8 September 2020

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

Interim results for the six months ended 30 June 2020

Resilience through the pandemic, steady improvement and positioned for growth

Midwich Group (AIM: MIDW), a specialist audio visual distributor to the trade market with operations across the UK and Ireland, Continental Europe, Asia Pacific and North America, today announces its Interim Results for the six months ended 30 June 2020 ("H1 2020").

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

"The coronavirus pandemic represents the biggest shock to our business sector. As the crisis unfolded, we took decisive action to protect our teams, preserve cash and support our customers and vendors. These continue to be our key priorities as the pandemic continues and will optimally position the Group as the recovery continues to gather pace.

Although significantly impacted, our market strength, combined with the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets have partially mitigated the negative impact of the crisis.

In recent weeks, whilst we continue to monitor the pandemic, we have increasingly shifted our focus to the future – bringing back our teams, reopening offices and resuming some face to face customer interactions. We have launched new vendor relationships and further developed our expertise in the unified communications ("UC") sector. Our acquisition programme has also recommenced with a number of exciting opportunities in the pipeline. Group revenues have improved month on month since April.

The coronavirus pandemic has been a shock to the global economy, however we believe that the AV industry is well placed for the future. We see no overall change in long term prospects for the industry. Although some segments of the market may be slower to recover, other trends (such as the increased adoption of UC) have unsurprisingly accelerated.

I would like to thank our staff, customers and partners for their incredible support in recent months and look forward to returning to our previous financial performance as quickly as possible and continuing our long term growth trajectory."

Statutory financial highlights

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Total growth %
Revenue	**302.0**	**314.8**	(4%)
Gross profit	**43.8**	**52.2**	(16%)
Gross profit %	*14.5%*	*16.6%*	
Operating profit/(loss)	**(0.7)**	**10.5**	(106%)
Profit/(loss) before tax	**(2.5)**	**11.3**	(122%)
Profit/(loss) after tax	**(2.8)**	**9.0**	(131%)
Reported EPS - pence	(3.29)	11.06	(130%)

Adjusted financial highlights

	Six months ended 30 June 2020 £m	Six months ended 30 June 2019 £m	Total growth %	Growth at constant currency %
Revenue	**302.0**	**314.8**	(4%)	(4%)
Gross profit	**43.8**	**52.2**	(16%)	(16%)
Gross profit %	*14.5%*	*16.6%*		
Adjusted operating profit[1]	**4.1**	**14.6**	(72%)	(72%)
Adjusted operating profit %	*1.4%*	*4.6%*		
Adjusted profit before tax[1]	**3.2**	**13.7**	(77%)	(76%)
Adjusted profit after tax[1]	**2.4**	**10.5**	(77%)	(77%)
Adjusted EPS - pence[1]	2.67	12.78	(79%)	
Interim dividend per share	-	4.85p		

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

Financial highlights
- All financial metrics were impacted by the reduction in demand due to Covid-19 restrictions
- Focus on cash preservation resulted in adjusted net debt as at 30 June 2020 of £41.2m, down 22.6% from £53.3m as at 31 December 2019
- Operating cash conversion was very strong at 127% adjusted EBITDA (H1 2019: 28%)
- Revenue declined 4.1% to £302.0 million (3.9% on constant currency basis) including an organic revenue reduction of 22.1%
- Adjusted operating profit reduced by 71.9% to £4.1 million (71.6% lower on constant currency basis)
- Statutory operating loss of £0.7 million (H1 2019: £10.5m profit)
- Adjusted profit before tax decreased by 76.6% to £3.2 million (76.2% lower on constant currency basis)

Operational highlights
- Decisive actions taken across the Group to mitigate the impact of Covid-19
- Revenue recovering month on month since April
- Market share has remained stable or grown in key territories
- Strategic acquisition of Starin in February 2020; the Group's first business in North America, funded by successful equity placing to new and existing shareholders
- Numerous exciting new vendor relationships added in both new technology areas and geographical markets throughout the period
- Strong acquisition pipeline across a number of regions

Post period highlights
- Revenue continues its steady recovery
- New vendor launches, including DTEN and Poly

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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 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.

Midwich Group plc

Initially a UK only distributor, the Group now has around 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

Managing Director's Report

Overview

We reacted quickly to the Covid-19 pandemic and the Board's priorities changed during the period to:

- Protection of our people;
- Protection of the business over the short term; and
- Refining the Group's strategy for the future where necessary.

Across the Group, we took decisive actions to protect our people and the business in the short term. Initially, most of our people worked from home, successfully using technology to undertake their roles. All our offices are now open, and a limited number of staff have returned to them, but only where it is considered sufficiently safe and effective for them to do so. We continue to offer flexible home working solutions to the rest of our teams.

Due to reduced customer demand during the period, our staff have shown great flexibility in their work patterns, including voluntary short-time working and reduced remuneration. We have also used the support offered by governments as necessary, such as furloughing in the UK. The Board would like to thank the team for their understanding during this period.

Protection of the business over the short term has meant a significant and ongoing focus on the management of working capital. Measures undertaken include the temporary suspension of acquisition activities and capital expenditure, together with the withdrawal of the proposed 2019 final dividend.

Whilst seeking to ensure strong short-term liquidity, management has been careful not to disrupt long term customer and supplier relationships. Cash receipts from customers have generally remained at normal levels and we have been pleased that, overall, suppliers have shown flexibility where necessary. Historically the Group has built inventory in the first half of the year, however in the second quarter this year inventory management has been a high priority, and as a result the overall value of inventory at 30 June 2020 (excluding the impact of acquisitions) has reduced by £8 million since 31 December 2019.

The overall impact of actions taken to manage cashflow is that adjusted net debt has reduced by £12.1 million since 31 December 2019 to £41.2 million. Approximately half the reduction is accounted for by the excess net proceeds of the equity fund raise undertaken in February to, in part, fund the acquisition of Starin in the US. The balance is a result of our strong working capital management.

Trading performance

Group trading in much of the period was impacted significantly by Covid-19. As a result, Group revenue at £302.0 million for H1 2020 was 4.1% per cent below the same period last year (H1 2019: £314.8 million), with a decline in underlying revenue of 22.1%. On a constant currency basis, Group revenue reduced by 3.9%.

Mainly due to product mix, gross margins were 2.1 percentage points lower than the same period last year at 14.5% (H1 2019: 16.6%). Actions taken to reduce operating expenditure meant that the Group was profitable in the first half, but at a level significantly below the same period last year. H1 2020 adjusted operating profit was £4.1 million (H1 2019: £14.6 million), down 71.6% on a constant currency basis. The reported operating loss for the period was £0.7 million (H1 2019: £10.5 million profit).

As a specialist audio visual ("AV") distributor, a significant proportion of the products sold by the Group are installed into buildings. As countries entered lockdown, the ability of the Group's customers, primarily system integrators, to access sites became significantly curtailed, and many projects were delayed. While some of these projects have since been undertaken, and certain others are anticipated in the short to medium term, a number are now considered unlikely to be carried out or be revised to accommodate post-Covid-19 requirements.

This led to a reduction in revenue, which was felt in the first quarter and more significantly in the month of April, when revenue was less than 50% of budgeted levels. Revenue improved relative to the prior year in May and June and has continued as such in July and August, when Group revenue (including Starin) was ahead of the equivalent months in 2019.

The Board is encouraged by the speed of recovery but is cognisant that further improvement will be, in part, linked to the development of the pandemic across its various territories.

Revenue performance has varied by territory, product set, customer type and end user market.

Territories

The Group operates in eighteen different territories across the world. This geographical diversity has been an advantage as the impact of the crisis has varied by territory, however every country has been significantly impacted. In general, countries that experienced the most comprehensive initial lockdowns (such as France, Spain, Italy, Ireland and New Zealand) saw the most dramatic reduction in revenue initially, but the sharpest subsequent recovery as the lockdowns eased.

The Group's businesses in Germany has been so far a little less impacted than in other territories. Although initially impacted less than in other regions recent lockdowns have had a greater impact on the Asia Pacific region.

The impact on the US business has been similar to the rest of the Group overall.

The UK is the Group's single largest territory by revenue, profit and headcount, and addresses multiple markets with many different product sets. As such, general economic conditions tend to have a more significant impact on the UK business than in other countries where the Group has a relatively smaller market share. Like other regions, the impact on the UK business was initially significant but has continued to improve month on month since April. Importantly, the Board is confident that overall, the Group has not lost share to its competition in the UK or other territories.

Products

Certain product sets have been impacted in different ways depending on their use. A strong performance was achieved from technologies used to facilitate working from home. Such products include desktop monitors, printers and various associated accessories. Certain broadcast products have also performed well throughout the period, as organisations have had to invest in technologies which enable better remote communication. Unified communications solutions have performed well, and the Group has sought to maximise the skills and relationships it acquired through the acquisition of Starin in the US in February of this year. The integration of this business has gone well, which is particularly pleasing in the circumstances, and the Board remains encouraged by the significant opportunity that Starin and the Group's entry into the large North American market represents.

The Board believes that current market conditions highlight more than ever the need for manufacturers to use a high-quality specialist distributor such as Midwich. So far in 2020, the Group has launched an encouraging number of new vendor relationships, such as with Sonos, Netgear, Poly and Huddly and rolled out existing relationships with Barco, Biamp, Shure, DTEN and Absen into new technology areas (such as the Barco Clickshare range in the UK & Ireland and France) or geographical markets (such as launching Shure in France). The launch of new vendors has continued during the lockdown period as the Group continues to position its portfolio in exciting growth markets.

Customers

While the Group's system integrator customers initially struggled to undertake typically complex projects due to limited ability to access sites, sales to customers selling on-line were comparatively strong during the second quarter in particular, albeit that the margins on such sales tend to be lower than the Group's average.

End-user markets

The Board has noted the impact of the crisis on different end user markets. Markets which are largely government funded (such as education, healthcare and defence) have remained relatively strong, impacted mostly by the ability of customers to access sites. The corporate market has been more muted with end users mostly working from home and investment plans largely placed on hold.

Strategy

Whilst the impact of Covid-19 continues to create short term uncertainty, the Group's strategy remains focused 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 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.

During the period, the Group has continued to pursue its goals including building expertise and reach in the unified communications market and continuing to launch with new vendors and technologies (as noted above).

Historically, 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 put acquisition activity on hold since the start of the Covid-19 pandemic, however, we continue to pursue a strong pipeline of opportunities and in the last few months we have resumed conversations with certain strategic targets.

The Board is supporting actions to prepare for the post-Covid-19 recovery. During the second half of 2020 these include resuming the roll out of the Group's new Enterprise Resource Planning system and ensuring that the profile of inventory is appropriate at 31 December 2020.

Acquisitions

The Group completed two acquisitions at the beginning of 2020.

On 6 February 2020, the Group acquired 100% of the share capital of Starin Marketing Inc ("Starin"), a specialist value-add AV distributor in the US. 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 technical video and unified communications technologies. Whilst Starin's market and financial performance have also been affected by the global pandemic, we have been pleased with its robust response to Covid-19. We have also made substantial progress on post-acquisition integration and have been able to leverage Starin's historical vendor relationships to strengthen the wider Group's product offering, especially in unified communications. Our work with the Starin team has reinforced the Board's view that significant growth opportunities exist for the Group in the North American market.

On 13 March 2020, the Group acquired the trade and assets of Vantage Systems Pty Limited ("Vantage"). Vantage specialises in unified communications and is based in Melbourne, Australia. The Vantage acquisition strengthens our service and support solutions, and integration is progressing well.

Issue of equity

On 7 February 2020, the Group raised net proceeds of £38.9m through a placing of 7,944,800 shares with existing and new shareholders. The net proceeds of the placing were used to repay short term debt facilities drawn down in relation to the acquisition of Starin and provide additional headroom to fund further targeted strategic acquisitions in the future.

Outlook

Market conditions for the Group's products and services are likely to remain significantly impacted by the development of the pandemic for the remainder of 2020. In the short term, changes in government restrictions and the associated business impact are expected to result in volatility in demand and product mix. This uncertainty makes forecasting the Group's profitability in the coming months challenging.

According to recent research by industry trade body AVIXA, the global market for AV is expected to contract by around 8% in 2020, grow in 2021 and exceed its 2019 level in 2022. Over the five years to 2025 the global market is expected to grow at a compound annual rate of 5.8%. The Board expects short term uncertainty to continue into 2021, but it continues to believe that both the Group and the wider AV industry are well positioned for long term growth.

Should the recent positive trading momentum continue for the rest of this year, trading performance in the second half of the year should be better than in the first half, with H2 2020 revenue expected to be similar to that reported in H2 2019, albeit including the benefit of the Starin acquisition in the current year. It is likely that product mix will continue to adversely affect margins for the rest of the year and that the growth in profitability will reflect the impact of certain government support measures for employment, particularly in the UK, being scaled back later in 2020. Accordingly, the Board currently expects H2 2020 adjusted operating profit to be moderately ahead of the first half.

Whilst continuing to ensure the ongoing financial strength of the business, the Board is now putting increasing focus on ensuring the Group is best able to capitalise on trading conditions in 2021 and thereby continue the long-term momentum generated up to 2019.

Regional highlights

	Six months ended 30 June 2020 £m	30 June 2019 £m	Total growth[1] %	Growth at constant currency[1] %	Organic growth[1] %
Revenue					
UK & Ireland	103.1	154.0	(33.1%)	(33.1%)	(33.1%)
Continental Europe	127.2	138.0	(7.8%)	(8.0%)	(13.1%)
Asia Pacific	21.7	22.8	(4.5%)	(0.7%)	(1.8%)
North America	50.0	-	-	-	-
Total Global	**302.0**	**314.8**	(4.1%)	(3.9%)	(22.1%)
Gross profit margin					
UK & Ireland	15.5%	17.8%	(2.3) ppts		
Continental Europe	14.5%	15.0%	(0.5) ppts		
Asia Pacific	15.7%	18.1%	(2.4) ppts		
North America	11.9%	-	-		
Total Global	**14.5%**	**16.6%**	(2.1) ppts		
Adjusted operating profit[2]					
UK & Ireland	2.1	9.8	(78.6%)	(78.6%)	
Continental Europe	2.0	5.0	(59.3%)	(58.9%)	
Asia Pacific	0.4	1.2	(70.5%)	(68.8%)	
North America	0.7	-	-	-	
Group costs	(1.1)	(1.4)			
Total Global	**4.1**	**14.6**	(71.9%)	(71.6%)	
Adjusted finance costs	(0.9)	(0.9)			
Adjusted profit before tax[2]	**3.2**	**13.7**	(76.6%)	(76.2%)	

[1]For the avoidance of doubt percentages shown in brackets represent a decline on the prior period

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

All percentages referenced in this section are at constant currency unless otherwise stated

UK & Ireland

Revenue in the UK & Ireland decreased by 33.1% in the period. Trading was impacted by the Covid-19 pandemic as the majority of customers had projects suspended and access to end user sites restricted. The UK & Ireland business acted quickly to refocus on vertical markets that were performing better (such as education and healthcare) and products for streaming and home working use. However, this change in mix, away from complex value added solutions, had a negative impact on gross margins.

The UK & Ireland segment's gross profit margin fell to 15.5%, a 2.3 percentage point decrease on H1 2019.

During the period the UK & Ireland was able to limit the impact of Covid-19 on both its liquidity and operating costs from significant flexibility shown by both its vendors and employees including reductions and delays in stock purchasing and voluntary salary reductions. The business appreciated the government furlough scheme which has allowed the preservation of many jobs. Overall, approximately £1.3 million of furlough benefit was received towards staff costs in H1 2020.

Adjusted operating profit decreased by 78.6% in the UK & Ireland.

Continental Europe

Revenue in Continental Europe decreased by 8.0% in the period. Each country in the region has been impacted by the pandemic to different extents, largely based on the local product focus and the varying degrees of lockdown. The strongest performance was seen in Germany which benefited from both strong sales into the education sector and high demand for streaming solutions. Following a strict lockdown in France, Sidev has seen trading recover quickly, although not yet to pre-Covid-19 levels. There has been a slower recovery in Spain and Italy as these businesses have a relatively high mix of complex installations that require site access.

Organic revenue declined by 13.1% with the difference between reported and organic growth being the impact of acquisitions (Prase and AV Partners) completed part way through H1 2019. The region's gross profit margin was 0.5% lower than H1 2019 mainly due to changes in both country and product mix.

Adjusted operating profit in Continental Europe fell by 58.9%. Whilst our teams in the region displayed great flexibility and there was some benefit from part time working, there was generally less benefit from direct government support in the region.

Asia Pacific

Asia Pacific trading was the least affected across the Group, with revenues largely in line with the prior year at (0.7% lower). The business benefited from lighter lockdown restrictions in Australia during the period, although it was also impacted by the product mix changes seen in other regions. The much smaller New Zealand business was closed for a period but is now fully reopened.

The Asia Pacific gross profit margin of 15.7%, was 2.4 percentage points below H1 2019, mainly due to a greater relative impact from Covid-19 on value added projects.

Adjusted operating profit in Asia Pacific at £0.4 million (H1 2019: £1.2 million) was impacted by the reduction in gross profit. The region did not take material advantage of any government support.

North America

The Group's US business, Starin Marketing, was acquired on 6 February 2020. The integration of this business has progressed well, particularly considering the practical limitations imposed by the Covid-19 crisis. Overall, the US market has been impacted similarly to the rest of the Group. Starin's business may be broadly split into two. Firstly, an audio fulfilment business which operates at a lower than Group average margin, and secondly a core technical AV business which includes a strong specialisation in unified communictions technologies.

Group costs

Group costs for the half year were £1.1 million (H1 2019: £1.4 million). The decrease reflects salary reductions taken by the Board and other central staff and a small amount of furlough benefit.

Operating profit

Adjusted operating profit for the period at £4.1 million (H1 2019 £14.6 million) is stated before the impact of acquisition related expenses of £0.4 million (H1 2019: £0.3 million), share based payments and associated employer taxes of £1.3 million (H1 2019: £1.5 million) and amortisation of acquired intangibles of £3.1 million (H1 2019: £2.3 million). The reported operating loss for the period was £0.7 million (H1 2019: £10.5 million profit).

Finance costs

Adjusted finance costs for the period were an expense of £0.9 million (H1 2019: £0.9 million).

Reported finance costs for the period were £1.8 million (H1 2019: £0.8 million income). The adjustments to finance costs include foreign exchange differences on borrowings for acquisitions of £0.4 million (H1 2019: £0.1

million), movements in deferred and contingent considerations of £0.1 million (H1 2019: £0.9 million), and movements in put option liabilities over non-controlling interests of £0.3 million (H1 2019: £0.9 million).

Taxation

The reported tax charge for the period was £0.3 million (H1 2019: £2.3 million). The adjusted effective tax rate for the period was 24.9% (H1 2019: 23.8%) calculated based on the adjusted tax charge for the period divided by adjusted profit before tax.

Cash flows and net debt

In response to the uncertainty created by the Covid-19 pandemic, the Group took a number of actions to preserve cash, including:

- the withdrawal of the 2019 proposed final dividend;
- the suspension of M&A activity and the deferral of certain put and call options;
- stopping capital expenditure;
- deferral of certain tax payments;
- tighter control over inventory purchases;
- use of government support measures; and
- tighter management of operating expenses

These actions helped the Group achieve an adjusted cash inflow from operations of £9.0 million (H1 2019: £4.8 million). The first half of the year is typically a period of working capital investment for the Group and the above actions reversed a net investment in the first few months of the period with a significant cash inflow later in the half.

Adjusted net debt (Excluding leases liabilities), was £41.2 million at 30 June 2020 (£53.9 million at 30 June 2019).

The adoption of IFRS 16 in 2019 resulted in an increase in recognised lease liabilities. Lease liabilities excluded from adjusted net debt totalled £17.9m at 30 June 2020 (£17.4m 30 June 2019). Total net debt was £59.1m at 30 June 2020 (£71.3m at 30 June 2019).

Adjusted net debt was favourably impacted by the excess net proceeds of the equity placing undertaken in February 2020 to, in part, fund the acquisition of Starin in the US. This resulted in a net debt reduction of £5.3 million being the net placing proceeds of £38.9 million less Starin purchase price of £21.0 million, associated transaction costs £0.3 million and net debt acquired of £12.3 million.

In January 2020, the Group increased its revolving credit facility to £50 million (£20 million at 31 December 2019) to support its acquisition strategy. This facility has an adjusted net debt to adjusted EBITDA covenant ratio of 2.75 times calculated on a historic 12 month basis. The strong cash performance in H1 2020 resulted in a ratio of less than 1.4 times at 30 June 2020. The Group’s principal lender has been very supportive during the Covid-19 crisis and has offered to relax this covenant for an appropriate period if necessary, details of any such changes will be disclosed once finalised.

Most of the Group’s other borrowing facilities are to provide working capital financing. During the period, the Group arranged further flexibility in working capital financing including the addition of flexible term loans, inventory backed facilities and extended overdrafts in several countries. Whilst the use of such facilities has been limited, the additional headroom has enhanced the Group’s access to liquidity. As at 30 June 2020, the Group has access to total facilities of over £185 million.

The Group has various instruments to hedge certain exchange rate and interest rate exposures. These include 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.

Dividend

After much consideration, as a result of the clear necessity to preserve cashflows at the start of the Covid-19 pandemic, the Board took the difficult decision to withdraw the proposed 2019 final dividend and continues to believe it is not appropriate to declare an interim dividend for the period (H1 2019: 4.85 pence per share).

The Board is fully cognisant of the importance of dividends to its shareholders. As such, the Board will continue to monitor the Group's performance and outlook with a view to reinstating dividend payments as soon as practicable.

Stephen Fenby
Managing Director

Midwich Group plc

Unaudited consolidated income statement for the 6 months ended 30 June 2020

	Note	**30 June 2020 Unaudited £'000**	**30 June 2019 Unaudited £'000**	**31 December 2019 Audited £'000**
Revenue		302,017	314,842	686,240
Cost of sales		(258,211)	(262,600)	(573,133)
Gross profit		43,806	52,242	113,107
Distribution costs		(32,039)	(32,804)	(68,624)
Administrative expenses		(13,343)	(10,834)	(23,132)
Other operating income		905	1,862	3,583
Operating (loss)/profit		(671)	10,466	24,934
Adjusted operating profit		4,118	14,630	33,462
Costs of acquisitions		(359)	(306)	(356)
Share based payments		(1,378)	(1,275)	(2,874)
Employer taxes on share based payments		56	(280)	(427)
Amortisation of brands, customer and supplier relationships		(3,108)	(2,303)	(4,871)
		(671)	10,466	24,934
Finance income		2	19	66
Finance costs	5	(1,855)	797	(1,219)
(Loss)/profit before taxation		(2,524)	11,282	23,781
Taxation		(278)	(2,249)	(5,581)
(Loss)/profit after taxation		(2,802)	9,033	18,200
(Loss)/profit for the financial period/year attributable to:				
The Company's equity shareholders		(2,824)	8,753	17,182
Non-controlling interests		22	280	1,018
		(2,802)	9,033	18,200
Basic earnings per share	3	(3.29)p	11.06p	21.67p
Diluted earnings per share	3	(3.24)p	10.90p	21.31p

Midwich Group plc

Unaudited consolidated statement of comprehensive income for 6 months ended 30 June 2020

	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
(Loss)/profit for the period/financial year	(2,802)	9,033	18,200
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 (loss)/gain on net investment hedge	(953)	-	194
Foreign exchange gains/(losses) on consolidation	4,819	299	(3,115)
Other comprehensive income for the financial period/year, net of tax	3,866	299	(3,307)
Total comprehensive income for the period/financial year	1,064	9,332	14,893
Attributable to:			
Owners of the Parent Company	552	8,983	14,171
Non-controlling interests	512	349	722
	1,064	9,332	14,893

Unaudited consolidated statement of financial position as at 30 June 2020

	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Assets			
Non-current assets			
Goodwill	15,417	13,655	13,326
Intangible assets	47,443	33,256	31,974
Right of use assets	16,450	16,615	15,949
Property, plant and equipment	12,049	10,982	12,086
Deferred tax assets	2,452	2,147	2,169
	93,811	76,655	75,504
Current assets			
Inventories	110,633	90,599	88,691
Trade and other receivables	92,465	107,258	104,100
Derivative financial instruments	-	116	-
Cash and cash equivalents	20,328	16,201	13,015
	223,426	214,174	205,806
Current liabilities			
Trade and other payables	(103,160)	(112,667)	(106,342)
Derivative financial instruments	(1,014)	-	(132)
Put option liabilities over non-controlling interests	(3,806)	(2,302)	(3,490)
Deferred and contingent considerations	(6,423)	(5,806)	(4,133)
Borrowings and financial liabilities	(37,968)	(46,638)	(46,529)
Current tax	(2,441)	(3,685)	(2,331)
	(154,812)	(171,098)	(162,957)
Net current assets	68,614	43,076	42,849
Total assets less current liabilities	162,425	119,731	118,353
Non-current liabilities			
Trade and other payables	(664)	(641)	(665)
Put option liabilities over non-controlling interests	(4,041)	(4,271)	(3,799)
Deferred and contingent considerations	(490)	(2,869)	(2,796)
Borrowings and financial liabilities	(41,445)	(40,846)	(36,466)
Deferred tax liabilities	(6,736)	(7,324)	(6,850)
Other provisions	(2,615)	(1,607)	(2,484)
	(55,991)	(57,558)	(53,060)
Net assets	106,434	62,173	65,293
Equity			
Share capital	886	799	799
Share premium	68,193	27,752	28,225
Share based payment reserve	4,024	3,100	3,998
Investment in own shares	(8)	(7)	(5)
Retained earnings	29,042	27,604	31,867
Translation reserve	3,375	2,095	(954)
Hedging reserve	(759)	-	194
Put option reserve	(6,329)	(6,329)	(6,329)
Capital redemption reserve	50	50	50
Other reserve	150	150	150
Equity attributable to owners of Parent Company	98,624	55,214	57,995
Non-controlling interests	7,810	6,959	7,298
Total equity	106,434	62,173	65,293

Midwich Group plc

Unaudited consolidated statement of changes in equity for 6 months ended 30 June 2020

For the period ended 30 June 2020

	Share capital £'000 (note 6)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 7)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2020	799	28,225	(5)	31,867	(2,891)	57,995	7,298	65,293
Loss for the period	-	-	-	(2,824)	-	(2,824)	22	(2,802)
Other comprehensive income	-	-	-	-	3,376	3,376	490	3,866
Total comprehensive income for the year	-	-	-	(2,824)	3,376	552	512	1,064
Shares issued (note 6)	87	38,822	(7)	-	-	38,902	-	38,902
Share based payments	-	-	-	-	1,378	1,378	-	1,378
Deferred tax on share based payments	-	-	-	-	(203)	(203)	-	(203)
Share options exercised	-	1,146	4	(1)	(1,149)	-	-	-
Balance at 30 June 2020 (unaudited)	886	68,193	(8)	29,042	511	98,624	7,810	106,434

For the period ended 30 June 2019

	Share capital £'000 (note 6)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 7)	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 period	-	-	-	8,753	-	8,753	280	9,033
Other comprehensive income	-	-	-	-	230	230	69	299
Total comprehensive income for the year	-	-	-	8,753	230	8,983	349	9,332
Shares issued (note 6)	2	-	(2)	-	-	-	-	-
Share based payments	-	-	-	-	1,275	1,275	-	1,275
Deferred tax on share based payments	-	-	-	-	16	16	-	16
Share options exercised	-	24	-	4	(28)	-	-	-
Acquisition of subsidiary (note 8)	-	-	-	-	(2,886)	(2,886)	2,883	(3)
Acquisition of non-controlling interest (note 9)	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)	27,604	(934)	55,214	6,959	62,173

	Share capital £'000 (note 6)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 7)	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 6)	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 8)	-	-	-	-	(2,886)	(2,886)	2,884	(2)
Acquisition of non-controlling interest (note 9)	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

Midwich Group plc

Unaudited consolidated cashflow statement for 6 months ended 30 June 2020

	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Cash flows from operating activities			
(Loss)/profit before tax	(2,524)	11,282	23,781
Depreciation	2,898	2,444	5,425
Amortisation	3,158	2,385	5,023
Gain on disposal of assets	3	11	50
Share based payments	1,378	1,275	2,874
Foreign exchange gains	(171)	(193)	(583)
Finance income	(2)	(19)	(66)
Finance costs	1,855	(797)	1,219
Profit from operations before changes in working capital	6,595	16,388	37,723
Decrease/(increase) in inventories	8,301	(7,588)	(5,110)
Decrease/(increase) in trade and other receivables	32,714	(12,145)	(7,686)
(Decrease)/increase in trade and other payables	(39,146)	7,706	1,293
Cash inflow from operations	8,464	4,361	26,220
Income tax paid	(767)	(3,016)	(8,844)
Net cash inflow from operating activities	7,697	1,345	17,376
Cash flows from investing activities			
Acquisition of businesses net of cash acquired	(18,393)	(8,722)	(10,091)
Deferred and contingent considerations paid	(2,951)	(2,955)	(5,517)
Purchase of intangible assets	(640)	(979)	(1,977)
Purchase of plant and equipment	(981)	(3,010)	(5,793)
Proceeds on disposal of plant and equipment	137	326	417
Interest received	2	19	66
Net cash outflow from investing activities	(22,826)	(15,321)	(22,895)
Cash from financing activities			
Issue of shares net of issue costs	38,907	-	-
Dividends paid	-	(8,442)	(12,340)
Invoice financing (outflows)/inflows	(25,950)	(4,095)	6,785
Proceeds from borrowings	11,946	24,976	13,099
Repayment of loans	(1,078)	(1,293)	(1,053)
Interest paid	(1,005)	(962)	(1,679)
Interest on leases	(167)	(173)	(379)
Capital element of lease payments	(1,225)	(969)	(2,627)
Net cash inflow/(outflow) from financing activities	21,428	9,042	1,806
Net increase/(decrease) in cash and cash equivalents	6,299	(4,934)	(3,713)
Cash and cash equivalents at beginning of period/year	11,497	16,357	16,357
Effects of exchange rate changes	2,532	267	(1,147)
Cash and cash equivalents at end of period/year	20,328	11,690	11,497
Comprising:			
Cash at bank	20,328	16,201	16,357
Bank overdrafts	-	(4,511)	(1,147)
	20,328	11,690	11,497

Notes to the interim consolidated financial information

1. General information

The interim financial information for the period to 30 June 2020 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 2019.

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 2019. The audited financial statements for the year ended 31 December 2019 complied with International Financial Reporting Standards as adopted for use in the European Union ("IFRS").

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 2019, 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.

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.

Adjusted net debt: This is net debt excluding leases.

3. 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 period/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.

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

	June 2020	June 2019	December 2019
(Loss)/profit attributable to equity holders of the Parent Company (£'000)	(2,824)	8,753	17,182
Weighted average number of shares outstanding	85,882,336	79,078,793	79,275,480
Dilutive (potential dilutive) effect of share options	1,361,945	1,175,685	1,334,953
Weighted average number of ordinary shares for the purposes of diluted earnings per share	87,244,281	80,254,478	80,610,433
Basic earnings per share	(3.29)p	11.06p	21.67p
Diluted earnings per share	(3.24)p	10.90p	21.31p

4. Segmental reporting

30 June 2020	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	103,089	127,180	21,754	49,994	-	302,017
Gross profit	**15,998**	**18,452**	**3,419**	**5,937**	**-**	**43,806**
Gross profit %	15.5%	14.5%	15.7%	11.9%	-	14.5%
Adjusted operating profit	**2,087**	**2,060**	**353**	**656**	**(1,038)**	**4,118**
Cost of acquisitions	-	-	-		(359)	(359)
Share based payments	(606)	(465)	(121)	-	(186)	(1,378)
Employer taxes on share based payments	15	34	3	-	4	56
Amortisation of brand, customer and supplier relationships	(1,279)	(1,135)	(133)	(561)	-	(3,108)
Operating profit/(loss)	**217**	**494**	**102**	**95**	**(1,579)**	**(671)**
Net interest expense						(1,853)
(Loss)/profit before tax						**(2,524)**

Other segmental information

June 2020	UK & Ireland £'000	Continental Europe £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	94,565	143,447	20,093	58,769	363	317,237
Segment liabilities	(59,291)	(99,411)	(14,848)	(36,927)	(326)	(210,803)
Segment net assets	**35,274**	**44,036**	**5,245**	**21,842**	**37**	**106,434**
Depreciation	1,342	1,236	131	189	-	2,898
Amortisation	1,292	1,164	141	561	-	3,158

Other segmental information	UK £'000	Rest of world £'000	Total £'000
Non-current assets	27,888	65,923	93,811

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	UK £'000	Rest of world £'000	Total £'000
Non-current assets	28,624	48,031	76,655

31 December 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**

31 December 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	Rest of world £'000	Total £'000
Non-current assets	29,112	46,392	75,504

5. Finance costs

	June 2020 £'000	June 2019 £'000	December 2019 £'000
Interest on overdraft and invoice discounting	574	535	1,176
Interest on leases	167	172	379
Interest on loans	351	216	517
Fair value movements on foreign exchange derivatives	(194)	(8)	246
Other interest costs	2	-	2
Fair value movements on derivatives for borrowings	1,154	129	42
Foreign exchange gains on borrowings for acquisitions	(681)	-	(146)
Interest, foreign exchange and other finance costs of deferred and contingent considerations	107	(924)	(949)
Interest, foreign exchange and other finance costs of put option liabilities	375	(917)	(48)
	1,855	(797)	1,219

6. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	June 2020		June 2019		December 2019	
Classed as equity:	**Number**	**£'000**	**Number**	**£'000**	**Number**	**£'000**
Issued and fully paid ordinary shares of £0.01 each						
Opening balance	79,973,412	799	79,448,200	794	79,448,200	794
Shares issued	8,631,300	87	525,212	5	525,212	5
Closing balance	88,604,712	886	79,973,412	799	79,973,412	799

During the period Midwich Group plc issued 7,944,800 shares in order to repay short term debts and fund the Starin acquisition as well as 686,500 shares (2019: 225,000) into an employee benefit trust. During the prior period Midwich Group plc also issued 300,212 shares in order to settle the put option liability and acquire the remaining shares in Holdan Limited.

Employee benefit trusts

The Group's employee benefit trusts were allocated 480,700 Ordinary Shares in 2016 and a further 225,000 shares in 2019 and a further 686,500 shares in the period. As at 30 June 2020, 571,200 (2019: 7,700) shares had been distributed employees on the exercise of share options leaving 821,000 Ordinary Shares held in the Group's employee benefit trusts as at 30 June 2020 (2019: 698,000).

A reconciliation of LTIP option movements during the current and comparative period, and the year to 31 December 2019 is as follows:

	Six months to June 2020	Six months to June 2019	Twelve months to December 2019
Outstanding at 1 January	1,976,250	1,410,900	1,410,900
Granted	-	50,000	705,050
Lapsed	(10,250)	(9,400)	(16,200)
Exercised	(253,000)	-	(123,500)
Outstanding at period end	1,713,000	1,451,500	1,976,250

A reconciliation of SIP option movements during the current and comparative period, and the year to 31 December 2019 is as follows:

	Six months to June 2020	Six months to June 2019	Twelve months to December 2019
Outstanding at 1 January	265,100	284,300	284,300
Granted	-	-	107,400
Lapsed	(7,900)	(6,100)	(21,100)
Exercised	(89,200)	(7,700)	(105,500)
Outstanding at period end	168,000	270,500	265,100

7. Other reserves

Movement in other reserves for the year ended 30 June 2020

	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 2020	3,998	(954)	194	(6,329)	50	150	(2,891)
Other comprehensive income	-	4,329	(953)	-	-	-	3,376
Total comprehensive income for the period	-	4,329	(953)	-	-	-	3,376
Share based payments	1,378	-	-	-	-	-	1,378
Deferred tax on share based payments	(203)	-	-	-	-	-	(203)
Share options exercised	(1,149)	-	-	-	-	-	(1,149)
Balance at 30 June 2020 unaudited	4,024	3,375	(759)	(6,329)	50	150	511

Movement in other reserves for the year ended 30 June 2019

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2019	1,837	1,865	(4,532)	50	150	(630)
Other comprehensive income	-	230	-	-	-	230
Total comprehensive income for the period	-	230	-	-	-	230
Share based payments	1,275	-	-	-	-	1,275
Deferred tax on share based payments	16	-	-	-	-	16
Share options exercised	(28)	-	-	-	-	(28)
Acquisition of subsidiary (note 8)	-	-	(2,886)	-	-	(2,886)
Acquisition of non-controlling interest (note 9)	-	-	1,089	-	-	1,089
Balance at 30 June 2019 unaudited	3,100	2,095	(6,329)	50	150	(934)

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	-	-	-	(2,886)	-	-	(2,886)
Acquisition of non-controlling interest	-	-	-	1,089	-	-	1,089
Balance at 31 December 2019	3,998	(954)	194	(6,329)	50	150	(2,891)

8. Business combinations

Acquisitions were completed by the Group during the current and 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
Starin Marking Inc	Distribution of audio visual products to trade customers	6 February 2020	100%	20,961
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
Entertainment Equipment Supplies SL	Distribution of lighting products to trade customers	1 July 2019	100%	3,245

In addition to the above on the 28 February 2020 the Group exchanged a fair value consideration of £885k to acquire certain trade and assets of Vantage Systems Pty Limited, a Company registered in Australia.

2020 acquisitions

Fair value of consideration transferred 2020	Starin £'000	Vantage £'000
Cash	18,872	506
Deferred consideration	2,089	379
Total	20,961	885

Acquisition costs of £327k in relation to the acquisition of Starin and £32k in relation to the Vantage acquisition of trade and assets were expensed to the income statement during the period ended 30 June 2020.

Fair value of acquisitions 2020	Starin £'000	Vantage £'000
Non-current assets		
Goodwill	520	960
Intangible assets - brands	4,065	-
Intangible assets - customer relationships	2,884	-
Intangible assets - supplier relationships	9,189	-
Intangible assets - software	82	-
Right of use assets	743	-
Plant and equipment	515	5
Deferred tax	3	-
	18,001	965

Current assets		
Inventories	30,243	-
Trade and other receivables	20,951	129
Cash and cash equivalents	985	-
	52,179	129
Current liabilities		
Trade and other payables	(35,885)	(209)
Borrowings and financial liabilities	(12,728)	-
	(48,613)	(209)
Non-current liabilities		
Borrowings and financial liabilities	(606)	-
	(606)	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	20,961	885

Goodwill acquired in 2020 relates to the workforce, synergies and sales know how. Goodwill arising on the Starin acquisition has been allocated to the North America segment, goodwill arising on the Vantage trade and assets acquisition has been allocated to the Asia Pacific segment.

Gross contractual amounts of trade and other receivables acquired in 2020 were £21,977k, with bad debt provisions of £897k.

Net cash outflow on acquisition of subsidiaries 2020

	Starin £'000	Vantage £'000
Consideration paid in cash	18,872	506
Less: cash and cash equivalent balances acquired	(985)	-
Net cash outflow	17,887	506
Plus: borrowings acquired	13,334	-
Net debt outflow	31,221	506

2019 acquisitions

Fair value of consideration transferred 2019	**MobilePro £'000**	**Prase £'000**	**AV Partner £'000**	**EES £'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	Prase	AV Partner	EES
	£'000	£'000	£'000	£'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 £13,335k, 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

9. 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.

10. 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 2020 Average	Six months to 30 June 2019 Average	At 30 June 2020	At 30 June 2019	At 31 December 2019
EUR/GBP	1.144	1.143	1.100	1.118	1.177
AUD/GBP	1.907	1.824	1.795	1.814	1.883
NZD/GBP	2.001	1.917	1.920	1.895	1.960
USD/GBP	1.265	1.292	1.236	1.273	1.321
CHF/GBP	1.221	1.297	1.171	1.241	1.277
NOK/GBP	12.241	11.176	11.924	10.851	11.607

Applying the following current period foreign exchange rates respectively to the results of the period first half of 2019 had the following impact on the previously reported results:

	EUR £000	AUD £000	USD £000
Revenue	(95)	(863)	25
Profit before tax	(3)	(37)	-
Equity	671	24	(2)

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. Adjustments to reported results

	Six months ended 30 June 2020 £000	30 June 2019 £000
Operating (loss)/profit	**(671)**	**10,466**
Cost of acquisitions	359	306
Share based payments	1,378	1,275
Employer taxes on share based payments	(56)	280
Amortisation of brands, customer and supplier relationships	3,108	2,303
Adjusted operating profit	**4,118**	**14,630**
Depreciation	2,898	2,444
Amortisation of patents and software	50	82
Adjusted EBITDA	**7,066**	**17,156**
Decrease/(increase) in adjusted inventories	8,301	(7,588)
Decrease/(increase) in adjusted trade and other receivables	32,714	(12,145)
(Decrease)/increase in adjusted trade and other payables	(39,090)	7,426
Adjusted cash flow from operations	**8,991**	**4,849**
Adjusted EBITDA cash flow conversion	127.2%	28.3%
(Loss)/profit before tax	**(2,524)**	**11,282**
Cost of acquisitions	359	306
Share based payments	1,378	1,275
Employer taxes on share based payments	(56)	280
Amortisation of brands, customer and supplier relationships	3,108	2,303
Foreign exchange losses on borrowings for acquisitions	473	129
Finance costs – deferred and contingent considerations	107	(924)
Finance costs – put option liabilities over non-controlling interests	375	(917)
Adjusted profit before tax	**3,220**	**13,734**
(Loss)/profit after tax	**(2,802)**	**9,033**
Cost of acquisitions	359	306
Share based payments	1,378	1,275
Employer taxes on share based payments	(56)	280
Amortisation of brands, customer and supplier relationships	3,108	2,303
Foreign exchange losses on borrowings for acquisitions	473	129
Finance costs – deferred and contingent considerations	107	(924)
Finance costs – put option liabilities over non-controlling interests	375	(917)
Tax impact	(525)	(1,020)
Adjusted profit after tax	**2,417**	**10,465**

(Loss)/profit after tax	**(2,802)**	**9,033**
Non-controlling interest	(22)	(280)
(Loss)/profit after tax attributable to equity holders of the Parent Company	**(2,824)**	**8,753**
Adjusted profit after tax	**2,417**	**10,465**
Non-controlling interest	(22)	(280)
Amortisation attributable to NCI	(143)	(144)
Deferred tax on amortisation attributable to NCI	38	70
Adjusted profit after tax attributable to equity holders of the Parent Company	**2,290**	**10,111**
Weighted average number of ordinary shares	85,882,336	79,078,793
Diluted weighted average number of ordinary shares	87,244,281	80,254,478
Basic adjusted earnings per share	**2.67p**	**12.78p**
Diluted adjusted earnings per share	**2.63p**	**12.59p**