as the case may be) into a dealings account with the relevant HIF Client/Sidev (as the case may be) called a current account. HIF/the Bank (as the case may be) pays prepayments on account of the purchase price for eligible debts by allowing the relevant HIF Client/Sidev (as the case may be) to withdraw, from its current account, up to 95 per cent. (85 per cent. in the case of Sidev) of the purchase price of each eligible debt, subject to availability, an aggregate maximum facility cap of £40,000,000 at any time and a maximum aggregate amount of outstanding prepayments at any time (i) in the case of Invision, of £2,000,000, (ii) in the case of Square One, of €3,000,000 and (ii) in the case of Sidev, of €5,000,000. The balance of the purchase price (after discounting charge and currency conversion costs have been debited to the current account) is paid by HIF/the Bank (as the case may be) also by permitting the relevant HIF Client/Sidev to withdraw the relevant sum from the current account.

The HIF Clients and Sidev are together charged a service fee in respect of all the HIF Clients' and Sidev's invoice finance facilities with HIF/the Bank of £28,800 per annum, payable in monthly instalments. For administrative convenience this fee is debited to Midwich Limited's current account with HIF.

The concentration limit (i.e. the maximum value of all outstanding debts payable by a single customer to all HIF Clients/Sidev that HIF and/or the Bank will consider to be eligible debts in respect of which prepayments will be made) is 20 per cent. of the aggregate value of all eligible debts.

Debts are only eligible for funding if they meet certain criteria set out in the Debt Purchase Agreements and if they do not remain outstanding for payment for more than 90 days from the end of the month in which they are invoiced. If a debt ceases to comply with the relevant criteria, or is not paid within the period specified, it must be repurchased by the relevant HIF Client/Sidev (as the case may be), which reduces the finance available.

HIF/the Bank (as the case may be) has the right to vary any term of a Debt Purchase Agreement. If the change is detrimental to the relevant HIF Client/Sidev then at least 30 days' written notice of the change must be given. At any time before the change becomes effective, the relevant HIF Client/Sidev may give not less than one month's notice to terminate its Debt Purchase Agreement but if in such circumstances termination would occur prior to the expiry of the minimum period on 31 December 2019, the relevant HIF Client/Sidev (as the case may be) will still be liable to pay the charges on early termination referred to above.

There is a covenant in the Debt Purchase Agreements requiring the HIF Clients and Sidev to maintain a certain minimum adjusted tangible net worth.

The Company, the HIF Clients and Sidev have granted to HIF a cross-guarantee by which each guarantees all obligations and liabilities of the others to HIF.

The Company and the HIF Clients have granted to HIF security in the form of an all-assets debenture, securing their obligations and liabilities to HIF including in respect of their respective Debt Purchase Agreements and the cross-guarantee mentioned above.

The Company, Midwich Limited, Invision and Square One have granted to the Bank a cross-guarantee by which each guarantees all obligations and liabilities of the other to the Bank.

The Company, Midwich Limited, Invision and Square One have granted to the Bank security in the form of an all-assets debenture, securing their obligations and liabilities to the Bank.

Midwich Limited, Invision and Square One have granted security to the Bank in the form of an assignment to the Bank of all rights of each of them respectively under their respective Debt Purchase Agreements upon termination or other cessation of those agreements.

Midwich Limited has granted security to the Bank in the form of a pledge over all present and future shares in Sidev.

Sidev has granted security to the Bank in the form of pledges over certain bank accounts, securing its obligations and liabilities to the Bank including in respect of its Debt Purchase Agreement and the cross-guarantee mentioned above.

All documents referred to above entered into by the Company, Midwich Limited and Invision are subject to English law. other than the pledge of shares in Sidev referred to above entered into by Midwich Limited which is subject to the laws of France. All documents referred to above entered into by Square One are subject to the laws of the Republic of Ireland. All documents referred to above entered into by Sidev are subject to the laws of France.

On 23 November 2015 Midwich Limited entered into a term facility agreement with the Bank (the “**Term Facility Agreement**”), pursuant to which the Bank made available a £6,500,000 term loan facility to Midwich Limited. The purpose of the facility provided under the Term Facility Agreement was to repay shareholder loans. The loan made available under the Term Facility Agreement bears interest at a rate per annum equal to LIBOR plus a margin of 1.75%. The loan is repayable in quarterly repayments of £500,000 (exclusive of interest) commencing 31 March 2016 with a bullet repayment on 30 April 2017. The Term Facility Agreement contains general covenants customary for a loan of this nature. In relation to financial covenants, Midwich Limited must ensure that the consolidated net debt of the Group does not exceed a certain multiple of the consolidated EBITDA of the Group. The Term Facility Agreement also contains various events of default, including failure to comply with the terms of the Term Facility Agreement (including financial and other covenants), cross default in relation to financial indebtedness and certain insolvency events. It will also be an event of default if any of the stated events of default occur to any other security provider, which will include the Company, Invision, Square One and Sidev. The obligations under the Term Facility Agreement are guaranteed by the cross-guarantee in favour of the Bank referred to above and are secured by the security entered into in favour of the Bank by the Company, Midwich limited, Invision, Square One and Sidev referred to above. As noted in paragraph 13 of Part I of this document, the Term Facility Agreement will be repaid in full using part of the proceeds of the Placing.

- 10.6 Pursuant to the terms of an investment and shareholders’ agreement dated 30 September 2013 (“**Original Agreement**”) the Company acquired 51 per cent. of Kern & Stelly in September 2013 for €5.1 million and an option to acquire the remaining 49 per cent. in September 2016 or later. In relation to the acquisition of the remaining 49 per cent., the Group (Midwich Limited) entered into an agreement dated 11 April 2016, pursuant to which the parties agreed to vary the terms of the Original Agreement and to complete the sale and purchase of the remaining 49 per cent. of Kern & Stelly with effect from 6:59am on date of Admission (following the service of a notice to such effect, to be issued, at the latest, by the preceding day). The purchase price payable under the agreement was €9.237 million.

11. Premises

The Group's key sites are set out below.

<i>Property</i>	<i>Tenure</i>	<i>Lease expiry (if applicable)</i>
Bounty House, Vinces Road, Diss, IP98 6BB	Freehold	N/A
Ultracomp House, Pinehill Road, Crowthorne, Berkshire, RG45 7JD	Leasehold	11 November 2020
Unit B, 1-3 Acre Road, Reading, Berkshire, RG2 0SU	Leasehold	21 February 2020
Unit 12, Ashburton Road Phase 1A, Ashburton Park, Ashburton Road West, Trafford Park, Manchester, M17 1EH	Leasehold	12 April 2017
Alexander House, Unit 3, Hillside Business Park, Bury St Edmunds, Suffolk, IP32 7EA	Leasehold	3 March 2023
Papenreye 61, 22453 Hamburg, Germany (office and storage spaces)	Leasehold	31 May 2017
Papenreye 61, 22453 Hamburg, Germany (17 parking spaces)	Leasehold	Indefinite – subject to a notice period of one month.
Papenreye 63, 22453 Hamburg, Germany (2 parking spaces)	Leasehold	Indefinite – subject to a notice period of one month.
Papenreye 51-55, 22453 Hamburg, Germany (2 parking spaces)	Leasehold	Indefinite – subject to a notice period of one month.
183 avenue de l'Industrie in Rillieux la Pape (69140), France	Leasehold	30 November 2021
257 avenue de l'Industrie in Rillieux la Pape (69140), France	Leasehold	31 May 2026
Lot 4 in Strata Plan 46226, 23–25 South Street, Rydalmere, NSW 2116, Australia	Leasehold	30 March 2020.
Level 2, Denby House, 156 Parnell Road, Parnell, New Zealand	Leasehold	30 June 2017
Unit 9 Bray South Business Park, Killarney Road, Bray, Co Wicklow, Ireland	Leasehold	13 February 2019

12. Working Capital

The Directors are of the opinion that, after taking into account the bank facilities available to the Group and the proceeds of the Placing of the New Ordinary Shares, the working capital available to the Group will be sufficient for its present requirements, that is for the period of at least 12 months from Admission.

13. Litigation

The Group is not involved nor has been involved in any legal or arbitration proceedings in the previous 12 months which have or may have had in the recent past, a significant effect on the Group's financial position or profitability nor, so far as the Directors are aware are any such proceedings pending or threatened against any member of the Group.

14. United Kingdom Taxation

The following paragraphs are intended as a general guide based on current legislation and HMRC practice as at the date of this document regarding the UK tax position of Shareholders who are resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account).

The following paragraphs do not constitute tax advice. In particular, Shareholders who receive shares in connection with an employment contract with the Company or as an office holder, should seek specific advice on their tax position. Any Shareholder who is in doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.

14.1 *Taxation of dividends*

Finance (No. 2) Bill 2016 introduces new rules applying to dividends paid to individuals and trustees from 6 April 2016 onwards. A dividend allowance of £5,000 per annum for individuals has been introduced. Dividends falling within this allowance will not be subject to income tax. If an individual receives dividends in excess of this allowance in a tax year, the excess will be taxed at 7.5 per cent. (for individuals not liable to tax at a rate above the basic rate), 32.5 per cent. (for individuals subject to the higher rate of income tax) and 38.1 per cent. (for individuals subject to the additional rate of income tax). The bill also changes the rate of tax paid on dividend income by trustees of discretionary trusts by changing the dividend trust rate to 38.1 per cent. The Finance (No. 2) Bill 2016 is expected to receive Royal Assent in July 2016.

Subject to exceptions for certain insurance companies and companies which hold shares as trading stock, a Shareholder which is a company resident (for tax purposes) in the United Kingdom and which receives a dividend paid by the Company will not in most circumstances be liable to corporation tax or income tax on the dividend.

United Kingdom pension funds and charities are generally exempt from tax on dividends which they receive. Shareholders who are resident in countries other than the UK may be entitled to repayment of all or a proportion of a notional tax credit in respect of the dividends paid to them. This will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is resident and the United Kingdom. In addition, a Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders not resident in the UK should consult their own tax adviser on the application of such provisions and the procedure for claiming relief.

From 6 April 2016 dividends no longer have a tax credit. Dividends are paid out of a company's taxed income but there is no requirement for tax to be withheld at source on dividend payments.

14.2 *Taxation on capital gains for shareholders*

To the extent that a Shareholder acquires Ordinary Shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will generally constitute the base cost of a Shareholder's holding.

A disposal or deemed disposal of Ordinary Shares by a UK resident Shareholder may give rise to a chargeable gain (or allowable loss) for the purposes of CGT (where the Shareholder is an individual or a trustee of a settlement) or UK corporation tax on chargeable gains (where the Shareholder is within the charge to UK corporation tax), depending on their circumstances and subject to any available exemption or relief.

As regards an individual Shareholder or trustees of settlements, the principal factors that will determine the extent to which a gain will be subject to CGT are (i) the extent to which he realises any other capital gains in the tax year of assessment in which the gain arises, (ii) the extent to which he has incurred capital losses in that or any earlier tax year or assessment and (iii) the level of annual allowance of tax-free gains in the tax year of assessment in which the disposal takes place. Subject to the availability of any such exemptions, reliefs and/or allowable losses, a disposal of Ordinary Shares by UK resident individuals, trustees and personal representatives will generally be subject to CGT at the rate of 28 per cent. (20 per cent. for disposals after 6 April 2016 provided the Finance (No. 2) Bill 2016 receives Royal Assent). Individuals whose taxable income for the year in question is less than the upper limit of the basic rate income tax band are subject to CGT at the rate of 18 per cent. (10 per cent. for disposals after 6 April 2016 provided the Finance (No.2) Bill 2016 receives Royal Assent), except to the extent that the aggregate of their total taxable income and gains (less allowable deductions) in that year exceeds the upper limit of the basic rate income tax band. Any such excess over the upper limit is subject to CGT at the rate of 28 per cent. (20 per cent. for disposals after 6 April 2016 provided the Finance (No. 2) Bill 2016 receives Royal Assent).

Subject to the availability of any exemptions, reliefs and/or allowable losses, a disposal of Ordinary Shares by companies subject to UK corporation tax will generally be subject to UK corporation tax at the prevailing rate of up to 20 per cent. (19 per cent. from 1 April 2017). Indexation allowance may be available to reduce any chargeable gain arising on such disposal but cannot act to create or increase a chargeable loss.

14.3 *Stamp duty and SDRT*

Currently dealings in Ordinary Shares will normally be subject to stamp duty or SDRT. However, transactions in securities are exempt from stamp duty and SDRT where those securities are admitted to trading on any recognised growth market (such as AIM) and are not listed on any recognised stock exchange.

Where this exemption is not applicable, then the transfer on sale of Ordinary Shares will usually be liable to ad valorem stamp duty, at the rate of 0.5 per cent. (rounded up, if necessary, to the next multiple of £5.00) of the amount or value of the consideration paid.

The above statements are intended to be a general guide to the current stamp duty and SDRT position. Certain categories of person are not liable to stamp duty or SDRT and others may be liable at a higher rate as mentioned above or may, although not primarily liable for the tax, be required to notify and account for it. Special rules apply to agreements made by market intermediaries and to certain sale and repurchase and stock borrowing arrangements. Agreements to transfer shares to charities will not usually give rise to a liability to stamp duty or SDRT.

15. **Other Information**

- 15.1 The accounting reference date of the Company is 31 December.
- 15.2 The fees and expenses of, and incidental to, the Placing and Admission that are payable by the Company are estimated at approximately £1.8 million. These include (but are not limited to) accountancy fees, solicitors fees and the fees of the Company's nominated adviser and broker.
- 15.3 Except for the Material Contracts referred to in paragraph 10 of this Part V, there are no contracts or agreements which are of fundamental importance to the Company's business.
- 15.4 Save as disclosed in this document, the Company is not dependent on any patents, licences, industrial or commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability.
- 15.5 None of the Directors perform any principal activities outside the Company that are significant with respect to the Company.
- 15.6 Except as stated in this document, there have been no principal investments made by the Company during the last three financial years and there are no principal future investments on which firm commitments have been made.
- 15.7 No person (excluding professional advisers named in this document and trade suppliers) has received, directly or indirectly, from the Company within the 12 months preceding the Company's application to AIM, or has entered into any contractual arrangements with the Company to receive, directly or indirectly, from the Company on or after Admission fees totalling £10,000 or more, securities which have a value of £10,000 or more or any other benefit with a value of £10,000 or more at the date of Admission.
- 15.8 Grant Thornton UK LLP, as Reporting Accountants has given and not withdrawn its written consent to the inclusion in this document of its report in Part III Section A.
- 15.9 Grant Thornton UK LLP is registered with the Institute of Chartered Accountants in England and Wales to carry out audit work.

- 15.10 Investec, as nominated adviser and broker to the Company, has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which it appears.
- 15.11 Except as disclosed below, there has been no significant change in the financial or trading position of the Company since 31 December 2015.
- 15.12 Save as disclosed in this document there are no environmental issues that the Directors have determined may affect the Company's utilisation of tangible fixed assets and the Directors have not identified any events that have occurred since the end of the last financial year and which are considered to be likely to have a material effect on the Company's prospects for the current financial year.
- 15.13 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 431 of the Act.
- 15.14 The Placing Price of 208 pence represents a premium of approximately 20,700 per cent. to the 1 pence nominal value of an Ordinary Share.

16. Documents Available for Inspection

Copies of the following documents will be available for inspection at the offices of Mills & Reeve LLP at Botanic House, 100 Hills Road, Cambridge, CB2 1PH during normal business hours on any weekdays (Saturdays and Public Holidays excepted) for 30 days from the date of Admission:

- (a) Memorandum and Articles of Association of the Company;
- (b) the Accountants' report set out in Part III of this document;
- (c) the service agreements referred to in paragraph 6 of this Part V;
- (d) the Share Plans referred to in paragraph 8 of this Part V; and
- (e) the consent letters from the Company's advisers referred to in paragraph 15.10 of this Part V.

17. Availability of this Document

Copies of this document will be available free of charge to the public on any weekday (Saturdays, Sundays and public holidays excepted) for a period of one month from the date of Admission at the Company's offices and the offices of Mills & Reeve LLP, the Company's legal advisers, the addresses of which are disclosed on page 8 of this document. A copy is also available on the Company's website at www.midwichgroupplc.com.



www.midwich.com