

10 September 2019

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

Interim results for the six months ended 30 June 2019

Strong revenue and profit growth together with further acquisitions in H1 2019

Midwich, a specialist audio visual ("AV") distributor to the trade market with operations across the UK and Ireland, Continental Europe and Asia Pacific, today announces its Interim Results for the six months ended 30 June 2019.

Statutory financial highlights

	Six months ended		Total growth %
	30 June 2019 £m	30 June 2018 ¹ £m	
Revenue	314.8	264.1	19%
Gross profit	52.2	42.9	22%
<i>Gross profit %</i>	<i>16.6%</i>	<i>16.2%</i>	
Operating profit	10.5	11.1	(6%)
Profit before tax	11.3	11.8	(5%)
Profit after tax	9.0	9.1	(1%)
Reported EPS - pence	11.06	11.30	(2%)

Adjusted financial highlights

	Six months ended		Total growth %	Growth at constant currency %
	30 June 2019 £m	30 June 2018 ¹ £m		
Revenue	314.8	264.1	19%	20%
Gross profit	52.2	42.9	22%	22%
<i>Gross profit %</i>	<i>16.6%</i>	<i>16.2%</i>		
Adjusted operating profit²	14.6	13.5	9%	9%
<i>Adjusted operating profit %</i>	<i>4.6%</i>	<i>5.1%</i>		
Adjusted profit before tax²	13.7	12.9	6%	7%
Adjusted profit after tax²	10.5	9.7	8%	8%
Adjusted EPS - pence	12.78	12.02	6%	
Interim dividend per share	4.85p	4.60p	5%	

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

²Definitions of the alternative performance measures are set out in Note 2

Financial highlights

- Revenue increased 19.2% to £314.8 million (19.7% on constant currency basis) including organic revenue growth of 5.1%
- Gross margin of 16.6%, 0.4 percentage points ahead of H1 2018
- Adjusted operating profit² increased by 8.6% to £14.6 million (9.1% on constant currency basis)
- Adjusted profit before tax² increased by 6.2% to £13.7 million (6.7% on constant currency basis)
- Adjusted EPS² increased 6% to 12.78p (H1 2018: 12.02p)
- Operating cash conversion ahead of prior year at 28% of adjusted EBITDA (H1 2018: 7%)
- Interim dividend declared of 4.85 pence per share (Interim 2018: 4.60 pence per share)

Operational highlights

- Revenue growth across all territories
- Strong net operating profit growth in UK & Ireland and Continental Europe
- Lower Asia Pacific profit compared with very strong, project-driven, prior year comparatives
- Prior year acquisitions integrated and performing well
- The three businesses acquired in the first half of 2019 have increased both our geographic presence and specialist audio capabilities, with these value-added businesses positively impacting Group gross margin
- Strong acquisition pipeline across a number of regions
- Investments to enter two new markets organically:
 - Broadcast in Benelux
 - Core AV distribution in South East Asia
- Investments in information technology, compliance, acquisition and integration capabilities support the Group's growth strategy.

Post period highlights

- July 2019 – Complementary specialist lighting capabilities added to Earpro in Iberia through the acquisition of 100% of the share capital of Entertainment Equipment Supplies S.L. ("EES")
- July 2019 – Opened a new UK & Ireland southern showroom and demo facility in Bracknell

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

"The Group has had another strong first half and I am pleased with our overall performance, particularly given political and economic uncertainties around the globe. The increase in the Group's gross margin percentage reflects strong performance from the core business and a positive contribution from the acquisitions made in 2018 and the first half of 2019. The more specialist nature of the acquired businesses ensures that our value add to customers and vendors continues to increase.

We have been busy working on opportunities to extend the Group's reach and capabilities through the period and were pleased to complete the acquisitions of MobilePro (Switzerland), Prase (Italy) and AV Partner (Norway), each of which represents the Group's entry into a new territory. In addition, the acquisitions of Prase and (post period end) EES in Spain have strengthened the Group's capabilities in the audio and lighting markets respectively. We continue to have a healthy pipeline of strategic opportunities and have invested in the Group's acquisition and integration teams in the first half. We will continue our disciplined approach to acquire businesses that add value while both strengthening and diversifying our product offering and geographical reach.

The strong performance reported in the first half and contributions from recent acquisitions, give the Board confidence in the prospects for the Group."

Midwich Group plc

Enquiries:

Midwich Group plc

Stephen Fenby, Managing Director
Stephen Lamb, Finance Director

+44 (0) 1379 649200

FTI Consulting

Alex Beagley / Tom Hufton / Fern Duncan

+44 (0) 20 3727 1000

Investec Bank plc

James Rudd / Carlton Nelson

+44 (0) 20 7597 5970

Berenberg

Ben Wright / Mark Whitmore / Laure Fine

+44 (0) 20 3207 7800

Notes to editors

Midwich is a specialist AV distributor to the trade market, with operations in the UK and Ireland, Continental Europe and Asia Pacific. The Group's long-standing relationships with over 400 vendors, including blue-chip organisations, support a comprehensive product portfolio across major audio visual categories such as large format displays, projectors, digital signage and professional audio. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of over 17,000 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 over 900 employees across the UK and Ireland, Continental Europe and Asia Pacific. 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

Managing Director's Report

Overview

The Group has performed strongly in the first six months of 2019, with double digit revenue growth and a further increase in our gross margin percentage.

Acquisitions made in the last twelve months are performing well and have contributed positively towards the Group's gross and net profits. These acquisitions have helped to grow the Group's presence in Europe and South East Asia, as well as strengthening our capabilities in the broadcast and professional audio markets.

We have also launched a start-up broadcast activity in the Benelux and opened a new office in Singapore to help drive our business across South East Asia.

The Group continues to experience growth in the displays, broadcast and audio categories.

Strategy

The Group's strategy is to focus on markets and product areas where it can leverage its value-add services, technical expertise, and sales and marketing skills. Services, skills and geographies are developed either in-house or through acquisition.

Using its focused market knowledge and skills, the Group provides its vendors with support to build and execute plans to grow market share. The Group supports its customers to win and then deliver successful projects.

The Group has successfully used acquisitions both to enter new geographical markets and to add both expertise and new product areas. Once acquired and integrated, businesses are supported to grow organically and increase profitable market share. The Group continues to pursue a strong pipeline of opportunities across a number of regions.

Acquisitions

The Group completed three acquisitions in the first half of 2019 with an additional acquisition closing shortly after the period end.

On 17 January 2019, the Group acquired 100% of the share capital of MobilePro AG ("MobilePro"), a Swiss value-added distributor of audio visual products. Based in Zurich, MobilePro is a market leading AV distributor to the Swiss trade market. The business provides a comprehensive product offering across projection, display and interactive technologies.

On 31 January 2019, the Group acquired 80% of the share capital of Prase Engineering S.p.A ("Prase"), an Italian value-added distributor of AV products. Based near Venice, Prase is a specialist AV distributor, with a strong heritage in the solution driven professional audio market, where the business operates with high-end specialist brands. More recently, the Company has successfully added key video brands, such as LG and Epson, to its portfolio.

On 3 May 2019, the Group acquired 100% of the share capital of AV Partner AS ("AV Partner"), a Norwegian value-added distributor of AV products. Based in Oslo, AV Partner is a specialist distributor, with a market leading position in the Norwegian projection market. In recent months, it has built a displays business and has also moved into new enlarged premises with dedicated warehousing and demo facilities.

Post period end, on 1 July 2019, the Group completed the acquisition of 100% of EES, a Spanish value-added distributor of lighting and lighting infrastructure products. Based near San Sebastian, EES distributes products from key vendors including Robe, Verlinde and Prolyte on an exclusive basis to the Spanish trade market, with a particular focus on customers servicing the live events and rental sectors.

On 29 April 2019, the Group also acquired the remaining 10.5% of the issued share capital of Holdan, a value-added distributor of technology solutions focused on the broadcast, professional video and traditional audio-

visual markets. The consideration for this was satisfied by the issue of 300,212 new ordinary shares of 1p each in the Group.

A strong acquisition pipeline, together with the Group's strong balance sheet, means it is well placed to continue its buy and build strategy both in new and existing territories.

New showroom facility

In July 2019, Midwich UK & Ireland opened a new 50,000 sqft+ southern showroom and demo facility (Innovation House) located in Bracknell, Berkshire.

This state-of-the-art showroom will be one of the largest multi-vendor experience centres in the UK and will showcase the Group's wide-ranging technologies.

Trading and financial review

Group revenue increased by 19.2% to £314.8 million for the six months to 30 June 2019 (H1 2018: £264.1 million).

The Group achieved a gross profit margin for the period of 16.6%, a 0.4 percentage point increase on H1 2018 and a 0.1 percentage point increase on FY 2018. Growth in margin resulted from both a positive mix effect from the higher gross profit margin businesses acquired in the last twelve months and continued gross profit improvement in the core business. Reported operating profit was impacted by growth in acquisition related expenses and amortisation of acquired intangibles, reflecting the increase in acquisition activity across the Group; together with an increase in share based payment charges.

Adjusted operating profit was £14.6 million (H1 2018: £13.5 million), which represents growth of 8.6%. The growth in adjusted operating profit reflects the overall increase in revenue and gross profit partially offset by investment in the infrastructure required to support the anticipated continued growth of the Group, in particular the central acquisition & integration teams, as well as its start-up businesses in South East Asia and Benelux.

Based on a constant currency analysis, using the current period exchange rates across both periods, Group revenue grew by 19.7% and Group Adjusted operating profit grew by 9.1%. The Group received only a marginal negative impact from movements in foreign exchange rates in the period to 30 June 2019.

Regional highlights

	Six months ended		Total growth %	Growth at constant currency %	Organic growth %
	30 June 2019 £m	30 June 2018 ¹ £m			
Revenue					
UK & Ireland	154.0	153.6	0.3%	0.4%	0.4%
Continental Europe	138.0	93.5	47.5%	48.4%	14.0%
Asia Pacific	22.8	17.0	33.9%	36.6%	(2.1%)
Total Global	314.8	264.1	19.2%	19.7%	5.1%
Gross profit margin					
UK & Ireland	17.8%	17.1%	+0.7 ppts		
Continental Europe	15.0%	14.2%	+0.8 ppts		
Asia Pacific	18.1%	20.0%	(1.9) ppts		
Total Global	16.6%	16.2%	+0.4 ppts		
Adjusted operating profit²					
UK & Ireland	9.8	9.1	7.2%	7.2%	
Continental Europe	5.0	3.7	37.8%	38.6%	
Asia Pacific	1.2	1.8	(31.8%)	(30.0%)	
Group costs	(1.4)	(1.1)			
Total Global	14.6	13.5	8.6%	9.1%	
Adjusted finance costs	(0.9)	(0.6)			
Adjusted profit before tax²	13.7	12.9	6.2%	6.7%	

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

²Definitions of the alternative performance measures are set out in Note 2

UK & Ireland

Revenue in the UK & Ireland increased by 0.4% in the period on a constant currency basis. There was good growth in the core AV business, driven by demand for large format displays, LED and broadcast technologies. As expected, this was partially offset by managed decline in document solutions, and tougher trading conditions for the small part of the business that addresses the consumer market.

The UK & Ireland segment's gross profit margin increased to 17.8%, a 0.7 percentage point increase on H1 2018 and a 0.4 percentage point increase on FY 2018. The UK & Ireland has benefitted from a favourable product mix attributable to an increase the proportion of display sales.

Adjusted operating profit increased by 7.2% in the UK & Ireland.

Continental Europe

Revenue in Continental Europe increased by 47.5% due to the impact of recent acquisitions and particularly strong performances in France, Germany and the Netherlands. Organic growth of 14.0% reflected strong performance in all major product categories, with particularly strong growth in displays, audio and broadcast. We entered three new geographies in the first half though the acquisitions of Prase in Italy, MobilePro in Switzerland and AV Partners in Norway. These recent acquisitions, together with the two prior year acquisitions in France and

Germany, have traded well and are contributing to an increase in the region's gross profit margin to 15.0% compared with 14.2% in the first half of 2018.

Adjusted operating profit in Continental Europe grew by 38.6%, at constant currency, benefitting from the impact of recent acquisitions.

Asia Pacific

Growth in Asia Pacific revenues of 33.9% (36.6% at constant currency) benefitted from the Blonde Robot acquisition completed in December 2018. On an organic basis, Asia Pacific was marginally down on the same period in 2018, which included an exceptional level of project activity.

The Asia Pacific gross profit margin of 18.1%, was 1.9 percentage points below H1 2018, due to the high margin project activity in the prior year.

Adjusted operating profit in Asia Pacific at £1.2 million (H1 2018: £1.8 million) was impacted by the reduction in gross profit together with the investment in opening a new South East Asia AV business in H1 2019.

The Board notes that, according to trade body AVIXA, Asia Pacific is the largest AV region in the world. The market appears to be fragmented but represents an interesting opportunity for the Group over the long term.

Group costs

Group costs for the half year were £1.4 million (H1 2018: £1.1 million). The increase reflects additional investment in legal, compliance, information technology and acquisition & business integration capabilities to support the Group's growth strategy.

Adoption of IFRS 16 and update to alternative performance measures

The Group adopted IFRS 16 Leases for H1 2019 and prior period comparatives have been restated. The IFRS 16 adoption has not materially affected the results and a reconciliation to amounts previously reported is included in Note 10.

As a result of the adoption of IFRS 16 the Group has revised its definitions of adjusted profit measures. The revised adjusted operating profit includes depreciation and amortisation of right to use assets, patents and software. Adjusted profit before tax also includes these charges and the interest cost of leases recognised under IFRS 16.

IFRS 16 adoption and inclusion of amortisation of patents and software in adjusted metrics reduce adjusted operating profit in H1 2019 by £0.1 million (H1 2018: £Nil) and adjusted profit before tax by £0.2 million (H1 2018: £0.1 million).

Finance costs

Finance costs for the period were an income of £0.8 million (H1 2018: £0.7 million). Adjusted finance costs for the period were an expense of £0.9 million (H1 2018: £0.5 million). The increase in adjusted finance costs reflects the additional finance costs associated with financing the Group's acquisitions. The adjustments to finance costs include foreign exchange losses on borrowings for acquisitions of £0.1 million (H1 2018: Nil), an income from movements in deferred and contingent considerations of £0.9 million (H1 2018: £0.1 million), and an income from movements in put option liabilities over non-controlling interests of £0.9 million (H1 2018: £1.1 million).

Taxation

The reported tax charge for the period was £2.3 million (H1 2018: £2.7 million). The adjusted effective tax rate for the period was 23.8% (H1 2018: 24.8%) calculated based on the adjusted tax charge for the period divided by adjusted profit before tax.

Cash flows and financing

The Group had an adjusted net cash inflow from operations before tax of £4.9 million for the period (H1 2018: £1.1 million) which benefitted from strong working capital management and was ahead of the Board's

expectations given the traditionally more working capital intensive first half when compared with the full year. The Board is comfortable that the Group's long term average cash conversion rate remains unchanged.

In February, the Group increased its revolving credit facility to £20 million (£15 million at 31 December 2018) and added a small term facility in Spain to support its acquisition strategy.

The Group has acted to hedge certain exchange rate and interest rate exposures in H1. This includes borrowing in Euros to finance European acquisitions and using financial instruments to fix part of the Group's interest charges. These instruments are marked to market at the end of each reporting period, with the change in valuation recognised in the income statement. Given any amounts recognised generally arise from market movements and accordingly bear no direct relation to the Group's underlying performance any gains or losses have been excluded from adjusted profit measures.

Net debt

Net debt, excluding IFRS 16 Leases liabilities, was £53.8 million at 30 June 2019 (£41.2 million at 30 June 2018) and net debt at 30 June 2019 including IFRS 16 was £71.3 million (£51.1 million at 30 June 2018). The adoption of IFRS 16 resulted in an increase in net debt of £17.1 million at 30 June 2019 (£9.6 million at 30 June 2018).

Dividend

The Board is pleased to declare an interim dividend of 4.85 pence per share (H1 2018: 4.60 pence per share), which will be paid on 25 October 2019 to those shareholders on the Company's register as at 20 September 2019. The last day to elect for dividend reinvestment ("DRIP") is 4 October 2019.

The Board continues to adopt a progressive dividend policy to reflect the Group's strong earnings and cash flow while maintaining an appropriate level of dividend cover to allow for investment in longer-term growth. The Board intends to pay future dividends within a cover range of 2 to 2.5 times adjusted earnings.

Outlook

The Board recognises that there is negative sentiment in the global economy, impacted by matters such as the US/China tariff dispute, Brexit and political change in certain territories. Historically, the AV industry has proven to be relatively robust in challenging economic periods. Performance in the year to date has been in line with the Board's expectations and we remain confident in the prospects for the Group.

Stephen Fenby
Managing Director

Unaudited consolidated income statement for the 6 months ended 30 June 2019

	Note	30 June 2019 Unaudited £'000	30 June 2018 Unaudited (Restated) ¹ £'000	31 December 2018 Audited (Restated) ¹ £'000
Revenue		314,842	264,099	573,682
Cost of sales		(262,600)	(221,220)	(479,120)
Gross profit		52,242	42,879	94,562
Distribution costs		(32,804)	(26,803)	(56,329)
Administrative expenses		(10,834)	(6,396)	(16,317)
Other operating income		1,862	1,445	3,025
Operating profit		10,466	11,125	24,941
Adjusted operating profit		14,630	13,470	30,267
Costs of acquisitions		(306)	(43)	(365)
Share based payments		(1,275)	(410)	(1,120)
Employer taxes on share based payments		(280)	(145)	(221)
Amortisation of brands, customer and supplier relationships		(2,303)	(1,747)	(3,620)
		10,466	11,125	24,941
Finance income		19	7	81
Finance costs	5	797	703	(3,991)
Profit before taxation		11,282	11,835	21,031
Taxation		(2,249)	(2,726)	(5,774)
Profit after taxation		9,033	9,109	15,257
Profit for the financial period/year attributable to:				
The Company's equity shareholders		8,753	8,981	14,696
Non-controlling interests		280	128	561
		9,033	9,109	15,257
Basic earnings per share	3	11.06p	11.30p	18.50p
Diluted earnings per share	3	10.90p	11.22p	18.33p

¹ Comparative information is restated for the adoption of IFRS 16 (note 10) and reclassification of the amortisation for patents and software within the adjusted profit alternative performance measures.

Unaudited consolidated statement of comprehensive income for 6 months ended 30 June 2019

	30 June 2019 Unaudited £'000	30 June 2018 Unaudited (Restated)¹ £'000	31 December 2018 Audited (Restated)¹ £'000
Profit for the period/financial year	9,033	9,109	15,257
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Foreign exchange gains/(losses) on consolidation	299	(296)	162
Other comprehensive income for the financial period/year, net of tax	299	(296)	162
Total comprehensive income for the period/financial year	<u>9,332</u>	<u>8,813</u>	<u>15,419</u>
Attributable to:			
Owners of the Parent Company	8,983	8,692	14,870
Non-controlling interests	349	121	549
	<u>9,332</u>	<u>8,813</u>	<u>15,419</u>

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

Unaudited consolidated statement of financial position as at 30 June 2019

	30 June 2019 Unaudited £'000	30 June 2018 Unaudited (Restated) ¹ £'000	31 December 2018 Audited (Restated) ¹ £'000
Assets			
Non-current assets			
Goodwill	13,655	9,416	11,568
Intangible assets	33,256	20,720	24,766
Right of use assets	16,615	9,190	10,141
Property, plant and equipment	10,982	7,594	7,028
Deferred tax assets	2,147	1,105	1,421
	<u>76,655</u>	<u>48,025</u>	<u>54,924</u>
Current assets			
Inventories	90,599	74,015	74,379
Trade and other receivables	107,258	84,704	83,139
Derivative financial instruments	116	-	25
Cash and cash equivalents	16,201	24,806	16,685
	<u>214,174</u>	<u>183,525</u>	<u>174,228</u>
Current liabilities			
Trade and other payables	(112,667)	(89,529)	(97,729)
Put option liabilities over non-controlling interests	(2,302)	-	(1,746)
Deferred and contingent considerations	(5,806)	(384)	(4,005)
Borrowings and financial liabilities	(46,638)	(67,244)	(36,838)
Current tax	(3,685)	(2,785)	(2,892)
	<u>(171,098)</u>	<u>(159,942)</u>	<u>(143,210)</u>
Net current assets	<u>43,076</u>	<u>23,583</u>	<u>31,018</u>
Total assets less current liabilities	<u>119,731</u>	<u>71,608</u>	<u>85,942</u>
Non-current liabilities			
Trade and other payables	(641)	(156)	(736)
Put option liabilities over non-controlling interests	(4,271)	(4,092)	(4,654)
Deferred and contingent considerations	(2,869)	-	(757)
Borrowings and financial liabilities	(40,846)	(8,620)	(16,108)
Deferred tax liabilities	(7,324)	(4,091)	(5,512)
Other provisions	(1,607)	-	(56)
	<u>(57,558)</u>	<u>(16,959)</u>	<u>(27,823)</u>
Net assets	<u>62,173</u>	<u>54,649</u>	<u>58,119</u>
Equity			
Share capital	799	794	794
Share premium	27,752	25,855	25,855
Share based payment reserve	3,100	1,338	1,837
Investment in own shares	(7)	(5)	(5)
Retained earnings	27,604	25,469	27,535
Translation reserve	2,095	1,402	1,865
Put option reserve	(6,329)	(3,638)	(4,532)
Capital redemption reserve	50	50	50
Other reserve	150	150	150
Equity attributable to owners of Parent Company	<u>55,214</u>	<u>51,415</u>	<u>53,549</u>
Non-controlling interests	6,959	3,234	4,570
Total equity	<u>62,173</u>	<u>54,649</u>	<u>58,119</u>

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

Unaudited consolidated statement of changes in equity for 6 months ended 30 June 2019

For the period ended 30 June 2019

	Share capital £'000	Share premium £'000	Investment Share based			Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Equity	Non-	Total £'000
			in own shares £'000	payment reserve £'000	Retained earnings £'000					attributable to owners of the Parent £'000	controlling interests £'000	
Balance at 1 January 2019 previously reported	794	25,855	(5)	1,837	27,766	1,861	(4,532)	50	150	53,776	4,570	58,346
Change of accounting policies (note 10)	-	-	-	-	(231)	4	-	-	-	(227)	-	(227)
Restated 1 January 2019	794	25,855	(5)	1,837	27,535	1,865	(4,532)	50	150	53,549	4,570	58,119
Profit for the period	-	-	-	-	8,753	-	-	-	-	8,753	280	9,033
Other comprehensive income	-	-	-	-	-	230	-	-	-	230	69	299
Total comprehensive income for the period	-	-	-	-	8,753	230	-	-	-	8,983	349	9,332
Shares issued	2	-	(2)	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	1,275	-	-	-	-	-	1,275	-	1,275
Deferred tax on share based payments	-	-	-	16	-	-	-	-	-	16	-	16
Share options exercised	-	24	-	(28)	4	-	-	-	-	-	-	-
Acquisition of subsidiaries (note 7)	-	-	-	-	-	-	(2,886)	-	-	(2,886)	2,883	(3)
Acquisition of non- controlling interests (note 8)	3	1,873	-	-	(246)	-	1,089	-	-	2,719	(843)	1,876
Dividends paid	-	-	-	-	(8,442)	-	-	-	-	(8,442)	-	(8,442)
Balance at 30 June 2019 (Unaudited)	799	27,752	(7)	3,100	27,604	2,095	(6,329)	50	150	55,214	6,959	62,173

For the period ended 30 June 2018 (restated)¹

	Share capital £'000	Share premium £'000	Investment Share based			Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Equity	Non-	Total £'000
			in own shares £'000	payment reserve £'000	Retained earnings £'000					attributable to owners of the Parent £'000	controlling interests £'000	
Balance at 1 January 2018 previously reported	794	25,855	(5)	751	24,331	1,691	(3,638)	50	150	49,979	3,113	53,092
Change of accounting policies (note 10)	-	-	-	-	(203)	-	-	-	-	(203)	-	(203)
Restated 1 January 2018	794	25,855	(5)	751	24,128	1,691	(3,638)	50	150	49,776	3,113	52,889
Profit for the period	-	-	-	-	8,981	-	-	-	-	8,981	128	9,109
Other comprehensive income	-	-	-	-	-	(289)	-	-	-	(289)	(7)	(296)
Total comprehensive income for the period	-	-	-	-	8,981	(289)	-	-	-	8,692	121	8,813
Share based payments	-	-	-	410	-	-	-	-	-	410	-	410
Deferred tax on share based payments	-	-	-	177	-	-	-	-	-	177	-	177
Dividends paid	-	-	-	-	(7,640)	-	-	-	-	(7,640)	-	(7,640)
Balance at 30 June 2018 (Unaudited)	794	25,855	(5)	1,338	25,469	1,402	(3,638)	50	150	51,415	3,234	54,649

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

Midwich Group plc

For the year ended 30 December 2018 (Restated)¹

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Share based payment reserve £'000	Retained earnings £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Equity attributable to owners of the Parent £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2018 previously reported	794	25,855	(5)	751	24,331	1,691	(3,638)	50	150	49,979	3,113	53,092
Change of accounting policies (note 10)	-	-	-	-	(203)	-	-	-	-	(203)	-	(203)
Restated 1 January 2018	794	25,855	(5)	751	24,128	1,691	(3,638)	50	150	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 subsidiaries (note 7)	-	-	-	-	-	-	(894)	-	-	(894)	908	14
Dividends paid	-	-	-	-	(11,289)	-	-	-	-	(11,289)	-	(11,289)
Balance at 31 December 2018	794	25,855	(5)	1,837	27,535	1,865	(4,532)	50	150	53,549	4,570	58,119

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

Unaudited consolidated cashflow statement for 6 months ended 30 June 2019

	30 June 2019 Unaudited £'000	30 June 2018 Unaudited (Restated) ¹ £'000	31 December 2018 Audited (Restated) ¹ £'000
Cash flows from operating activities			
Profit before tax	11,282	11,835	21,031
Depreciation	2,444	2,015	4,176
Amortisation	2,385	1,828	3,792
Gain/(loss) on disposal of assets	11	(5)	27
Share based payments	1,275	410	1,120
Foreign exchange (gains)/losses	(193)	195	4
Finance income	(19)	(7)	(81)
Finance costs	(797)	(703)	3,991
Profit from operations before changes in working capital	<u>16,388</u>	<u>15,568</u>	<u>34,060</u>
Increase in inventories	(7,588)	(11,031)	(9,468)
Increase in trade and other receivables	(12,145)	(8,343)	(3,221)
Increase in trade and other payables	7,706	4,888	10,246
Cash inflow from operations	<u>4,361</u>	<u>1,082</u>	<u>31,617</u>
Income tax paid	(3,016)	(3,543)	(7,377)
Net cash inflow/(outflow) from operating activities	<u>1,345</u>	<u>(2,461)</u>	<u>24,240</u>
Cash flows from investing activities			
Acquisition of businesses, net of cash and debt acquired	(15,869)	-	(6,724)
Deferred and contingent considerations paid	(2,955)	(5,507)	(5,507)
Purchase of intangible assets	(979)	(357)	(778)
Purchase of plant and equipment	(3,010)	(1,734)	(2,360)
Proceeds on disposal of plant and equipment	326	219	382
Interest received	19	7	81
Net cash outflow from investing activities	<u>(22,468)</u>	<u>(7,372)</u>	<u>(14,906)</u>
Cash from financing activities			
Dividends paid	(8,442)	(7,640)	(11,289)
Invoice financing inflows/(outflows)	3,052	9,678	(8,704)
Proceeds from borrowings	24,976	159	12,240
Repayment of loans	(1,293)	(9)	(2,107)
Interest paid	(962)	(522)	(1,362)
Interest on leases	(173)	(125)	(268)
Capital element of lease payments	(969)	(867)	(1,725)
Net cash inflow/(outflow) from financing activities	<u>16,189</u>	<u>674</u>	<u>(13,215)</u>
Net decrease in cash and cash equivalents	<u>(4,934)</u>	<u>(9,159)</u>	<u>(3,881)</u>
Cash and cash equivalents at beginning of period/year	16,357	20,010	20,010
Effects of exchange rate changes	267	(331)	228
Cash and cash equivalents at end of period/year	<u>11,690</u>	<u>10,520</u>	<u>16,357</u>
Comprising:			
Cash at bank	16,201	24,806	16,685
Bank overdrafts	(4,511)	(14,286)	(328)
	<u>11,690</u>	<u>10,520</u>	<u>16,357</u>

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

Notes to the interim consolidated financial information

1. General information

The interim financial information for the period to 30 June 2019 is unaudited and does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006.

The interim consolidated financial information does not include all the information required for statutory financial statements in accordance with IFRS, and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2018.

2. Accounting policies

Basis of preparation

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the year ended 31 December 2018, except as amended for the implementation of IFRS 16 'Leases', which was adopted on 1 January 2019. The audited financial statements for the year ended 31 December 2018 complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

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 IFRS 16 had always been applied. Adoption of the IFRS 16 has resulted in the recognition of Right of use assets and lease liabilities with a corresponding increase in depreciation charges and finance costs offset by a reduction in operating lease costs in the income statement.

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.

The statutory accounts for the year ended 31 December 2018, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified; did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, and did not include reference to any matters to which the auditor drew attention by way of emphasis.

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 operating profit before acquisition related expenses, share based payments and associated employer taxes, depreciation and amortisation.

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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 of brand, customer and supplier relationship intangible assets and tax thereon due to non-controlling interests divided by the weighted number of shares outstanding.

3. Earnings per share

Basic earnings per share is calculated by dividing the profit after tax for the period/year attributable to equity shareholders of the Company by the weighted average number of shares outstanding during the period/year.

Diluted earnings per share is calculated by adjusting the profit after tax for the period/year attributable to equity shareholders of the Company for the fair value (measured in accordance with IFRS 2) of any goods or services to be supplied to the Group in the future under the share options granted by the financial reporting date and dividing it by the weighted average number of shares outstanding during the period/year adjusted for the effects of all dilutive potential ordinary shares.

The Group's earnings per share and diluted earnings per share, are as follows:

	June 2019	June 2018 (Restated)¹	December 2018 (Restated)¹
Profit attributable to equity holders of the Parent Company (£'000)	8,753	8,981	14,696
Weighted average number of shares outstanding ²	79,078,793	79,448,200	79,448,200
Dilutive (potential dilutive) effect of share options	<u>1,175,685</u>	<u>605,798</u>	<u>725,002</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>80,254,478</u>	<u>80,053,998</u>	<u>80,173,202</u>
Basic earnings per share	<u>11.06p</u>	<u>11.30p</u>	<u>18.50p</u>
Diluted earnings per share	<u>10.90p</u>	<u>11.22p</u>	<u>18.33p</u>

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

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 as the effect is not material.

4. Segmental reporting

June 2019	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Revenue	154,078	137,975	22,789	-	314,842
Gross profit	27,406	20,714	4,122	-	52,242
Gross profit %	17.8%	15.0%	18.1%	-	16.6%
Adjusted operating profit	9,760	5,057	1,195	(1,382)	14,630
Cost of acquisitions	-	-	-	(306)	(306)
Share based payments	(535)	(399)	(98)	(243)	(1,275)
Employer taxes on share based payments	(83)	(145)	(9)	(43)	(280)
Amortisation of brand, customer and supplier relationships	(1,277)	(888)	(138)	-	(2,303)
Operating profit	7,865	3,625	950	(1,974)	10,466
Net interest received					816
Profit before tax					11,282
Other segmental information					
June 2019	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Segment assets	127,048	143,751	19,655	375	290,829
Segment liabilities	(98,282)	(114,017)	(16,007)	(350)	(228,656)
Segment net assets	28,766	29,734	3,648	25	62,173
Depreciation	1,198	1,057	189	-	2,444
Amortisation	1,323	916	146	-	2,385
Other segmental information					
Non-current assets			UK £'000	International £'000	Total £'000
			28,624	48,031	76,655

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June 2018 (Restated) ¹	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Revenue	153,555	93,526	17,018	-	264,099
Gross profit	26,230	13,250	3,399	-	42,879
Gross profit %	17.1%	14.2%	20.0%	-	16.2%
Adjusted operating profit	9,107	3,670	1,751	(1,058)	13,470
Cost of acquisitions	-	-	-	(43)	(43)
Share based payments	(231)	(116)	(42)	(21)	(410)
Employer taxes on share based payments	(57)	(62)	(11)	(15)	(145)
Amortisation of brands, customer and supplier relationships	(1,278)	(450)	(19)	-	(1,747)
Operating profit	7,541	3,042	1,679	(1,137)	11,125
Net interest received					710
Profit before tax					11,835
Other segmental information					
June 2018 (Restated) ¹	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	Other £'000	Total £'000
Segment assets	140,187	77,574	13,006	783	231,550
Segment liabilities	(123,470)	(45,201)	(8,113)	(117)	(176,901)
Segment net assets	16,717	32,373	4,893	666	54,649
Depreciation	1,097	786	132	-	2,015
Amortisation	1,337	467	24	-	1,828
Other segmental information			UK £'000	International £'000	Total £'000
Non-current assets			25,114	22,911	48,025

¹ Comparative information is restated for the adoption of IFRS 16 (note 10) and reclassification of the amortisation for patents and software within the adjusted profit alternative performance measures.

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December 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
Net interest paid					(3,910)
Profit before tax					21,031

¹ Comparative information is restated for the adoption of IFRS 16 (note 10) and reclassification of the amortisation for patents and software within the adjusted profit alternative performance measures.

Other segmental information December 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/(liabilities)	14,068	39,086	4,979	(14)	58,119
Depreciation	2,222	1,670	284	-	4,176
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 10).

5. Finance costs

	June 2019	June 2018 (Restated)¹	December 2018 (Restated)¹
	£'000	£'000	£'000
Interest on overdrafts and invoice discounting facilities	535	418	1,042
Interest on leases	172	125	268
Interest on other loans and fair value movements on derivatives relating to foreign exchange	208	4	151
Foreign exchange gains or losses on borrowings for acquisitions and fair value movements on derivatives for borrowings	129	-	-
Interest, foreign exchange and other finance costs of deferred and contingent considerations	(924)	(147)	2,219
Interest, foreign exchange and other finance costs of put option liabilities over non-controlling interests	(917)	(1,103)	311
	<u>(797)</u>	<u>(703)</u>	<u>3,991</u>

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

6. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

Classed as equity:	June 2019		June 2018		December 2018	
	Number	£'000	Number	£'000	Number	£'000
Issued and fully paid ordinary shares of £0.01 each						
Opening balance	79,448,200	794	79,448,200	794	79,448,200	794
Shares issued	<u>525,212</u>	<u>5</u>	-	-	-	-
Closing balance	<u>79,973,412</u>	<u>799</u>	<u>79,448,200</u>	<u>794</u>	<u>79,448,200</u>	<u>794</u>

During the period Midwich Group plc issued 300,212 shares in order to settle the put option liability and acquire the remaining shares in Holdan Limited, and issued 225,000 shares into an employee benefit trust. There were no share transactions effected during the comparative period or the year to 31 December 2018.

Employee benefit trusts

In 2016 Midwich Group plc allocated 480,700 shares into Midwich Group plc 2016 Share Incentive Plan, an employee benefit trust. As at 30 June 2019 392,800 of these shares were transferred to Midwich Employees' Share Trust, a separate employee benefit trust for the SIP. During the period 7,700 shares were transferred to employees from the Midwich Employees' Share Trust, as share options were exercised. During the period Midwich Group plc set up Midwich Group plc 2019 Jersey Employee Benefit Trust, a new employee benefit trust and issued 225,000 to shares to the trust.

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A reconciliation of LTIP option movements during the current and comparative period, and the year to 31 December 2018 is as follows:

	Six months to June 2019	Six months to June 2018	Twelve months to December 2018
Outstanding at 1 January	1,460,900	788,000	788,000
Granted	-	75,000	684,400
Lapsed	(9,400)	(1,000)	(11,500)
Outstanding at period end	<u>1,451,500</u>	<u>862,000</u>	<u>1,460,900</u>

A reconciliation of SIP option movements during the current and comparative period, and the year to 31 December 2018 is as follows:

	Six months to June 2019	Six months to June 2018	Twelve months to December 2018
Outstanding at 1 January	284,300	227,000	227,000
Granted	-	91,500	91,500
Lapsed	(6,100)	(12,500)	(34,200)
Exercised	(7,700)	-	-
Outstanding at period end	<u>270,500</u>	<u>306,000</u>	<u>284,300</u>

7. Business combinations

Acquisitions were completed by the Group during the comparative periods 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
MobilePro AG	Distribution of audio visual products to trade customers	17 January 2019	100%	882
Prase Engineering SpA	Distribution of professional audio products to trade customers	31 January 2019	80%	11,534
AV Partner AS	Distribution of audio visual products to trade customers	3 May 2019	100%	5,467
Bauer & Trummer GmbH	Distribution of professional broadcast equipment to trade customers	23 August 2018	100%	3,311
Sound Directions France SAS	Distribution of professional audio products to trade customers	5 September 2018	100%	682
Blonde Robot Pty Limited	Distribution of audio visual products to trade customers	4 December 2018	65%	1,687

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2019 acquisitions

Fair value of consideration transferred:

2019	MobilePro AG	Prase Engineering SpA	AV Partner AS
	£'000	£'000	£'000
Cash	882	6,108	3,225
Deferred and contingent considerations	-	5,426	2,242
Total	882	11,534	5,467

During the period the Group recognised acquisition costs of £17k in relation to the acquisition of the remaining shares of Holdan Limited, £44k in relation to the acquisition of MobilePro AG, £109k in relation to the acquisition of Prase Engineering SpA, £70k in relation to the acquisition of AV Partner AS, £42k in relation to other acquisitions not completed before the end of the period, £9k in relation to the incorporation of Midwich Asia Pte Limited, and £15k on other potential future acquisitions.

On acquisition of Prase Engineering SpA 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 AG	Prase Engineering SpA	AV Partner AS
	£'000	£'000	£'000
Non-current assets			
Goodwill	451	370	1,195
Intangible assets - customer relationships	165	1,504	1,193
Intangible assets - supplier contracts	327	3,110	2,241
Intangible assets - brands	534	382	142
Right of use assets	1,548	69	1,370
Plant and equipment	59	2,497	8
	<u>3,084</u>	<u>7,932</u>	<u>6,149</u>
Current assets			
Inventories	3,742	3,604	1,285
Trade and other receivables	2,162	8,830	983
Current tax	-	-	33
Cash and cash equivalents	42	1,439	13
	<u>5,946</u>	<u>13,873</u>	<u>2,314</u>
Current liabilities			
Trade and other payables	(3,747)	(4,370)	(839)
Borrowings and financial liabilities	(1,749)	(90)	-
Current tax	(1)	(403)	-
	<u>(5,497)</u>	<u>(4,863)</u>	<u>(839)</u>
Non-current liabilities			
Borrowings and financial liabilities	(2,093)	(69)	(1,370)
Deferred tax liabilities	(218)	(1,286)	(787)
Other provisions	(340)	(1,169)	-
	<u>(2,651)</u>	<u>(2,524)</u>	<u>(2,157)</u>
Non-controlling interests	<u>-</u>	<u>(2,884)</u>	<u>-</u>
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	<u>882</u>	<u>11,534</u>	<u>5,467</u>

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

Gross contractual amounts of trade and other receivables acquired in 2018 were £12,110k, with bad debt provisions of £135k.

Net cash outflow on acquisition of subsidiaries

	MobilePro AG	Prase Engineering SpA	AV Partner AS
	£'000	£'000	£'000
Consideration paid in cash	882	6,108	3,225
Less: cash and cash equivalent balances acquired	(42)	(1,439)	(13)
Plus: borrowings acquired	3,842	159	1,370
Net cash outflow	<u>4,682</u>	<u>4,828</u>	<u>4,582</u>

2018 acquisitions

Fair value of consideration transferred:

2018	Bauer & Trummer GmbH	Sound Directions France SAS	Blonde Robot Pty Limited
	£'000	£'000	£'000
Cash	1,354	628	1,687
Deferred and contingent considerations	1,957	54	-
Total	<u>3,311</u>	<u>682</u>	<u>1,687</u>

Acquisition costs of £119k in relation to the acquisition of Bauer & Trummer GmbH, £47k in relation to the acquisition of Sound Directions France SAS, £83k in relation to the acquisition of Blonde Robot Pty Limited, 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 Pty Limited 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**

	Bauer & Trummer GmbH £'000	Sound Directions France SAS £'000	Blonde Robot Pty Limited £'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
Right of use assets	1,153	179	210
Plant and equipment	140	23	86
	<u>5,052</u>	<u>658</u>	<u>3,736</u>
Current assets			
Inventories	702	61	1,164
Trade and other receivables	550	698	2,309
Cash and cash equivalents	327	211	-
	<u>1,579</u>	<u>970</u>	<u>3,473</u>
Current liabilities			
Trade and other payables	(1,045)	(628)	(1,746)
Current tax	-	-	(53)
Derivative financial instruments	-	-	(23)
Borrowings and financial liabilities	(265)	(52)	(1,776)
	<u>(1,310)</u>	<u>(680)</u>	<u>(3,598)</u>
Non-current liabilities			
Borrowings and financial liabilities	(1,116)	(173)	(211)
Deferred tax	(894)	(93)	(747)
Other provisions	-	-	(58)
	<u>(2,010)</u>	<u>(266)</u>	<u>(1,016)</u>
Non-controlling interests	-	-	(908)
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	<u>3,311</u>	<u>682</u>	<u>1,687</u>

¹ Comparative information is restated for the adoption of IFRS 16 (note 10).

Goodwill acquired in 2018 relates to the workforce, synergies and sales know how. Goodwill arising on the Bauer & Trummer GmbH and Sound Directions France SAS acquisitions has been allocated to the Continental Europe segment. Goodwill arising on the Blonde Robot Pty Limited acquisition has been allocated to the APAC 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

	Bauer & Trummer GmbH £'000	Sound Directions France SAS £'000	Blonde Robot Pty Limited £'000
Consideration paid in cash	1,354	628	1,687
Less: cash and cash equivalent balances acquired	(327)	(211)	-
Plus: borrowings acquired	1,381	225	1,987
Net cash outflow	<u>2,408</u>	<u>642</u>	<u>3,674</u>

8. Acquisition of non-controlling interest

On 29 April 2019, the Group the acquired the remaining 10.5% non-controlling interest in Holdan Limited of £843k, for a consideration of £1,875k. £1,089k of the put option reserve was transferred to retained earnings when the put option liability was extinguished.

9. Currency impact

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

	Six months to 30 June 2019 Average	Six months to 30 June 2018 Average	At 30 June 2019	At 30 June 2018	At 31 December 2018
EUR/GBP	1.143	1.136	1.118	1.131	1.115
AUD/GBP	1.824	1.777	1.814	1.788	1.809
NZD/GBP	1.917	1.921	1.895	1.950	1.902
USD/GBP	1.292	-	1.273	-	1.277
CHF/GBP	1.297	-	1.241	-	-
NOK/GBP	11.176	-	10.851	-	-

Applying the current period foreign exchange rates across the first half of 2018 had the following impact on reported results:

	EUR £000	AUD £000	NZD £000
Increase/(decrease) in revenue due to change in foreign exchange rate:	(653)	(401)	3
Decrease in profit before tax due to change in foreign exchange rate:	(29)	(40)	-
Increase/(decrease) in net debt due to change in foreign exchange rate:	175	(17)	(2)

10. 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:

	30 June 2018 Previously presented £'000	30 June 2018 Impact of IFRS 16 £'000	30 June 2018 Restated £'000
Revenue	264,099	-	264,099
Cost of sales	(221,220)	-	(221,220)
Gross profit	<u>42,879</u>	-	<u>42,879</u>
Distribution costs	(26,803)	-	(26,803)
Administrative expenses	(6,495)	99	(6,396)
Other operating income	1,445	-	1,445
Operating profit	<u>11,026</u>	<u>99</u>	<u>11,125</u>
Finance income	7	-	7
Finance costs	821	(118)	703
Profit before taxation	<u>11,854</u>	<u>(19)</u>	<u>11,835</u>
Taxation	(2,736)	10	(2,726)
Profit after taxation	<u>9,118</u>	<u>(9)</u>	<u>9,109</u>

	30 June 2018 Previously presented £'000	30 June 2018 Impact of IFRS 16 £'000	30 June 2018 Restated £'000
Assets			
Non-current assets			
Goodwill	9,068	348	9,416
Intangible assets	20,720	-	20,720
Right of use assets	-	9,190	9,190
Property, plant and equipment	7,990	(396)	7,594
Deferred tax assets	930	175	1,105
	<u>38,708</u>	<u>9,317</u>	<u>48,025</u>
Current assets			
Inventories	74,015	-	74,015
Trade and other receivables	84,704	-	84,704
Cash and cash equivalents	24,806	-	24,806
	<u>183,525</u>	<u>-</u>	<u>183,525</u>
Current liabilities			
Trade and other payables	(89,529)	-	(89,529)
Deferred and contingent considerations	(384)	-	(384)
Borrowings and financial liabilities	(66,015)	(1,229)	(67,244)
Current tax	(2,785)	-	(2,785)
	<u>(158,713)</u>	<u>(1,229)</u>	<u>(159,942)</u>
Net current assets	<u>24,812</u>	<u>(1,229)</u>	<u>23,583</u>
Total assets less current liabilities	<u>63,520</u>	<u>8,088</u>	<u>71,608</u>
Non-current liabilities			
Trade and other payables	(156)	-	(156)
Put option liabilities over non-controlling interests	(4,092)	-	(4,092)
Borrowings and financial liabilities	(324)	(8,296)	(8,620)
Deferred tax liabilities	(4,091)	-	(4,091)
	<u>(8,663)</u>	<u>(8,296)</u>	<u>(16,959)</u>
Net assets	<u>54,857</u>	<u>(208)</u>	<u>54,649</u>
	31 December 2018 Previously presented £'000	31 December 2018 Impact of IFRS 16 £'000	31 December 2018 Restated £'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	<u>24,747</u>	<u>194</u>	<u>24,941</u>
Finance income	81	-	81
Finance costs	(3,751)	(240)	(3,991)
Profit before taxation	<u>21,077</u>	<u>(46)</u>	<u>21,031</u>
Taxation	(5,792)	18	(5,774)
Profit after taxation	<u>15,285</u>	<u>(28)</u>	<u>15,257</u>

	31 December 2018 Previously presented £'000	31 December 2018 Impact of IFRS 16 £'000	31 December 2018 Restated £'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
	<u>44,567</u>	<u>10,357</u>	<u>54,924</u>
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
	<u>174,228</u>	<u>-</u>	<u>174,228</u>
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)
	<u>(141,523)</u>	<u>(1,687)</u>	<u>(143,210)</u>
Net current assets	<u>32,705</u>	<u>(1,687)</u>	<u>31,018</u>
Total assets less current liabilities	<u>77,272</u>	<u>8,670</u>	<u>85,942</u>
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)
	<u>(18,926)</u>	<u>(8,897)</u>	<u>(27,823)</u>
Net assets	<u>58,346</u>	<u>(227)</u>	<u>58,119</u>

11. Copies of interim report

Copies of the interim report are available to the public free of charge from the Company at Vinces Road, Diss, IP22 4YT.

12. Events after the reporting period

On 1 July 2019 the Group acquired 100% of Entertainment Equipment Supplies SL, a specialist distributor of lighting and lighting infrastructure products based in San Sebastian, Spain.

13. Adjustments to reported results

	Six months ended	
	30 June 2019	30 June 2018 (Restated) ¹
	£000	£000
Operating profit	10,466	11,125
Cost of acquisitions	306	43
Share based payments	1,275	410
Employer taxes on share based payments	280	145
Amortisation of brands, customer and supplier relationships	2,303	1,747
Adjusted operating profit	14,630	13,470
Depreciation	2,444	2,015
Amortisation of patents and software	82	81
Adjusted EBITDA	17,156	15,566
Increase in adjusted inventories	(7,588)	(11,031)
Increase in adjusted trade and other receivables	(12,145)	(8,343)
Increase in adjusted trade and other payables	7,426	4,888
Adjusted cash flow from operations	4,849	1,080
Adjusted EBITDA cash flow conversion	28.3%	6.9%
Profit before tax	11,282	11,835
Cost of acquisitions	306	43
Share based payments	1,275	410
Employer taxes on share based payments	280	145
Amortisation of brands, customer and supplier relationships	2,303	1,747
Foreign exchange losses on borrowings for acquisitions	129	-
Finance costs – deferred and contingent considerations	(924)	(147)
Finance costs – put option liabilities over non-controlling interests	(917)	(1,103)
Adjusted profit before tax	13,734	12,930
Profit after tax	9,033	9,109
Cost of acquisitions	306	43
Share based payments	1,270	410
Employer taxes on share based payments	280	145
Amortisation of brands, customer and supplier relationships	2,303	1,747
Foreign exchange losses on borrowings for acquisitions	129	-
Finance costs – deferred and contingent considerations	(924)	(147)
Finance costs – put option liabilities over non-controlling interests	(917)	(1,103)
Tax impact	(1,026)	(481)
Adjusted profit after tax	10,459	9,723

Profit after tax	9,033	9,109
Non-controlling interest	(280)	(128)
Profit after tax attributable to equity holders of the Parent Company	8,753	8,981
Adjusted profit after tax	10,459	9,723
Non-controlling interest	(280)	(128)
Amortisation attributable to NCI	(144)	(63)
Deferred tax on amortisation attributable to NCI	70	15
Adjusted profit after tax attributable to equity holders of the Parent Company	10,105	9,547
Weighted average number of ordinary shares	79,078,793	79,448,200
Diluted weighted average number of ordinary shares	80,254,478	80,053,998
Basic adjusted earnings per share	12.78p	12.02p
Diluted adjusted earnings per share	12.59p	11.93p

¹ Comparative information is restated for the adoption of IFRS 16 (note 10) and reclassification of the amortisation for patents and software within the adjusted profit alternative performance measures.

14. Interim dividend

The interim dividend proposed for the six months to 30 June 2019 of 4.85 pence (30 June 2018: 4.60 pence) relates to profits earned over the period.