10 March 2020

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

Final Results

Strong revenue and profit growth across all markets and geographies

Midwich, a specialist audio visual ("AV") distributor to the trade market with operations across the UK and Ireland, Continental Europe, Asia Pacific and North America, today announces its Final Results for the year to 31 December 2019.

Statutory financial highlights

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

Adjusted financial highlights[2]

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

[1] Restated to reflect the adoption of IFRS 16. Adjusted measures are also restated to include amortisation of patents and software
[2] Definitions of the alternative performance measures are set out in note 1

Financial highlights

- Another year of strong growth in revenue and adjusted operating profit
- Revenue increased by 19.6% to £686.2 million (20.1% on a constant currency basis) including organic revenue growth of 6.0%
- Maintained robust gross margin following significant improvement in 2018
- Adjusted operating profit[2] increased by 10.6% to £33.5 million (11.0% on a constant currency basis)
- Adjusted profit before tax[2] improved by 8.0% to £31.2 million (8.5% on a constant currency basis)
- Adjusted EPS increased by 4.7% to 28.5p (2018: 27.2p)
- Another year of strong cash conversion at 69.5% of adjusted EBITDA
- Strong balance sheet, with year-end adjusted net debt to EBITDA of 1.4x providing financial flexibility
- Final dividend of 11.05 pence per share (2018: 10.60 pence per share)
- Total dividend for the year of 15.90 pence per share increased by 4.6% (2018: 15.20 pence per share)

Operational highlights

- Continental Europe contributing the largest share of Group revenue for the first time and growing market share in challenging market conditions
- Acquisitions made in 2018 fully integrated and delivering favourable Group contribution in 2019
- The four businesses acquired in 2019 have increased both geographic presence and specialist audio and lighting capabilities
- Entered two new markets through organic investment
- Investments in IT, compliance, acquisition and integration capabilities support the Group's organic and acquisitive growth strategy
- Established an Executive Team responsible for determining and driving operational strategy across the Group

Post-period end highlights

- Completed two acquisitions:
    - Starin Marketing, Inc., a value-add AV distributor with a reputation for technical excellence and pre and post-sales support, giving the Group a foundation in North America, the world's largest AV market
    - Vantage Systems Pty Limited, a specialist Unified Communications business based in Australia
- Successful equity fundraising of £39.7m in connection with the acquisition of Starin Marketing, Inc. and providing balance sheet flexibility to support the acquisition strategy

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

"In a challenging year of economic and political factors, I am very pleased that the Group continued to grow strongly across all markets and geographies. Our organic growth was robust and we have continued to strengthen our presence in more technically complex market areas. Our targeted acquisition programme means that the Group entered three new countries during the year, in addition to strengthening our specialist audio and lighting businesses. Post year-end, I was delighted to welcome Starin Marketing, Inc and Vantage Systems into the Group. Starin represents not only our entry into the major North American market but also a significant strengthening of our presence in the attractive unified communications market.

"Market conditions continue to be generally challenging, but stable, albeit that the potential impact of the spread of the Covid-19 virus is still being assessed. At present, excluding any potential impact of the Covid-19 virus, the Board's expectations for the full year remain unchanged."

There will be a presentation for analysts at 9:30am today, 10 March 2020, at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD.

For further information:

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About Midwich Group

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

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

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

For further information, please visit www.midwichgroupplc.com

Chairman's Statement

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

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

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

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

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

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

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

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

Dividend

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

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

Board

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

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

The Group continues to apply the QCA code (as revised April 2018) as its governance framework. The Board has reviewed all aspects of compliance and continues to believe that it meets or exceeds to requirements of the code. Over the last two years we have enhanced our reporting by including a detailed Directors' remuneration report and corporate social responsibility information; we also chose to introduce an advisory vote on the Directors' remuneration report at the AGM held in May 2019.

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

People

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

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

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

Andrew Herbert
Chairman

Managing Director's Review

Celebrating 40 years

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

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

Operating in a more challenging market

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

Consistency of service backed by strong finances

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

Continued investment strengthens our offering for the future

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

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

Continued evolution of the management structure

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

Strong financial performance

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

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

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

Key events in 2019

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

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

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

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

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

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

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

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

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

Operational Review

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

UK and Ireland

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

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

Continental Europe

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

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

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

Asia Pacific

Our Asia Pacific region achieved a 41.2% (2018: 11.8%) growth in sales to £50.6m (2018: £35.9 million) with the biggest contribution coming for the acquisition of Blonde Robot in December 2018. The gross margin percentage reduced from 18.4% to 17.7% as the exceptional level of high margin project activity in 2018 was not repeated. Adjusted operating profit, which included start-up costs for the launch of a South East Asia AV business during the year, declined by 7.5% (2018: +14%) from £2.9 million to £2.7 million.

Technologies

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

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

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

Covid-19

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

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

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

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

Stephen Fenby
Managing Director

Financial Review

Summary

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

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

Regional highlights

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

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

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

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

The financial performance of each segment during the year was:

UK & Ireland

The UK and Ireland segment revenue reduced by 0.4% (2018: +11.3%) to £314.6 million (2018: £315.8 million) generating gross profit of £55.3 million (2018: £54.9 million) at a gross profit margin of 17.6% (2018: 17.4%). This resulted in an adjusted operating profit of £19.9 million (2018: £19.6 million), an increase of 1.6% (2018: 17.2%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period was -0.3% (2018: 1.8%).

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

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

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

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

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

Tax
The adjusted effective tax rate was 23.7% in 2019, representing a small increase on 2018 (23.3%) which reflects an increase in the mix of profits arising in higher tax jurisdictions.

Earnings per share
Basic earnings per share is calculated on the total profit of the Group attributable to shareholders. Basic EPS for the year was 21.67p (2018: 18.50p), representing growth of 17.1% (2018: 9.0%). Diluted EPS was 21.31p (2018: 18.33p). Adjusted EPS grew by 4.7% (2018: 19.3%) to 28.49p (2018: 27.20p).

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

Cash flow

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

[1] Restated to reflect the adoption of IFRS 16.
[2] Excluding the movement in accruals for employer taxes on share based payments.

The Group's adjusted operating cash flow conversion, calculated comparing adjusted cash flow from operations with adjusted EBITDA, was 69.5% compared to 92.3% for the prior year. The performance for the current year reflects typical working capital movements for the business and is broadly in line with our long-term average of between 70-80%.

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

Net debt

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

Adjusted net debt at 31 December 2019 was £53.3 million (2018: £25.4 million) with the increase largely attributable to the increase in the Group's acquisition activity during 2019. The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 1.4 (2018: 0.7). This, combined with the Group's underlying cash generation, means the Group is well placed to fund short term swings in working capital as the Group delivers organic growth, as well as continuing to pursue accretive acquisitions. Total net debt including lease liabilities was £70.0m at 31 December 2019 (2018: £36.3m).

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

Goodwill and intangible assets

The Group's goodwill and intangible assets of £45.3 million (2018: £36.3 million) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2019, the Board believes there are no indications of impairment. The intangible assets arising from business combinations, for exclusive supplier contracts, customer relationships and brands, are amortised over an appropriate period.

Working capital

Working capital management is a core part of the Group's performance. At 31 December 2019, the Group had working capital (Trade and other receivables plus inventories less trade and other payables) of £85.8 million (2018: £59.1 million). This represented 12.5% of current year revenue (2018: 10.3%).

Adjustments to reported results

	2019	2018[2]
	£000	£000
Operating profit	**24,934**	**24,941**
Acquisition costs	356	365
Share based payments	2,874	1,120
Employer taxes on share based payments	427	221
Amortisation	4,871	3,620
Adjusted operating profit	**33,462**	**30,267**
Profit before tax	**23,781**	**21,031**

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

[1] The number of shares for EPS now excludes shares held in trust in respect of share awards not yet exercised

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

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

Consolidated income statement for the year ended 31 December 2019

	Notes	2019 £'000	2018 (Restated)[1] £'000
Revenue		686,240	573,682
Cost of sales		(573,133)	(479,120)
Gross profit		113,107	94,562
Distribution costs		(68,624)	(56,329)
Total administrative expenses		(23,132)	(16,317)

Other operating income		3,583	3,025
Operating profit		24,934	24,941
Comprising			
Adjusted operating profit		33,462	30,267
Costs of acquisitions	3	(356)	(365)
Share based payments	9	(2,874)	(1,120)
Employer taxes on share based payments		(427)	(221)
Amortisation and impairments of brands, customer and supplier relationships		(4,871)	(3,620)
		24,934	24,941
Finance income		66	81
Finance costs	4	(1,219)	(3,991)
Profit before taxation		23,781	21,031
Taxation		(5,581)	(5,774)
Profit after taxation		18,200	15,257
Profit for the financial year attributable to:			
The Company's equity shareholders		17,182	14,696
Non-controlling interest		1,018	561
		18,200	15,257
Basic earnings per share	5	21.67p	18.50p
Diluted earnings per share	5	21.31p	18.33p

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

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

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

[1] Comparative information is restated for the adoption of IFRS 16

Consolidated statement of financial position as at 31 December 2019

	Notes	2019	2018 (Restated)[1]
Assets		**£'000**	**£'000**
Non-current assets			
Goodwill		13,326	11,568
Intangible assets		31,974	24,766
Right of use assets		15,949	10,141
Property, plant and equipment		12,086	7,028
Deferred tax assets		2,169	1,421
		75,504	54,924
Current assets			
Inventories		88,691	74,379
Trade and other receivables		104,100	83,139
Derivative financial instruments		-	25
Cash and cash equivalents		13,015	16,685
		205,806	174,228
Current liabilities			
Trade and other payables		(106,342)	(97,729)
Derivative financial instruments		(132)	-
Put option liabilities over non-controlling interests		(3,490)	(1,746)
Deferred and contingent considerations		(4,133)	(4,005)
Borrowings and financial liabilities	6	(46,529)	(36,838)
Current tax		(2,331)	(2,892)
		(162,957)	(143,210)
Net current assets		42,849	31,018
Total assets less current liabilities		118,353	85,942
Non-current liabilities			
Trade and other payables		(665)	(736)
Put option liabilities over non-controlling interests		(3,799)	(4,654)
Deferred and contingent considerations		(2,796)	(757)
Borrowings and financial liabilities		(36,466)	(16,108)
Deferred tax liabilities		(6,850)	(5,512)
Other provisions		(2,484)	(56)
		(53,060)	(27,823)
Net assets		65,293	58,119
Equity			
Share capital	8	799	794
Share premium		28,225	25,855
Share based payment reserve		3,998	1,837
Investment in own shares		(5)	(5)
Retained earnings		31,867	27,535
Translation reserve		(954)	1,865
Hedging reserve		194	-
Put option reserve		(6,329)	(4,532)
Capital redemption reserve		50	50
Other reserve		150	150
Equity attributable to owners of the Parent Company		57,995	53,549
Non-controlling interests		7,298	4,570
Total equity		65,293	58,119

[1] Comparative information is restated for the adoption of IFRS 16

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

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2019	794	25,855	(5)	27,535	(630)	53,549	4,570	58,119
Profit for the year	-	-	-	17,182	-	17,182	1,018	18,200
Other comprehensive income	-	-	-	(386)	(2,625)	(3,011)	(296)	(3,307)
Total comprehensive income for the year	-	-	-	16,796	(2,625)	14,171	722	14,893
Shares issued (note 8)	2	-	(2)	-	-	-	-	-
Share based payments	-	-	-	-	2,874	2,874	-	2,874
Deferred tax on share based payments	-	-	-	-	(128)	(128)	-	(128)
Share options exercised	-	497	2	86	(585)	-	-	-
Acquisition of subsidiary (note 11)	-	-	-	-	(2,886)	(2,886)	2,884	(2)
Acquisition of non-controlling interest (note 10)	3	1,873	-	(245)	1,089	2,720	(843)	1,877
Dividends paid	-	-	-	(12,305)	-	(12,305)	(35)	(12,340)
Balance at 31 December 2019	799	28,225	(5)	31,867	(2,891)	57,995	7,298	65,293

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

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 9)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2018 previously reported	794	25,855	(5)	24,331	(996)	49,979	3,113	53,092
Change of accounting policies (note 13)	-	-	-	(203)	-	(203)	-	(203)
Restated 1 January 2018	794	25,855	(5)	24,128	(996)	49,776	3,113	52,889
Profit for the year	-	-	-	14,696	-	14,696	561	15,257
Other comprehensive income	-	-	-	-	174	174	(12)	162
Total comprehensive income for the year	-	-	-	14,696	174	14,870	549	15,419
Share based payments	-	-	-	-	1,120	1,120	-	1,120
Deferred tax on share based payments	-	-	-	-	(34)	(34)	-	(34)
Acquisition of subsidiary (note 11)	-	-	-	-	(894)	(894)	908	14
Dividends paid	-	-	-	(11,289)	-	(11,289)	-	(11,289)
Balance at 31 December 2018	794	25,855	(5)	27,535	(630)	53,549	4,570	58,119

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

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

	2019	2018 (Restated)[1]
	£'000	£'000
Cash flows from operating activities		
Profit before tax	23,781	21,031
Depreciation	5,425	4,176
Amortisation	5,023	3,792
Loss/(gain) on disposal of assets	50	27
Share based payments	2,874	1,120
Foreign exchange losses	(583)	4
Finance income	(66)	(81)
Finance costs	1,219	3,991
Profit from operations before changes in working capital	37,723	34,060
Increase in inventories	(5,110)	(9,468)
Increase in trade and other receivables	(7,686)	(3,221)
Increase in trade and other payables	1,293	10,246
Cash inflow from operations	26,220	31,617
Income tax paid	(8,844)	(7,377)
Net cash inflow from operating activities	17,376	24,240
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	(10,091)	(3,131)
Deferred consideration paid	(5,517)	(5,507)
Purchase of intangible assets	(1,977)	(778)
Purchase of plant and equipment	(5,793)	(2,360)
Proceeds on disposal of plant and equipment	417	382
Interest received	66	81
Net cash used in investing activities	(22,895)	(11,313)
Net cash flows from financing activities		
Dividends paid	(12,340)	(11,289)
Invoice financing (outflows)/inflows	6,785	(8,704)
Proceeds from borrowings	13,099	8,647
Repayment of loans	(1,053)	(2,107)
Interest paid	(1,679)	(1,362)
Interest on leases	(379)	(268)
Capital element of lease payments	(2,627)	(1,725)
Net cash inflow/(outflow) from financing activities	1,806	(16,808)
Net (decrease)/increase in cash and cash equivalents	(3,716)	(3,881)
Cash and cash equivalents at beginning of financial year	16,357	20,010
Effects of exchange rate changes	(1,147)	228
Cash and cash equivalents at end of financial year	11,497	16,357
Comprising:		
Cash at bank	13,015	16,685
Bank overdrafts	(1,518)	(328)
	11,497	16,357

[1] Comparative information is restated for the adoption of IFRS 16 (note 13) and to restate the cash flows for the acquisition of businesses to exclude debt acquired.

Notes to the consolidated financial statements

1. Accounting policies

General information and nature of operations

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

Basis of preparation

This preliminary announcement does not constitute the Group's full financial statements for the year ended 31 December 2019. The auditors have reported on the Group's statutory accounts for the year ended 31 December 2019 under s495 of the Companies Act 2006, which do not contain statements under s498(2) or s498(3) of the Companies Act 2006 and are unqualified. The statutory accounts for the year ended 31 December 2019 will be filed with the Registrar of companies in due course.

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

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an 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 2019.

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

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

Basis of consolidation

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

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

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

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

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

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

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

To determine whether to recognise revenue, the Group follows a 5-step process;

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

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

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

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

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

Finance income and costs

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

Goodwill

Goodwill represents the future economic benefits arising from business combinations which are not individually identified and separately recognised. Goodwill is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses.

Intangible assets other than goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of other intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in administrative expenses.

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

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

- Patents and licences 3-10 years
- Software 3-10 years
- Brands 5-15 years
- Customer relationships 5-15 years
- Supplier relationships 5-15 years

Right of use assets

Right of use assets are recognised at the commencement date of the lease when the asset is available for use. Right of use assets are initially measured at cost including initial direct costs incurred and the initial value of the lease liability. Right of use assets are subsequently measured at cost less any accumulated depreciation, impairment losses, and adjustments arising from lease modifications that are not a termination of the lease.

Depreciation is calculated on a straight-line basis on all right of use assets as follows:

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

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

Property, plant and equipment

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

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

- Land Not depreciated
- Freehold buildings 50 years

- Leasehold improvements — Over the period of the lease up to a maximum of 50 years
- Rental assets — 3-10 years
- Plant and equipment — 3-10 years

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed. Each asset's estimated useful life has been assessed with regard to its own physical life limitations and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively. The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

Impairment of non-financial assets including goodwill

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

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

Inventory

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

Financial instruments

Financial instruments are comprised of financial assets and financial liabilities, which are recognised when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when extinguished.

Financial assets

Financial assets include trade and other receivables, cash and cash equivalents, and derivative financial instruments with a positive market value.

The Group classifies financial assets into three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income; and

- financial assets measured at fair value through profit or loss.

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

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

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

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

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

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

Borrowings
Borrowings include bank loans and overdrafts, loan notes, amounts advanced under invoice factoring arrangements, and leases. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are financial liabilities that are recognised when the Group becomes party to the contractual provisions of the instrument. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities.

Trade and other payables
Trade and other payables are financial liabilities recognised when the Group becomes party to the contractual provisions of the instrument. Trade and other payables are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments
Derivative financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument. Derivative financial instruments are initially and subsequently measured at fair value. Any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss. The fair values are determined by reference to active markets or using a valuation technique where no active market exists.

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

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

Foreign currency
The presentation currency for the Group's consolidated financial statements is Sterling. Foreign currency transactions by group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at rates in effect at the balance sheet date with any gain or loss on foreign exchange adjustments usually being credited or charged to the income statement within administrative expenses. The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate at the balance sheet date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve. The balance of the foreign currency translation reserve relating to a subsidiary that is partially or fully disposed of is recognised in the income statement at the time of disposal.

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

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

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

Leases
Assets and liabilities arising from a lease are initially measured at present value.

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

Lease payments beyond a break clause or within an extension option are included in the measurement of net present value provided it is reasonably certain that the lease will be not be terminated before the respective break point or lease extension and there is no active plan to do so.

Finance costs are added to the lease liabilities at amounts that produce a constant periodic rate of interest on the remaining balance of the lease liabilities using the interest rates used to calculate the net present value of the leases. Lease payments are deducted from the lease liability.

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

Equity

Equity comprises the following:

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

Share based payments

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

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

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

New and amended International Financial Reporting Standards adopted by the Group
The Group adopted IFRS 16 'Leases' on 1 January 2019. The Group has elected to apply the full retrospective approach to the transition to IFRS 16. The full retrospective approach requires the transition to be implemented with restatement of the prior year results as if the standard had always been adopted. The effect of the adoption of the new standard is provided in note 13.

International Financial Reporting Standards in issue but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

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

Use of alternative performance measures
The Group has defined certain measures that it uses to understand and manage performance. These measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. These non-GAAP measures are not intended to be a substitute for any IFRS measures of performance, but management has included them as they consider them to be key measures used within the business for assessing the underlying performance.

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

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

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

Adjusted EBITDA: This represents adjusted operating profit plus the reported depreciation charge and amortization of patents and software for the period.

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

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

Adjusted EPS: This is adjusted profit after tax less profit, amortisation and tax thereon due to non-controlling interests divided by the number of shares in issue.

Adjusted net debt: This is net debt excluding leases.

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

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

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

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

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

Fair value of separately identifiable intangible assets in business combinations
The Group is required to calculate the fair value of identifiable assets and liabilities acquired in business combinations. In order to estimate the fair value of separately identifiable assets in business combinations certain assumptions must be made about future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. The fair values of assets and liabilities acquired in business combinations are disclosed in note 11.

Contingent considerations and put option liabilities
The Group is required to record contingent considerations at fair value. The Group initially measures put option liabilities at present value and subsequently measures put option liabilities at amortised cost using the effective interest rate method. Where the contractual cash flows of the put option liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate. The Group use a range of present valuation techniques including both the discount rate adjustment technique and the expected present value technique in order to determine the fair values of contingent considerations and the present values of put option liabilities.

2. Segmental reporting

Operating segments

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

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

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

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

2018 (Restated)[1]	**UK & Ireland £'000**	**Continental Europe £'000**	**Asia Pacific £'000**	**Other £'000**	**Total £'000**
Revenue	315,808	222,017	35,857	-	573,682
Gross profit	**54,890**	**33,086**	**6,586**	**-**	**94,562**
Gross profit %	17.4%	14.9%	18.4%	-	16.5%
Adjusted operating profit	**19,541**	**10,276**	**2,935**	**(2,485)**	**30,267**
Costs of acquisitions	-	-	-	(365)	(365)

Share based payments	(557)	(382)	(106)	(75)	(1,120)
Employer taxes on share based payments	(72)	(109)	(14)	(26)	(221)
Amortisation of brands, customer and supplier relationships	(2,557)	(1,005)	(58)	-	(3,620)
Operating profit	**16,355**	**8,780**	**2,757**	**(2,951)**	**24,941**
Interest					(3,910)
Profit before tax					**21,031**

[1] Comparative information is restated for the adoption of IFRS 16 (note 13) and reclassification of the amortisation for patents and software within the adjusted profit alternative performance measures.

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

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

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

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

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

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

Sales to the largest customer

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

3. Administrative expenses

Administrative expenses in the period include £356k of acquisition related costs (2018: £365k). For details of acquisitions in the year see note 11.

4. Finance costs

	2019 £'000	**2018 £'000** (Restated)[1]
Interest on overdraft and invoice discounting	1,176	1,042
Interest on leases	379	268
Interest on loans	517	151
Fair value movements on foreign exchange derivatives	246	-
Other interest costs	2	-

Fair value movements on derivatives for borrowings	42	
Foreign exchange gains on borrowings for acquisitions	(146)	-
Interest, foreign exchange and other finance costs of deferred and contingent considerations	(949)	2,219
Interest, foreign exchange and other finance costs of put option liabilities	(48)	311
	1,219	3,991

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

5. Earnings per share

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

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

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

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

6. Borrowings

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

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

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

The Group has invoice discounting borrowings which comprised £39,615 at the end of 2019 (2018: £32,830k). The facilities comprise fully revolving receivables financing agreements which are secured on the underlying receivables. The facility has no fixed repayment dates and receivables are automatically offset against the outstanding amounts of the facility on settlement of the receivable. The Group retains the credit risk associated with the receivables.

The Group has loans of £25,153k at the end of 2019 (2018: £8,963k). The loans are secured with fixed and floating charges over the assets of the Group with the exception of £348k (2018: £274k), which is unsecured. Included within loans as at 31 December 2019 is £347k that were loans acquired as part of the MobilePro and Prase acquisitions and £265k in relation to a loan provided to Midwich Asia Pte Limited. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has leases of £16,708k at the end of 2019 (2018: £10,826k). Included within leases as at 31 December 2019 is £3,046k that were leases acquired as part of the MobilePro, Prase, AV Partner and EES acquisitions and £265k in relation to a leases entered into by Midwich Asia Pte Limited.

Borrowings

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

Reconciliation of liabilities arising from financing activities

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

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

7. Financial instrument risk exposure and management

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

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

Credit risk

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

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

The Group's total credit risk amounts to the total of the sum of the trade receivables and cash and cash equivalents. At 31 December 2018 total credit risk amounted to £107,859k (2018: £94,821k).

Interest rate risk

The interest on the Group's overdrafts, invoice discounting facilities and Revolving Credit Facility borrowings are variable. During the year the Group entered into a forward contract in respect of the Group's variable interest rates in order to achieve a fixed rate of interest.

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

Foreign exchange risk

The Group is largely able to manage the exchange rate risk arising from operations through the natural matching of payments and receipts denominated in the same currencies. Any exposure tends to be on the payment side and is mainly in relation to the Sterling strength relative to the Euro or US Dollar. This transactional risk is considered manageable as the proportion of Group procurement that is not sourced in local currency is small. However, on occasions the Group does buy foreign currency call options and forward contracts to mitigate this risk.

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

The Group reports in Pounds Sterling (GBP) but has significant revenues and costs as well as assets and liabilities that are denominated in Euros (EUR) and Australian Dollars (AUD). The table below sets out the prevailing exchange rates in the periods reported.

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

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

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

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

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

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

Liquidity risk

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

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

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

At 31 December 2019

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

At 31 December 2018 (Restated)[1]

	Total £'000	**Within 2 months £'000**	**Within 2 -6 months £'000**	**Between 6 – 12 months £'000**	**Between 1-2 years £'000**	**After than 2 years £'000**
Trade payables	75,614	68,530	6,826	5	253	-

Other payables	582	582	-	-	-	-
Deferred consideration	4,905	-	3,373	673	9	850
Put option liabilities	7,082	-	-	1,875	4,102	1,105
Leases	11,812	378	695	1,016	1,772	7,951
Accruals	11,506	10,300	407	316	8	475
Bank overdrafts, loans and invoice discounting	42,120	32,865	804	1,306	6,725	420
	153,621	112,655	12,105	5,191	12,869	10,801

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

8. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2019 Number	2019 £'000	2018 Number	2018 £'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	79,448,200	794	79,448,200	794
Shares issued	525,212	5	-	-
At 31 December	79,973,412	799	79,448,200	794

During the year the Company issued 300,212 in settlement of the put option liability over the remaining non-controlling interest in Holdan Limited and 225,000 shares to the Group's employee benefit trusts. There were no share transactions effected during the prior year.

Employee benefit trust
The Group's employee benefit trusts were allocated 480,700 Ordinary Shares in 2016 and a further 225,000 shares in 2019. As at 31 December 2019 229,000 (2018: 5,800) of these shares were distributed employees on the exercise of share options leaving 476,700 Ordinary Shares held in the Group's employee benefit trusts as at 31 December 2019 (2018: 474,900).

9. Other reserves

Movement in other reserves for the year ended 31 December 2019

	Share based payment reserve £'000	Translation reserve £'000	Hedging reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2019	1,837	1,865	-	(4,532)	50	150	(630)
Other comprehensive income	-	(2,819)	194	-	-	-	(2,625)
Total comprehensive income for the year	-	(2,819)	194	-	-	-	(2,625)
Share based payments	2,874	-	-	-	-	-	2,874
Deferred tax on share based payments	(128)	-	-	-	-	-	(128)
Share options exercised	(585)	-	-	-	-	-	(585)
Acquisition of subsidiary (note 11)	-	-	-	(2,886)	-	-	(2,886)
Acquisition of non-controlling interest (note 10)	-	-	-	1,089	-	-	1,089

Balance at 31 December 2019	3,998	(954)	194	(6,329)	50	150	(2,891)

Movement in other reserves for the year ended 31 December 2018

	Share based payment reserve £'000	Translation reserve £'000	Hedging reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2018	751	1,691	-	(3,638)	50	150	(996)
Other comprehensive income	-	174	-	-	-	-	174
Total comprehensive income for the year	-	174	-	-	-	-	174
Share based payments	1,120	-	-	-	-	-	1,120
Deferred tax on share based payments	(34)	-	-	-	-	-	(34)
Acquisition of subsidiary (note 11)	-	-	-	(894)	-	-	(894)
Balance at 31 December 2019	1,837	1,865	-	(4,532)	50	150	(630)

10. Acquisition of non-controlling interest

On 28 April 2019, the Group acquired the remaining 10.5% non-controlling interest in Holdan Limited, which had a value of £843k, for a consideration of £1,876k. £1,089k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

11. Business combinations

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

Subsidiaries acquired:

Acquisition	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
EES[1]	Distribution of lighting products to trade customers	1 July 2019	100%	3,245
AV Partner[1]	Distribution of audio-visual products to trade customers	3 May 2019	100%	5,467
Prase[1]	Distribution of audio-visual products to trade customers	31 January 2019	80%	11,534
MobilePro[1]	Distribution of audio-visual products to trade customers	17 January 2019	100%	882
New Media[1]	Distribution of professional broadcast equipment to trade customers	23 August 2018	100%	3,311
Perfect Sound[1]	Distribution of professional audio products to trade customers	5 September 2018	100%	682
Blonde Robot[1]	Distribution of audio-visual products to trade customers	4 December 2018	65%	1,687

Fair value of consideration transferred 2019	**MobilePro**	**Prase**	**AV Partner**	**EES**

	£'000	£'000	£'000	£'000
Cash	882	6,108	3,225	2,189
Deferred contingent consideration	-	5,426	2,242	1,056
Total	882	11,534	5,467	3,245

Acquisition costs of £116k in relation to the acquisition of Prase, £115k in relation to the acquisition of AV Partner, £78k in relation to the acquisition of EES and £47k in relation to other acquisitions not completed during the year were expensed to the income statement during the year ended 31 December 2019.

On acquisition of Prase the Group recognised £2,886k in relation to the initial present value of the put option liabilities to acquire the remaining non-controlling interest.

Fair value of acquisitions 2019	**MobilePro £'000**	**Prase £'000**	**AV Partner £'000**	**EES £'000**
Non-current assets				
Goodwill	451	371	1,195	131
Intangible assets - brands	535	382	142	81
Intangible assets - customer relationships	165	1,504	1,193	567
Intangible assets - supplier relationships	326	3,110	2,241	810
Right of use assets	1,548	69	1,370	209
Plant and equipment	59	2,497	8	71
Deferred tax	3	143	-	1
	3,087	8,076	6,149	1,870
Current assets				
Inventories	3,742	3,604	1,285	569
Trade and other receivables	2,162	8,830	983	1,301
Current tax	-	-	33	-
Cash and cash equivalents	42	1,439	12	820
	5,946	13,873	2,313	2,690
Current liabilities				
Trade and other payables	(1,970)	(4,370)	(838)	(601)
Borrowings and financial liabilities	(3,526)	(90)	(132)	(34)
Current tax	(1)	(404)	-	(137)
	(5,497)	(4,864)	(970)	(772)
Non-current liabilities				
Borrowings and financial liabilities	(2,094)	(69)	(1,238)	(179)
Deferred tax	(220)	(1,429)	(787)	(364)
Other provisions	(340)	(1,169)	-	-
	(2,654)	(2,667)	(2,025)	(543)
Non-controlling interests	-	(2,884)	-	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	882	11,534	5,467	3,245

In addition to the above the Group paid £45k to secure an exclusive supplier arrangement in a trade and assets acquisition.

Goodwill acquired in 2019 relates to the workforce, synergies and sales know how. Goodwill arising on all acquisitions in the period have been allocated to the Continental Europe segment.

Gross contractual amounts of trade and other receivables acquired in 2018 were £13,276k, with bad debt provisions of £59k.

Net cash outflow on acquisition of subsidiaries 2019

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Consideration paid in cash	882	6,108	3,225	2,189
Less: cash and cash equivalent balances acquired	(42)	(1,439)	(12)	(820)
Net cash outflow	840	4,669	3,213	1,369
Plus: borrowings acquired	5,620	159	1,370	213
Net debt outflow	6,460	4,828	4,583	1,582

Post-acquisition contribution 2019

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

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Date acquired	17 Jan	31 Jan	3 May	1 July
Post-acquisition contribution to Group revenue	22,670	22,550	6,535	2,516
Post-acquisition contribution to Group profit after tax	230	1,471	349	201

Proforma full year contribution 2019

Acquired subsidiaries would have made the following contributions to the Group's results for the year in which they were acquired if they were acquired on 1 January 2019:

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Full year revenue[1]	23,624	24,219	9,021	6,196
Full accounting period profit after tax[1]	187	1,495	415	511

If the acquisitions had occurred on 1 January 2019, revenue of the Group for the year would have been £695,029k and profit after tax for the year would have been £18,557k.

[1]These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IFRS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IFRS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2019, together with the consequential tax effects.

Fair value of consideration transferred 2018	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Cash	1,354	628	1,687
Deferred contingent consideration	1,957	54	-
Total	3,311	682	1,687

Acquisition costs of £119k in relation to the acquisition of New Media, £47k in relation to the acquisition of Perfect Sound, £83k in relation to the acquisition of Blonde Robot, and £116k in relation to other acquisitions not completed before the end of the year were expensed to the income statement during the year ended 31 December 2018. On acquisition of Blonde Robot the Group recognised £894k in relation to the initial present value of the put option liabilities to acquire the remaining non-controlling interest.

Fair value of acquisitions 2018 (Restated)[1]	**New Media £'000**	**Perfect Sound £'000**	**Blonde Robot £'000**
Non-current assets			
Goodwill	1,022	174	935
Intangible assets - customer relationships	1,051	105	1,808
Intangible assets - supplier contracts	1,349	159	427
Intangible assets - brands	337	18	270
Intangible assets - other	15	-	-
Right of use assets	1,138	180	234
Plant and equipment	140	23	61
	5,052	659	3,735
Current assets			
Inventories	702	61	1,164
Trade and other receivables	550	698	2,309
Cash and cash equivalents	327	211	-
	1,579	970	3,473
Current liabilities			
Trade and other payables	(1,045)	(628)	(1,746)
Current tax	-	-	(53)
Derivative financial instruments	-	-	(23)
Borrowings and financial liabilities	(359)	(75)	(1,831)
	(1,404)	(703)	(3,653)
Non-current liabilities			
Borrowings and financial liabilities	(1,022)	(150)	(156)
Deferred tax	(894)	(94)	(746)
Other provisions	-	-	(58)
	(1,916)	(244)	(960)
Non-controlling interests	-	-	(908)
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	3,311	682	1,687

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

Goodwill acquired in 2018 relates to the workforce, synergies and sales know how. Goodwill arising on the New Media and Perfect Sound acquisitions has been allocated to the Continental Europe segment. Goodwill arising on the Blonde Robot acquisition has been allocated to the Asia Pacific segment.

Gross contractual amounts of trade and other receivables acquired in 2018 were £3,589k, with bad debt provisions of £32k.

Net cash outflow on acquisition of subsidiaries 2018 (Restated)[1]

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Consideration paid in cash	1,354	628	1,687
Less: cash and cash equivalent balances acquired	(327)	(211)	-
Net cash outflow	1,027	417	1,687
Plus: borrowings acquired	1,381	225	1,987
Net debt outflow	2,408	642	3,674

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

Post-acquisition contribution 2018 (Restated)[1]

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

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Date acquired	23 Aug	5 Sep	4 Dec
Post-acquisition contribution to Group revenue	6,563	916	1,430
Post-acquisition contribution to Group profit after tax	88	90	103

[1] Comparative information is restated for the adoption of IFRS 16 (note 13).

Proforma full year contribution 2018

Acquired subsidiaries would have made the following contributions to the Group's results for the year in which they were acquired if they were acquired on 1 January 2018:

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Full year revenue[1]	17,851	3,016	17,364
Full accounting period profit after tax[1]	26	190	337

If the acquisitions had occurred on 1 January 2018, revenue of the Group for the year would have been £603,004k and profit after tax for the year would have been £15,555k.

[1]These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IFRS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IFRS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2018, together with the consequential tax effects.

12. Dividends

The Company paid dividends in the year of £12,305k (2018: £11,289k), excluding the effects of waived dividends this equated to 15.45 (2018: 14.25) pence per share.

The Board has recommended a final dividend of 11.05 pence per share (2018: 10.60) which, if approved will be paid on 19 June 2020 to shareholders on the register on 15 May 2020. With the interim dividend declared in September 2019, this represents a total dividend for the year to 31 December 2019 of 15.90 pence per share (2018: 15.20).

13. Changes in accounting standards

The Group has adopted IFRS 16 from 1 January 2019 using the full retrospective approach. Comparative financial results have been restated as if IFRS 16 had always been adopted. Adoption of IFRS 16 requires that leases longer than 12 months are recognised as liabilities and initially measured at the present value of the future lease payments. The present value of future lease payments is discounted at the implicit interest rate of the lease if it can be readily determined and at the lessee's incremental borrowing rate if the implicit interest rate can't be easily determined. Leases are subsequently measured at amortised cost.
The adoption of IFRS 16 also requires the recognition of right of use assets, which are initially measured at the same value as the lease liability but are subsequently measured at the original value of the lease liability cost less accumulated depreciation and impairment losses.

As a result of the adoption of IFRS 16 the Group reports an increase in depreciation and interest costs with a corresponding decrease in rental costs in the statement of financial performance.

The impact of adopting IFRS 16 on the financial performance and position of the Group for the comparative periods is as follows:

	2018 Previously presented	**2018 Impact of IFRS 16**	**2018 Restated**
	£'000	**£'000**	**£'000**
Revenue	573,682	-	573,682
Cost of sales	(479,120)	-	(479,120)
Gross profit	94,562	-	94,562
Distribution costs	(56,329)	-	(56,329)
Administrative expenses	(16,511)	194	(16,317)
Other operating income	3,025	-	3,025
Operating profit	24,747	194	24,941
Finance income	81	-	81
Finance costs	(3,751)	(240)	(3,991)
Profit before taxation	21,077	(46)	21,031
Taxation	(5,792)	18	(5,774)
Profit after taxation	15,285	(28)	15,257

	2018 Previously presented	**2018 Impact of IFRS 16**	**2018 Restated**

	£'000	£'000	£'000
Assets			
Non-current assets			
Goodwill	11,188	380	11,568
Intangible assets	24,766	-	24,766
Right of use assets	-	10,141	10,141
Property, plant and equipment	7,391	(363)	7,028
Deferred tax assets	1,222	199	1,421
	44,567	10,357	54,924
Current assets			
Inventories	74,379	-	74,379
Trade and other receivables	83,139	-	83,139
Derivative financial instruments	25	-	25
Cash and cash equivalents	16,685	-	16,685
	174,228	-	174,228
Current liabilities			
Trade and other payables	(97,729)	-	(97,729)
Put option liabilities over non-controlling interests	(1,746)	-	(1,746)
Deferred and contingent considerations	(4,005)	-	(4,005)
Borrowings and financial liabilities	(35,151)	(1,687)	(36,838)
Current tax	(2,892)	-	(2,892)
	(141,523)	(1,687)	(143,210)
Net current assets	32,705	(1,687)	31,018
Total assets less current liabilities	77,272	8,670	85,942
Non-current liabilities			
Trade and other payables	(736)	-	(736)
Put option liabilities over non-controlling interests	(4,654)	-	(4,654)
Deferred and contingent considerations	(757)	-	(757)
Borrowings and financial liabilities	(7,211)	(8,897)	(16,108)
Deferred tax liabilities	(5,512)	-	(5,512)
Other provisions	(56)	-	(56)
	(18,926)	(8,897)	(27,823)
Net assets	58,346	(227)	58,119

14. Events after the balance sheet date

On 6 February 2020 the Group acquired 100% of Starin Marketing Inc and its subsidiary for an upfront consideration of $27.1m only, which was financed by the issue of 7,944,800 ordinary shares. Starin Marketing Inc is a leading distributor of audio-visual products based near Chicago, United States of America for an upfront consideration of $27.1m only. Due to the proximity of the date of the announcement to the date these financial statements were authorised for issue, the Group considers it impracticable to produce disclosures required under IFRS 3 regarding the acquisition fair value of assets and liabilities to be acquired under the acquisition.