12 March 2019

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

Final Results

Strong revenue and profit growth across all markets and geographies

Midwich, a specialist audio visual ("AV") distributor to the trade market with operations across the UK and Ireland, Continental Europe and Asia Pacific, today announces its Final Results for the year to 31 December 2018.

	Year to 31 December 2018 £m	Year to 31 December 2017 £m	Total growth %
Revenue	573.7	471.9	21.6%
Gross profit	94.6	73.1	29.3%
Operating profit	24.7	20.8	18.9%
Profit before tax	21.1	18.9	11.5%
Profit after tax	15.3	14.0	9.3%
Basic EPS - pence	18.53	17.06	8.6%

Adjusted financial highlights[1]

	Year to 31 December 2018 £m	Year to 31 December 2017 £m	Total growth %	Growth at constant currency %
Revenue	573.7	471.9	21.6%	21.4%
Gross profit	94.6	73.1	29.3%	29.2%
Gross profit margin %	16.5%	15.5%		
Adjusted operating profit	30.2	25.0	20.8%	20.9%
Adjusted profit before tax	29.1	24.3	19.7%	19.9%
Adjusted profit after tax	22.3	18.7	19.7%	19.8%
Adjusted EPS - pence	27.28	22.86	19.3%	

[1]Definitions of the alternative performance measures are set out on page 30

Financial Highlights
- Revenue increased by 21.6% to £573.7 million (21.4% on constant currency basis) including organic revenue growth of 8.7%
- Gross margin of 16.5% (1.0% ahead of full year 2017)
- Adjusted operating profit[1] increased by 20.8% to £30.2 million (20.9% on constant currency basis)
- Adjusted profit before tax[2] improved by 19.7% to £29.1 million (19.9% on constant currency basis)
- Adjusted PBT has doubled since 2015
- Adjusted EPS[1] increased 19.3% to 27.3p (2017: 22.9p)
- Final dividend of 10.60 pence per share (2017: 9.65 pence)
- Total dividend for year of 15.20 pence per share (2017: 13.82 pence)

Operational Highlights
- Revenue and net profit growth across all territories
- Strong full year performance from each of the three businesses acquired in 2017
- Three successful and earnings enhancing acquisitions completed in the year
- In-year acquisitions:
  - Added new product specialisms into European and Asia Pacific territories
  - Established a presence in South East Asia
- Expanded central office team improves capacity to acquire, integrate and develop businesses into the Group

- Good growth of technical products in the year, up 54.7%, assisted by the acquisitions; now representing over 26% of Group turnover
- Strong growth of core Displays sales, growing 23.7% as a category across the Group

Post period Highlights

- Entered the Italian market and strengthened the audio business through the acquisition of 80% of the share capital of Prase Engineering S.p.A; one of our largest acquisitions to date
- Established a presence in Switzerland following the acquisition of MobilePro AG

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

"I am very pleased to report that in 2018 we again achieved strong growth across all the Group's businesses and regions at both a revenue and profit level. Our organic growth continued to be strong, and we have continued to successfully use targeted acquisitions to drive future growth as well as build our expertise in a broader range of markets and products. We continue to pursue acquisition opportunities that fit within our strategic focus of adding new product ranges, capabilities or geographies to our existing portfolio.

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

"The Board is continuing to pursue its established strategy and is pleased with the progress made during 2018. Trading in the first two months of 2019 has built on the good growth we saw last year, giving the Board confidence in delivering a 2019 performance in line with its existing expectations."

There will be a presentation for analysts at 9:30am today, 12 March 2019, at the offices of FTI Consulting, 200 Aldersgate, London, EC1A 4HD.

For further information:

Midwich Group plc Stephen Fenby, Managing Director Stephen Lamb, Finance Director	**Tel: +44 (0) 13 7964 9200**
Investec Bank plc (NOMAD and Joint Broker to Midwich) James Rudd Carlton Nelson	**Tel: +44 (0) 20 7597 5970**
Berenberg (Joint Broker to Midwich) Ben Wright Mark Whitmore Laure Fine	**Tel: +44 (0) 20 3207 7800**
FTI Consulting Alex Beagley Tom Hufton Fern Duncan	**Tel: +44 (0) 20 3727 1000**

About Midwich Group

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 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

Chairman's Statement

I am pleased to report that the Group has continued to deliver strong results in 2018, achieving both revenue and profit growth across all its markets and geographies.

Revenue of £573.7 million was 21.6% ahead of prior year (21.4% at constant currency) and reflects an impressive level of organic growth across the business along with contributions from the successful acquisitions during the year and the full year impact of those acquisitions completed in 2017.

Gross profit margin again improved and adjusted profit before tax grew by 19.7% to £29.1 million. Adjusted earnings per share increased by 19.3% to 27.28 pence per share.

Healthy operating cash flow performance, slightly above our long-term average, helped us maintain a strong balance sheet. We also increased our bank borrowing facilities to support our acquisition strategy.

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

Organic growth in revenues, before the impact of acquisitions, was 8.7% reflecting the strong performance across all our geographic markets. The Displays, LED and Technical Video product ranges were particularly strong contributors to this growth.

During 2018 we successfully further expanded the reach of the Group through acquisitions, adding specialist broadcast businesses in Germany and Asia Pacific and an audio business in France. These businesses are being integrated as expected, are already contributing to both sales and profit and have added to our capabilities. After the year-end, we completed two acquisitions entering new markets in Switzerland, with MobilePro AG, and in Italy, with Prase Engineering S.p.A ("Prase"). The Prase deal is one of the largest undertaken by the Group and brings us a market leading business in one of the largest European AV territories. Prase has a very strong heritage in the audio segment and has been integral to the successful delivery of a number of high profile and complex installations in Italy and further afield.

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

Dividend

The Board is recommending a final dividend of 10.60 pence per share (2017: 9.65 pence), which if approved will be paid on 21 June 2019 to shareholders on the register on 17 May 2019. With the interim dividend declared in September 2018, this represents a total dividend for the year to 31 December 2018 of 15.20 pence per share and growth of 10% on the prior year 13.82 pence per share. The proposed dividend is covered 1.8 times by adjusted earnings.

The Board has adopted a progressive dividend policy to reflect the Group's strong earnings and cash flow. While there is no hard or fixed target, in order to allow for continued investment in targeted acquisitions intends to pay future dividends within a cover range of 2 to 2.5 times adjusted earnings.

Board

In our 2017 evaluation of Board effectiveness, we identified the opportunity to further strengthen the Board with the appointment of a third independent non-executive director. We were pleased to welcome Hilary Wright to the Board on 9 March 2018. Hilary is an HR professional with a background in international businesses and brings a wealth of complementary experience to the team.

2018 also saw a change in Group Finance Director. Following the retirement of Anthony Bailey, we were pleased to welcome Stephen Lamb to the Board. Having overseen the Group's IPO and initial period of operation as a new public company, Anthony left the business to pursue personal interests. We are grateful to him for his commitment and contribution to the business. Stephen Lamb, who is also appointed as Company Secretary, brings considerable experience gained in senior finance roles in international businesses.

The Board once again completed a self-evaluation exercise during 2018, reinforcing our commitment to and success in establishing a strong corporate governance framework. We took the opportunity of this review to confirm strong and effective governance and reaffirmed the role of the Board and its individual members in ensuring compliance with the revised provisions of the QCA code. There were no major issues or concerns raised about the effectiveness of the Board or its individual members.

In formally adopting the QCA code (as revised April 2018) as its governance framework, the Board has reviewed all aspects of compliance and has acted to improve disclosures on the Group's corporate website.

People

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

During 2018, the Board has reviewed and approved changes in organisation structure and capability through creation of additional roles to ensure the Group is prepared for and capable of further expansion. Specifically, we have strengthened the central team responsible for acquisition and business integration.

Also, as part of the process of exposure to the business and people throughout the Group, the Board has committed to visiting and holding meetings with at least two subsidiary businesses in any twelve month period. We continue to be pleased and impressed with the engagement and quality of our teams.

On behalf of the Board, I would like to thank all employees and our partners for their commitment and hard work and congratulate them all on achieving these impressive results.

Andrew Herbert
Chairman

Managing Director's Review

Continued growth from a proven model

I am very pleased to report that in 2018 we again achieved strong growth across all the Group's businesses and regions at both a revenue and profit level. Our organic growth continued to be strong, and we have continued to undertake targeted acquisitions to drive future growth as well as build our expertise in a broader range of markets and products.

Strong financial performance

Midwich has delivered strong growth performance in 2018 with revenue for the year of £573.7 million (2017: £471.9 million), an increase of 21.4% (2017: 24.2%) on a constant currency basis. The performance resulted from revenue growth across all regions within the Group, with particularly strong growth in our Continental European business. The three acquisitions made in the second half of the year (Sound Directions (trading as Perfect Sound), Bauer & Trummer (trading as New Media) and Blonde Robot) accounted for 1.9% of the 21.4% growth.

Group gross profit increased by 29.3% to £94.6 million (2017: 29.5% to £73.1 million). The growth in gross profit resulted from a further strong increase in the Group's gross margin, from 15.5% to 16.5%. This increase was delivered through the Group's focus on margins, driving improvement through product mix and working closely with vendors and customers alike to add value to both throughout the supply chain. The growth in specialist Audio, Technical Video, LED and Lighting categories particularly helped improve margins. These product areas require a higher level of investment in specialist knowledge, facilities and personnel, which means that, although the improved gross profit margin does not fully flow down to operating margins, the business is much more specialist and therefore defensible. Midwich has now successfully increased Group gross margin percentage every year for over 10 years.

Our adjusted operating profit margin remained in line with prior year at 5.3% and adjusted profit before tax increased by 19.9% (at constant currency) to £29.1 million. Adjusted profit after tax increased 19.7% to £22.3 million (2017: 29.9% to £18.7 million) and adjusted earnings per share increased 19.3% (2017: 22.7%) to 27.28 pence (2017: 22.86 pence). Reported profit before tax was £21.1 million (2017: £18.9 million) and reported earnings per share increased to 18.5 pence (2017: 17.1 pence).

I am particularly pleased to note that the Group's adjusted profit before tax has doubled in the last three years, from £14.5 million in 2015 to £29.1 million in 2018.

Our business model

Midwich is a specialist distributor serving only the trade market and specialising in audio-visual equipment. With initial operations in the UK, the Group has expanded its footprint to include Ireland, Continental European (Benelux, France, Germany and Iberia, with businesses in Italy and Switzerland joining the Group post year-end) and Asia Pacific (Australia, New Zealand, Hong Kong, Malaysia and Singapore). The Group has a long-standing programme of supplementing its organic growth with the acquisition of smaller businesses which provide it with access to new products, sectors and geographical markets. Our general strategy is to acquire businesses which not only add to the Group's capabilities, but which provide exciting opportunities for growth and widen our addressable market. We continue to have significant success with this strategy.

We believe that our primary role as a distributor is to facilitate growth in the markets in which we operate.

We believe that our ability to help our manufacturer partners to gain access and grow their businesses in geographical and vertical markets is a particular strength of Midwich. This ability often results in a number of manufacturers wishing to follow the Group as it enters new markets; providing us with an ability to rapidly develop newly acquired businesses.

The Group's long-standing relationships with over 400 vendors, including blue-chip organisations such as Samsung, LG, Epson and NEC, supports a comprehensive product portfolio across major audio-visual categories such as large format displays, projectors, technical and professional video, audio and digital signage. The Group operates as the sole or largest in-country distributor for many of its vendors in their respective product sets. We attribute this position to the Group's technical expertise, extensive product knowledge, focused sales capability and strong customer service offering built up over many years.

The Group offers a range of support to our customers, including demonstrating products, training their staff, providing technical advice, logistics, and post-sales support. We have 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, we believe that the majority of our products are used by commercial and educational establishments rather than consumers.

Midwich has an established track record of acquiring complementary businesses and then assisting them to grow significantly. Over the past five years around one third of revenue and profit growth has been derived from acquired businesses, with the majority of growth being organic. Between 2006 and 2008 our acquisition strategy was focused primarily on adding more technical businesses into the UK segment. From 2009 the focus turned to expanding the business outside the UK, with a primary drive to have a presence in the three largest European AV markets (the UK, France and Germany) and then expanding the business further across Europe. The Group trades as Sidev in France, Kern & Stelly and New Media in Germany, Earpro in Iberia, van Domburg in the Benelux, Prase in Italy, MobilePro in Switzerland and Square One Distribution in Ireland. Our businesses in Australia and New Zealand trade under the Midwich name and also as Blonde Robot.

A continually evolving and growing market sector

Our addressable market in professional audio-visual solutions covers areas such as sound, video, lighting, display and projection systems. These solutions are prevalent and relied upon in many areas of daily life – at home, in transit, at the workplace and in a wide range of retail, leisure and recreational uses. The application of AV systems is found in areas such as workplace collaboration, conferencing and digital signage solutions, with end users broadly covering the corporate, events, government, education, retail, hospitality, healthcare and residential markets. The increased use of this technology is being driven by a number of inter-related factors, such as an increased pace of both technological advancements and technology adoption, changes to working day practices, continued technology convergence, and evolving social and consumer trends.

Economic recovery since the global recession has also been beneficial for the AV market, albeit even a more benign corporate and consumer investment environment failed to significantly dampen growth in the market. Fundamentally, we believe that AV solutions are used to enhance efficiency or provide organisations with a competitive advantage – they therefore have an appeal in periods of economic growth and more challenging times.

In addition to this increased use of our core product sets by end users, the recent trend in the AV market has been towards increased use by large manufacturers of distributors as intermediaries in the AV supply chain, driven by economic factors (vendors trying to reduce costs and financial risk) and growth aspirations (vendors seeking to maximise growth prospects for expanded product lines by an increased distribution reach).

Key events in 2018

This year has seen a number of important events for our business, including:

- Continued development of our broadcast and professional video capabilities;
- Expansion of our audio business in the UK and Ireland and France;
- Three acquisitions: Sound Directions (trading as Perfect Sound), Bauer & Trummer (trading as New Media) and Blonde Robot, which added additional product specialisms into our French, German and Australasian businesses respectively;
- Entry into the South East Asian market through the acquisition of Blonde Robot;
- Strong full year performance from each of the three businesses acquired in 2017 (Earpro, van Domburg and Sound Technology);
- Recruitment of Stephen Lamb as Group Finance Director; and
- Strengthening of the Group’s central team, which should enable us to acquire and integrate businesses quicker and more effectively.

We acquired New Media in August 2018. Headquartered in Nuremburg, New Media is a specialist distributor of broadcast and professional video products including cameras, recording hardware, editing software and accessories. New Media predominantly serves the German, Austrian and Swiss markets and is believed to be the leading distributor of its kind in this region. After the successful purchase of Holdan Limited in the UK in 2016, the acquisition underlines the Group's investment in broadcast technology, which continues to converge with the traditional market covered in Germany by Kern & Stelly.

Perfect Sound is a value-added distributor of professional audio products based in France and serves predominantly the French and French speaking Swiss markets. Headquartered in St Etienne, Perfect Sound has a particular focus on the audio integration market, and is a strong complementary fit with Sidev, the Group's French business.

Blonde Robot was acquired shortly before the year end and is a value-add distributor of professional video, broadcast and photography products. Headquartered in Melbourne, Australia, with subsidiaries in Hong Kong, Malaysia and Singapore, Blonde Robot distributes product in a number of countries across the Asia Pacific region, including Australia, New Zealand, Hong Kong, Singapore, Thailand and Malaysia.

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

UK and Ireland
The UK and Ireland segment is our most established division. We achieved revenue of £315.8 million, an improvement of 11.3% compared to last year (2017: £283.7 million), helped by the full year effect of the acquisition of Sound Technology Limited in December 2017. Underlying revenue growth (excluding the effects of the acquisition in the prior year) was 1.8% (2017: 5.6%).

The audio, lighting and technical video product sets grew particularly strongly in the UK and Ireland segment, as did some of the more specialist display categories such as interactive and LED. Such changes to the product mix in the UK & Ireland led to an improvement in the gross profit margin from 16.2% to 17.4% and an increase in the adjusted operating profit of 17.2% to £19.6 million (2017: 25.0% to £16.7 million).

Continental Europe
The Continental European division comprises our businesses in the Benelux, France, Germany and Iberia. Post period end we expanded our Continental European division to include businesses in Switzerland and Italy.

We improved revenue by 42.2% in the year to £222.0 million (2017: 60% to £156.2 million), helped by the full year effect of the acquisitions of Earpro and Gebroeders van Domburg in 2017 and New Media and Perfect Sound in the second half of 2018. Underlying revenue growth (excluding the effects of the acquisition in the current and prior year) was 20.4% (2017: 26.5%).

Revenue in France and Germany increased by 27% and 23% respectively, and our Iberian and Benelux businesses, which were acquired in 2017 contributed an additional £33.7 million of revenue in 2018.

All product categories grew strongly in Continental Europe, with technical video, audio and lighting showing the greatest improvement. The gross margins in each of these categories are above average for the division. Overall changes to the product mix in Continental Europe led to an improvement in the gross profit margin from 13.9% to 14.9% and an increase in the adjusted operating profit of 36.9% to £10.2 million (2017: 51.2% to £7.5 million).

Asia Pacific
Asia Pacific achieved an 11.8% (2017: 25.7%) growth in sales from £32.1 million to £35.9 million. The gross margin percentage increased from 17.7% to 18.4% in the year as a combination of stronger sales and margins in the displays category, including particularly interactive and LED displays, offset to some degree by lower audio sales. Adjusted operating profit in Asia Pacific increased by 14% (2017: 60.8%) from £2.6 million to £2.9 million.

Product offering
The Group distributes and provides technical support for a comprehensive range of technologies. The range of products varies across the geographies, with the UK and Ireland offering the largest suite of product options.

Technologies
The Displays category is the largest technology category for the Group, accounting for 43.3% of Group revenue in 2018 (2017: 42.6%). This category grew 23.7% (2017: 30.4%) in the year, with strong growth in interactive sales across the Group, large format displays in Germany and the full year impact of Large Format Displays ("LFD") sales in the Benelux and Iberia.

Projection represented 18.4% of Group revenue (2017: 22.1%), with sales remaining broadly flat in the year (2017: growth 17.5%). We believe that the overall long-term trend is for certain parts of the projector market to be replaced by LFD.

Sales of technical products, which include Audio, Broadcast, Lighting, LED and Technical Video rose by an aggregate of 54.7% (2017: 80.0%). Audio sales more than doubled, helped significantly by the full year impact of the acquisitions of Earpro and Sound Technology in 2017. Lighting and LED sales also increased significantly. Technical Video product revenue increased in every territory. In aggregate, these technical product categories constituted 26.4% of Group sales in the year (2017: 20.5%), with most technical product categories enjoying gross margins in excess of the Group average. We believe that our technical expertise, focus and scale mean that the Group is the defacto distributor of choice for customers and vendors involved in complex, technically challenging projects.

Summary of Group strategy
The Group's growth strategy has been, and continues to be, both organic and inorganic. Our success in sourcing, executing and integrating our chosen acquisitions underpins this growth strategy. The Group takes a disciplined approach to acquisitions, seeking to add capital value without an adverse impact on the existing business. We have a strong ongoing pipeline of opportunities.

Our overall strategy focuses on:

- technology, product and vendor selection in established markets, in order to maximise the value we can add to customers;
- gaining profitable market share in developing markets; and
- identifying profitable new markets (whether geographical, customer or technology) which the Group can enter, either through acquisition or through a new start-up.

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

We are pursuing acquisition opportunities that would fit within our strategic focus of adding new product ranges, capabilities or geographies to our existing portfolio. Shortly after the year end we established a presence in Switzerland through the acquisition of MobilePro and entered the Italian market through the acquisition Prase.

The Board is continuing to pursue its established strategy and is pleased with the progress made during 2018. Trading in the first two months of 2019 has built on the good growth we saw through last year, giving the Board confidence in delivering a 2019 performance in line with its existing expectations.

Stephen Fenby
Managing Director

Financial Review

Summary

We achieved further strong growth in 2018 with revenue increasing by 21.6% to £573.7 million (2017: £471.9 million). Excluding the impact of acquisitions and currency movements, organic revenue growth was 8.7% (2017: 11.9%). Our gross profit margin increased by 1.0% (2017: 0.2%) to 16.5% (2017: 15.5%).

The £5.2 million (2017: £6.5 million) additional adjusted operating profit was an increase of 20.9% at constant currency (2017: 31.3%) year on year. Operating profit before adjustments grew from £20.8 million to £24.7 million.

Statutory financial highlights

	Year to 31 December 2018 £m	Year to 31 December 2017 £m	Total growth %
Revenue	573.7	471.9	21.6%
Gross profit	94.6	73.1	29.3%
Operating profit	24.7	20.8	18.9%
Profit before tax	21.1	18.9	11.5%
Profit after tax	15.3	14.0	9.3%
Basic EPS - pence	18.53	17.06	8.6%

Adjusted financial highlights[1]

	Year to 31 December 2018 £m	Year to 31 December 2017 £m	Total growth %	Growth at constant currency %
Revenue	573.7	471.9	21.6%	21.4%
Gross profit	94.6	73.1	29.3%	29.2%
Gross profit margin %	16.5%	15.5%	+1.0%	+1.0%
Adjusted operating profit	30.2	25.0	20.8%	20.9%
Adjusted profit before tax	29.1	24.3	19.7%	19.9%
Adjusted profit after tax	22.3	18.7	19.7%	19.8%
Adjusted EPS - pence	27.28	22.86	19.3%	

[1]Definitions of the alternative performance measures are set out on page 30

Currency movements had a limited impact across the Group in 2018. On a constant currency basis, growth in revenue was 21.4% (2017: 24.2%) and growth in adjusted profit after tax was 19.8% (2017: 26.4%).

Segmental reporting

The Board has taken the decision to amend the presentation of segmental information to more closely fit the management structure of the Group. Accordingly, our mainland European businesses have now been amalgamated for presentation purposes into Continental Europe. Following our investment in Blonde Robot, which has a presence in both Australia and South East Asia, our Australasia region has been renamed Asia Pacific ('APAC'). Group costs have also been separated from the UK & Ireland segment.

Each of the trading segments performed strongly.

UK & Ireland

£million	**Year to 31 December 2018**	Year to 31 December 2017
Revenue	**315.8**	283.7
Adjusted operating profit	**19.6**	16.7

The UK and Ireland segment revenue grew 11.3% (2017: 14.9%) to £315.8 million (2017: £283.7 million) generating gross profit of £54.9 million (2017: £45.8 million) at a gross profit margin of 17.4% (2017: 16.2%). This resulted in an adjusted operating profit of £19.6 million (2017: £16.7 million), an increase of 17.2% (2017: 25.0%) on the prior year. Organic revenue growth excluding the effects of acquisitions in the current and prior period was 1.8% (2017: 5.6%).

Continental Europe

£million	**Year to 31 December 2018**	Year to 31 December 2017
Revenue	**222.0**	156.2
Adjusted operating profit	**10.2**	7.5

The Continental Europe segment revenue grew 42.2% (2017: 59.9%) to £222.0 million (2017: £156.2 million). Gross profit increased to £33.1 million (2017: £21.6 million) at a gross profit margin of 14.9% (2017: 13.9%) leading to an adjusted operating profit of £10.2 million (2017: £7.5 million) that has increased 36.9% (2017: 51.2%) on the prior year. In constant currency, revenue grew by 40.5% (2017: 49.5%) and adjusted operating profit grew 35.6% (2017: 41.7%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, increased by 20.4% (2017: 26.5%).

Asia Pacific

£million	**Year to 31 December 2018**	Year to 31 December 2017
Revenue	**35.9**	32.1
Adjusted operating profit	**2.9**	2.6

The Asia Pacific segment revenue grew 11.8% to £35.9 million (2017: £32.1 million) generating gross profit of £6.6 million (2017: £5.7 million) at a gross profit margin of 18.4% (2017: 17.7%). This has resulted in an adjusted operating profit of £2.9 million (2017: £2.6 million), an increase of 14.0% (2017: 60.8%) on the prior year. In constant currency, revenue grew by 18.0% (2017: 17.4%) and adjusted operating profit grew 20.4% (2017: 50.0%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, increased by 13.4% (2017: 17.4%).

Group costs

Group costs for the year were £2.5 million (2017: £1.7 million). The increase reflects additional investment in legal, compliance, information technology and acquisition and business integration capabilities to support the Group's growth strategy.

Profit before tax

Profit before tax for the year increased by 11.5% (2017: 56.2%) to £21.1 million (2017: £18.9 million), while adjusted profit before tax increased by 19.9% (2017: 31.9%), at constant currency, to £29.1 million (2017: £24.3 million).

Tax

The adjusted effective tax rate was 23.3% in 2018, representing a small increase on 2017 (23.2%) which reflects an increase in the mix of profits arising in higher tax jurisdictions.

Earnings per share

Basic earnings per share is calculated on the total profit of the Group attributable to shareholders. Basic EPS for the year was 18.53p (2017: 17.06p), representing growth of 9% (2017: 56%). Diluted EPS was 18.36p (2017: 17.0p). Adjusted EPS grew by 19.3% (2017: 22.7%) to 27.28 pence (2017: 22.86 pence).

Dividend

The Board has recommended a final dividend of 10.60p per share (2017: 9.65p) which, together with the interim dividend of 4.60p paid in October 2018 gives a final dividend of 15.20p for 2018 (2017: 13.82p). If approved by shareholders at the general meeting, the final dividend will be paid on 21 June 2019 to those shareholders on the register on 17 May 2019.

Cash flow

£million	**Year to 31 December 2018**	Year to 31 December 2017
Adjusted operating profit	**30.2**	25.0
Add back depreciation	**2.5**	1.8
Adjusted EBITDA	**32.7**	26.8
Increase in adjusted stocks	**(9.4)**	(7.2)
Increase in adjusted debtors	**(3.2)**	(12.0)
Increase in adjusted creditors	**10.0**	14.7
Adjusted cash flow from operations	**30.1**	22.3
EBITDA cash conversion	***91.9%***	*83.4%*

The Group's adjusted operating cash flow conversion, calculated comparing adjusted cash flow from operations with adjusted EBITDA, increased to 91.9% compared to 83.4% for the prior year. The performance for the current year reflected a very strong close to the year and resulted in an operating cash conversion ahead of our longer-term average of between 70-80%.

Gross capital spend on tangible assets was £2.4 million (2017: £3.1 million). Rental assets accounted for £1.3 million (2017: £2.2 million) of this spend. Capital expenditure on plant and equipment was £1.0 million (2017: £0.9 million). Intangible asset additions in 2018 include £0.6 million (2017: nil) in relation to the Group's new ERP solution.

Net debt

At 31 December 2018, the Group had net debt of £25.7 million (2017: £22.3 million). The Group has a strong balance sheet with closing net debt/adjusted EBITDA ratio of 0.8 (2017: 0.8). This, combined with the Group's underlying cash generation, equips the Group well to fund short term swings in working capital as the Group delivers organic growth as well as continue to pursue accretive acquisitions. Year-end borrowings of £42.4 million (2017: £50.5 million) compare to facilities totalling £92 million (2017: £73 million) at that date. During the year the Group added a £15 million revolving credit facility to support its buy and build acquisition strategy where appropriate opportunities arise. This was increased to £20 million after the year end.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £36.0 million (2017: £31.4 million) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2018, the Board believes there are no indications of impairment. The intangible assets arising from business combinations, for exclusive supplier contracts, customer relationships and brands, are amortised over an appropriate period.

Working capital

Working capital management is a core part of the Group's performance. At 31 December 2018, the Group had working capital (Trade and other receivables plus inventories less trade and other payables) of £59.8 million (2017: £54.7 million). This represented 10.4% of current year revenue (2017: 11.6%).

Adjustments to reported results

	2018 £000	2017 £000
Operating profit	**24,747**	**20,809**
Acquisition costs	365	336
Share based payments	1,120	551
Employer taxes on share based payments	221	118
Amortisation	3,792	3,230
Adjusted operating profit	**30,245**	**25,044**
Profit before tax	**21,077**	**18,898**
Acquisition costs	365	336
Share based payments	1,120	551
Employer taxes on share based payments	221	118
Amortisation	3,792	3,230
Finance costs – deferred and contingent consideration	2,219	(81)
Finance costs – put option	311	1,257
Adjusted profit before tax	**29,105**	**24,309**
Profit after tax	**15,285**	**13,979**
Acquisition costs	365	336
Share based payments	1,120	551
Employer taxes on share based payments	221	118
Amortisation	3,792	3,230
Finance costs – deferred and contingent consideration	2,219	(81)
Finance costs – put option	311	1,257
Tax impact	(981)	(726)
Adjusted profit after tax	**22,332**	**18,664**
Profit after tax	**15,285**	**13,979**
Non-controlling interest	(561)	(422)
Profit after tax attributable to owners of the Parent Company	**14,724**	**13,557**
Number of shares for EPS	79,448,200	79,448,200
Reported EPS – pence	**18.53**	**17.06**
Adjusted EPS – pence	**27.28**	**22.86**

The directors present adjusted operating profit, adjusted profit before tax, and adjusted profit after tax as alternative performance measures in order to provide relevant information relating to the performance of the Group. Adjusted profits are a reflection of the underlying trading profit and are important measures used by directors for assessing Group performance. The definitions of the alternative performance measures are set out on page 30.

Principal risks

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

The Group actively measures the retention of talent within the business, actively engages with employees by focusing on training and development and conducts an annual assessment of remuneration packages to ensure market position is maintained. In addition, the Group has adopted share plans to align the interests of senior management and the broader employee workforce with those of Shareholders.

The Board has made succession planning a key agenda item.

Expected benefits from acquisitions may not be realised
The Group intends to continue executing its strategy of entering new jurisdictions through carefully targeted acquisitions. The Group also intends to pursue targeted acquisitions in its current markets in order to bolster product offerings and sector penetration, increase scale and to gain access into new market segments.

Acquisitions give rise to inherent execution and integration risk. The process of integration may produce unforeseen operating difficulties and expenditures, and may absorb significant attention of the Group's management. They also may involve unforeseen liabilities, difficulties in realising costs or revenues, loss of key employees and customer relationship issues. A poorly implemented acquisition could damage the Group's reputation, brand and financial position.

The Group only enters into acquisitions after a thorough due diligence exercise which will involve a detailed review of operational resource, financial trends and forecasts, as well as a thorough analysis of the target's compliance record. Numerous personal visits to the target will take place in order to establish the viability of accommodating it and its senior management into the Group. The structure of most acquisitions will involve a significant financial incentive for departing shareholders to perform toward certain financial targets in the first three years after acquisition in order to maximize their disposal value.

Full business appraisal and diligence reports are prepared and presented to the Board.

Loss of key customers
Most of the Group's customers contract with the Group on a deal by deal basis with no formal ongoing purchasing commitment. As such they have a voluntary right to terminate their contractual relationships with the Group without notice or penalties. There is therefore a lack of certainty in respect of the retention of existing customers who may elect not to continue contracting with the Group.

The Group does have a very large customer base of over 17,000 AV integrators and IT resellers many of whom have long-term relationships with it. The diversity of the Group's customer base is demonstrated by the fact that that no customer accounted for more than 2.0% (2017: 2.0%) of overall Group revenues for the year ended 31 December 2018. By providing a best in class service in terms of stock availability, logistics and credit capacity, the Group intends to continue to keep our customer base satisfied.

Loss of key vendors
There is no formal ongoing contractual commitment to the Group by the majority of vendors. As such they have a right to terminate their contractual relationships with the Group without notice or penalties. In addition, certain vendors provide the Group with incentives in the form of rebates, marketing developments funds, early payment discounts and price protections which enable the Group to manage profitability. There can be no assurance that the Group will continue to receive the same level of income in future.

Many of the Group's vendor relationships are long-term, established and now cover a number of territories. By bringing projects to our vendors and enabling them to fulfil their market share aspirations the Group will continue to maintain strong relationships with its vendors.

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

The Group has defined policy statements which articulate the protocols adopted to minimise the risk of a breach. Staff training takes place on a regular basis to ensure behavioural alignment with these policies. Acquired businesses are subject to a post-acquisition onboarding process which includes improvement of compliance protocols where necessary. The Board is regularly updated on compliance matters. This includes a full review across the Group on an annual basis.

Brexit uncertainty
The Group operates across multiple geographies and relies on the availability of physical goods, the majority of which are manufactured outside of the European Union ("EU"), but distributed within the EU by its vendors. A "hard" Brexit could lead to disruption in the availability of goods to the Group's UK and Ireland businesses (55% of Group revenue in 2018).

The Board is monitoring Brexit risks and reviewing action plans, although the outcome of Brexit negotiations is currently subject to a high degree of uncertainty.

In the short-term, disruption to the supply of products could affect the ability of UK and Ireland operations to meet customer demand. The UK business expects to hold approximately two months' inventory at the time of Brexit and is working closely with key vendors to maintain availability of goods during any initial post-Brexit disruption.

Longer-term risks include tariffs and divergence of regulation and standards between the UK and the EU. Whilst the range of tariffs for our principal products under World Trade Organisation rules is from 0% to 14%, the average tariff is approximately 1.5%. This is expected to affect the wider AV industry consistently. The Group is, and will continue to, work closely with its vendors to minimise any Brexit related disruption.

The Group currently services its Republic of Ireland business from the UK. Following a review of alternatives, this model is expected to continue, although direct EU to Ireland options will be evaluated in the event of material tariffs or permanent disruptions to the UK to Ireland supply chain.

The Group's European businesses each operate locally, with export sales from the UK to Continental Europe representing less than 5% of UK revenue. There are no significant dependencies on migrant labour, cross border financing or centralised infrastructure.

Based on the Board's review of the current Brexit risks the directors do not believe, at this time, that Brexit will result in any impairment of Group assets or materially impact the Group's ability to continue as a going concern.

Consolidated income statement for the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue		573,682	471,937
Cost of sales		(479,120)	(398,810)
Gross profit		94,562	73,127
Distribution costs		(56,329)	(45,679)
Total administrative expenses		(16,511)	(9,470)
Other operating income		3,025	2,831
Operating profit		24,747	20,809
Comprising			
Adjusted operating profit		30,245	25,044
Costs of acquisitions	3	(365)	(336)
Share based payments		(1,120)	(551)
Employer taxes on share based payments		(221)	(118)
Amortisation		(3,792)	(3,230)
		24,747	20,809
Finance income		81	5
Finance costs	4	(3,751)	(1,916)
Profit before taxation		21,077	18,898
Taxation		(5,792)	(4,919)
Profit after taxation		15,285	13,979
Profit for the financial year attributable to:			
The Company's equity shareholders		14,724	13,557
Non-controlling interest		561	422
		15,285	13,979
Basic earnings per share		18.53p	17.06p
Diluted earnings per share		18.36p	17.00p

Consolidated statement of comprehensive income for the year ended 31 December 2018

	2018	2017
	£'000	£'000
Profit for the financial year	15,285	13,979
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Foreign exchange gains on consolidation	158	974
Other comprehensive income for the financial year, net of tax	158	974
Total comprehensive income for the year	15,443	14,953
Attributable to:		
Owners of the Parent Company	14,894	14,531
Non-controlling interests	549	422
	15,443	14,953

Consolidated statement of financial position as at 31 December 2018

	Notes	2018	2017
Assets		**£'000**	**£'000**
Non-current assets			
Goodwill		11,188	9,094
Intangible assets		24,766	22,310
Property, plant and equipment		7,391	7,692
Deferred tax assets		1,222	387
		44,567	39,483
Current assets			
Inventories		74,379	62,984
Trade and other receivables		83,139	76,361
Derivative financial instruments		25	-
Cash and cash equivalents		16,685	28,203
		174,228	167,548
Current liabilities			
Trade and other payables		(97,729)	(84,617)
Derivative financial instruments		-	(93)
Put option liabilities		(1,746)	-
Deferred consideration		(4,005)	(4,841)
Borrowings and financial liabilities	6	(35,151)	(50,176)
Current tax		(2,892)	(2,873)
		(141,523)	(142,600)
Net current assets		32,705	24,948
Total assets less current liabilities		77,272	64,431
Non-current liabilities			
Trade and other payables		(736)	(181)
Put option liabilities		(4,654)	(5,195)
Deferred consideration		(757)	(1,197)
Borrowings and financial liabilities	6	(7,211)	(321)
Deferred tax liabilities		(5,512)	(4,445)
Other provisions		(56)	-
		(18,926)	(11,339)
Net assets		58,346	53,092
Equity			
Share capital	8	794	794
Share premium		25,855	25,855
Share based payment reserve		1,837	751
Investment in own shares		(5)	(5)
Retained earnings		27,766	24,331
Translation reserve		1,861	1,691
Put option reserve		(4,532)	(3,638)
Capital redemption reserve		50	50
Other reserve		150	150
Equity attributable to owners of the Parent Company		53,776	49,979
Non-controlling interests		4,570	3,113
Total equity		58,346	53,092

Consolidated statement of changes in equity for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'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	794	25,855	751	(5)	24,331	1,691	(3,638)	50	150	49,979	3,113	53,092
Profit for the year	-	-	-	-	14,724	-	-	-	-	14,724	561	15,285
Other comprehensive income	-	-	-	-	-	170	-	-	-	170	(12)	158
Total comprehensive income for the year	-	-	-	-	14,724	170	-	-	-	14,894	549	15,443
Share based payments	-	-	1,120	-	-	-	-	-	-	1,120	-	1,120
Deferred tax on share based payments	-	-	(34)	-	-	-	-	-	-	(34)	-	(34)
Acquisition of subsidiary (note 10)	-	-	-	-	-	-	(894)	-	-	(894)	908	14
Dividends paid	-	-	-	-	(11,289)	-	-	-	-	(11,289)	-	(11,289)
Balance at 31 December 2018	794	25,855	1,837	(5)	27,766	1,861	(4,532)	50	150	53,776	4,570	58,346

For the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'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 2017	794	25,855	84	(5)	19,765	717	(1,770)	50	150	45,640	952	46,592
Profit for the year	-	-	-	-	13,557	-	-	-	-	13,557	422	13,979
Other comprehensive income	-	-	-	-	-	974	-	-	-	974	-	974
Total comprehensive income for the year	-	-	-	-	13,557	974	-	-	-	14,531	422	14,953
Acquisition of non-controlling interest (note 9)	-	-	-	-	(79)	-	681	-	-	602	(602)	-
Share based payments	-	-	551	-	-	-	-	-	-	551	-	551
Deferred tax on share based payments	-	-	116	-	-	-	-	-	-	116	-	116
Acquisition of subsidiary (note 10)	-	-	-	-	-	-	(2,549)	-	-	(2,549)	2,341	(208)
Dividends paid	-	-	-	-	(8,912)	-	-	-	-	(8,912)	-	(8,912)
Balance at 31 December 2017	794	25,855	751	(5)	24,331	1,691	(3,638)	50	150	49,979	3,113	53,092

Consolidated statement of cash flows for the year ended 31 December 2018

	2018 £'000	2017 £'000
Cash flows from operating activities		
Profit before tax	21,077	18,898
Depreciation	2,504	1,793
Amortisation	3,792	3,230
Loss/(gain) on disposal of assets	27	(21)
Share based payments	1,120	551
Foreign exchange losses	4	156
Finance income	(81)	(5)
Finance costs	3,751	1,916
Profit from operations before changes in working capital	32,194	26,518
Increase in inventories	(9,468)	(7,217)
Increase in trade and other receivables	(3,221)	(11,954)
Increase in trade and other payables	10,246	14,724
Cash inflow from operations	29,751	22,071
Income tax paid	(7,377)	(4,784)
Net cash inflow from operating activities	22,374	17,287
Cash flows from investing activities		
Acquisition of businesses, net of cash and debt acquired	(5,152)	(6,254)
Deferred consideration paid	(5,507)	(1,511)
Purchase of intangible assets	(778)	(48)
Purchase of plant and equipment	(2,360)	(3,064)
Proceeds on disposal of plant and equipment	382	528
Interest received	81	5
Net cash used in investing activities	(13,334)	(10,344)
Net cash flows from financing activities		
Acquisition of non-controlling interest	-	(751)
Dividends paid	(11,289)	(8,912)
Invoice financing (outflows)/inflows	(8,704)	5,673
Proceeds from borrowings	10,668	-
Repayment of loans	(2,107)	(26)
Interest paid	(1,362)	(647)
Interest on finance leases	(28)	(4)
Capital element of finance lease payments	(99)	(121)
Net cash outflow from financing activities	(12,921)	(4,788)
Net (decrease)/increase in cash and cash equivalents	(3,881)	2,155
Cash and cash equivalents at beginning of financial year	20,010	17,201
Effects of exchange rate changes	228	654
Cash and cash equivalents at end of financial year	16,357	20,010
Comprising:		
Cash at bank	16,685	28,203
Bank overdrafts	(328)	(8,193)
	16,357	20,010

Notes to the consolidated financial statements

1. Accounting policies

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

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

IFRS is subject to amendment and interpretation by the IASB and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 December 2018.

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

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

Basis of consolidation
The Consolidated Financial Statements incorporate the results of Midwich Group plc ("the Company") and entities controlled by the Company (its subsidiaries).

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

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

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

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

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

Non-controlling interests are measured initially at fair value.
Acquisition-related costs are expensed as incurred.

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

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

Going concern
The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity to continue in operational existence for the foreseeable future. During 2018 the company agreed to a revolving credit facility (RCF) to support the acquisitive growth strategy. At the end of 2018 the directors considered the working capital of the business to be adequate for its needs, and the Group therefore continues to adopt the going concern basis in preparing consolidated financial statements. In February 2019, the Group increased both its working capital facilities and revolving credit facility to increase headroom for future growth.

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

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

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

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

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

The sale of goods for a fixed fee is recognised when or as the Group transfers control of the assets to the customer. Invoices for goods or services transferred are due upon receipt by the customer.

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

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

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

Other finance costs include the changes in fair value of derivatives and other financial instruments measured at fair value through profit or loss.

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

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

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

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

The useful lives of other intangible assets are assessed as finite.

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

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

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

Patent licences	3-10 years
Software	3-10 years
Brands	5-15 years
Customer relationships	5-15 years
Exclusive supplier contracts	5-15 years

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

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

Land	Not depreciated
Freehold buildings	50 years
Leasehold improvements	Period of the lease
Plant and equipment (including rental assets)	3-10 years

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

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

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

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

Impairment of non-financial assets including goodwill

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

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

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

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

An impairment loss is recognised as an expense immediately.

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

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

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

Financial instruments
Financial instruments are comprised of financial assets and financial liabilities, which are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when extinguished.

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

The Group classifies financial assets into three categories:

- financial assets measured at amortised cost;
- financial assets measured at fair value through other comprehensive income; and
- financial assets measured at fair value through profit or loss.

The classification of a financial asset depends on the Group's business model for managing the asset and the contractual cash flow characteristics associated with the asset.

Financial assets with embedded derivatives are recognised as hybrid contracts. Hybrid contracts are classified in their entirety and not in separate components.

Investments in equity instruments that are not held for trading are classified as financial assets measured at fair value through profit and loss unless the Group makes an irrevocable election on initial recognition to classify the asset as measured at fair value through other comprehensive income.

Trade receivables that do not contain a significant financing component are initially measured at transaction price. All other financial assets classified as either financial assets measured at amortised cost, or financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset.

Financial assets measured at fair value through profit and loss are initially measured at fair value and any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss.

Financial assets measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial asset are renegotiated or otherwise modified the financial asset is recalculated at the present value of the modified contractual cash flows discounted at the financial asset's original effective interest rate.

Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss are subsequently measured at fair value.

Expected credit loss impairments are recognised in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income immediately on initial recognition of the respective financial asset being impaired.

Expected credit losses are measured using an expected credit loss model. The expected credit loss model reflects a probability weighted amount derived from a range of possible outcomes that are discounted for the time value of money and based on reasonable and supportable information.

Where trade receivables contain a significant financing component the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

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

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

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and any transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are initially measured at the amount of the consideration received in respect of the financial asset.

All other financial liabilities are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability.

Financial liabilities measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate.

Financial liabilities measured at fair value through profit and loss are subsequently measured at fair value.

The subsequent measurement of financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies depends upon whether the transferred asset is measured at amortised cost or fair value. If the transferred asset is measured at amortised cost then associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained by the entity. However, if the transferred asset is measured at fair value the associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is equal to the fair value of the rights and obligations retained by the entity when measured on a stand-alone basis.

Financial guarantee contracts are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount of the initially recognised.

Commitments to provide loans at below market interest rates are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount initially recognised.

Contingent consideration recognised in a business combination is subsequently measured at fair value.

Trade and other receivables
Trade and other receivables are financial assets recognised when the Group becomes party to the contractual provisions of the instrument.

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

Cash and cash equivalents

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

Borrowings

Borrowings include bank loans and overdrafts, loan notes, amounts advanced under invoice factoring arrangements, and finance leases. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are financial liabilities that are recognised when the Group becomes party to the contractual provisions of the instrument.

Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability.

Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities.

Trade and other payables

Trade and other payables are financial liabilities recognised when the Group becomes party to the contractual provisions of the instrument.

Trade and other payables are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument.

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

Put option liabilities

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

Foreign currency

The presentation currency for the Group's consolidated financial statements is Sterling. Foreign currency transactions by group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the income statement, within administrative expenses.

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

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

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

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

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

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

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

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

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

Contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate.

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

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

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

Equity

Equity comprises the following:

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

Share-based payments

Equity-settled share-based payments to employees and directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and directors is recognised as an expense over the vesting period. The fair value of the equity instruments are determined at the date of grant, taking into account market based vesting conditions. The fair value of goods and services received are measured by reference to the fair value of options.

The fair values of share options are measured using the Black Scholes model. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) become fully entitled to the award ("the vesting date").

The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Where an equity-settled award is forfeited during the vesting period, the cumulative charge expensed up to the date of forfeiture and is credited to the income statement.

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Group and Company financial statements. Any assets held by the EBT cease to be recognised on the group balance sheet when the assets vest unconditionally in identified beneficiaries.

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

Segment reporting

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

Details of the Group's reporting segments are provided in note 2.

New and amended International Financial Reporting Standards adopted by the Group

The Group adopted IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers' on 1 January 2018. The Group has elected to apply the modified retrospective approach to the transition to both IFRS 9 and IFRS 15. The modified retrospective approach requires the transition to be implemented without restatement of the prior year results. The new standards have not had a material impact on the reported results and there is no adjustment to equity at 1 January 2018 as a result of the implementation of the new standards.

International Financial Reporting Standards in issue but not yet effective

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

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Group plans to adopt IFRS 16 retrospectively to each prior reporting period presented. The Group will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Group will elect to use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., personal computers, printing and photocopying machines) that are considered of low value.

During 2018, the Group has performed a detailed impact assessment of IFRS 16. In summary the impact of IFRS 16 adoption is expected to be, as follows:

Impact on the statement of financial position as at 31 December 2018:

	£000
Assets	
Goodwill	380
Property, plant and equipment (right-of-use assets)	9,732
Deferred tax	199
	10,311
Liabilities	
Lease liabilities	(10,538)
Impact on net assets and equity	(227)

Impact on the income statement for 2018:

	£000
Income statement	
Increase in depreciation expense	1,654
Increase in foreign exchange gain	(4)
Decrease in operating lease expense	(1,847)
Increase in operating profit	(197)
Increase in finance costs	239
Decrease in tax cost	(18)
Decrease in profit for the year	24

Due to the adoption of IFRS 16, the Group's operating profit will improve, while its interest expense will increase. This is due to the change in the accounting for expenses of leases that were classified as operating leases under IAS 17.

Use of alternative performance measures

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

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

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

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

Adjusted EBITDA: This represents adjusted operating profit plus the reported depreciation charge for the period.

Adjusted profit before tax: This is profit before tax adjusted for acquisition related expenses, share based payments and associated employer taxes, amortisation of intangible assets, changes in contingent consideration 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 intangible assets, changes in contingent consideration and financing fair value remeasurements and the tax thereon.

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

Accounting judgements and sources of estimation uncertainty
The preparation of financial statements in accordance with the principles of the IFRSs requires the directors to make judgements and use estimation techniques in order to provide a fair presentation of the Group's financial position and performance.

Accounting judgements represent the accounting decisions made by the directors that have the most significant effect on amounts recognised in the financial statements. Sources of estimation uncertainty represent the assumptions made by management that carry significant risks of a material adjustment to the value of assets and liabilities within the next financial year.

Judgements and estimates are evaluated based on historic experience, on-going developments within the Group, and reasonable expectations of future events. Judgements and estimates are subject to regular review by the directors.

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

Symmetrical put and call options
As a result of a some of the acquisitions the Group has issued a number of symmetrical put and call options over non-controlling interests held by local management.

The liability is recorded at the present value of the redemption amount and is accounted for as a separate component in equity on the basis that the directors have judged that the Group does not currently hold the risks and rewards associated with ownership of these shares. The key judgements in determining whether the risks and rewards regarding control have passed were the proportionate right to dividends and determining if there is exposure to changes in value of shares.

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

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

Fair value of separately identifiable intangible assets in business combinations
The Group is required to calculate the fair value of identifiable assets and liabilities acquired in business combinations. In order to estimate the fair value of separately identifiable assets in business combinations certain assumptions must be made about future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. The fair values of assets and liabilities acquired in business combinations are disclosed in note 10.

Contingent considerations and put option liabilities

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

2. Segmental reporting

Operating segments

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

On 1 January 2018 the Group restructured its internal reporting and combined the results of its previously reported segments into three main trading segments.

2018	**UK & Ireland £'000**	**Continental Europe £'000**	**APAC £'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	**19,567**	**10,227**	**2,936**	**(2,485)**	**30,245**
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	(2,672)	(1,050)	(70)	-	(3,792)
Operating profit	**16,266**	**8,686**	**2,746**	**(2,951)**	**24,747**
Interest					(3,670)
Profit before tax					**21,077**

Other segmental information

2018	**UK & Ireland £'000**	**Continental Europe £'000**	**APAC £'000**	**Other £'000**	**Total £'000**
Segment assets	115,529	84,858	18,066	342	218,795
Segment liabilities	(101,431)	(45,705)	(12,957)	(356)	(160,449)
Segment net assets	**14,098**	**39,153**	**5,109**	**(14)**	**58,346**
Depreciation	1,644	778	82	-	2,504

Other segmental information	**UK £'000**	**International £'000**	**Total £'000**
Non-current assets	21,853	22,714	44,567

2017	UK & Ireland[1] £'000	Continental Europe[1] £'000	APAC £'000	Other[1] £'000	Total £'000
Revenue	283,712	156,163	32,062	-	471,937
Gross profit	**45,830**	**21,637**	**5,660**	**-**	**73,127**
Gross profit %	16.2%	13.9%	17.7%	-	15.5%
Adjusted operating profit	**16,701**	**7,470**	**2,576**	**(1,703)**	**25,044**
Costs of acquisitions	-	-	-	(336)	(336)
Share based payments	(351)	(142)	(50)	(8)	(551)
Employer taxes on share based payments	(66)	(50)	-	(2)	(118)
Amortisation	(2,450)	(730)	(50)	-	(3,230)
Operating profit	**13,834**	**6,548**	**2,476**	**(2,049)**	**20,809**
Interest					(1,911)
Profit before tax					**18,898**

Other segmental information

2017	UK & Ireland[1] £'000	Continental Europe[1] £'000	APAC £'000	Other[1] £'000	Total £'000
Segment assets	122,259	73,242	11,223	307	207,031
Segment liabilities	(108,312)	(38,847)	(6,693)	(87)	(153,939)
Segment net assets	**13,947**	**34,395**	**4,530**	**220**	**53,092**
Depreciation	1,281	385	127	-	1,793

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	25,135	14,348	39,483

[1] Restated to combine France, Germany and the Rest of Europe into one segment and show Group office functions within the Other segment due to internal restructuring undertaken on 1 January 2018.

Revenue from the UK, being the domicile of the Parent Company amounted to £295,067k (2017: £264,514k).

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

Intersegment sales during the year were as follows:

2018

£'000	Selling segment:			
Buying segment:	**UK & Ireland**	**Continental Europe**	**APAC**	**Other**
UK & Ireland	-	108	-	-
Continental Europe	280	-	-	-
APAC	-	-	-	-
Other	-	-	-	-

2017

£'000	Selling segment:			
Buying segment:	**UK & Ireland**	**Continental Europe[1]**	**APAC**	**Other[1]**
UK & Ireland	-	294	-	-
Continental Europe[1]	201	-	-	-
APAC	-	-	-	-
Other[1]	-	-	-	-

[1] Restated to combine France, Germany and the Rest of Europe into one segment and show Group office functions within the Other segment due to internal restructuring undertaken on 1 January 2018.

Information about major customers

Included in revenues arising in 2018 are revenues of £9.0m (2017: £9.3m) that arose from sales to the Group's largest customer, which is based in Germany. No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Administrative expenses

Administrative expenses in the period include £365k of acquisition related costs (2017: £336k). For details of acquisitions in the year see note 10.

4. Finance costs

	2018 £'000	2017 £'000
Interest on overdraft and invoice discounting	1,042	666
Interest on finance leases	28	4
Interest on other loans	151	70
Interest, foreign exchange and other finance costs of deferred and contingent considerations	2,219	(81)
Interest, foreign exchange and other finance costs of put option liabilities	311	1,257
	3,751	1,916

5. Earnings per share

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

Diluted earnings per share is calculated by dividing the profit after tax attributable to equity shareholders of the Company adjusted 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 balance sheet date by the weighted average number of shares in issue during the year adjusted for the effects of all dilutive potential ordinary shares.

	2018	**2017**
Profit attributable to equity holders of the Group (£'000)	14,724	13,557
Weighted average number of shares in issue	79,448,200	79,448,200
Potentially dilutive effect of the Group's share option schemes	725,002	305,464
Weighted average number of diluted ordinary shares	80,173,202	79,753,664
Basic earnings per share	18.53p	17.06p
Diluted earnings per share	18.36p	17.00p

6. Borrowings

	2018 **£'000**	**2017** **£'000**
Secured – at amortised cost		
- Bank overdrafts and invoice discounting	33,157	49,727
- Bank loans	8,689	236
- Finance leases	242	369
	42,088	50,332
Unsecured – at amortised cost		
- Unsecured loan notes	274	165
Total secured and unsecured borrowings	42,362	50,497
Current	35,151	50,176
Non-current	7,211	321
	42,362	50,497

Summary of borrowing arrangements:
The Group has overdraft facilities which comprised £328k at the end of 2018 (2017: £8,193k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group. Included within overdraft facilities as at 31 December 2018 is £196K that was an overdraft facility acquired as part of the Blonde Robot acquisition.

The Group has invoice discounting facilities which comprised £32,829k at the end of 2018 (2017: £41,534k). The facilities comprise fully revolving receivables financing agreements which are secured on the underlying receivables and have no fixed repayment dates.

The Group has loans of £8,963k at the end of 2018 (2017: £401k). The loans are secured with fixed and floating charges over the assets of the Group with the exception of £274k (2017: £165k), which is unsecured. Included within loans as at 31 December 2018 is £1,445k that were loans acquired as part of the New Media, Perfect Sound, and Blonde Robot acquisitions. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has finance leases of £242k at the end of 2018 (2017: £369k). Included within finance leases as at 31 December 2018 is £20K that were finance leases acquired as part of the Blonde Robot acquisition.

Reconciliation of liabilities arising from financing activities

	Long term borrowings £'000	Short term borrowings £'000	Finance leases £'000	Total £'000
At 1 January 2018	165	49,963	369	50,497
Cash flows:				
(Repaid)/advanced	5,199	(15,206)	(149)	(10,156)
Non-cash:				
Acquisitions	1,781	218	22	2,021
	7,145	34,975	242	42,362

7. Financial instrument risk exposure and management

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

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

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

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

The Group's total credit risk amounts to the total of the sum of the trade receivables and cash and cash equivalents. At 31 December 2018 total credit risk amounted to £94,821k (2017: £101,528k).

Interest rate risk
The interest on borrowings, being overdraft and invoice discounting facilities with HSBC Bank plc, a loan and invoice discounting facility with Barclays Bank PLC, and an invoice discount facility with Lloyds Bank Commercial Finance Ltd, is variable. During the year the Group moved an invoice discounting facility with Coöperatieve Rabobank U.A. to HSBC Bank plc.

Based on year end balances a 1% increase in interest rates would impact profit and equity by £421k (2017: £500k).

The interest received on the cash held on deposit is immaterial.

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

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

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

	Annual average		**Year end**	
	2018	**2017**	**2018**	**2017**
EUR/GBP	1.129	1.145	1.115	1.126
AUD/GBP	1.780	1.688	1.809	1.725
NZD/GBP	1.923	1.814	1.902	1.895
USD/GBP	1.337	1.289	1.277	1.349

Applying the current period foreign exchange rates to the reported results for 2017 had the following effect:

Currency	**EUR £000**	**AUD £000**	**NZD £000**
Increase/(decrease) in revenue due to movement in foreign exchange rate:	1,871	(1,516)	(154)
Increase/(decrease) in profit before tax due to movement in foreign exchange rate:	87	(113)	(14)
Increase/(decrease) in net debt due to movement in foreign exchange rate:	69	(8)	(1)

The following table illustrates the sensitivity of the reported profit before tax and equity for 2018 to material exchange rate movements in the pound relative to the Euro, Australian dollar and New Zealand dollar.

It assumes a +/- 10% change in GBP relative to the average and closing rates for these currencies employed in 2018.
If the GBP had strengthened against the above currencies by 10%, the impact, in GBP terms, on the 2018 financial statements would have been:

2018	**EUR £'000**	**AUD £'000**	**NZD £'000**	**USD £'000**
Profit before tax	(1,105)	(222)	(25)	(2)
Equity	(2,799)	(269)	(32)	(8)

If the GBP had weakened against the above currencies by 10%, the impact, in GBP terms, on the 2018 financial statements would have been:

2018	**EUR £'000**	**AUD £'000**	**NZD £'000**	**USD £'000**
Profit before tax	1,350	272	28	3
Equity	3,423	331	37	4

Liquidity risk

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

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

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2018 and 2017, on the basis of their earliest possible contractual maturity:

At 31 December 2018

	Total £'000	Within 2 months £'000	Within 2 -6 months £'000	Between 6 – 12 months £'000	Between 1-2 years £'000	After than 2 years £'000
Trade payables	75,614	68,530	6,826	5	253	-
Other payables	582	582	-	-	-	-
Put option liabilities	7,082	-	-	1,875	4,102	1,105
Finance lease payables	266	33	65	97	71	-
Accruals	11,506	10,300	407	316	8	475
Bank overdrafts, loans and invoice discounting	42,120	32,865	804	1,306	6,725	420
Deferred consideration	4,905	-	3,373	673	9	850
	142,075	112,310	11,475	4,272	11,168	2,850

At 31 December 2017

	Total £'000	Within 2 months £'000	Within 2 -6 months £'000	Between 6 – 12 months £'000	Between 1-2 years £'000	After than 2 years £'000
Trade payables	66,117	54,510	11,262	345	-	-
Other payables	486	486	-	-	-	-
Derivative financial instruments	93	93	-	-	-	-
Put option liabilities	5,461	-	-	-	1,684	3,777
Finance lease payables	384	105	47	70	108	54
Accruals	8,673	7,502	695	295	67	114
Bank overdrafts, loans and invoice discounting	50,128	49,933	12	18	165	-
Deferred consideration	6,038	-	4,841	-	1,197	-
	137,380	112,629	16,857	728	3,221	3,945

8. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2018		2017	
	Number	**£'000**	**Number**	**£'000**
Issued and fully paid ordinary Shares of £0.01 each				
At 1 January	79,448,200	794	79,448,200	794
At 31 December	79,448,200	794	79,448,200	794

There were no share transactions effected during the current or prior year.

Employee benefit trust

The Group's employee benefit trust was allocated 480,700 ordinary shares in 2016. As at 31 December 2018 325,300 of these shares were distributed to the SIP trust, leaving 155,400 ordinary shares in the employee benefit trust as at 31 December 2018 (2017: 241,700).

9. Acquisition of non-controlling interest

On 3 October 2017, the Group acquired 10.5% of the 21% non-controlling interest in Holdan Limited, which had a value of £602k, for a consideration of £750k. £681k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

10. Business combinations

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

Subsidiaries acquired:

Acquisition	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
New Media	Distribution of professional broadcast equipment to trade customers	23 August 2018	100%	3,311
Perfect Sound	Distribution of professional audio products to trade customers	5 September 2018	100%	682
Blonde Robot	Distribution of audio-visual products to trade customers	4 December 2018	65%	1,687
Earpro	Distribution of audio-visual and lighting products to trade customers.	27 March 2017	88.5%	8,311
van Domburg	Distribution of audio-visual and lighting products to trade customers.	6 September 2017	70%	2,942
Sound Technology	Distribution of professional audio, musical and lighting products to trade customers	30 November 2017	100%	3,858

2018 acquisitions

Fair value of consideration transferred:

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

Acquisition costs of £119k in relation to the acquisition of New Media, £47k in relation to the acquisition of Perfect Sound, £83k in relation to the acquisition of Blond Robot, and £116k in relation to other acquisitions not completed before the end of the year were expensed to the income statement during the year ended 31 December 2018.

On acquisition of Blonde Robot the Group recognised £894k in relation to the initial present value of the put option liabilities to acquire the remaining non-controlling interest.

Fair value of acquisitions

2018	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Non-current assets			
Goodwill	1,004	173	924
Intangible assets - customer relationships	1,051	105	1,808
Intangible assets - supplier contracts	1,349	159	427
Intangible assets - brands	337	18	270
Intangible assets - other	15	-	-
Plant and equipment	140	23	86
	3,896	478	3,515
Current assets			
Inventories	702	61	1,164
Trade and other receivables	550	698	2,309
Cash and cash equivalents	327	211	-
	1,579	970	3,473
Current liabilities			
Trade and other payables	(1,045)	(628)	(1,746)
Current tax	-	-	(53)
Derivative financial instruments	-	-	(23)
Borrowings and financial liabilities	(216)	(44)	(1,761)
	(1,261)	(672)	(3,583)
Non-current liabilities			
Deferred tax	(903)	(94)	(752)
Other provisions	-	-	(58)
	(903)	(94)	(810)
Non-controlling interests	-	-	(908)
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	3,311	682	1,687

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

	New Media £'000	Perfect Sound £'000	Blonde Robot £'000
Consideration paid in cash	1,354	628	1,687
Less: cash and cash equivalent balances acquired	(327)	(211)	-
Plus: borrowings acquired	216	44	1,761
Net cash outflow	1,243	461	3,448

Post-acquisition contribution

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

2018

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

Proforma full year contribution

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

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

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

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

2017 acquisitions

Fair value of consideration transferred:

2017	Earpro £'000	van Domburg £'000	Sound Technology £'000
Cash	4,987	1,522	2,600
Deferred consideration	3,324	-	1,258
Deferred contingent consideration	-	1,420	-
Total	8,311	2,942	3,858

Acquisition costs of £81k in relation to the acquisition of Earpro, £164k in relation to the acquisition of van Domburg, £84k in relation to the acquisition of Sound Technology and £7k in relation to the prior year acquisition of Holdan were expensed to the income statement during the year ended 31 December 2017.

On acquisition of Earpro and van Domburg the Group recognised £1,033k and £1,516k in relation to the initial present value of the put option liabilities to acquire the remaining non-controlling interest in each acquisition.

Fair value of acquisitions

2017	Earpro £'000	van Domburg £'000	Sound Technology £'000
Non-current assets			
Goodwill	1,009	2,667	851
Intangible assets - customer relationships	740	2,178	-
Intangible assets - supplier exclusivity	1,488	-	1,553
Intangible assets - trade name	104	158	153
Intangible assets - other	58	-	52
Property, plant and equipment	66	1,765	28
	3,465	6,768	2,637
Current assets			
Inventories	2,053	2,878	2,694
Trade and other receivables	4,003	3,526	4,132
Cash and cash equivalents	3,172	-	65
Current tax	-	-	6
	9,228	6,404	6,897
Current liabilities			
Trade and other payables	(2,723)	(5,334)	(3,655)
Derivative financial instruments	-	-	(128)
Borrowings and financial liabilities	-	(2,877)	(1,617)
Current tax	-	(4)	-
	(2,723)	(8,215)	(5,400)
Non-current liabilities			
Borrowings	-	(170)	-
Deferred tax	(579)	(584)	(276)
	(579)	(754)	(276)
Non-controlling interests	(1,080)	(1,261)	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	8,311	2,942	3,858

Goodwill acquired in 2017 relates to the workforce, synergies and sales know how. Goodwill arising on the Earpro acquisition has been allocated to the Continental Europe operating segment, goodwill arising on the van Domburg acquisition has been allocated to the Continental Europe operating segment and goodwill arising on the Sound Technology acquisition has been allocated to the United Kingdom and Ireland operating segment.

Gross contractual amounts of trade and other receivables acquired in 2017 were £14,271k, with bad debt provision of £2,610k.

Net cash outflow on acquisition of subsidiaries

	Earpro	van Domburg	Sound Technology
	£'000	£'000	£'000
Consideration paid in cash	4,987	1,522	2,600
Plus: overdraft borrowings	-	200	-
Less: cash and cash equivalent balances acquired	(2,989)	-	(65)
Net cash outflow	1,998	1,722	2,535

Post-acquisition contribution

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

2017

	Earpro	van Domburg	Sound Technology
	£'000	£'000	£'000
Date acquired	27 March	6 September	30 November
Post-acquisition contribution to Group revenue	15,081	8,870	1,901
Post-acquisition contribution to Group profit after tax	1,103	174	61

Proforma full year contribution

Acquired subsidiaries would have made the following contributions to the Group's results for the year in which they were acquired if they were acquired on 1 January 2017:

	Earpro	van Domburg	Sound Technology
	£'000	£'000	£'000
Full year revenue[1]	20,530	26,600	21,497
Full accounting period profit after tax[1]	1,388	456	637

If the acquisitions had occurred on 1 January 2017, revenue of the Group for the year would have been £514,712k and profit after tax for the year would have been £14,840k.

[1]These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IFRS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IFRS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2017, together with the consequential tax effects.

11. Related party transactions

Transactions and outstanding balances between the Group companies have been eliminated on consolidation.

Key management personnel are identified as the executive and non-executive directors, and their remuneration is disclosed as follows:

	2018 £'000	2017 £'000
Remuneration of key management		
Remuneration	924	804
Social security costs	121	80
Company pension contributions to defined contributions scheme	5	20
	1,038	904

During the year Mr S Lamb was granted 100,000 share options under the LTIP scheme.

Dividends on ordinary shares were paid to key management and close members of their family as follows:

	2018 £'000	2017 £'000
Mr S B Fenby	3,035	2,513
Mr A M G Bailey[1]	307	359
Mr S Lamb	-	-
Mr A C Herbert	5	2
Mr M Ashley	-	-
Ms H Wright	-	-
	3,347	2,874

[1] Includes dividends up to the date of resignation of 30 June 2018.

There were no related party borrowing or share transactions during the current or prior year.

12. Dividends

The Company paid dividends in the year of £11,289k (2017: £8,912k), excluding the effects of waived dividends this equated to 14.25 (2017: 11.26) pence per share.

The Board has recommended a final dividend of 10.60 pence per share (2017: 9.65) which, if approved will be paid on 21 June 2019 to shareholders on the register on 17 May 2019. With the interim dividend declared in September 2018, this represents a total dividend for the year to 31 December 2018 of 15.20 pence per share (2017: 13.82).