Midwich
Group Plc

Delivering experiences beyond expectations

For the year ended 31 December 2021

2021 Annual Report

Midwich Group is a leading global specialist AV distributor to the trade market

The Group's long-standing relationships with over 600 vendors, including blue-chip organisations, support a comprehensive product portfolio across major audio visual ("AV") categories such as large format displays, projectors, digital signage, unified communications and professional audio. With operations in the UK and Ireland, EMEA, Asia Pacific and North America, the Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

UK Experience Centre
Innovation House, Bracknell

A multi-purpose destination for vendors, retailers, consultants and end users to come together to connect, collaborate and share ideas. Showcasing the latest technology for AV, UC&C, broadcast, home cinema and rental solutions.

The home of ideas you haven't yet had.

Our purpose
To help our customers win and then deliver successful projects, and our manufacturers to reach a broad market.

Values
We value honesty, trust, hard work, humility and creativity.

Culture
Our people are passionate, collaborative, supportive, ambitious and service-minded.

> "AV solutions help people to communicate, collaborate and work more efficiently. They also provide experiences and entertainment."

Front cover: Innovation House, Midwich, UK.
Our experience centre where the latest AV technology is demonstrated to customers.

FINANCIAL HIGHLIGHTS

Statutory measures

Revenue
£856m
2020: £712m

Operating profit
£21.0m
2020: £7.1m

Gross margin
15.3%
2020: 14.3%

Basic EPS
14.11p
2020: (4.32)p

Adjusted performance measures[1]

Adjusted operating profit
£34.0m
2020: £16.5m

Adjusted EBITDA cash conversion
45.2%
2020: 194.4%

Adjusted profit before tax
£31.9m
2020: £14.2m

Adjusted net debt
£58.0m
2020: £21.0m

Operational highlights

- Record financial performance and further market share gains
- Revenue growth of 22.9% at constant exchange rates including 18.9% organic growth
- Acquisitions made in 2020 and 2021 have been fully integrated and are delivering a positive contribution to the Group
- Entry into the strategically important Middle East market through the acquisition of NMK
- Two further acquisitions strengthen our unified communications and broadcast offerings
- Proposed final dividend of 7.8p bringing the full year dividend to 14.1p (including special and interim dividends)
- Post-period end acquisitions:
  - Acquisition of Cooper Project Limited, representing entry into the UK video security market
  - Acquisition of Nimans Limited, a UK based specialist distributor of unified communications, telecoms, collaboration and audio visual technologies
- Strong future acquisition pipeline across a number of regions and technologies

[1] See page 98 of the Group financial statements for definitions of non-GAAP measures, and note 25 of the financial statements for the actual and constant currency exchange rates.

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GROUP AT A GLANCE

Investment case

Our experienced team has achieved fifteen years of unbroken revenue growth, with continued gross margin expansion except, COVID-19 impacted, 2020. Expertise, focus, strong customer and supplier relationships, and scale in a market expected to grow at an average of 7.2% per annum for the next five years (Source: Avixa 2021).

01.
Specialist AV offering

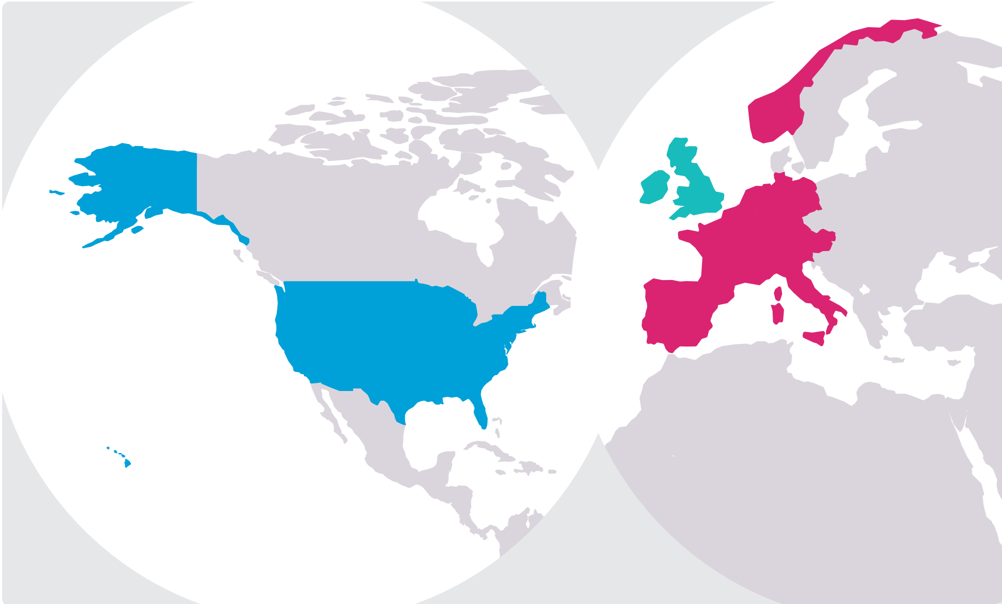
Absolute focus on AV market brings broad offering, technical support and expertise to customers and vendors in a market with a history of long-term growth.

02.
Geographical footprint

Presence in many key markets means strong support for international vendors, customers and their end user project roll-outs.

03.
Buy and grow expertise

Long track record of successfully buying, integrating and growing businesses. Often seen as the buyer of choice in the market by owners who want to be part of a large, well regarded, AV specialist group.



Comprehensive technology portfolio

Broadcast

Display

Projection

Technical AV

Security

Unified Comms

LED

Audio

Lighting

Midwich in numbers

33
Offices/showrooms[1]

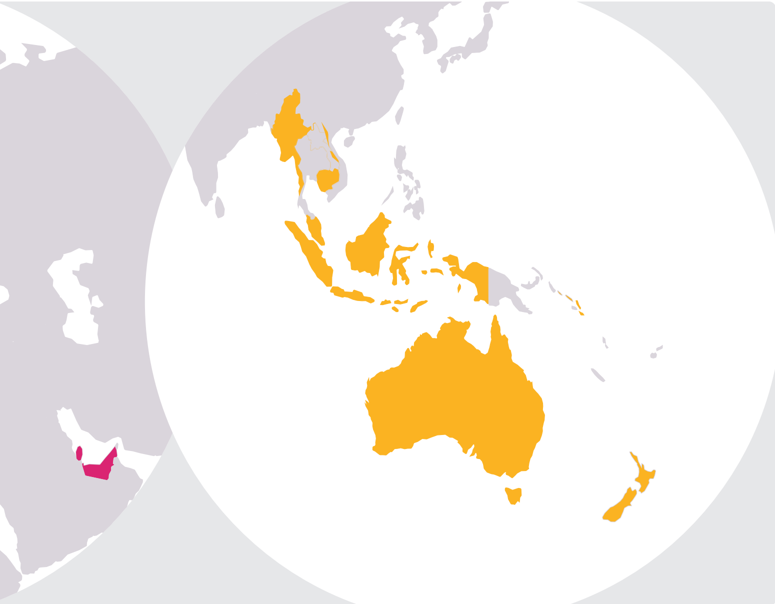
20
Countries of operation

600+
Vendor relationships

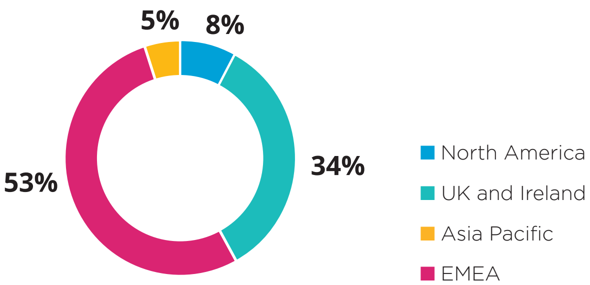
1,000+
Staff members

20,000+
Customers served

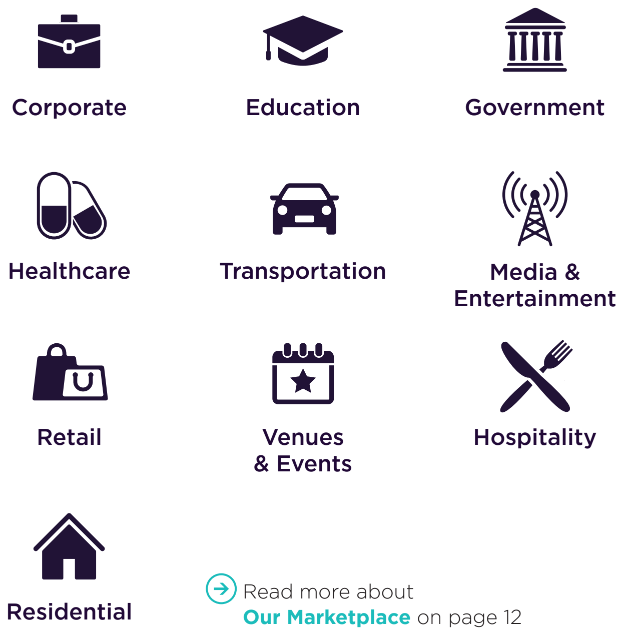
1 Numbers inclusive of Cooper Projects Limited/Nimans Limited.



Revenue split between divisions



Our end markets



Read more about **Our Marketplace** on page 12

Proven acquisition capability

Midwich has a history of entering new geographical and product markets through acquisition and then substantially growing the acquired businesses.

19 acquisitions since IPO

2016
- **Holdan** UK
- **Wired** New Zealand

2017
- **Earpro** Spain and Portugal
- **Van Domburg Partners** Netherlands
- **Sound Technology** UK

2018
- **New Media** Germany, Austria and Switzerland
- **Perfect Sound** France and Switzerland
- **Blonde Robot** Asia Pacific region

2019
- **Mobile Pro** Switzerland
- **AV Partner** Norway
- **Prase** Italy
- **EES** Spain

2020
- **Starin Marketing** USA
- **Vantage Systems** Australia

2021
- **NMK Group** UAE and Qatar
- **Intro 2020** UK
- **eLink** Germany

2022
- **Cooper Projects Limited** UK
- **Nimans Limited** UK

COVID-19 STATEMENT

Stephen Fenby,
Group Managing Director

> Record revenues and net profits, despite ongoing pandemic challenges are a testament to the skills, tenacity and focus of our team."

Stephen Lamb,
Group Finance Director

> A strong balance sheet, combined with the Group's underlying cash generation, equips it well to fund organic growth as well as continue to pursue accretive acquisition opportunities."

COVID-19 and its impact on our business

The coronavirus ("COVID-19") pandemic represents the biggest shock known to our business sector. Throughout the crisis, we have taken decisive action, which has allowed us to continue to successfully deliver our strategic objectives, despite the unprecedented disruption.

Although the economic effect of COVID-19 has been significant across the world, our market strength, combined with the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets have enabled us to continue to grow and increase market share, highlighting the strength of our business model.

Despite further lockdowns and continued disruption to many of our end user markets, the Group improved revenues consistently throughout the year resulting in growth of 22.9%, at constant currency, to £856.0 million. This improvement, together with a partial recovery in gross margins, resulted in an adjusted profit before tax for the year of £31.9 million. This was significantly ahead of the Board's original expectations at the beginning of the year and represents a record performance for the Group.

The impact on our strategy

The COVID-19 pandemic has shocked the global economy and how we live our lives. However, we believe that the AV industry is well placed for the future and see no overall change in the long-term prospects for the market, with growth forecast at 7.2% per annum for the five years to 2026 (Source: Avixa 2021). We believe the Group is the largest specialist AV distributor globally and remains well positioned to deliver on its long-term growth strategy.

During the year, the impact of COVID-19 continued to create short-term uncertainty from further lockdowns impacting end user demand through to significant disruption in the global supply chain. Whilst global uncertainties are expected to continue into 2022, the Group's strategy remains focused on its core markets and product areas where it can leverage its value-add services, technical expertise and sales and marketing skills. Using its market knowledge and expertise, the Group provides its vendors with support to build and execute plans to grow market share. The Group supports its customers to deliver successful projects, from initial pitch through to execution.

A core component of the Group's growth strategy remains further expansion of its international operations and footprint into strategically targeted jurisdictions, both organically and through acquisition. We continued our acquisition activity in the year with three acquisitions completed in 2021 including the strategic entry into the Middle East and the acquisition of a specialist Unified Communications business in Germany.

The effect on our end-markets

Throughout the pandemic, markets that are largely government funded (such as education, healthcare and defence) have remained relatively strong, albeit with some short-term disruption from lockdowns restricting the ability of customers to access sites. The corporate market is adapting to the increased uncertainty and new working patterns, such as hybrid working, with demand improving during the year.

Activity continues to be muted in live events and hospitality markets but, in the second half of the year, we began to see some events taking place and increased enquiries as end users prepare for the end of restrictions. The emergence of the Omicron variant and associated restrictions at the end of the year delayed the recovery in live events and hospitality, but industry forecasts are for these sectors to fully recover in 2023.

The rapid recovery in demand for computer chips, combined with both disruption in parts of the world where AV equipment is manufactured, and global logistics challenges resulted in significant uncertainty in our global supply chain during the year. The strength and breadth of our vendor relationships together with an exceptional performance by our teams allowed us to minimise this disruption to the business, however, supply chain uncertainty has continued into 2022. We continue to work closely with our vendors to maintain product supplies and to support our customers and end users with as little disruption as possible.

The Board believes that current market conditions highlight more than ever the need for manufacturers to use a high-quality specialist distributor such as Midwich.

Above: Meeting Room Senario – Van Domburg Partners Demonstration Rooms, Rotterdam, Netherlands.

Over the last two years, the Group launched an encouraging number of new vendor relationships, including with Neat, Jabra, Logitech, Sonos, Netgear, Poly and Huddly, and rolled out existing relationships, with Promethean, Barco, Biamp, Shure, DTEN and Absen, into new technology areas (such as the Barco ClickShare range in the UK & Ireland and France) and geographical markets (such as launching Shure in France). The launch of new vendors is a core element of the Group's strategy and this has accelerated during the pandemic period as the Group continues to position its portfolio in exciting growth markets, such as unified communications.

How we are responding

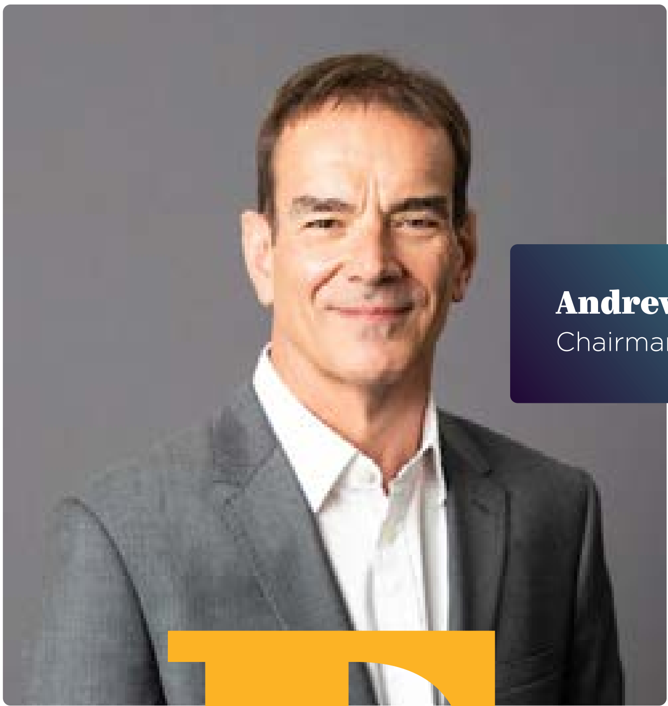
Whilst we continue to monitor the effects of the pandemic and remain cautious in our outlook for 2022, we are optimistic about the future and our ability to successfully execute against our strategic objectives. Over the last two years we have launched new vendor relationships and further developed our expertise in the unified communications sector. Our acquisition programme has continued with the strategic entry into both North America (2020) and the Middle East (2021) and we have a number of exciting opportunities in the pipeline across various other geographies. After a very challenging 2020, the Group recovered exceptionally well in 2021, delivering record revenue and adjusted profit before tax.

What the long-term future looks like

The Board would like to thank our staff, customers and partners for their incredible support throughout the pandemic and looks forward to continuing our long-term growth trajectory.

CHAIRMAN'S STATEMENT

Against a backdrop of continuing disruption and uncertainty from the pandemic, I am pleased that the Group was able to achieve record results in 2021 and deliver against further strategic milestones.



Andrew Herbert,
Chairman

Even though many of our end user markets are yet to fully recover, I am pleased to report that we achieved revenue of £856.0 million in the year, 20.3% ahead of 2020. The Pro AV market has picked up strongly during 2021, but remains below pre-pandemic levels with full recovery now expected in 2023. Against this backdrop, our results demonstrate the strength of our long-term strategy in achieving a record revenue and adjusted profit before tax performance, with Group revenue in 2021 up by twenty five percent compared to pre-pandemic levels. A strong close to the year saw the Group exceed the Board's expectations for full year revenue and adjusted profit, while also ending the year with record order books.

An emerging theme of 2021 was supply chain disruption, with many factors affecting both the global economy and the AV industry. During the year, we faced headwinds from price inflation, computer chip and product shortages, post-Brexit customs arrangements, labour shortages in logistics and even the blockage of the Suez canal. Our teams addressed these challenges with commitment and determination, which when combined with our strong AV market position and the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets, allowed us to successfully navigate these issues and achieve organic revenue growth of 18.9%. Whilst many of these uncertainties continue as we move into 2022, we remain very positive about the opportunity to deliver on our strategic growth priorities.

Our teams have demonstrated passion, flexibility and resilience over the last two years. Whilst the global vaccination programme provided end users with greater confidence to begin investing, each of the countries where we operate continued to see further lockdowns and restrictions during the year. Our teams have delivered exceptional service to vendors, customers and end users alike. I believe that we have the best team in the industry and that this has been the main driver of our market share gains and progressive improvement in trading throughout the year. Early in 2021, the Board decided to end the temporary restrictions put in place at the start of the pandemic and we were delighted to welcome all our staff back to work. As a result of the improved trading performance, the Board decided to repay furlough money received by the UK&I business for 2021.

Alongside recovery and organic growth, which were a major focus in 2021, I am pleased that the Group was also able to achieve further strategic milestones.

The Group's acquisition of a majority stake in NMK Group in January 2021, represented our entry into the Middle East, the world's fastest growing AV market. Based in the UAE and Qatar, NMK Group is a specialist audio and visual distributor with a strong heritage in the professional audio market where the business operates with high-end specialist brands, such as Shure and Bose. In April 2021, the Group acquired the

Unified Communications ("UC") division of Hamburg-based eLink Distribution AG ("eLink"). Now fully integrated into our business in Germany, Austria and Switzerland ("DACH"), eLink provides audio visual communication and network solutions to trade customers and is renowned for its technical support and expertise. The business is an established value-added distributor of leading manufacturer partners such as Poly, Lifesize, and DTEN. Our Holdan professional video and broadcast business also welcomed the team from Intro2020 to the Group in July 2021. This small acquisition complements Holdan's broadcast and professional video solutions by adding a leading UK supplier of photo and pro-video equipment and an established client base in the professional photography segment.

During 2021, we further expanded our vendor relationships in support of our long-term organic growth objectives. New brands added by our businesses in the year enhanced our UC and education offerings and included Neat, Jabra, Logitech, Promethean, Aver, Lenovo and L-Acoustics.

After the period end, we completed the acquisition of a controlling stake in Cooper Projects Limited, the parent company of DVS Limited ("DVS"), a UK based distributor of video security products. This acquisition provides the Group with access to a significant segment of the AV market in which we have had little presence, and which is expected to grow at around 8% per annum for the next five years. We also completed the acquisition of Nimans Limited (and its subsidiaries) ("Nimans"), a UK based specialist distributor of unified communications, telecoms, collaboration and audio visual technologies. This deal allows the Group to grow its UC offering and brings further opportunities, in terms of skills in new product and technology areas, service offerings to the trade, a large new customer base and new vendor relationships.

The pandemic has caused significant disruption to our end user markets. The business achieved an exceptional recovery in 2021 and industry data continues to show long-term growth in demand for AV products; exceeding GDP growth. The Board attributes our strong performance to continued focus on service, looking after our teams and continuing to deliver on our strategic goals. We believe that the business is well positioned for the future.

Dividend

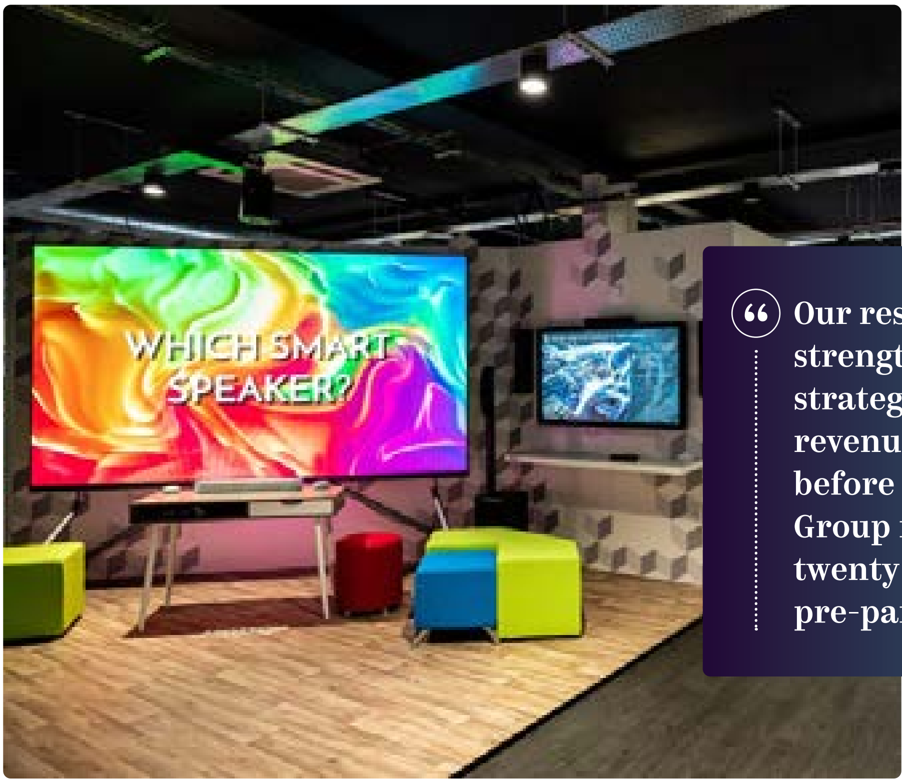
The Board understands the importance of dividends for many of our investors and was grateful for their support and understanding when we took the difficult decision to suspend dividends in 2020. The strength of the Group's recovery allowed us to reinstate dividends earlier than anticipated and the Board was pleased to be able to pay a special dividend of 3 pence per share, in July 2021. The Board is recommending a final dividend of 7.8 pence per share, which, if approved, will be paid on 17 June 2022 to shareholders on the register on 6 May 2022. The last day to elect for dividend reinvestment ("DRIP") is 25 May 2022. With the interim dividend of 3.3 pence per share and the special dividend paid in July, this represents a total dividend for the year of 14.1 pence per share. The combined value of the interim and proposed final dividends at 11.1 pence per share is covered 2.3 times by adjusted earnings per share.

The Board continues to support a progressive dividend policy to reflect the Group's strong growth and cash flow. While there is no hard or fixed target, in order to allow for continued investment in targeted acquisitions, the Board anticipates that future dividends will continue to be covered in the range of 2 to 2.5 times adjusted earnings per share.

Board

Membership of the Board has remained stable throughout the year, and we have continued to use our unified communications solutions for both our AGM and our Board and committee meetings. The Board met ten times during the year and received regular updates from the Executive Leadership Team ("ELT").

In line with prior years, the Board completed a self-evaluation exercise during 2021, reinforcing our commitment to, and success in, establishing a strong corporate governance framework. We took the opportunity of this review to confirm our strong and effective governance and reaffirmed the role of the Board and its individual members



> **"Our results demonstrated the strength of our long-term strategy in achieving a record revenue and adjusted profit before tax performance, with Group revenue in 2021 up by twenty five percent compared to pre-pandemic levels."**

Left: Education Demonstration Scenario – UK Experience Centre, Innovation House, Bracknell.

in ensuring compliance with the QCA code. There were no major issues or concerns raised about the effectiveness of the Board or its individual members. The Nominations Committee has reviewed the skills and experience of Board members individually and collectively and concluded that the size and composition of the Board remains appropriate at this stage of the Group's development.

In recent years, the Group has significantly expanded its international footprint with two thirds of its revenue coming from outside the UK & Ireland in 2021 (One third at IPO) and the Board welcomes the cultural diversity that this brings. The Midwich culture is an open and welcoming one and in 2021 we were named the "Best place to work" in the Inavation Awards. The Board understands the importance of diversity of gender and ethnicity and is committed to ensuring that diversity will be a key consideration in the appointment of future directors and senior leaders.

The Group's approach to Environmental, Social and Governance ("ESG") matters is aligned to three key pillars: reducing our environmental impact; helping our local communities and charities; and supporting our people. The Board has determined that the Group's primary sustainability focus will be on carbon emissions. In 2021, we focused our environmental activity through the establishment of a carbon reduction programme supported by a Group wide team, with a desire to make a difference, led by an internal candidate with qualifications in sustainability. To support this team, and after a review of suitable candidates, the Board appointed Climate Partner GmbH as a specialist external adviser on carbon measurement and reduction.

The process for establishing our baseline CO_2 emissions across the business commenced in 2021 and is making good progress. Although the absolute value of CO_2 emissions is important, given the historical and planned growth of the Group, the Board considers that emissions divided by revenue is a more relevant KPI.

The Board intends to provide further progress updates on its environmental strategy later in 2022. This will include baseline CO_2 data from the audit, together with our agreed approach to becoming net zero with respect to Scope 1 and 2 carbon emissions by 2030 or earlier. As an AIM listed company, the Task Force on Climate-related Financial Disclosures ("TCFD") are not yet applicable to the Group, but as a Board we have determined that we will progress towards the majority of the TCFD disclosures over the next two years.

The Group continues to apply the QCA code as its governance framework. The Board has reviewed all aspects of compliance and continues to believe that it meets or exceeds the requirements of the code. Over the last few years, we have enhanced our reporting including further ESG disclosure this year. We go beyond the QCA code requirements through the inclusion of a comprehensive directors' remuneration report and an annual advisory vote on this at the AGM. We engaged with our largest shareholders as part of the 2021 AGM process and have included the conclusions and actions arising from these discussions in this year's report.

The Board recognises its duty to have regard to broader stakeholder interests and, in addition to including both a separate Section 172 Statement and further ESG information in the annual report, we added further information about the Group to our website during the year and introduced a stakeholder newsletter from the start of 2021.

People

The success of any company is down to the quality of its leadership and its people. The team at Midwich has once again demonstrated immense skill, enthusiasm, commitment, drive and resilience over the last twelve months. Our people performed exceptionally in 2021, delivering industry leading customer service and acting as true partners to our vendors, which has resulted in further market share gains across the Group. I recognise the enormous efforts made by our teams in supporting our recovery from the pandemic disruption and strongly believe that we have the best team in the industry and are well positioned for future growth.

During 2021, the Board has continued to interact with the Executive Leadership Team ("ELT"), which comprises the executive directors together with the managing directors of our key operating units. We have been delighted with the ELT's success in delivering strategic goals at the same time as leading the Group's record performance. This regional leadership model is working well and is fully aligned to the Group's long-term growth ambitions.

On behalf of the Board, I would like to thank all employees and our partners for their commitment and hard work and congratulate them on achieving an impressive performance in an exceptionally challenging year.

Andrew Herbert
Non-executive Chairman

Left: Customer event at Van Domburg Partners, Netherlands.

CASE STUDY

Landmarks around Madrid, brought to life through the international festival of light "Luz Madrid".

Thanks to Juanjo Llorens, Robe lighting and Smart Fusion the artistry that audio visual plays in wowing audiences around the globe was clearly demonstrated throughout. "Luz Madrid" a unique and exceptional opportunity to rediscover the city's nightscape.

This was the first time Madrid was part of the prestigious "Festivals of Light" a cultural tradition that dates back to the mid 90s, celebrating art and creativity across various European cities.

> **EES, a Midwich Group Company, proud to be part of Luz Madrid, illuminating landmarks throughout the city, providing a new perspective to visitors during the "Festival of Light".**

The last weekend of October 2021 was a light phenomenon, never before held in Madrid. This has been possible thanks to the "Luz Madrid, International Light Festival".

The people of Madrid have been able to rediscover the amazing landmarks of their city when illuminated for a few hours in the evening.

Welcome to Luz Madrid: this was a unique, exceptional opportunity to see streets, squares, monuments, landmarks and lesser-known spots in a new light. A dazzling light show with no hidden connotations, no start or end. A show that transmits beauty and distracts from the events of the past year.

For such a significant task, creators and artists from different countries including France, Canada, Finland, Australia and, of course, Spain have been called upon. Among them, the illuminator **Juanjo Llorens**, who filled the façade of the **Palacio Cibeles** with lights and shadows as you can see in the image.

Llorens designed one of the festival's most admired illuminations: **"Camino a la vida"**, which highlights how light is considered a source of guidance and hope in human existence.

The Midwich Group company EES supplied Robe lighting to Smart Fusion as part of the project. The equipment used by the designer to shape this project includes; Robe 150 Megapointes, 20 Pointes, 2,400 Haze FT Pro and 9 x1 FT Pro.

It was a privilege for EES to support Smart Fusion and see what is artistically possible with Robe products.

Strategic report

PRASE MEDIA TECHNOLOGIES

Headquartered near Venice, Italy

Operating in Italy for over 20 years as distributor of professional audio, video, digital signage and control systems solutions.

Prase, a Midwich Group company, boasts an auditorium that can accommodate up to 90 people. In addition it has classrooms dedicated to training, a live area for tests and demonstrations along with space for technical support planning. The facility adds value to customers and their end users alike.

Even throughout the pandemic in 2021, Prase still managed to use the facilities to deliver:

37 Demonstrations on “live room”

8 Days of training dedicated to the sales team

4 Certification training sessions

+ Live event broadcasts

And too many webinars and tutorial recordings to list

This facility contributes to market leading companies choosing Prase as a partner. It demonstrates solutions and know-how which builds trust in delivering prestigious audio products.

Our addressable market in professional audio visual solutions covers areas such as sound, video and lighting.

These solutions are prevalent and relied upon in many areas of daily life — at home, in transit, at the workplace, in education and in a wide range of retail, leisure and recreational uses.

The application of AV systems is found in areas such as unified communications, workplace collaboration and digital signage solutions, with end users broadly covering the corporate, education, government, events, retail, hospitality, healthcare and residential markets.

Industry data indicates that the global pro AV market was in excess of US$259bn in 2019 and is expected to return to this level by 2023 and forecast to grow at 7.2% over the five years to 2026 (Source: Avixa 2021). We believe that Midwich is the largest specialist AV distributor in the world, that we have gained market share since the start of the pandemic and are well positioned to continue to further grow our share of this large and fragmented global market.

Key trends in the AV market

Growing use of AV products and technology

The global pro AV market has grown and evolved significantly over the last 25 years, with both cultural and technological changes increasing the demand for AV solutions.

There are multiple demand drivers in the AV industry, including:

- Cost savings – reducing people costs, for example using touch screens to take orders in food outlets, and reducing waste by eliminating single use marketing materials
- Improved effectiveness/efficiency – improved learning, for example collaborative solutions give teachers real-time analysis of students' understanding of lessons
- Competitive advantage – improved customer proposition, for example, extensive use of innovative AV solutions enhances audience experience at live events
- Environmental considerations – reduced carbon footprint, for example, unified communications allow highly productive meetings to take place without the need for people to travel
- User expectations/social trends – people now expect to use technology in both the workplace and in their interactions with retail/leisure providers
- Safeguarding – improved safety solutions, for example, the use of high-end audio solutions to improve evacuation procedures at large venues

Continued research and development in the sector is expected to create further advances, increasing applications and, therefore, use of AV.

In addition, there is an established renewal cycle for AV products, ensuring a base level of demand.

Fundamentally, we believe that the multiple demand drivers for AV solutions have an appeal in periods of economic growth and more challenging times. Even during the unprecedented disruption from COVID-19, AV market demand has remained robust and we believe that the switch towards unified communications, that has accelerated as a result of the pandemic, will continue in the coming years.

How we're responding

Midwich is a specialist distributor serving only the trade market and specialising in AV equipment.

We believe that our primary role is to facilitate growth in the markets in which we operate and that our ability to help our manufacturer partners to gain access and grow their businesses is a particular strength of the Group.

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 that 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.

The Group accesses new technologies and applications through close contact with innovative manufacturer partners. Our intimate knowledge of the AV market and trends means that we are able to feed into manufacturer product development programmes. This helps our partners to develop and exploit commercially focused products.

Our sales and marketing operations, backed by strong product and technical knowledge helps us to develop markets for technologies at the early stage of their life cycle.

The Group continues to invest in training facilities, which we use to educate our customers in specific technologies and market development opportunities.

Increased use of distributors as intermediaries in the AV supply chain by large manufacturers

The use of distributors is well established in the AV market and has increased in recent years. The distribution model allows the manufacturers to reach a large and fragmented customer base without the need for investment in substantial sales and marketing, technical support and logistics activities. A value-added distributor helps manufacturers grow faster, whilst reducing their costs and financial risk.

In addition, the distribution model helps AV integrators develop the right solutions for their customers, which are often made up of products from multiple vendors. This enhances the growth of the overall AV industry and increases customer satisfaction. It also allows the distributor to share broad market feedback with the manufactures, which helps inform long-term product development.

How we're responding

The Group's long-standing relationships with over 600 vendors, including blue-chip organisations such as Samsung, LG, Epson and SMART, 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 20,000 customers, most of which are professional AV integrators and IT resellers, serving sectors such as corporate, education, retail, residential and hospitality.

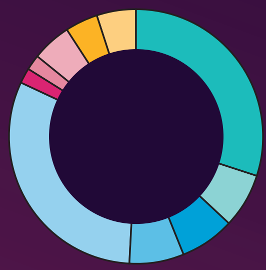
7.2%

Annual expected AV market growth to 2026

Source: AVIXA 2021

Our end user markets

Our customers are primarily installers and resellers of AV equipment into the pro AV market. This market addresses a number of segments covering a very broad range of end user markets. We believe that in 2021 these segments represented the following proportions of our business:



- Corporate 30%
- Venues and events 7%
- Media and entertainment 7%
- Retail 7%
- Education 31%
- Residential 2%
- Transportation 2%
- Government and military 5%
- Hospitality 4%
- Healthcare 5%

Further details in respect of our two main segments are as follows:

Education

The education market covers primary schools through to higher education, and is one of the two most significant markets for the Group — particularly in the UK, Germany and France. Through our long presence in this market the Group has built a very strong vendor portfolio, close relationships with customers addressing the education sector and also in-house expertise in supporting the needs of this segment.

The majority of the education market is funded by the government as part of its investment in developing the skill sets of its population. Historically, government education spend has tended to be relatively stable, with the occasional addition of significant additional investment programmes.

Recent trends in this market have included the growth in interactive displays and, more recently, technology to facilitate effective remote learning. The Group's growing portfolio of products addressing the unified communications and broadcast markets have improved our offering to the education segment.

Corporate

The corporate market covers principally offices, including meeting rooms, huddle spaces, conference rooms and reception areas. The use of technology within the corporate market is widespread, and AV technology has been used increasingly to aid the efficiency, and effectiveness of operations. We believe that the pandemic has contributed to accelerate trends that were already taking place in this market, such as the use of technology to collaborate in meetings and to communicate remotely.

With significant numbers of people working from home recently, we have seen less investment in the corporate market as end users contemplate their future office strategy post pandemic. Our belief is that offices will continue to be used extensively, but with adjustments to occupancy levels and to methods of working. For example, we expect to see greater adoption of video and audio conferencing technology, which will enable staff in offices and working remotely to communicate effectively. The Midwich Group product portfolio is ideally suited to future corporate requirements, particularly following the strengthening of our unified communications offering.

Other end user market segments are individually smaller and tend to have other own product and support needs, which the Group addresses through its range of specialist businesses and staff. In 2020, the COVID-19 pandemic adversely affected a number of these markets — such as venues, events and hospitality, where the severe restrictions on meeting and socialising led to a significant drop in demand for our products. We believe that these markets are starting to return, and our ability to support them will be as strong as ever.

THE AV EQUIPMENT VALUE CHAIN

Midwich Group is part of a larger value chain in the AV equipment industry.

AV manufacturers

Develop and manufacture products across multiple AV categories, such as displays, projectors, video, audio and digital signage.

Midwich Group Plc

Midwich Group distributes AV products to the trade market.

Value exchange

Value that AV manufacturers get from Midwich:

- Market intelligence, strategic and tactical input into planning
- Market access through highly experienced and effective AV sales, marketing and technical teams
- Ability to reach broad, profiled AV customer base
- Industry-leading events and experience centres enable greater interaction with customers and end users
- Efficient logistics and specialist product support
- Global reach gives ability to support multi-national projects
- Midwich's scale means fewer points of contact, improving operating efficiency for manufacturers

Value that Midwich gets from AV manufacturers:

- Access to high quality products to distribute to its customers, often on an exclusive or number one basis
- Ability to influence product development and early access to new technology
- AV product training, informing users of the value proposition

Value that the trade market gets from Midwich:

- Proactive help to sell and deliver successful projects
- Unrivalled depth of product and technical expertise
- Widest product range and an ability to offer complete solutions
- Efficient logistics
- Demonstration and training facilities
- Credit team knowledge and support
- Technical requirements and targeted marketing support for different vertical markets
- Strong relationship management skills
- 100% trade focus builds high customer trust

Right: TV Interview Demonstration Senario – UK Experience Centre, Innovation House, Bracknell.

Trade market

The AV trade market is formed of professional AV integrators and IT resellers. AV integrators assess their clients' needs and develop an integrated solution, utilising various AV products.

End users

End users of AV products broadly cover the corporate, events, government, education, retail, hospitality, healthcare and residential markets.

Value exchange

Value that Midwich gets from the trade market:

- Customers for AV products
- Opportunities to support multinational end users' projects across geographies
- Market knowledge and end user feedback

Value that trade market gets from end users:

- Customers for the AV products
- Feedback on their needs from the AV market

Value that end users get from the trade market:

- Advice and assistance on the AV products and the solution that they require to meet their needs
- Integration and installation of the AV products to ensure that all the products work well together as one solution
- Ongoing monitoring and support of AV installations

Market-leading specialist value added AV distribution

The Group now has a global presence. Operating in every key geographic region, we believe that Midwich is the largest specialist AV distributor in the world.

Whilst the vast majority of the Group's revenue is generated through the sale of products, it is the Group's specialist value added approach underpins its growth and return on investment.

What makes us different?

01. Our industry expertise allows us to specialise and add value to both our vendors and our customers

02. Our global footprint makes us the largest specialist AV distributor in the world

03. Our approach to acquisitions creates scale and growth in value, whilst retaining entrepreneurial spirit

Key resources and capabilities

Market-leading AV vendor portfolio

Resource
The Group operates as the sole or largest in-country distributor for many of its 600+ vendors in their respective product sets. We believe this is the largest global vendor portfolio in the AV market, a position that has been built over many years through our technical expertise, extensive product knowledge, focused sales capability and strong customer service offering.

Benefits
The Group's long-standing vendor relationships make it attractive to customers who are looking to limit their number of buying relationships.

Opportunities
Broad and close vendor relationships lead to opportunities to introduce new brands and technologies into current or new Group companies.

Strong relationships with a broad range of focused AV customers

Resource
The strongest industry team of account managers, pre and post-sales technical and product specialists gives customers the support they need to win and deliver successful projects. Experience centres, demonstration facilities and training facilities help develop customer knowledge and support their end user sales activities.

Benefits
A consistently reliable and supportive trade-only distribution partner encourages customer loyalty and a larger share of wallet.

Opportunities
Continued investment in technical expertise, support services and experience centres should facilitate closer customer relationships.

Value generated

Employees

Short-term: We offer training and development to our employees, which keeps them engaged with the Company and also ensures that our employees develop the technical expertise and product knowledge required to service our customers.

Long-term: Our merit-based approach recognises the value contributed by our employees. We actively encourage employee share ownership and the majority of our people own shares and participate in our equity incentive schemes.

AV manufacturers

Short-term: Our scale and specialist AV approach allows our vendors to reach the widest range of opportunities.

Long-term: Through our distribution reach, we can grow the market share of the products of our AV manufacturer partners.

Trade customers

Short-term: By having our sales capability completely focused on trade customers, we are well placed to ensure we meet the needs and requirements of our customers.

Long-term: We partner with our customers to support their long-term growth ambitions, including helping them operate across multiple geographies.

Shareholders

Short-term: The Group has generated above AIM market returns since IPO in 2016 and continues to invest to deliver future growth.

Long-term: The Group has strategy focused on both organic and inorganic growth. Industry data indicates average annual growth in demand in the AV sector exceeding global GDP growth for the next five years.

Proven ability to successfully acquire, integrate and grow businesses

Resource
Fifteen years' experience and a strong internal team of M&A, integration and business development specialists have facilitated a steady stream of successful acquisitions.

Benefits
The Group uses acquisition to quickly gain access to relevant and attractive new geographical and product markets. An effective acquisition process reduces the risk of failed acquisitions and management distraction. The Group's reputation as a trustworthy potential partner make it an attractive prospect for business owners looking to join a larger, focused AV group and often allows us to partner with the best businesses in the market.

Opportunities
The Group has a strong pipeline of acquisition opportunities either in new geographical markets or in specialist product areas.

Depth of up-to-date market knowledge

Resource
We have a strong team of business management and technology experts whose roles include the identification and assessment of new products and technologies. The scale of our business enables us to track movements in the market such as demand for different technologies and products. Strong internal collaboration helps to share insight amongst the wider Group.

Benefits
Up-to-date market insight gives a competitive advantage in terms of stock profiling and customer and vendor strategies. Market intelligence can be used to support customers and vendors, making Midwich a more valued partner.

Opportunities
The continued development of internal, specialist market focused teams who share information will improve the Group's capabilities to support customers and vendors as well as designing profitable future strategies.

Financial strength

Resource
A strong balance sheet, with strong bank facilities and supportive shareholders. Our expertise and propriety tools and analysis help all Group businesses maintain a disciplined approach to working capital management and cash generation.

Benefits
Our financial strength and capabilities mean the Group is capable of exploiting new opportunities – whether acquisitions, investment in infrastructure or the financing of working capital. Expertise in inventory and receivables management ensure the Group's risk from obsolescence or default are minimised and provides comfort to banks, trade insurers and vendors.

Opportunities
Continued focus on the interests of all stakeholders should ensure the Group has the resources to continue its organic and inorganic growth.

STRATEGY

The Group's growth strategy has been, and continues to be, both organic and inorganic.

Our primary focus is on organic growth supplemented by acquisition of businesses in new geographical or product markets. Where we acquire, it is always with a plan for how we can help that business to grow and be more successful. 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 three strategic areas

Specialisation

Why?
- Relevance
- Profitability
- Defensibility

How?
- Portfolio management
- Acquisition
- Values and services

Success measures
1. Growth in technical product sales
2. Long-term growth in gross profit margin

Geographical coverage

Why?
- Support
- Projects
- Share of wallet

How?
- Acquisition
- Investment

Success measures
1. Number of territories
2. Market presence
3. Number of customers

Scale

Why?
- Efficiency
- Profitability
- Cross selling

How?
- Focus
- Sharing expertise
- Referral
- Acquisition

Success measures
1. EBIT % growth
2. Growth in acquired companies
3. Product offering

Strategy in action

Specialisation
- Current market conditions highlight more than ever the need for manufacturers to use a high-quality specialist distributor such as Midwich.
- Over the last two years, the Group launched many new vendor relationships and rolled out existing relationships into new technology areas and geographical markets.
- The Group continues to position its portfolio in exciting growth markets, such as unified communications.
- Specialist categories such as audio, technical video and broadcast represented 43% of total sales in 2021 (38% in 2020).

Geographical coverage
- The Group now operates in 20 countries, an increase of over 200% over the last five years (2016: 6 countries).
- Following the entry in the biggest AV market in the world in 2020 (North America), the Group made further progress in 2021.
- At the start of 2021 the Group entered into the strategically important and fast-growing Middle East market through the acquisition of NMK.

Scale
- Industry data indicates that the Pro AV market remained below pre-pandemic levels in 2021.
- Despite these headwinds, the Group was able to make excellent progress on the implementation of its long-term strategy and delivered market share gains, with 2021 revenue up by 25% over two years.
- This was especially pleasing given the delayed recovery in a number of end user markets such as entertainment and live events.
- The Pro AV market is expected to grow by 7.2% for the five years to 2026 and the Group is well positioned for further strategic growth.

CASE STUDY

Theatre of Digital Art ("ToDA") – taking immersive art exhibits to new heights with the latest projection technology.

ToDA is the very first and unique Theatre of Digital Art in the UAE. Offering its visitors the opportunity to experience art differently from a traditional gallery. Its uniqueness lies in the modern, immersive way of discovering masterpieces of the world's most notable artists (including Claude Monet, Vincent Van Gogh, Paul Cézanne, Wassily Kandinsky and more) alongside contemporary digital artists.

> **"The NMK team worked with Epson to provide the initial design, ensuring the selected projectors added maximum brightness, colour and light to bring to life the artistic work being portrayed."**

New technology has caught up with the high expectations of designers and artists, leading to the opening of two world class digital art exhibitions in Dubai.

The Theatre of Digital Art ("ToDA") has opened its doors to visitors at Souk Madinat Jumerah, packing an impressive visual punch in comparison to its humble size. A lot of impressive visual equipment was required to bring the static artworks to life and this new projector refresh involving NMK, a Midwich Group company and Epson has certainly delivered.

"Previously, the main auditorium space was a traditional theatre where you could watch a ballet or dance recital." explains ToDA general manager, Gabriel Afrim. "We have completely transformed it into a digital space. When you enter the room, visitors are immersed into the environment via imagery covering the walls and ceiling. They're completely enveloped in the artwork from all angles."

NMK worked with Epson to provide the initial design, ensuring the selected projectors added maximum brightness, colour and light to bring the best out of the artistic work being portrayed. In addition to the laser projectors, a variety of lenses were added to provide more flexibility and high-quality images in narrow spaces. The feedback for Epson's projectors has been outstanding. From the brightness to superior image quality, impressive resolution and vivid colours.

"Together with our local distributor NMK Electronics, 18 state-of-the-art Epson Pro projectors of up to 15,000 lumens have been deployed at ToDA, including our EB-L1755U, which is capable of providing super light, heat resistance and excellent reliability for up to 83,000 hours." explains Neil Colquhoun, Vice President of CISMEA, Epson Europe.

The ToDA space combines three formats of digital art spread over 1,800m^2 of space, including multimedia exhibitions, contemporary immersive installations and art in virtual reality. The main focus is on the digital display of classical works, brought to life in combination with music, visual and surround sound effects, with the inaugural exhibition showcasing the works of nine celebrated artists.

There are several sections to explore including traditional and classical art exhibitions, a contemporary digital art zone, hands-on exhibits for children and a virtual reality area. NMK are proud to be part of such an inspirational and creative project demonstrating the art of AV.

KEY PERFORMANCE INDICATORS

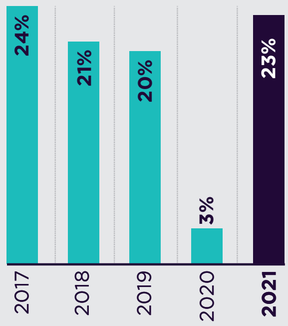
How we performed in 2021

1. Revenue growth

Why we use this measure
Revenue growth (at constant currency) is often an indicator of the financial health of the Group. It may indicate the Group is participating in a growing market or has gained market share, or both.

Performance
The Group increased its market share and recovered strongly in 2021 with total growth of 22.9% (CFX), despite ongoing disruption due to both end user markets and the global supply chain.

Target
The Group aims to grow its revenue at a faster rate than the overall market to increase its market share.



23%

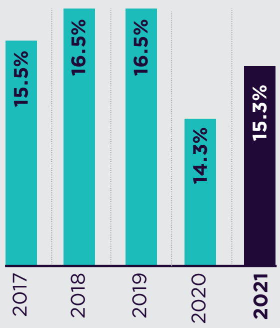
Change in total revenue vs prior year at constant currency.

2. Gross margin

Why we use this measure
An increase in the gross margin would suggest an improved competitive positioning from year to year, either through carrying a greater range of products that require a technical sale, stronger relations with customers and vendors, or greater buying power, or a combination of each.

Performance
In 2021, the Group improved gross margin by 100bps to 15.3%. During the year, like for like product level gross margins have broadly recovered to pre-pandemic levels. However, ongoing disruption to higher margin end user markets (such as live events) combined with a regional change in sales mix mean that the Group margins remain below peak levels.

Target
Maintain or increase gross margin each year.



15.3%

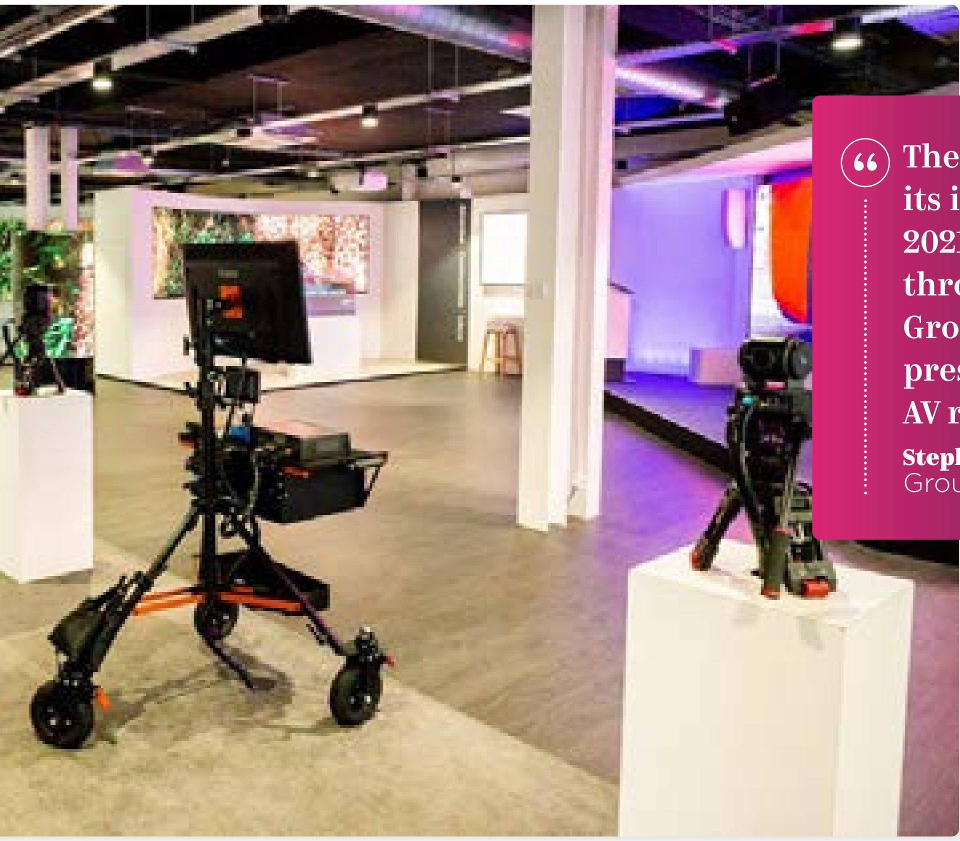
Gross profit as a percentage of revenue.

3. Cash flow conversion

Why we use this measure
Cash flow conversion measures the ability of the Group to generate cash from its operations as a function of turning stock to sales to cash quickly. It gives an indication as to the ability of the Group to pay its dividend and self-fund investments.

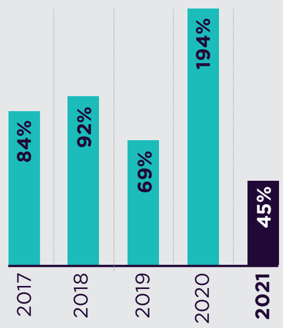
Performance
After a period of exceptional cash conversion in 2020, the Group invested in working capital in 2021 to support the increased revenue and to manage the risk from supply chain disruption. Across the two years to December 2021, the Group achieved a cash conversion of 99.2%.

Target
Over 70% of EBITDA.



> "The Group continued to increase its international presence in 2021, entering the Middle East through the acquisition of NMK Group. This gives the Group a presence in all the major global AV regions."
>
> **Stephen Fenby,**
> Group Managing Director

Left: Professional Broadcasting Senario – UK Experience Centre, Innovation House, Bracknell.



45%

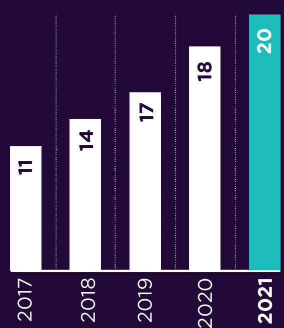
Adjusted operating cash flow as a percentage of adjusted EBITDA.

4. Countries with a presence

Why we use this measure
Geographic footprint is an indicator of our ability to support customers, end users and vendors with global project rollouts, in addition to scale and the opportunity to further grow revenue.

Performance
The Group continued to increase its international presence in 2021, entering the Middle East through the acquisition of NMK Group. This gives the Group a presence in all the major global AV regions and increased the number of countries where we operate to 20.

Target
Entry into at least one new geographical market per annum.



20

The number of countries in which the Group has operations.

The Group has had a very strong year, achieving record revenues and adjusted net profits.

Stephen Fenby,
Group Managing Director

How has the past year been for Midwich?

The Group has had a very strong year, achieving record revenues and adjusted net profits. This level of performance has required a monumental effort from all of our teams and the much-appreciated loyalty and support of our customers and vendors. The pandemic-related difficulties of 2020 continued through much of 2021. These included the practicalities of home and hybrid working, product shortages, unpredictable timing of inventory supplies, logistics cost increases and a number of higher margin end user markets remaining largely closed.

We have continued to focus, not only on delivering strong short-term performance, but also building the business for the long term. We have grown and strengthened our team during the year, including particularly in North America and also in our group-wide IT capabilities. Our acquisition programme has continued, with three transactions completed in the year and two substantial deals announced post year end.

As markets start to open up once more, I believe our business is well placed to enjoy further growth and success.

How does Midwich differentiate itself from competitors?

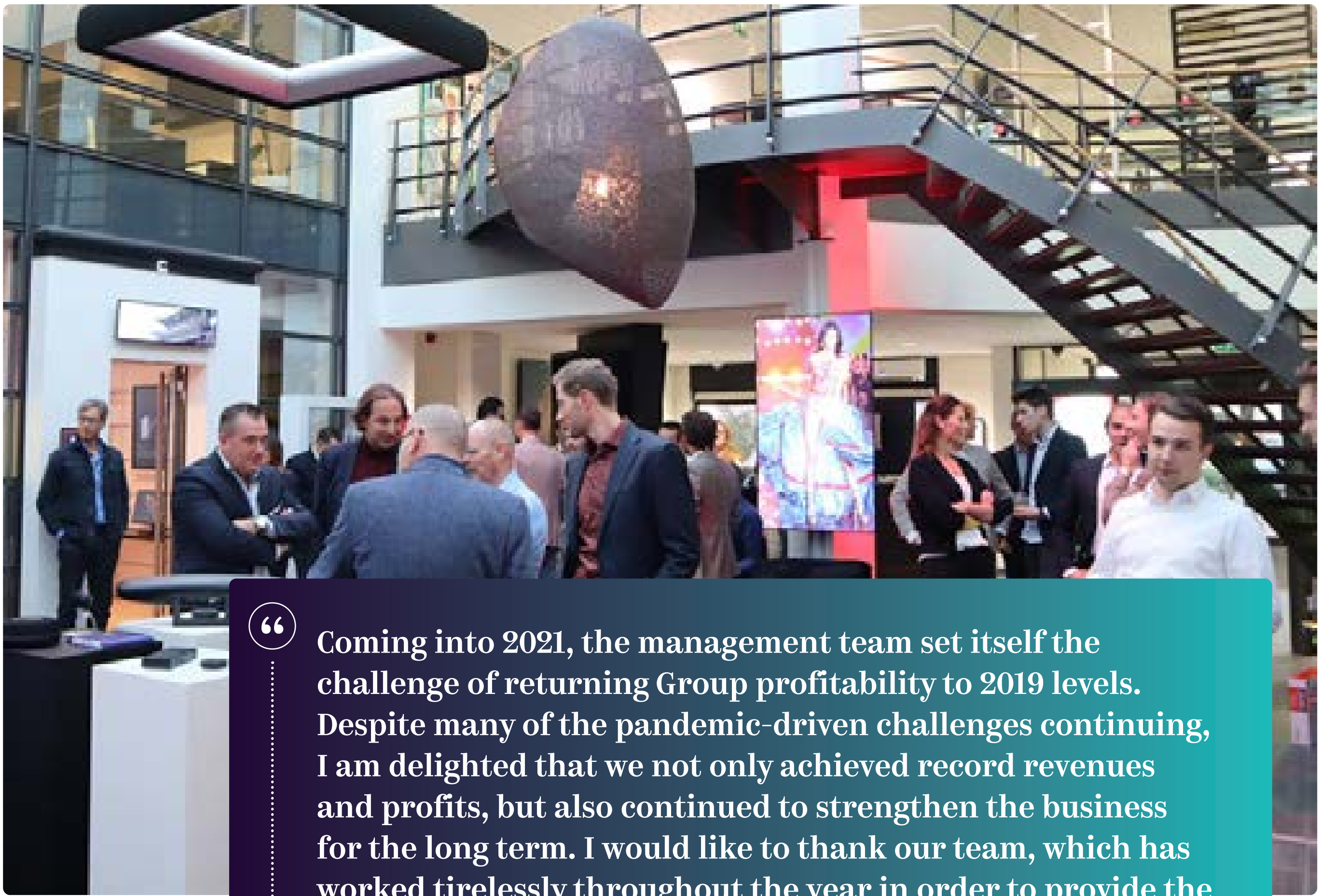
In each of our markets, we face a number of competitors, ranging from relatively small specialist distributors to global broadliners. Typically, a small distributor will have a significant degree of expertise in a narrow product field, or indeed a focus on a small number of suppliers. This level of specialisation enables them to provide a strong level of support to customers in their niche, but a limited breadth of offering in terms of technologies or new vendors. Broadline distributors may carry some AV technologies as part of a wide range of products. They have scale, but lack the real focus and understanding of our market.

Our primary differentiator is that we have scale but also a real focus on the AV market. This means we are able to provide focused, relevant support to our customers and vendors who can benefit from specialist knowledge but also comprehensive product ranges.

One practical way of differentiating ourself, is through the use of experience centres. These facilities enable us to demonstrate alternative and new product solutions to our customers and their end users. At the end of 2021, across the Group we had 18 experience centres, with more being developed.

Gross margins have recovered significantly from the drop in 2020. Will you be able to get them back to 2019 levels?

The Group has a successful history of annual gross margin accretion. This has been driven largely by managing our product mix, with a particular focus on growing more specialist product areas. Our aim with this strategy has been to drive high and sustainable net profits. In 2020, our gross margins fell for the first time in fifteen years.



Above: Customer open event held in the Van Domburg Partners demonstration space, Netherlands.

> "Coming into 2021, the management team set itself the challenge of returning Group profitability to 2019 levels. Despite many of the pandemic-driven challenges continuing, I am delighted that we not only achieved record revenues and profits, but also continued to strengthen the business for the long term. I would like to thank our team, which has worked tirelessly throughout the year in order to provide the best service possible to our customers and vendors. We are also grateful for the continued support of our customers and vendor partners."

This was a combination of lower volumes (which reduced our ability to achieve rebate targets and negotiate special volume discounts) and the absence of more profitable end user markets – such as in respect of live events, entertainment and complex corporate projects. During the course of 2021, we saw an improvement in our buying margins, and some limited improvement in the higher margin end user markets. We also saw particular success in gaining market share in lower margin areas.

The Group's focus on driving net profits through sustainable and growing gross margins remains. As end user markets continue to open up, we would expect to see margins continue to improve. We will also continue to push growth in areas where we have a strong market position and where a slightly lower gross margin can still help us drive strong net profits through operating leverage.

How do recent acquisitions contribute to the future strategy of the business?

For many years, the Group has used acquisition as a means of entering new geographical or product markets. A key part of our acquisition appraisal process is identifying how we can help acquired businesses to grow faster – and vice versa. Our success in this is demonstrated by the organic growth of the business. For example, in 2021 the Group's organic growth was 18.9%, which we believe to be about double the rate of growth of the global Pro AV market.

Recent acquisitions have included NMK and Edge in the Middle East (a new region for us) and eLink in the DACH region, which added greater product and service capability in the UC market. Post year end acquisitions of DVS and Nimans have not only added new technology capabilities (such as security and telecoms) but also greater depth in the UC and networking markets.

OPERATIONAL REVIEW

Overview

The challenges to our industry, business and people that were experienced in 2020 as a result of the COVID-19 pandemic, continued throughout 2021. Although the severity of lockdowns reduced generally, throughout the year governments advised their people to work from home for much of the time. Product shortages continued as did logistics issues and price inflation.

Our operations continued to perform to a high level despite these difficulties, and we believe that our efforts were rewarded by high market shares and growing order books. Our staff worked tirelessly in trying to marry product shortages and delivery unpredictability with the needs of our customers and their end users.

Strong organic revenue growth despite the ongoing challenges

Group revenue increased by 20.3% in the year, of which 18.9% was organic. This compares with AVIXA's estimated growth in the global AV market of 8.5% in 2021.

We saw substantial organic growth in our two core business regions – EMEA and the UK&I. Growth was modest in the APAC region as COVID-19 restrictions remained strict for much of the year. In North America, our exit from a low margin fulfilment business at the end of 2020 meant that revenue dropped by 38%. Removing this fulfilment revenue from the prior year, our business in this region grew by over 25% in 2021 and Group revenue increased by over 30%.

Little change in end-user market demand profile

With lockdown cycles continuing throughout 2021, we did not see the changes to end user demand that were expected at the start of the year. In particular, the live events and entertainment sectors remained generally subdued. The corporate market, which comprises principally investment in existing and new offices, also remained more subdued than expected as many companies failed to settle on their future office and home working strategies. To counteract this, our expanded range of products addressing the corporate market (particularly in respect of UC solutions) resulted in this segment accounting for a slightly greater share of the overall business than in 2020.

The education sector remained strong throughout the year. We have a particularly strong offering for this market and believe that it accounts for around one third of overall revenues.

Overall gross margin improvement

The overall Group gross margin percentage improved from 14.3% to 15.3%, a significant step back towards the 16.5% achieved in 2019.

We believe that margins were negatively impacted in 2020 as a result of lower volumes and an adverse change in mix of products sold. During 2021, we saw a partial recovery in the volume related margin drop. As volumes recovered, the Group was more successful in achieving volume purchasing rebates from manufacturers. This was partially supressed by ongoing product shortages, which reduced our ability to negotiate volume purchasing rebates.

We saw some improvement in the product mix, with 43% of Group revenues now being accounted for by our more technical product areas. The positive impact on overall gross margins from this growth was supressed somewhat by an ongoing lack of demand from certain higher margin end user markets, and also the fact that some of our newer product areas carry slightly lower margins.

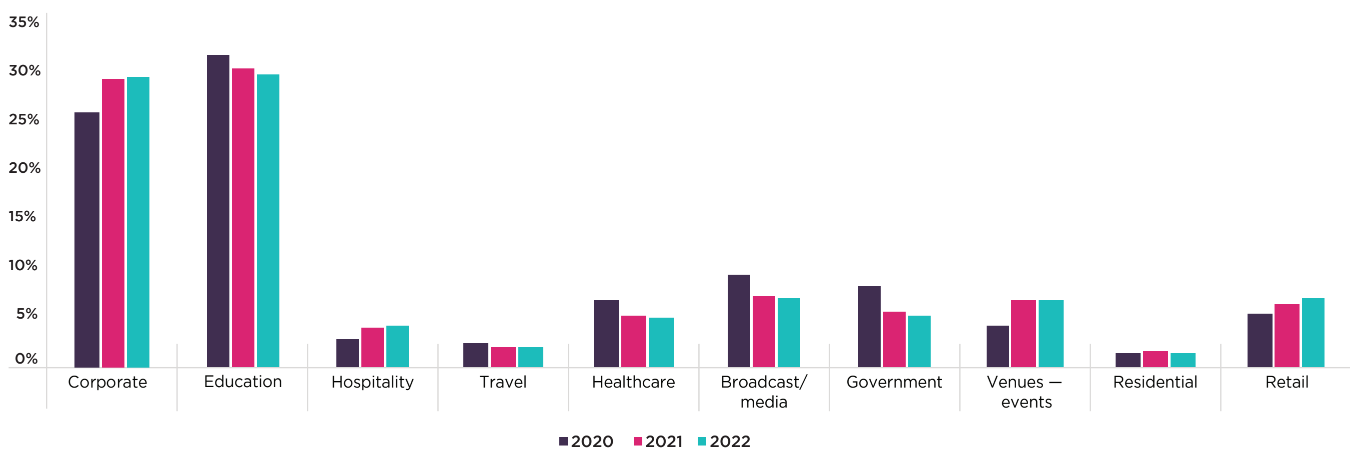
In the last two years the Group has been particularly successful in growing some lower margin product areas, such as in sales of mainstream products into education. This success has contributed significantly to Group net profit and expanded market shares, but does have a supressing impact on overall gross margins.

Managing the impact of ongoing product shortages

Throughout 2021, our industry experienced significant disruption to supply chains through a combination of the well-advertised global shortage of semi-conductors, manufacturing disruption caused by lockdowns, and a shortage of sea container capacity. Such disruption has impacted the business in a number of ways. Firstly, we believe there has been a supressing impact on revenue for the year. Although this is difficult to quantify (and should be temporary in nature), the increase in customer back orders would suggest that this impact could have been quite significant. Secondly, in order to provide the most consistent supply of product to customers, we have often held higher buffer stocks, where product has become available, which has an impact on working capital levels. Despite heightened inventories, it has been more difficult to maintain consistently high product availability to our customers across all ranges. Optimising our service level has involved often complex product scheduling and allocation, and significantly higher workloads for our staff.

We believe that significant product shortages remain ongoing, although there are some signs of this easing in the display market particularly.

End user markets – estimated share of Group revenue



Profitability and cash generation

Adjusted profit before tax increased by over 125% to reach £31.9 million – a record for the Group.

In addition to maximising profitability, we continued to focus on managing our cash flow. At the end of 2020, the Group's working capital, and hence net debt, was particularly low. The significant organic growth experienced in 2021, and also our decision to hold higher buffer stocks, meant that adjusted net debt increased from around £21 million to £58 million. At 31 December 2021, the ratio of adjusted net debt[1] to adjusted EBITDA was 1.4 times – well within the Board's comfort range.

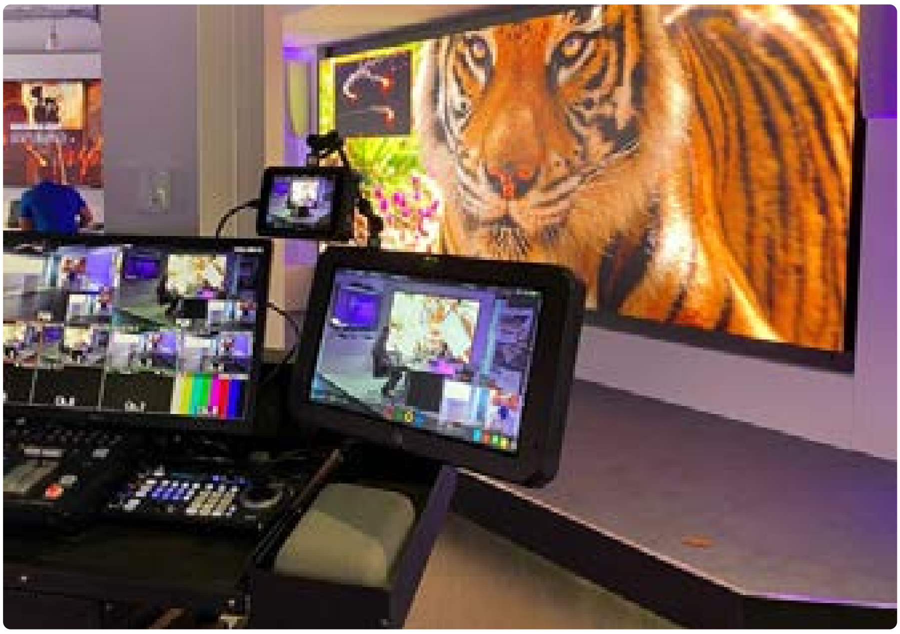
1 Adjusted for lease liabilities.

Group strategy remains unchanged

Our Group strategy focuses on long term profit growth driven by increasing specialisation, expanding our geographical footprint and growing the scale of the business. The Board reviews the validity of this strategy on a regular basis and believes that it continues to provide a sound basis for the future development of the business.

Technologies[2]

In broad terms, we categorise our products into mainstream and specialist categories. Mainstream products cover displays and projectors, which comprised an aggregate of 50% of Group revenue in 2021 (54% in 2020). Specialist categories cover technologies that require greater pre and post-sales support and hence tend to carry higher margins. This group covers categories such as audio, technical video and broadcast and represented 41% of total sales in 2021 compared with 38% in 2020.



Above: Live TV – Professional Broadcast Scenario – UK Experience Centre, Innovation House, Bracknell

Our largest technology area is displays, a category which grew by 30% in 2021 compared with a fall of 14% in 2020. Growth was particularly strong in the UK&I, which had seen the largest fall in 2020, but grew at over 40% in 2021 compared with the market growth of 14%.

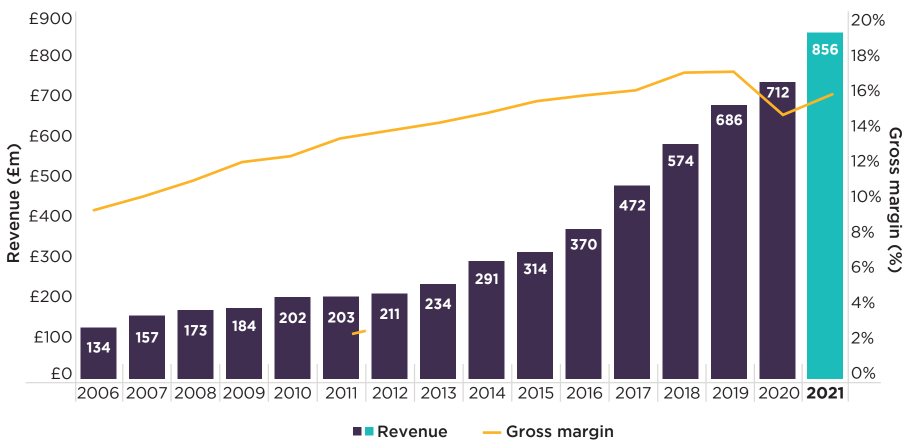
Revenue from projector sales increased by 5% in 2021 following a fall of 7% in 2020, with the UK&I increase being the most significant amongst our territories. Whilst the overall projector market continues to be impacted by a shift towards displays, we believe that we gained market share in this category.

Within both mainstream categories the bulk of revenue is in more volume/commoditised products, which tend to carry lower margins. The market for higher end, and hence higher margin products, has remained fairly subdued as these tend to be sold into the live events, entertainment or high-end corporate markets.

Sales in our technical product categories increased by around 41% after being broadly flat last year. After a particularly strong growth in 2020, as expected the broadcast segment grew at a slower rate in 2021. We saw particular growth in professional audio, boosted by the acquisition of NMK at the start of the year. Technical video products grew at 38%. This included some of the new ranges of UC products, which tend to be at slightly lower margins than some other specialist products.

2 This analysis excludes revenue from the fulfilment activity that Starin exited from at the end of 2020.

Long track record of accretive delivery



Outlook

Record revenues and profits were achieved in a year in which the business and our industry faced significant challenges. Although some of these challenges continue, there are signs of easing as economies open up. We have continued to invest in the business and position it for the long term – building strong foundations for the future. Midwich has been very successful in gaining and developing new vendor relationships and rolling these out across the Group. Our ongoing acquisition programme has enabled us to enter new geographical markets and expand our range of products.

With the global AV market expected by Avixa to grow at 7.2% per annum over the five years to 2026, I believe our Group is very well positioned for the future.

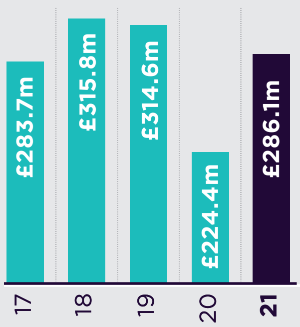
UK & Ireland

Our UK&I business has made significant progress in its recovery, helped by new vendor launches and winning additional market share.

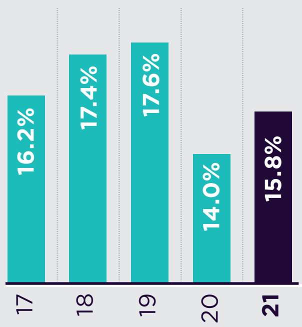
After a challenging start (due to severe lockdowns in early 2021), we achieved revenue of £286.1 million in the region (2020: £224.4 million) – an increase of 27.5%. Gross margins increased by 1.8% to 15.8%. The improvement in margin was across a number of different product categories. The gross margin should improve further as the trade rental business returns.

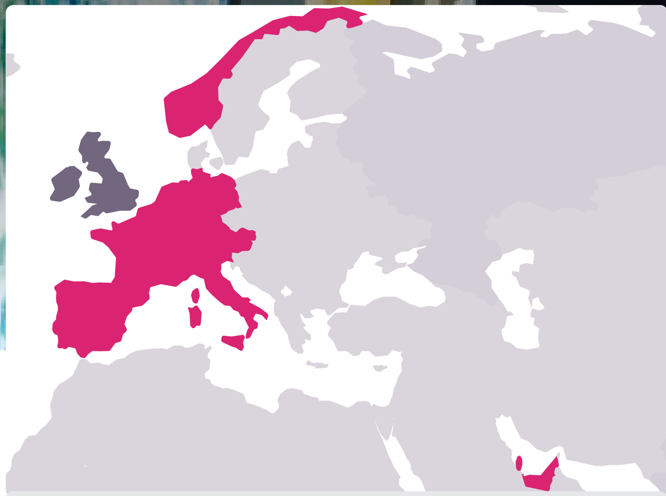
Operating profit increased substantially, from £3.9 million to £12.7 million. During renewed lockdowns at the beginning of the year, the UK&I received £0.4 million from government furlough schemes, although this has been repaid subsequently.

£286.1m
Revenue



15.8%
Gross margin





EMEA

The EMEA region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy, Iberia and the addition of the Middle East from the start of 2021.

Revenues, on a constant currency basis, increased by 41.8% to £455.4 million, with organic growth being 34.5%. The relative strength of Sterling to European currencies resulted in an exchange rate headwind that reduced reported revenue growth by 4.3% to 37.5%.

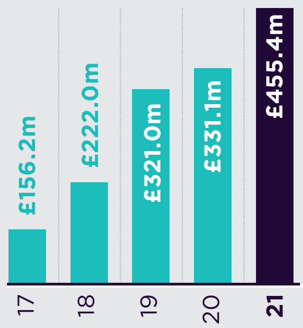
Our German and French businesses performed particularly well, with growth well in excess of 30% and 40% respectively. We believe that these two businesses have continued to gain profitable share in each of their markets.

We were very pleased with the contribution of NMK in the Middle East, and have commenced a programme of organic investment in that region.

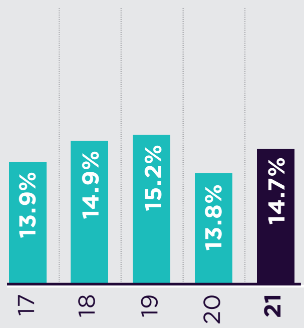
Gross margins in EMEA increased by 0.9% to 14.7%. Margins improved across a number of mainstream and technical product categories. The mix of sales improved, with revenues in both display and projection categories increasing, but by less than the higher margin technical areas. Audio sales performed particularly well, helped by the acquisition of NMK.

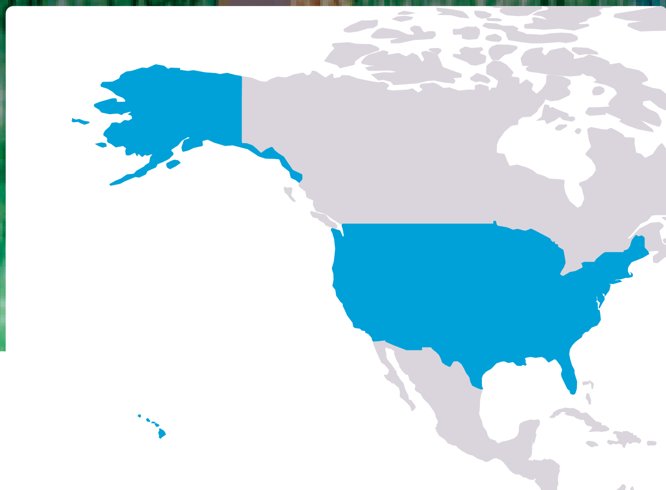
Operating profit in EMEA more than doubled to £21.4 million (2020: £9.4 million).

£455.4m
Revenue



14.7%
Gross margin





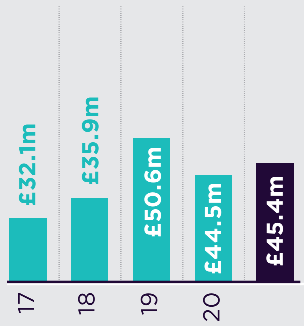
Asia Pacific

Our Asia Pacific region struggled to gain growth momentum in the year due to ongoing strict lockdowns. Revenue increased by 2% to £45.4 million in 2021. We believe that this performance was significantly ahead of the local market, indicating that we have gained share over the year.

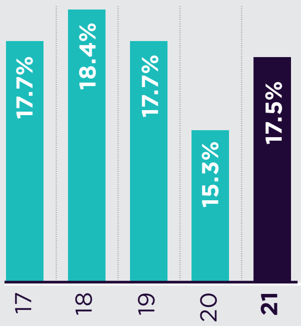
The gross margin in APAC improved by 2.2% to 17.5% reflecting a recovery in rebate levels. In prior years, APAC margins have benefited from high value add, complex projects. These were adversely affected by COVID-19 in the last two years, although we have started to see the pipeline of projects building recently.

Operating profit increased marginally to £0.9 million.

£45.4m
Revenue



17.5%
Gross margin

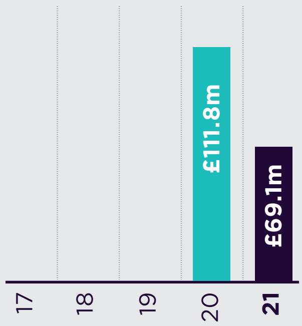


North America

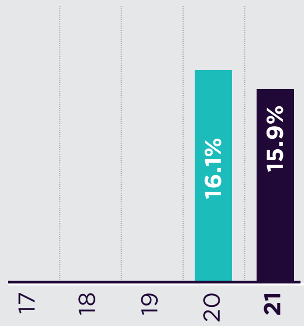
When Starin, our North American business, became part of the Group in February 2020, around half of its revenue was in a non-core fulfilment activity. We exited this low margin activity at the end of 2020. Revenue in North America was £69.1 million in 2021, compared with £111.8 million in the prior year. Excluding the fulfilment business, revenues increased by over 25% in the year.

We believe that the North American market holds significant potential for our business and have been investing accordingly. The US AV market is the largest in the world, although much of it is low margin fulfilment business. Our strategy in his market is to focus on more specialist AV products, supported by high value add customer service. Our gross margin in North America was 15.9% (2020: 16.1%), which reflects this focused specialist approach. Operating profit was £4.6 million, representing 6.7% of sales.

£69.1m
Revenue



15.9%
Gross margin



FINANCIAL REVIEW

Despite ongoing disruption in the wider market, we achieved record revenue and adjusted profit before tax in 2021, with the Group making further market share gains.

Stephen Lamb,
Group Finance Director

Revenue increased in 2021 by 20.3% to £856.0 million (2020: £711.8 million). Excluding the impact of acquisitions and currency movements, organic revenue increased by 18.9% (2020: -14.1%). Gross profit margin increased by a percentage point to 15.3% (2020: 14.3%).

Adjusted operating profit of £34.0 million (2020: £16.5 million) was a Group record and up by 110.4% at constant currency (2020: -50.8%). Operating profit before adjustments was £21.0 million (2020: £7.1 million).

Statutory financial highlights

	Year to 31 December 2021	Year to 31 December 2020	Total growth
Revenue	**£856.0m**	£711.8m	20.3%
Gross profit	**£131.3m**	£101.8m	28.9%
Operating profit	**£21.0m**	£7.1m	196%
Profit before tax	**£18.9m**	£(1.0)m	n/a
Profit after tax	**£13.5m**	£(3.4)m	n/a
Basic EPS – pence	**14.11p**	(4.32)p	n/a

Adjusted financial highlights[1]

	Year to 31 December 2021	Year to 31 December 2020	Total growth	Growth at constant currency
Revenue	**£856.0m**	£711.8m	20.3%	22.9%
Gross profit	**£131.3m**	£101.8m	28.9%	31.6%
Gross profit margin %	**15.3%**	14.3%		
Adjusted operating profit	**£34.0m**	£16.5m	105.7%	110.4%
Adjusted profit before tax	**£31.9m**	£14.2m	125.4%	130.3%
Adjusted profit after tax	**£23.9m**	£10.3m	132.6%	138.6%
Adjusted EPS – pence	**25.63p**	11.20p	128.8%	

1 Definitions of the alternative performance measures are set out on page 98.

Currency movements reduced Group revenue and adjusted operating profit in the year by 2.6% and 4.7% respectively. The currency impact in the prior year was negligible.

Organic growth in revenue was 18.9% (2020: -14.1%)

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

Regional highlights

	Year to 31 December 2021 £m	Year to 31 December 2020 £m	Total growth %	Growth at constant currency %	Organic growth %
Revenue					
UK & Ireland	**286.1**	224.4	27.5%	27.7%	27.7%
EMEA	**455.4**	331.1	37.5%	41.8%	34.5%
Asia Pacific	**45.4**	44.5	2.0%	1.4%	1.3%
North America	**69.1**	111.8	(38.2%)	(34.3%)	(37.8%)
Total Global	**856.0**	711.8	20.3%	22.9%	18.9%
Gross profit margin					
UK & Ireland	**15.8%**	14.0%	1.8ppts		
EMEA	**14.7%**	13.8%	0.9ppts		
Asia Pacific	**17.5%**	15.3%	2.2ppts		
North America	**15.9%**	16.1%	(0.2)ppts		
Total Global	**15.3%**	14.3%	1.0ppts		
Adjusted operating profit[1]					
UK & Ireland	**12.7**	3.9	224.8%	225.8%	
EMEA	**21.4**	9.4	127.4%	132.8%	
Asia Pacific	**0.9**	0.8	12.9%	9.3%	
North America	**4.6**	4.9	(7.2%)	(2.2%)	
Group costs	**(5.5)**	(2.5)			
Total Global	**34.0**	16.5	105.7%	110.4%	
Adjusted finance costs	**(2.1)**	(2.3)	(11.5%)	(8.4%)	
Adjusted profit before tax[1]	**31.9**	14.2	125.4%	130.3%	

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

The financial performance of each segment during the year was:

UK and Ireland

The UK and Ireland segment revenue increased by 27.5% (2020: -28.7%) to £286.1 million (2020: £224.4 million), generating gross profit of £45.3 million (2020: £31.3 million) at a gross profit margin of 15.8% (2020: 14.0%). This resulted in an adjusted operating profit of £12.7 million (2020: £3.9 million), an increase of 224.8% (2020: (80.3)).

EMEA

The EMEA segment revenue grew 37.5% (2020: 3.2%) to £455.4 million (2020: £331.1 million). Gross profit increased to £67.0 million (2020: £45.6 million) at a gross profit margin of 14.7% (2020: 13.8%), leading to an adjusted operating profit of £21.4 million (2020: £9.4 million) that increased 127.4% (2020: -33.4%). In constant currency, revenue grew 41.8% (2020: 2.2%) and adjusted operating profit increased 132.8% (2020: -33.9%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, increased by 34.5% (2020: -0.1%).

Asia Pacific

The Asia Pacific segment revenue grew by 2.0% to £45.4 million (2020: (12.1%) to £44.5 million), generating gross profit of £8.0 million (2020: £6.8 million) at a gross profit margin of 17.5% (2020: 15.3%). Adjusted operating profit was £0.9 million (2020: £0.8 million). On constant currency basis, revenue increased by 1.4% (2020: -1.4%) and adjusted operating profit grew 9.3% (2020: -69.6%).

North America

The North America segment revenue was impacted by the end of fulfilment activity for a vendor relationship, which ended in December 2020. Approximately half of the prior year revenue was attributable to this activity. Revenue from North America declined by 38.2% to £69.1 million (2020: £111.8 million). Gross profit margins at 15.9% were broadly in line with the prior year (16.1%) leading to an adjusted operating profit of £4.6 million (2020: £4.9 million).

Group costs

Group costs for the year were £5.5 million (2020: £2.5 million). The increase in cost was due to a mix of factors including the reversal of temporary reductions in salaries and bonuses in the prior year, attributable to the impact of COVID 19, stretch bonus achievement in the year and further investment in integration and IT capabilities.

Adjusted finance costs

Adjusted finance costs at £2.1 million (2020: £2.3 million) reflect the interest costs on borrowings for historic acquisition investments and working capital. Reported finance costs of £2.1 million (2020: £8.3 million) include interest costs on Group borrowings, the change in valuation of both deferred consideration and put and call options and the revaluation of loans and financial instruments.

Profit before tax

The Group reported a profit before taxation of £18.9 million (2020: £1.0 million loss) and adjusted profit before tax of £31.9 million (2020: £14.2 million); the increase using constant currency rates was 130.3% (2020: -54.7%).

Tax

The adjusted effective tax rate was 25.0% in 2021 (2020: 27.3%), which reflects a shift in the mix of profits arising to lower 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 14.11p (2020: -4.32p). Adjusted EPS increased by 128.8% (2020: -60.7%) to 25.63p (2020: 11.20p).

Dividend

The Board has recommended a final dividend of 7.8 pence per share which, together with the interim dividend of 3.3 pence per share and special dividend of 3.0 pence per share, gives a total dividend for 2021 of 14.1 pence per share (2020: nil). If approved by shareholders at the annual general meeting the final dividend will be paid on 17 June 2022 to shareholders on the register on 6 May 2022. The last day to elect for dividend reinvestment ("DRIP") is 25 May 2022.

Cash flow

	Year to 31 December 2021 £m	Year to 31 December 2020 £m
Adjusted operating profit	**34.0**	16.5
Add back depreciation and unadjusted amortisation	**6.1**	6.2
Adjusted EBITDA	**40.1**	22.7
Decrease/(Increase) in stocks	**(36.5)**	34.9
Decrease/(Increase) in debtors	**(12.5)**	18.1
(Decrease)/Increase in creditors[1]	**27.0**	(31.6)
Adjusted cash flow from operations	**18.1**	44.1
Adjusted EBITDA cash conversion	**45.2%**	194.4%

[1] Excluding the movement in accruals for employer taxes on share based payments.

The Group's adjusted operating cash flow conversion, calculated comparing adjusted cash flow from operations with adjusted EBITDA, was 45.2% compared to 194.4% for the prior year. The combination of strong growth combined with selected investment in buffer stocks to address supply chain risks resulted in cash conversion below the long-term average for the Group. The combined operating cashflow during the two financial years of the pandemic was 99.2%. Our expectation of long-term cash conversion remains between 70 and 80%.

Gross capital spend on tangible assets was £3.6 million (2020: £1.9 million) and included investment in a new office in the Middle East and a warehouse in Germany, together with the resumption of rental assets purchases in the second half of the year. An investment of £2.4 million in intangible fixed assets additions included £1.6 million (2020: £1.1 million) in relation to the Group's new ERP solution.

Net debt

Reported net debt increased from £39.3 million at 31 December 2020 to £79.0 million at 31 December 2021. The Group's reported net debt continues to be impacted by the adoption of IFRS 16 in 2019 which results in approximately £21 million of lease liabilities (2020: £18.3 million) being added to net debt. The biggest increase in lease liabilities in the year was the commencement of a new experience centre lease in the Middle East. As noted in the prior year, the Group's focus is net debt excluding leases ("Adjusted net debt"). The impact of leases on net debt is excluded from the Group's main banking covenants.

Adjusted net debt at 31 December 2021 was £58.0 million (2020: £21.0 million). The increase was largely driven by the investment in working capital together with payments for acquisitions and deferred consideration.

In December 2021, the Group increased its revolving credit facility to £80 million (£50 million at 31 December 2020) to finance the acquisitions of DVS and Nimans. This facility has an adjusted net debt to adjusted EBITDA covenant ratio of 2.75 times. This is calculated on a historic 12-month basis and includes the benefit of the prior year's earnings of any businesses acquired.

Most of the Group's other borrowing facilities are to provide working capital financing. Whilst the use of such facilities is typically linked to trading activity in the borrowing company these facilities provide liquidity, flexibility and headroom to support the Group's organic growth. As at 31 December 2021, the Group has access to total facilities of over £185 million (2020: £170 million).

The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 1.4x (2020: 0.9x). 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. The Group targets a long-term adjusted net debt to adjusted EBITDA (including proforma acquisition earnings) range of 1.5x–2.0x, although we may go above this in the short-term following acquisition investments.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £73.1 million (2020: £59.0 million) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2021, 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. Growth in working capital in the year was driven by organic growth, some additional investment in stock to address supply chain disruption and the impact of acquisitions. At 31 December 2021, the Group had working capital (trade and other receivables plus inventories less trade and other payables) of £106.1 million (2020: £79.3 million). This represented 12.4% of current year revenue (2020: 11.1%). The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value, including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from the purchase date. There was no change in this methodology in the year. At 31 December 2021, the Group's inventory provision was £15.4 million (11% of cost) (2020: £23.8 million; 22% of cost). The reduction in provision in 2021 included £5.8 million associated with the disposal of fully written down stock due to the exit of fulfilment activity in North America.

Adjustments to reported results

	2021 £000	2020 £000
Operating profit	20,980	7,090
Acquisition costs	486	526
Share based payments	4,416	2,562
Employer taxes on share based payments	904	130
Amortisation of brands, customer and supplier relationships	7,226	6,224
Adjusted operating profit	34,012	16,532
Profit/(loss) before tax	18,895	(995)
Acquisition costs	486	526
Share based payments	4,416	2,562
Employer taxes on share based payments	904	130
Amortisation of brands, customer and supplier relationships	7,226	6,224
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	(2,058)	2,282
Finance costs – deferred and contingent consideration	347	3,275
Finance costs – put option	1,696	154
Adjusted profit before tax	31,911	14,158
Profit/(loss) after tax	13,473	(3,387)
Acquisition costs	486	526
Share based payments	4,416	2,562
Employer taxes on share based payments	904	130
Amortisation of brands, customer and supplier relationships	7,226	6,224
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	(2,058)	2,282
Finance costs – deferred and contingent consideration	347	3,275
Finance costs – put option	1,696	154
Tax impact	(2,545)	(1,472)
Adjusted profit after tax	23,945	10,294
Profit/(loss) after tax	13,473	(3,387)
Non-controlling interest	1,044	364
Profit/(loss) after tax attributable to owners of the Parent Company	12,429	(3,751)
Adjusted profit after tax	23,945	10,294
Non-controlling interest	1,044	364
Adjustments to profit after tax due to NCI	323	198
Adjusted profit/(loss) after tax attributable to owners of the Parent Company	22,578	9,732
Number of shares for EPS	88,101,300	86,893,508
Reported EPS – pence	14.11	(4.32)
Adjusted EPS – pence	25.63	11.20

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 98.

MANAGING RISK

Our risk management process

The Board is responsible for maintaining and reviewing the effectiveness of our risk management activities from a strategic, financial, and operational perspective. These activities are designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives or to successfully deliver our business strategy.

The risk management process is designed to identify, assess, respond to, report on and monitor the risks that threaten our ability to achieve our business strategy and objectives, within our risk appetite.

Our approach to risk management is a combination of local and Group-wide activities. Risks are owned and managed within our businesses and reviewed by the Group Risk Committee, which reports key matters to the Board half yearly. At a Group level, our teams review risks and controls, including those relating to information security and regulatory compliance. Delegated authorities are in place across the Group to facilitate local ownership, but within an agreed risk framework.

When we acquire new companies, we conduct detailed assessments of commercial, tax, legal and regulatory risks as part of our due diligence process. Our integration process includes early establishment of delegated authorities and key controls.

While the Group does not have a dedicated internal audit function, the Group team conducts local reviews of tax and compliance matters. The Group team also has a direct relationship with the auditors of each business.

Our risk appetite

The Board assesses the level of risk and our associated risk appetite to ensure we focus appropriately on those risks we face. We target risks based on an assessment of strategic, operational and financial impact. We then prioritise them for mitigation. The Board and Audit Committee review the principal risks, of which there are currently seven, on an ongoing basis.

Our risk culture

The Board is committed to maintaining an open culture that emphasises the importance of managing risk and encourages transparent and timely risk reporting. We work to align employees' behaviours, attitudes and incentives with our risk appetite and other governance and risk management policies. Our delegated authorities and risk governance process reinforces and facilitates appropriate ownership, accountability, escalation, and management of our principal risks.

Current areas of focus

Whilst our risk landscape continues to evolve, the emergence of COVID-19 has been an area of enhanced focus for the Board, with additional resources allocated to reviewing the impact of COVID-19 and the Group's response. In addition, the Board spent additional time reviewing the Group's response to Brexit.

Risk management framework

Risk Management Framework to identify, asses, respond to, report on and monitor.

Board

Sets our overarching risk appetite and ensures that we manage risks appropriately across the Group.

Regularly monitors the principal risks and uncertainties identified by our risk assessment processes, and the actions we have taken to mitigate them.

Group risk management monitoring and reporting

Primary responsibility to oversee management of financial risks, including tax, credit and treasury risks and legal compliance.

Responsibility for overseeing global information technology and security risks together with operational and insurance risks.

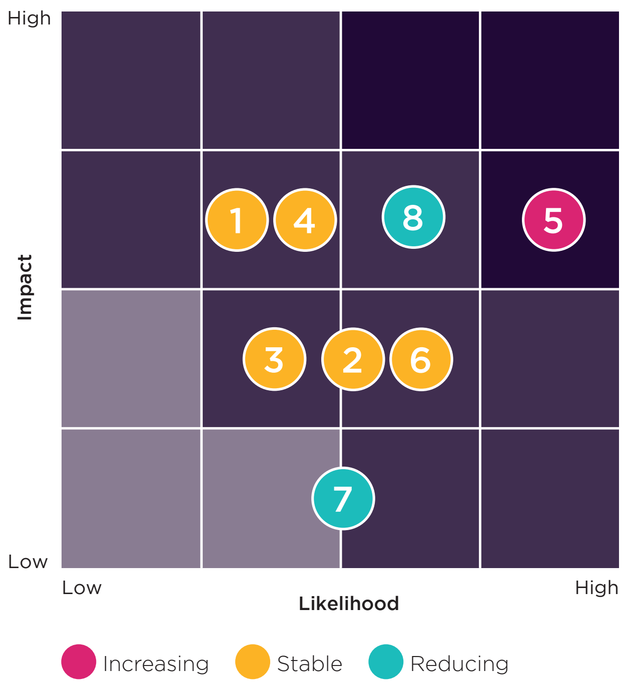
Group management

Our executive management takes day-to-day responsibility for implementing the Board's policies on risk management and internal control. It designates who is responsible and accountable through the design and implementation of all necessary internal control systems, including policies, standards and guidance.

Operational management

Our operational management and business unit leaders take day-to-day responsibility for operating within the Group's risk management framework including local legal compliance, staff training, risk mitigation and monitoring.

Risk Heat Map



1. Dependence on key personnel
2. Expected benefits from acquisitions may not be realised
3. Loss of key customers
4. Loss of key vendors
5. Product shortages due to supply chain disruption
6. Regulatory risk
7. Brexit
8. COVID-19

1 Dependence on key personnel

Risk description
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.

Mitigation
The Group actively measures the retention of talent within the business and engages with employees by focusing on training and development. We conduct 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 and leadership development a key agenda item.

Change in the risk during the year
The Group implemented remote working practices during 2020 and these continued to work well in 2021. There were no significant changes in key personnel in the period.

The Group's LTIP scheme ensures that the interests of our key senior leaders are aligned to those of other stakeholders and the Group's strategic objectives.

2 Expected benefits from acquisitions may not be realised

Risk description
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.

Mitigation
The Group only enters into acquisitions after a thorough due diligence exercise, which will involve a detailed review of operational resources, 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 maximise their disposal value.

Change in the risk during the year
The Group acquired three businesses during the year. Our approach to acquisitions is considered a core capability, which we seek to evolve and improve as we do more deals. While we cannot eliminate risk in this, the investment that we have made in the Group team in recent years has allowed us to reduce the risk in this area year on year.

Acquisition appraisals and due diligence findings were reviewed by the Board. The Board receives progress updates on integration and conducts post-acquisition reviews of deals completed.

3 Loss of key customers

Risk description
Most 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 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.

Mitigation
The Group has a very large customer base of over 20,000 AV integrators and IT resellers, many of whom have long-term relationships with it. The diversity of our customer base is demonstrated by the fact that no customer accounted for more than 2.5% (2020: 2.5%) of overall Group revenues this year. 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.

Change in the risk during the year
While the competitive risk to our business remains high, we believe our mitigation efforts limit this risk and have allowed us to deepen our customer relationships as well as increase our market share in a number of key territories in 2021.

During the year, we continued to adapt to the COVID-19 pandemic and remote working; ensuring that customer service was a top priority. In addition to our normal activities, we provided our customers with enhanced remote training, virtual access to our experience centres and practical advice on areas such as logistics and credit management. We strengthened our dedicated support for our multinational customers, which allows us to partner with them on complex projects across our different geographies.

4 Loss of key vendors

Risk description
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 development 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.

Mitigation
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.

Change in the risk during the year
Our vendor portfolio was a significant area of strategic focus in the year with further new vendors added in strategic growth areas. We also expanded existing vendor relationships into more of our businesses.

Through our acquisitions we added further vendors to the Group and strengthened our relationship with a number of existing ones.

5 Product shortages due to supply chain disruption

Risk description
The vast majority of the Group's products are manufactured outside of the markets in which they are sold and, as such, the Group is dependent on the global product supply chain. Failures or delays in the supply chain will impact revenue and working capital and could impact the Group's ability to meet financial expectations.

Mitigation
The Group is typically the leading distributor for each of its vendors in the country where it operates. These strong relationships, together with close vendor collaboration to forecast demand, provide the Group with some of the most predictable supply of goods in the market. The Group has multiple vendor relationships and is able to work with its customers to offer alternative products when there are supply limitations.

Change in the risk during the year
Ongoing pandemic restrictions combined with a recovery in market demand in the year resulted in product shortages becoming an emerging risk in 2021. The Group enhanced its focus on continuity of supply and increased its inventory holding of certain product lines to reduce the impact of supply chain disruption. The uncertainty in the supply chain is expected to continue into 2022.

6 Regulatory risk

Risk description
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.

Mitigation
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.

Change in the risk during the year
The regulatory environment has been relatively stable across the Group during the year.

We continue to monitor the regulatory backdrop for changes that will affect the Group and adapt our internal policies and procedures accordingly.

Above: Van Domburg Partners, Experience Centre, Netherlands.

7 Brexit

Risk description
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. The fallout from Brexit could lead to disruption in the availability of goods to the UK and Ireland ("UK&I") business.

Mitigation
In anticipation of Brexit, the Board monitored risks and reviewed action plans. The UK-EU trade agreement in late December 2020 addressed much of this uncertainty, but a number of operational uncertainties remained.

We have added additional administrative resources in the UK&I to manage the additional work required in the post-Brexit environment. We continue to hold approximately two months' inventory and work closely with vendors to maintain availability of goods.

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 permanent disruptions to the UK to Ireland supply chain.

Whilst longer-term risks include tariffs and divergence of regulation and standards between the UK and the EU, this risk was largely mitigated by the UK-EU deal. There remains a residual risk with respect to goods manufactured outside of UK/EU countries. Our EMEA businesses each operate locally, with limited export sales from the UK to EMEA representing less than 5% of UK revenue. There are no significant dependencies on migrant labour, cross-border financing or centralised infrastructure.

The Group continues to work closely with its vendors to minimise any Brexit related disruption.

Change in the risk during the year
At the beginning of the year, new customs regulations caused limited disruption to logistics and the supply of products in the UK&I for several weeks. The UK business held approximately two months' inventory at 31 December 2020 and had worked closely with key vendors to maintain availability of goods during any initial disruption.

Whilst there were a number of practical changes made to administrative processes, vendor and banking agreements, Brexit planning did not have a material effect on operations during the year.

8 COVID-19

Risk description
The emergence of the COVID-19 pandemic in 2020 represented the biggest ever known shock to our business sector. Initially, risks were to our supply chain although this quickly evolved into market disruption through lockdowns and other restrictions. COVID-19 risks to our business include: reduction in demand (impacting: Sales and margins), excess working capital (Cash and liquidity) and disruption to our teams and supply chain (Operations).

Mitigation
We took decisive actions to protect our people and the business in the short term. The majority of our people are able to work from home, successfully using technology to undertake their roles. When permitted, our offices reopened, and a limited number of staff have returned to them, typically on a hybrid basis. We continue to offer flexible home working solutions to our teams.

We continue to monitor the impact of COVID-19 on the wider market and work closely with our customers and vendors to minimise any disruption.

Change in the risk during the year
Through a combination of market recovery and market share gains, the Group return to strong growth in 2021. Whilst COVID-19 lockdowns impacted our businesses around the world, and a number of end user markets have yet to recover, the impact of the pandemic was generally for shorter periods and more localised in the period. The global recovery has had an impact on the supply chain, which is covered in the "Product shortages" risk.

Statement by the directors in performance of their statutory duties in accordance with s172(1) of the Companies Act 2006

When making decisions, the Board of directors of Midwich Group plc must act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006).

The Company has a clearly defined strategy (as summarised on page 18) and the Board takes into account the long-term consequences of its decisions in the context of this. When making decisions the Board considers a number of factors, including:

- The macroeconomic environment, including anticipated GDP growth, market disruptions and investment activity.
- The AV marketplace (see pages 12 to 13) – specifically ensuring that the Group continues to build on its reputation for high standards as a value-add AV specialist.
- The translation of the strategy into both longer-term goals and annual plans with regular updates reviewed by the Board throughout the year.
- How the Group's objectives influence its employees, customers, suppliers and shareholders together with the Group's wider impact on the environment and the communities where it operates. Further details on stakeholder engagement are set out below and in the ESG section on pages 40 to 47.
- Our Risk Management Framework which, as a distributor, places our relationships with wider stakeholders at the centre of our decision making (see page 32).

During the year, specific significant decisions made by the Board included further actions taken in response to the COVID-19 pandemic, the approval of acquisitions, the approval of the strategic plan, investment in the Group's ESG programme, approval of additional debt facilities and the allocation of share awards to our employees. The Board members also received feedback from our customers, vendors, employees and shareholders. This included dialogue with the Group's shareholders with respect to the AGM vote on the directors' remuneration report.

As a Board, our intention is to behave responsibly toward our stakeholders and treat them fairly and equitably, so that they all benefit from the successful delivery of our strategy. The Board of directors has overall responsibility for determining the Company's purpose, values and strategy and for ensuring high standards of governance. The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. As a specialist distributor, we add value by developing and maintaining in-depth understanding of our vendors' and customers' needs.

Our business model is predicated on strong long-term relationships with high-end brand manufacturers, offering value-added service to trade-only customers.

> **"The Company has a clearly defined strategy and the Board takes into account the long-term consequences of its decisions in the context of this."**
>
> **Andrew Herbert,**
> Chairman

Customers

Why it is important to engage
Midwich operates a strictly business-to-business model so our customers are also a value-adding part of the supply chain.

Ways we engage
We have a dedicated sales and support organisation with responsibility for both day-to-day and more strategic communication. We receive regular feedback through these channels, together with the results of formal customer surveys, on customer needs, our performance, product performance and satisfaction of the ultimate end user.

Customer feedback informs our decisions on the product portfolio and helps us to engage effectively with vendors; suggesting product enhancements and reporting on performance issues. Customer feedback also informs our decisions on support and how we organise resources to provide an effective and efficient service. Matters pertaining to customers and the internal support organisation are reported to the Board regularly.

Stakeholders' key interests
- Market knowledge and AV industry trends
- Customer service and value-added support and advice
- Product range and availability
- High quality logistics
- Long-term relationships

Actions taken on the back of engagement
- Partnering with our customers to design end user solutions
- Access to our experience centres to build product and market knowledge
- Customer training programmes
- Supporting multi-country project delivery

Vendors

Why it is important to engage
Midwich is a value-added distributor of AV products, representing over 600 high end manufacturers. Vendor relationships are critical to the long-term success of our business.

Ways we engage
Vendor relationships are managed across all levels of the organisation with regular communication on both strategic matters and day-to-day engagement.

Midwich prides itself on the longevity of many of these relationships and the key position it holds in the commercial operation of its vendors. The Board maintains an overview of vendor relationships through regular reporting and presentations from management.

Stakeholders' key interests
- Market focus and scale
- Support, attention and market intelligence
- Profiled customer base with targeted sales and marketing
- Industry-leading events to interact with customers and end users
- Ability to support multinational projects
- Efficient logistics and product support

Actions taken on the back of engagement
- Feedback on market trends and demand to develop creative solutions
- Hosting trade events in partnership with our vendors
- Supporting our vendors to enter new markets and grow market share

Employees

Why it is important to engage
Our employees are integral to the success of our value-add strategy. Knowledge, skills and experience are vital to ensuring both vendor and customer satisfaction and, therefore, staff recruitment, retention and reward are critical.

Ways we engage
We have increased investment in training year-on-year, including dedicated in-house training resources.

We hold regular open communication sessions with staff at all levels via management briefings and "town hall" meetings in all locations.

Staff surveys are conducted periodically, and staff members have individual appraisals annually.

The Board receives regular reports including the results and action plans from our staff surveys.

Stakeholders' key interests
- Alignment with Group strategy
- Understanding purpose, culture and values
- Feeling part of the Company through share ownership
- Communication
- Training and career development
- Responding to employee feedback

Actions taken on the back of engagement
- Group-wide and local communication programmes
- Broad participation in share ownership
- Return to office programmes and the adoption of hybrid working

OUR STAKEHOLDER ENGAGEMENT CONTINUED

Shareholders

Why it is important to engage
As a publicly listed company we need to provide fair, balanced and understandable information to instil trust and confidence and allow informed investment decisions to be made.

Ways we engage
The Company engages with its shareholders through formal meetings, informal communications and through stock exchange announcements.

Management meets with institutional shareholders presenting Company results, articulating strategy and updating shareholders on progress.

Trading and other statements are made via the stock exchange during the year and the Company holds its Annual General Meeting ("AGM"), at which all shareholders can attend and speak with management. Company contact details are included in all announcements and are available on the Company website.

Stakeholders' key interests
- Annual reports
- RNS announcements
- Annual General Meetings
- Investor presentations
- Corporate website
- One-on-one meetings
- Company visits and events

Actions taken on the back of engagement
- Resumption of dividends including a special dividend in July 2021
- Additional content made available to stakeholders on the Group website
- Group newsletter
- Engagement with shareholders ahead of and following the AGM vote

Environment

Why it is important to engage
As part of the wider AV industry, we want to promote the use of AV technology for environmentally sound purposes while minimising any adverse effects.

Ways we engage
The Company supports the use of AV technology as an enabler of more efficient and effective working, for example our products are increasingly being used as sustainable alternatives to one-off actions, such as videoconferences instead of travel to meetings or digital signage as an alternative to printed marketing materials.

We are also focused on reducing our impact on the environment and embedding a sustainable approach into all areas of the business. For example, the use of solar energy generation on our buildings in the UK or reducing our consumption of single-use plastic and non-recyclable containers across the Group.

Stakeholders' key interests
- Alignment of Company values with environmental concerns
- Actions to reduce environmental impact
- Investments in sustainability

Actions taken on the back of engagement
- Partnering with a third party to determine the Group's carbon emissions
- Further development of the Group's ESG strategy
- New offices must meet stretching environmental impact targets

Communities

Why it is important to engage
We are a significant employer across a number of countries, and we aim to contribute positively to the communities and environment in which we operate.

Ways we engage
In line with our people-orientated ethos and ethical values, we continued to support the local communities in which our offices are based; committing to making a real difference.

Under the "Midwich Loves..." brand we support our chosen charities and community activities. We provide our staff with time and support to volunteer for good causes.

Supporting local communities also comes in the form of using local suppliers for our offices, where possible.

Stakeholders' key interests
- Impact of Group activities on the wider community
- Support for the local economy
- Staff time and engagement with good causes

Actions taken on the back of engagement
- Support for local charities selected by our teams
- Encouraging our team members to support community action
- Virtual team events to raise money for charity

CASE STUDY

Sound of the opera – del Duomo di Siena – more than a cathedral!

Like many famous cathedrals, the Duomo di Siena is perceived, not only as a place of worship, but a museum of beautiful history and architecture, visited by many that want to admire the artistic treasures within.

This historic architecture makes it difficult for audiences to clearly hear words spoken at ceremonies and that's where system integrator MCM and Prase, a Midwich Group company based in Italy used their expertise to help.

> "Del Duomo di Siena cathedral opened a tender for a new state-of-the-art system to provide the best sound diffusion technologies that deliver both clarity of speech and background music during tourist visits, fully upgrading its 1960s audio system."

The key purpose of the project was to welcome the many Sienese who attend religious services in the cathedral with an improved experience in 2021, renovating the 1960s audio system. The choice of digital sound distribution, directional speakers and minimising the visibility of cables were essential to delivering excellent results for this religious Italian monument.

Many famous cathedrals, including the Duomo di Siena are not only attended as places of worship but also perceived as museums and admired for their artistic treasures. However, the treasures and architecture make it difficult to clearly hear the spoken words of the service and most cathedrals and churches have very high degrees of reverberation due to sound infinitely bouncing off the different surfaces, amplified by the very large spaces.

To help solve this challenge the cathedral opened a tender for a new state-of-the-art system that would provide the best sound diffusion technologies to deliver both clarity of speech for services and background music during tourist visits, fully upgrading its audio system.

Prase Media Technologies worked closely with the system integrator, MCM, in each phase of the project. They began testing the sound reverberation and acoustic issues of the building during the evenings to understand the current challenges. From the findings, the Prase design team proposed the best tech selection and configuration that would minimise sound reverberance and increase the intelligibility of the spoken celebration as well as the ability to use the same system for other applications, at other times.

The tender proposal was detailed as the cathedral is an historical building and went to the Italian Ministry of Cultural Organisation, which asked for a number of customisations, one being for the new audio system to be integrated into the cathedral aesthetic.

Prase's supporting role has been crucial, as the distributor worked with the manufacturer to arrange loudspeakers to be painted with the specific RAL of the marble, typical of Tuscan churches. In addition, the design team requested other adaptions to ensure all the technologies would fit within the old audio infrastructure to keep the cables hidden. This required more tests to be carried out in the Prase demo room, then the cathedral and several further Ministry approvals were required and finally the audio quality and its discretion was signed off by the Cultural Heritage supervisor.

The image above shows how effectively hidden the infrastructure is and the success of the tender to upgrade the audio system delivering an up to date experience for all who attend the cathedral.

We have made further progress in Environmental, Social and Governance ("ESG") matters during the year including a significant step up in our focus of our impact on the environment.

Hilary Wright,
Non-executive Director

I am pleased to report that we have made further progress in Environmental, Social and Governance ("ESG") matters during the year including a significant step up in our focus of our impact on the environment. The Group's approach to ESG is aligned to three key pillars: reducing our environmental impact; helping our local communities and charities; and supporting our people.

The Board has determined that the Group's primary sustainability focus will be on carbon emissions. Although a number of our businesses have already sought to understand and improve their emissions, during the course of 2021 a plan was established which covers the whole Group and we have set out further information on our approach to reducing our carbon emissions in this report. We are committed to reducing our carbon emissions and are working towards establishing science based targets for the Group.

Across our business each of the pillars are at the heart of what matters to our people. Outside of our structured environmental programme, each country adopts these in their own unique way to ensure that they matter to their teams and build strong local engagement with the programme.

Not only do we have our own ESG pillars, we also support those of our partner brands. As a distributor, we are integral to their "go to market" approach and wherever we can, we will help them to achieve their goals to improve the world for us all.

As an AIM listed company, the Task Force on Climate-related Financial Disclosures ("TCFD") are not yet applicable to the Group, but as a Board we have determined that we will progress towards the majority of the TCFD disclosures over the next two years.

During 2021, work continued within the three pillars and despite the continued disruption due to the pandemic we've maintained our focus and continued to make a difference in each area.

Hilary Wright
Non-executive director with responsibility for ESG

Our approach to reducing our environmental impact

The Board has determined that the Group's primary sustainability focus will be on carbon emissions. Although a number of our businesses have already sought to understand and improve their emissions, during the course of 2021 a plan was established which covers the whole Group.

The key steps to implementing our strategy have been identified as:
- Environmental impact and sustainability has been escalated to a Board matter with a non-executive director assuming responsibility for ESG;
- Establishment of an internal team supported by third party specialists to focus on carbon reduction;
- Establishing our baseline CO_2 emissions across the business through an externally supported audit process;
- Assessing and understanding our current position and our opportunities to improve;
- Formalisation and quantification of our strategic approach and goals;
- Development of plans and implementation of actions for the reduction of CO_2;
- Establishment of reporting and monitoring processes;
- Including environmental matters in our risk management processes;
- Board review of progress and the future inclusion of ESG metrics in executive directors' performance targets.

A number of guiding principles have been established by the Board:
- In order to be effective in our ambitions, we need to engage all business leaders and teams;
- External expertise should be brought in as required. In due course we should also engage with our suppliers and customers;
- To the greatest extent possible, we should aim to reduce rather than offset our carbon emissions;
- Our goals should be ambitious and achieved within a reasonably short timescale;

- Our initial focus will be on our most controllable emissions – those falling within Scope 1 and 2;
- Understanding and developing a plan to reduce Scope 3 emissions is likely to take longer but is important to our overall goals;
- We should aim to automate the collection of relevant data rather than relying on periodic reviews.

In 2021, we focused our environmental activity through the establishment of a Group wide team with a desire to make a difference led by an internal candidate with qualifications in sustainability. To support this team, and after a review of suitable candidates, the Board appointed Climate Partner GmbH as a specialist external adviser on sustainability.

The process for establishing our baseline CO_2 emissions across the business commenced in 2021 and is making good progress. Working with our external advisor, our team and the Board have identified the following key areas where the Group will target reducing our emissions.

Stage	Scope	Definition	Group-specific focus
1	1 and 2	Direct emissions by the business Indirect emissions from the consumption of purchased electricity, heat or cooling	Use of electricity for lighting and powering equipment Heating of our buildings Air conditioning and cooling of buildings Use of company commercial vehicles and cars
2	3	Other indirect emissions, principally from suppliers or customers to the business	Outbound logistics Staff travel (flights, car and train) Packaging and waste Customer and end user emissions through the use of our products

Although the absolute value of CO_2 emissions is important, given the historical and planned growth of the Group, the Board considers that emissions divided by revenue is a more relevant KPI.

The Board intends to provide further progress updates on its environmental strategy later in 2022. This will include baseline CO_2 data from the audit together with our agreed approach to eliminating or offsetting our carbon emissions with respect to Scope 1 and 2 by 2030 or earlier.

Our ESG pillars

The environment

In addition to our new programme to reduce CO_2 emissions, we have continued to act to reduce our environmental impact in 2021. Examples during the year include a sustainable approach to our new office and experience centre in Hamburg, Germany (see page 47) and a further shift to low emission vehicles in our UK fleet.

2022 Targets:

- To complete our baseline CO_2 emissions audit
- To report on our environmental strategy and approach to carbon reduction

Our communities and charity support

We continue to support an array of local, national, and international charities across the Group. In 2021, we were able to adapt our "generosity amplified" approach, working in local communities where possible and bringing staff together virtually to raise vital funds for causes that matter to them.

2022 Targets:

- To contribute over £25,000 to our chosen charities
- To launch the "The Gift of AV" initiative in the UK

Our people

The Midwich Group continues to take its social responsibilities seriously and we strive to look after and develop our employees. During 2021 we continued to make business personal, supporting employees through wellbeing programmes, provision of access to additional mental health services and the formalisation of hybrid working.

2022 Targets:

- Welcome our teams back to our offices and promote hybrid working
- Invest in our facilities to make them great places to work

The Environment

As referenced in the summary, we care about the environment and in 2021 we formalised our activities under our new carbon reduction programme. In addition to our new programme, we have continued to act to reduce our environmental impact in 2021. Examples during the year include a sustainable approach to our new office and experience centre in Hamburg, Germany and a further shift to low emission vehicles in our UK fleet. We set three specific targets to reduce our environmental impact in the year and are pleased to report that we met these targets.

We committed to creating internal teams to champion being more environmentally conscious. In 2021, under the direction of a qualified sustainability expert, we established an internal team to develop and support our plans to reduce our CO_2 emissions. This team is supported by Climate Partner GmbH, a specialist carbon reduction consultant.

We also committed to reducing our UK SECR intensity ratio in the year and increasing our percentage of low emission vehicles in the UK fleet. We achieved both targets with a 10% decline in our intensity ratio and an increase in the proportion of low emission vehicles[1] to 27% (2020: 8%).

In addition, the Group companies continue to champion the following initiatives: encouraging employees to come to work by cycle, eliminating single-use plastics, engaging with renewable energy suppliers, using LED lights in our offices, using recycled paper products and moving to electric vehicles where it is viable to do so.

We are also committed to reducing negative environmental impact directly and indirectly across our supply chain. As a distributor of technology, we understand it is often purchased as an upgrade and to replace old technology. Our responsibility here is to comply with the WEEE regulations and register all electronic products we sell and pay for them to be discharged correctly.

Above: Innovation House, Bracknell, UK where our Experience Centre is located.

We also work with our partner brands to support their corporate social responsibility and sustainability goals. We are integral to their "go to market" strategy and wherever possible we will help them to improve the world for us all.

Furthermore, we provide unified communications solutions, for example ZoomRooms, which keep people connected whilst significantly reducing the need for travel. We practice what we preach and have enabled and encouraged our employees to use this technology. This positioned us well to adapt to the world of hybrid working and has significantly reduced the requirement to travel, which has in turn reduced our carbon emissions.

> **"We are committed to reducing negative environmental impact directly and indirectly across our supply chain."**

As we return to our offices we will continue to focus on reducing waste going to landfill and our consumption of single-use plastic and non-recyclable containers and we have challenged each country to create less waste. We continue to support many initiatives across the Group designed to be embedded in our culture and change our mentality to "sustainability for the future".

[1] pure electric or hybrids producing <50g of CO_2.

Our pledge

To complete our baseline carbon audit and report on our carbon reduction programme. Our commitment is to focus on positive impacts on the environment and to reduce the negative impacts. To underpin these reports and deliver the actions and outcomes we will work with each of our businesses across the world to focus on environmental topics and champion change.

Our communities and charity support

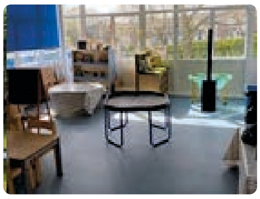
In 2021 the pandemic continued to restrict our lives and the opportunities to spend time together, but we were able to adapt our "generosity amplified" approach, working in local communities where possible and bringing staff together virtually to raise vital funds for causes that matter to them and deliver on our targets for the year.

In Germany, Kern & Stelly donated funds from its summer party to a reforestation project where several members planted trees in a forest in Hamburg. Further to this, we donated to charities supporting disadvantaged children and provided food gifts to Alimus, who take care of the homeless and socially challenged. New Media AV donated equipment to a local charity (Frau HIlfe Kind) and one further afield in Uganda (Oli wa Ammanyi).

Prase in Italy is providing financial support to young women in Peru and Mozambique to develop skills to make a better future for themselves. In Spain, EarPro and EES supported their community by donating equipment to the Minguella Sports Association and making financial donations to the Enriqueta Villavecchia foundation, who provide care to young people with cancer or other serious diseases.

The UK continued to raise funds for Norfolk and Waveney MIND; our nominated UK charity. A cheque for £45,058.10 was given to them by our charity committee including the proceeds from an online Christmas Raffle raising £12,550.

In addition to the charity initiative, the Company supported their reseller customers through sponsorship of their charitable events and by donating audio visual products for charity auctions and for use in community centres. For example, in the UK, Sound Technology provided technology to a local school and musical equipment as raffle prizes to support a community college.



In 2022, Midwich UK will launch the "The Gift of AV" initiative, giving back on several levels from providing all staff with the opportunity to spend a working day volunteering in their community, to donating through payroll giving to one of three selected charities that staff have voted for.

> **In 2021 our "generosity amplified" approach continued."**

Clockwise from top left: Kern and Stelly food gift for Alimus, Midwich charity cheque presented to Norfolk and Waveney MIND, Kern and Stelly staff tree planting in Hamburg, Sound Technology donated sound equipment to local nursery, inside and out

Our pledge

Charity and community initiatives across the Midwich Group in 2022 will not only be aligned to fund raising but intrinsically linked to the focus the Group has on wellbeing and health. We will continue to contribute to our local society, donating hours by volunteering and playing an active part in our communities. Giving back to the community is something that we enjoy doing across the Group.

Our people

The Midwich Group continues to support out team members' development and employee welfare. We recognise it's important that we deliver a positive impact on their lives, whatever stage they are at, because business is personal.

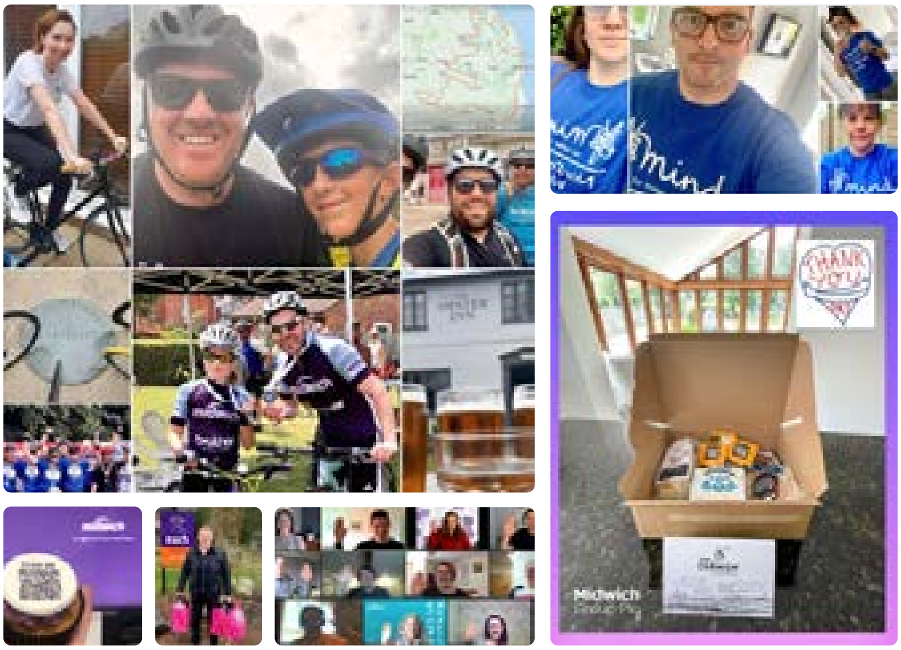
With the pandemic still prevalent around the world, we supported our leaders to adopt a local approach backed by a group-wide message that the welfare of our people is first and foremost.

Our people are dedicated to our business and we are committed to taking care of them, offering support through a comprehensive wellbeing approach. This includes flexible benefits and a broad range of other activities such as training of mental health first aiders and flexible and hybrid working.

The pandemic has changed our people's priorities and expectations and our enhanced support has been welcomed. Learning from what has worked well has enabled us to build a workplace culture where everyone has the opportunity to thrive and do what works best for them and for society.

For example, in the UK we celebrated our Employee Appreciation Day at the start of 2021, providing a "Thank you" and a gift to all staff. At the end of the year we invited our staff to a series of events to provide an update on our strategy and business activities and sought the views and input from staff in a workshop style that will inform the way ahead for our culture. Our office in Diss, UK also won "The best place to work" at the 2021 Inavation awards.

Ultimately, our staff's wellbeing and happiness is extremely important to us and we believe that, as a result, we offer the best possible service to our customers and partners. The nature of our business as a value adding distributor, means that our people are central to our strategy and maintaining our competitive advantage.



7 years 8 months

Average length of service per employee

3,590 years

Combined years of service

(UK&I employee data as of December 2021)

> **"We are committed to programmes and initiatives that support our people, balancing the delivery of success with the whole person approach."**

Clockwise from top left: 2021 Tour de Broads charity cycle challenge, 10 million steps for Mind charity challenge, International 'Thank You' Day, International Womens day, Mark Lowe, UK&I Managing Director at charity EACH with gifts to recognise "International Thank You Day", Employee Appreciation Day.

Our pledge

In the year ahead we will focus on supporting the health and wellbeing of our people and we are looking forward to welcoming our teams back to our offices around the world.

Following on from these pillars, you can see we recognise that our people underpin our success and are at the forefront of the business.

Benefits

We will continually improve our benefits offering to ensure we are competitive with our industry peers.

Training

Talent is not just about leaders. Talent is committing to our business and excelling in your field. All our people will have access to the training and support that they need to develop and perform at their best.

Equality

Committed to fairness, inclusion and diversity. We are focused on how we can close the gap via the most relevant and appropriate methods.

Wellbeing

Health and Wellbeing is important for everyone. We will continue to support our people with this by running wellbeing events throughout the year.

Events

We will continue to hold virtual social gatherings to aid positive mental health, team building and to show appreciation of our people.

Below: Meeting Room Scenario and LED display including curved wall – UK Experience Centre, Innovation House, Bracknell.

STREAMLINED ENERGY AND CARBON REPORTING

In addition to the activity taking place across the Group to develop our carbon reduction programme and reduce our environmental impact, we report on energy consumption and Greenhouse Gas ("GHG") emissions under the Streamlined Energy and Carbon Reporting ("SECR") regulations.

The data reported is for Midwich Limited[1] and we note that the data for both 2020 and 2021 was significantly impacted by the pandemic with lockdowns leading to reduced business activity, home working and less business travel.

Our carbon footprint

The Group operates within the wider AV industry value chain but, as a distributor, only has direct influence on its own operations, which include office and warehouse facilities, travel and its logistics operations. We also support the action plans of our customers and vendors to reduce environmental impact across the AV sector.

Quantification and reporting methodology

The information used to calculate these emissions is based on electricity and gas meter readings, whilst transport information is captured as part of our operational processes.

We have used emission factors from the UK Department for Business, Energy & Industrial Strategy ("BEIS") "Conversion factors 2021: condensed set" to calculate our Scope 1, 2 and 3 emissions. The reported Scope 3 data relates to fuel purchased by employees for business travel in their own vehicles. The Group uses third parties for the shipment of goods from vendors and to customers. These emissions fall outside of our Scope 3 reporting as they will be reported as Scope 1 emissions by those parties.

1 Midwich Limited is the only UK "Large" company in the Group

GHG emissions and energy use data for the year ended 31 December 2021

	Year to 31 December 2021		Year to 31 December 2020	
	Energy (kWh)	GHG emissions (tCo_2e)	Energy (kWh)	GHG emissions (tCo_2e)
Scope 1 emissions (direct)[1]				
Gas consumption	–	–	–	–
Transport	15,907	3.8	8,747	2.2
Total Scope 1	15,907	3.8	8,747	2.2
Scope 2 emissions (energy indirect)[2]				
Electricity	520,357	110.5	430,767	100.4
Scope 3 emissions (other indirect)[3]				
Employee-owned vehicles	291,629	73.5	146,452	36.2
Combined total	827,893	187.8	585,966	138.2

1 Emissions from direct activities such as combustion in owned or controlled boilers and vehicles that release emissions into the atmosphere.

2 Emissions released into the atmosphere associated with the consumption of purchased electricity. These are indirect emissions that are a consequence of Midwich Limited's activities but which occur at sources that are not owned or controlled.

3 Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel.

Over recent years, Midwich has consolidated its southern UK office and showroom facilities into a modern purpose-built facility. Environmental considerations were at the heart of this change and the new facility includes automated building monitoring, solar panels, low energy heating and lighting and electric vehicle charging facilities. We are also moving our vehicle fleet towards low emission vehicles and have implemented policies restricting single-use plastic and non-recyclable containers. Further information on the Group's approach to sustainability is set out on pages 40 to 45.

Intensity ratio

The intensity ratio compares emissions data with an appropriate metric or financial indicator. We have chosen to use tonnes of CO_2e per £ million of revenue. Note, data for 2020 and 2021 includes the unprecedented impact of COVID-19, which has affected both revenue and emissions. The intensity ratio for 2019, the year prior to the pandemic, was 1.16.

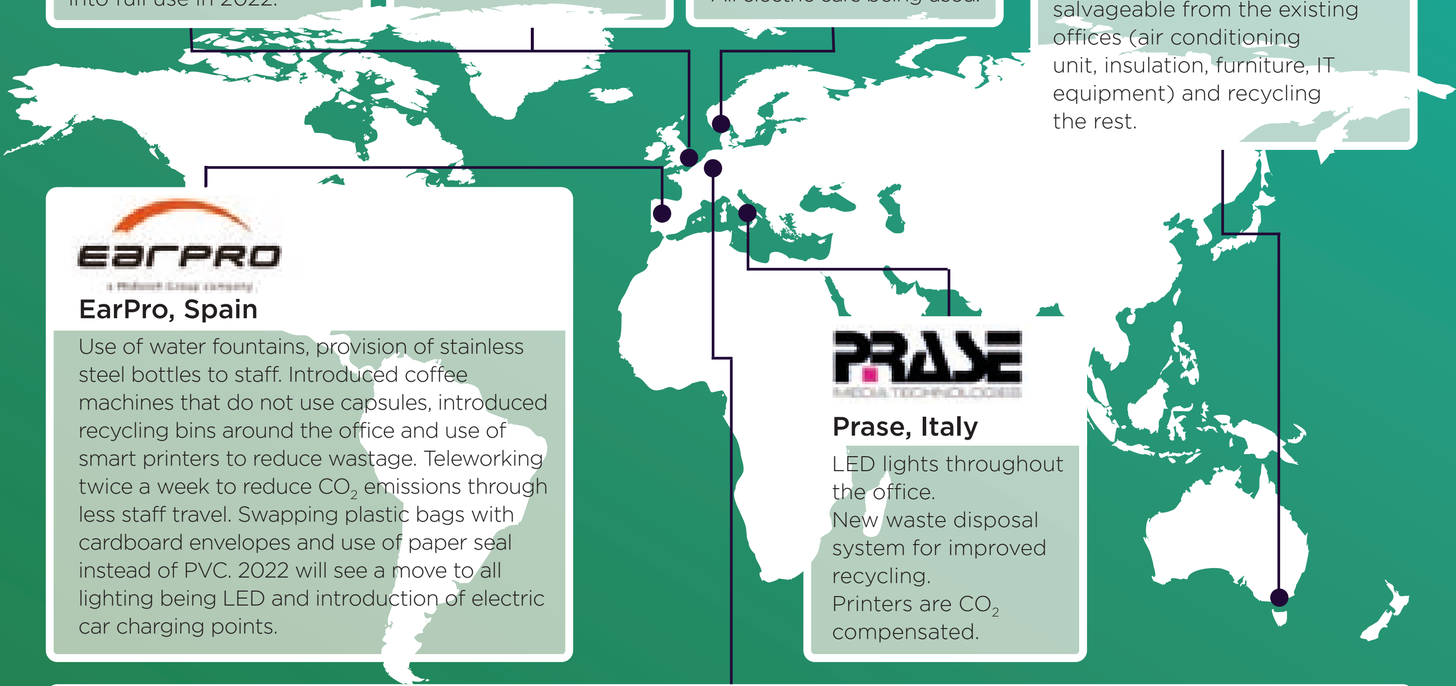
GHG emissions and energy use data

	Year to 31 December 2021		Year to 31 December 2020	
	Revenue £ million	Intensity ratio	Revenue £ million	Intensity ratio
Midwich Limited	230.1	0.82	153.6	0.90

The Strategic Report comprising the Chairman's Statement, Managing Director's Review and Financial Review was approved by the Board on 10 March 2022 and signed on its behalf by:

Andrew Herbert
Chairman

EXAMPLES OF ENVIRONMENTAL ACTIONS ACROSS THE GROUP



Holdan, UK

LED lighting throughout.

Light sensors in all public areas and warehouse.

Carbon offsetting business flights through airlines.

Adjust aircon/heating temperatures in less used rooms.

Solar panels will be put into full use in 2022.

PScO, UK

The new office building has an environmental monitoring system in place. All lights are on sensors, heating and cooling via re-circulation, hot water taps installed instead of kettles.

AV Partner, Norway

All electric cars being used.

Blonde Robot – Australia

Consolidated premises from four separate offices to one combined office, located in Melbourne in 2022. The new office has 54 solar panels with a view to install a battery power solution in the future, resulting in reduced energy bills and waste. Reusing everything salvageable from the existing offices (air conditioning unit, insulation, furniture, IT equipment) and recycling the rest.

EarPro, Spain

Use of water fountains, provision of stainless steel bottles to staff. Introduced coffee machines that do not use capsules, introduced recycling bins around the office and use of smart printers to reduce wastage. Teleworking twice a week to reduce CO_2 emissions through less staff travel. Swapping plastic bags with cardboard envelopes and use of paper seal instead of PVC. 2022 will see a move to all lighting being LED and introduction of electric car charging points.

Prase, Italy

LED lights throughout the office.
New waste disposal system for improved recycling.
Printers are CO_2 compensated.

K&S, Germany

In 2019, Kern & Stelly decided to run a comprehensive CO_2 calculation and sustainability analysis, aligned with a specialist partner. They identified some main areas to focus the start of change which have been happening throughout 2021 and continuing in 2022:

Car fleet policy: extend lease duration, encourage electric car lease, use of technology for customer visits, sensible travel planning and route calculation.

Business travel: Travel policy in progress: no flights under 800km distance unless absolutely necessary, partner with environmentally friendly and certified hotels, combine train and public transport wherever necessary, offer car sharing modules for the big cities.

Commute: hybrid working to minimise car travel into the office.

Electricity: continue with green energy suppliers.

New office: the new facilities have a better energy "passport", LED lighting throughout, smart technology in place to switch off appliances wherever possible, charge stations for electric cars.

Waste: further reduce waste and increase recycling: recycling system for plastic, paper and the non recyclable, look into disposing of bio-waste from kitchen.

Outfitting new showroom, conference, kitchen and reception: carpets are CO_2 neutral, using recycled wall paper, reusing old kitchen from old office, sparkling water tap dispenser, continue to use only porcelain cups and glasses for drinking water as well as plates and cutlery.

Office supplies:

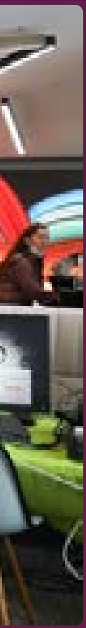
- **purchasing policy:** fruit, tea, coffee, water, soft drinks and sugar are either fair trade or bio.
- **Stationery:** refill option wherever possible, recycling paper and envelopes only.

Print products: Print on demand only. Reducing print materials by 70%.

Digitisation: Employment of a project manager to focus on digitising our processes.

Governance

sidev



SIDEV – THE SHOW IS ON

Headquartered in Lyon, France

Supporting audio visual professionals throughout France for more than 25 years, the business remains in touch with customers and their focus on business.

Sidev has two showrooms in France, the LED gallery and huddle space in Paris and their technology show room located in Lyon. Throughout 2021, Sidev hosted two key customer events despite the pandemic, highlighting their desire to serve customers, demonstrating the solutions of tomorrow.

Roadshow (Spring 2021)

Two-day events, run across Paris and Lyon. Each showroom focused on presenting new solutions for the year ahead, especially poignant after the AV Industry's market leading event Integrated Systems Europe ("ISE") was cancelled in 2021.

This roadshow provided the opportunity to discuss projects with 280 customers (a record attendance) representing 137 companies.

Tech in Lyon (September 2021)

This event was bigger and, therefore, held at the Matmut Stadium, home of the LOU Rugby team providing 1 500m^2 of exhibition space in Lyon.

Attended by key stakeholders from major French System Integrators and resellers. These events are not only an opportunity for specialist AV resellers and consultants to attend but are important dates in the technology calendar for senior European management from key technology brands to attend.

EXPERIENCED MANAGEMENT

Andrew Herbert (62)
Non-Executive Chairman

A N R

Appointed
2016

Qualifications
Andrew has a BA in Business Studies from Hatfield Polytechnic and is a Fellow of the Chartered Institute of Management Accountants. He is also the non-executive chairman of Xaar plc.

Previous experience
Andrew was Group Finance Director of Domino Printing Sciences plc from 1998 until the sale of the company to Brother Industries in 2015.

He joined the business in 1986 and held senior finance, operational and general management roles prior to joining the board of Domino Printing Sciences plc.

He has extensive experience of managing profitable growth in a global business, including acquisition and disposal strategy and line management of overseas subsidiaries.

Stephen Fenby (58)
Group Managing Director

N

Appointed
2016

Qualifications
Stephen has a BSc in Accounting and Financial Analysis from the University of Warwick and is an associate of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute of Management Accountants.

Previous experience
After qualifying as a Chartered Accountant with Ernst & Young, Stephen joined Deloitte and worked for 16 years in the corporate finance team, latterly in the Cambridge office.

Stephen joined Midwich as Finance Director in 2004 and became Managing Director in 2010. He has led the Group's acquisition and development programme.

Stephen Lamb (48)
Group Finance Director

Appointed
2018

Qualifications
Stephen has a BA in Economics and Econometrics from the University of Nottingham and is a Fellow of the Institute of Chartered Accountants in England and Wales.

Previous experience
Stephen joined Midwich as Group Finance Director in July 2018. He has over 25 years' experience in finance, working in high growth, international business services organisations.

Before joining Midwich, Stephen was the International CFO at Iron Mountain Inc, supporting the profitable and cash generative development of the International business.

Stephen qualified as a Chartered Accountant with PwC and has held senior financial positions at IWG plc and Experian plc.

Mike Ashley (54)
Non-Executive Director

A N R

Appointed
2016

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

Previous experience
Mike is the Chief Executive Officer ("CEO") of Coverings Ltd, a Tiles Distribution and Retail Business (incorporating Tile Giant). He joined the business from Holland and Barrett in 2020 where he was the Chief Commercial Officer. Prior to this, Mike was with Travis Perkins PLC. In his time there, he held the position of CCO both in Wickes and the Plumbing and Heating Division, leading transformation of both businesses.

Prior to this, Mike led the turnaround of Harvard International PLC (formerly Alba PLC) as Chief Executive Officer, culminating in the successful sale to a listed Chinese consumer electronics business. Mike has extensive retail and consumer experience through senior commercial, marketing and strategic roles at Boots, Argos, Dixons Retail Group and Travis Perkins.

Hilary Wright (62)
Non-Executive Director

A N R ESG

Appointed
2018

Qualifications
Hilary is a Fellow of the Chartered Institute of Personnel and Development. She is a director of Plan4Purpose Ltd, a bespoke coaching service and a non-executive director of ActiveOps PLC.

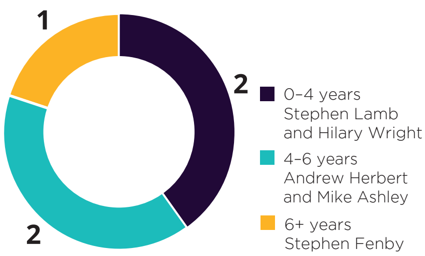
Previous experience
Hilary was Group HR Director of Domino Printing Sciences plc from 2016 until her retirement in 2019.

Her background includes both retail and Cambridge based engineering and technology companies, where she gained global HR experience as well as involvement in a number of acquisitions.

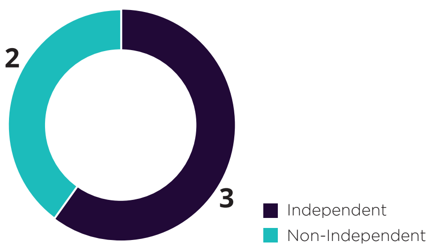
She has held both strategic and operational roles. Hilary has provided HR leadership in support of significant global growth ensuring people development, succession planning and talent acquisition were aligned with transformational change.

Board balance

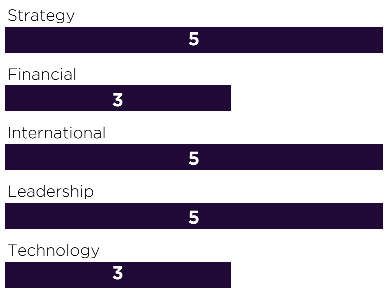
Tenure of directors



Independence



Skills



Committee membership
A Audit Committee N Nominations Committee R Remuneration Committee ● Chair of Committee

OPERATIONAL MANAGEMENT

Mark Lowe (41)
UK & Ireland

Skills

- Extensive industry knowledge
- Strategic planning
- Strong business track record
- Managerial, business and company development
- International market knowledge
- M&A strategy

Previous experience

Mark joined Midwich in 2004 supporting the business management team then he became Divisional Manager in the rapidly growing consumer electronics category.

Working closely with the sales teams, it was here that he learned about the world of audio visual. In 2012, together with his family, he relocated to Sydney and helped Midwich to develop a larger footprint in the ANZ marketplace before returning to the UK. In the years that followed, he trained as Project Manager and managed a number of major projects including various pre and post-acquisition activities and strategies.

In 2017, Mark took on the role of Chief Operating Officer, and in 2018 became Managing Director of Midwich UK & Ireland. His focus is to progressively develop the initiatives, strategies and staff to ensure that Midwich continues to add more value for its customers and vendor partners.

Thomas Sumner (35)
EMEA and North America

Skills

- Strategic planning
- International market knowledge
- M&A strategy
- Business and company development
- Tom has a BSc in business management from the Norwich Business School (University of East Anglia)

Previous experience

Tom commenced his career with Midwich in the Company's business management department. Following the acquisition of Sidev in 2010, he moved to Lyon, France, to oversee the integration, planning and ongoing development of this business.

In 2013, his remit was widened to include the development of the Group's business in Europe before becoming Managing Director for the region in 2018. Since taking on a wider European role, he has been a leading force in the Group's acquisition and ongoing business development programmes.

Tom also has responsibility for the Group's "go-to-market" central office team. This commercially focused team, support the development and strategy execution across all Group territories.

Following the acquisition of Starin in 2020, Tom has led the integration and growth strategy of that business.

Lutz Kern (53)
Germany, Austria and Switzerland ("DACH")

Skills

- Strong business track record
- Extensive experience in business ownership
- Managerial and business development
- Strong sales orientation
- Extensive industry knowledge
- Technically trained
- Further education in business and marketing

Previous experience

After graduating from Hamburg University with a business degree in 1995, Lutz started his professional career as a product manager in the AV distribution company Anders + Kern in Hamburg.

In the following years, he successfully worked his way through the organisation as Marketing Manager, Key Account Manager and Sales Manager. Finally, he took over responsibility for Sales and Marketing as Managing Director in 2001.

After some significant restructuring measures in the parent company, in 2004 Lutz decided to leave the company and founded Kern & Stelly Medientechnik GmbH, together with his former colleague, Andreas Stelly.

Lutz leads the biggest business within the EMEA region as Managing Director, DACH.

Michael Broadbent (58)
Asia Pacific

Skills

- Strong business track record
- Extensive experience in business ownership
- Managerial and business development
- Strong sales orientation
- Extensive industry knowledge
- Technically trained
- Further education in business and marketing

Previous experience

Michael has 30 years' experience within the Australian and New Zealand commercial audio visual market, including ten years as an owner of a leading Australian systems integrator.

He spent three years as General Manager of the AV division at Programmed, one of the largest Australian technology integrators. Michael has also held senior roles with companies such as Rexel, which was the Australian distributor for Panasonic.

He joined Midwich Australia as a consultant in 2012 and took over as Managing Director of Midwich ANZ in June 2014. Michael was appointed Managing Director, Asia Pacific in 2018.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

The established policies and strong management disciplines within the Midwich Group have enabled the business to continue its focus on governance, despite an unprecedented level of disruption across the world as the pandemic continues.

The Board considers sound governance to be an essential element of a well-run business and has followed the Quoted Companies Alliance ("QCA") guideline since IPO. We have included a summary of our compliance with the QCA code in the annual report. The full statement of compliance with the QCA Corporate Governance Code, as approved by the Board on 6 September 2021, is available on the Company's website.

The established policies and strong management disciplines within the Midwich Group have enabled the business to manage through this challenging year with no loss of focus on governance. The Board is increasing its focus on wider stakeholder considerations with respect to governance including the need for the Group to adapt to new working patterns and the increasing importance of sustainability. The Board continues to support the emphasis placed by the Group on culture, values, and the wellbeing of our people over the last year and has supported the move to hybrid working in many of our businesses.

We take our social responsibility seriously. Having last year appointed Hilary Wright as the non-executive director responsible for ESG matters, we have made significant progress in this area in 2021 with the creation of our carbon reduction programme and commitment to reducing CO_2 emissions. An audit is underway across the Group to establish our baseline carbon emissions, which will support our plans to move towards net zero.

My role as Chairman of the Board remains separate to, and independent of, that of the Chief Executive (Group Managing Director) and we both have clearly defined and separate responsibilities. Details of the responsibilities of all directors, along with matters reserved for the Board and terms of reference for all the committees of the Board, can be found on the Company's website.

The Board is comprised of three independent non-executive directors (including the Chairman who was independent upon appointment) and two executive directors. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively. The Board regularly reviews its composition, independence, and diversity in the context of the Group's international growth.

Executive directors hold service contracts with a nine-month notice period. Non-executive directors' service contracts include a three-month notice period on each side. All directors retire and submit themselves for re-election each year at the Company's Annual General Meeting.

The post of Company Secretary is presently held by an executive director. The Board considers that the size and nature of the Company means that the two roles can be carried out effectively by the Group Finance Director. The position is kept under review.

The Board maintains a regular dialogue with Investec, the Company's nominated adviser, and obtains other legal and financial advice as necessary to ensure compliance with the AIM Rules and other governance requirements. In 2021, the Group also completed a formal audit tender process which resulted in the reappointment of Grant Thornton.

We continue to review our approach to governance and how the views of stakeholders are represented in our oversight of the business. To that end, I continue to meet with shareholders as necessary. Feedback on both operational and governance matters from those meetings continues to form part of the Board's agenda.

There have been a number of regulatory and government initiatives introduced in recent years to which the Company has responded. These include implementation of the s172 statement, Streamlined Energy and Carbon Reporting ("SECR"), the General Data Protection Regulation 2016 ("GDPR"), the Modern Slavery Act 2015, the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017, the 2016 Finance Act requirement to publish our tax strategy and AIM's requirements to formally adopt a recognised corporate governance code. Information on the policies and, where appropriate, the performance of the Group is available on the Company's website.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Our leadership structure

The Board

Nominations Committee

The Nominations Committee evaluates the structure, size and composition of the Board. It leads the process of identifying, and nominating for the approval of the Board, candidates to fill vacancies as and when they arise. The Committee also reviews the leadership of the organisation including executive development plans and succession planning.

Members:

- Andrew Herbert (Chairman)
- Mike Ashley
- Stephen Fenby
- Hilary Wright

Audit Committee

The Audit Committee monitors the integrity of the Company's financial statements. It provides review and challenge to accounting policies and the effectiveness of the Company's internal controls and risk management processes. The Committee evaluates the Group auditors and makes recommendations to the Board in relation to auditor appointment, rotation, and removal for approval at the AGM.

Members:

- Andrew Herbert (Chairman)
- Mike Ashley
- Hilary Wright

Remuneration Committee

The Remuneration Committee determines the framework and broad policy for setting executive remuneration. It also reviews and monitors the Company's approach to share incentive plans and senior management remuneration. Taking input from specialists, the Committee evaluates the Company's approach to remuneration in the context of both the Group's performance and the wider environment, including all stakeholders' interests.

Members:

- Mike Ashley (Chairman)
- Andrew Herbert
- Hilary Wright

The Board met in person or by video conference ten times during the year and held a number of meetings by telephone/video conference to consider specific matters. The Board receives a full pack of reports in advance of each scheduled meeting detailing Group and entity trading performance, and containing individual reports from each of the executive directors and local management. During 2021, the Board also received presentations from operational management on topics including business unit strategy, talent and succession planning, ESG, tax strategy, IT systems and security, and acquisition proposals. Alongside monitoring operational performance, it is the Board's responsibility to formulate, review and approve the Group's strategy, investments (including acquisitions), budgets and major items of expenditure.

Board committees

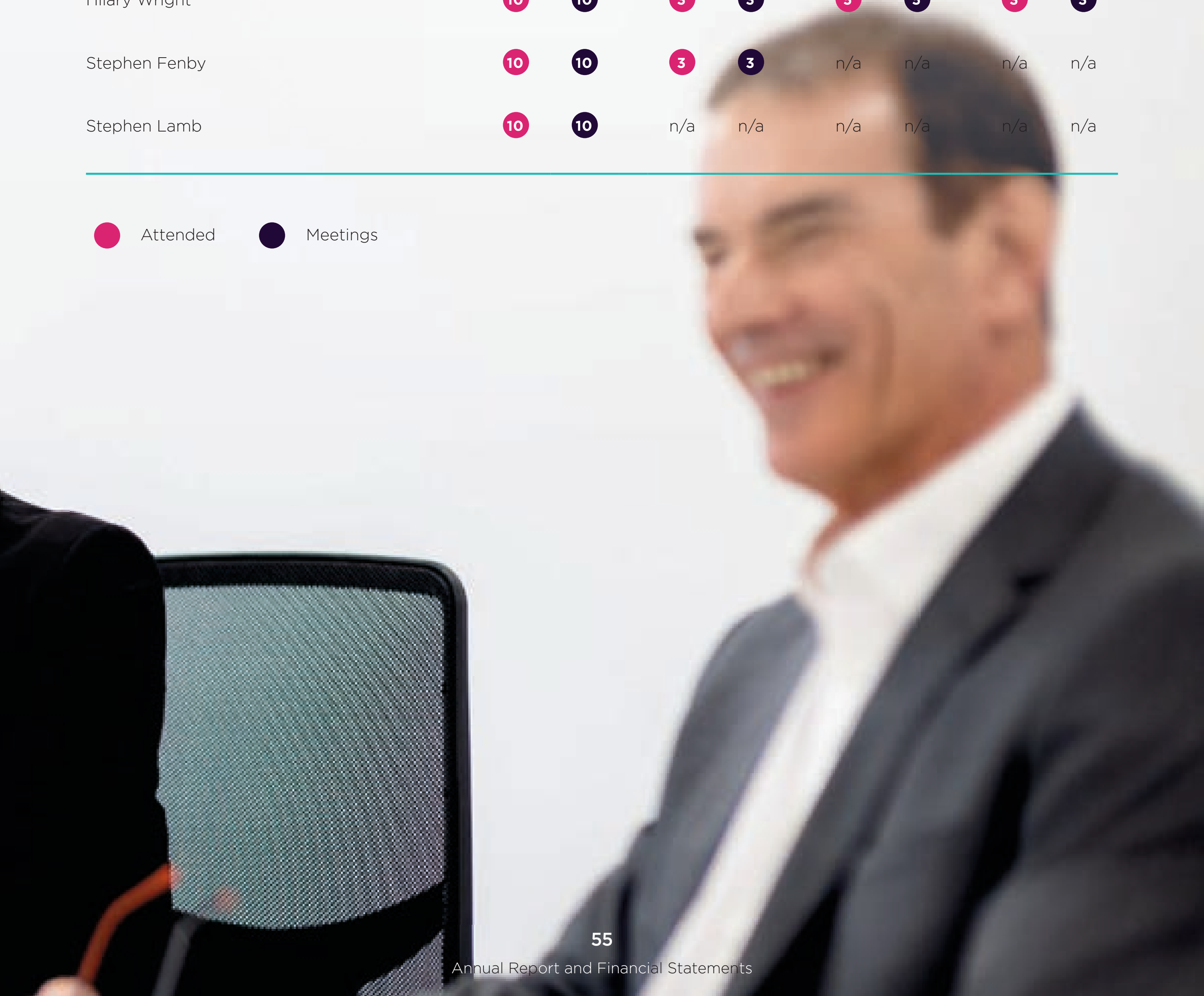
The Board has established three committees – Audit, Nominations and Remuneration – each having written terms of reference, which are available on the Company's website.

Attendance at board and committee meetings

Board meetings are scheduled in advance for each calendar year. The scheduled Board meetings and attendance during the twelve months ended 31 December 2021 as detailed here:

	Board Meetings		Nominations		Remuneration		Audit	
	Attended	Meetings	Attended	Meetings	Attended	Meetings	Attended	Meetings
Andrew Herbert (Chairman)	10	10	3	3	5	5	3	3
Mike Ashley	10	10	3	3	5	5	3	3
Hilary Wright	10	10	3	3	5	5	3	3
Stephen Fenby	10	10	3	3	n/a	n/a	n/a	n/a
Stephen Lamb	10	10	n/a	n/a	n/a	n/a	n/a	n/a

Attended   Meetings



CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Audit Committees

The Audit Committee consists of the non-executive directors and is scheduled to meet at least three times a year. Andrew Herbert is the Chairman of the Audit Committee, having a relevant background. The current terms of reference of the Audit Committee are published on the Group's website and are reviewed annually.

Nominations Committee

The Nominations Committee consists of the non-executive directors and the Group Managing Director and is scheduled to meet at least once a year. Andrew Herbert is the Chairman of the Nominations Committee. The current terms of reference of the Nominations Committee are published on the Group's website and are reviewed annually.

Remuneration Committee

The Remuneration Committee consists of the non-executive directors and is scheduled to meet at least three times a year. Mike Ashley is the Chairman. The current terms of reference of the Remuneration Committee are published on the Group's website and are reviewed annually.

Separate reports from the Audit Committee, Nominations Committee and Remuneration Committee are presented throughout pages 58 to 65.

Right: LED displays at Van Domburg Partners, Netherlands.

Compliance with the QCA code

The Board has resolved to establish a strong governance culture using the Quoted Companies Alliance ("QCA") code as the basis for its governance framework. The full Statement of compliance with the QCA Corporate Governance Code is available on the Midwich Group plc website. A summary of how the Group complies with the principles of the code is set out below.

1 Establish a strategy and business model which promote long-term value for shareholders

Midwich has a clearly articulated strategy and business plan as a value-added distributor of Audio Visual and related products.

2 Seek to understand and meet shareholder needs and expectations

The Company engages with its shareholders through formal meetings, informal communications and stock exchange announcements.

3 Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. As a specialist distributor, we add value by developing and maintaining in-depth understanding of our vendors' and customers' needs.

4 Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The Group operates a risk assessment and monitoring process with regular updates provided to the Board and the Audit Committee.

5 Maintain the board as a well-functioning, balanced team led by the chair

The Board is comprised of three independent non-executive directors (including the Chairman, who was independent upon appointment) and two executive directors.

6 Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

Each Board member brings a different mix of knowledge and experience, which blend well into a successful and effective team. For example, specialist AV industry knowledge and

broad experience in sales, operations, international expansion, finance, human resources, information technology and capital markets.

Board composition is kept under review and the Board is committed to ensuring diversity of skill, experience and gender balance.

7 Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

The Board conducts a formal evaluation and appraisal process annually. A senior Group employee compiles the results and subsequently facilitates a Board discussion, during which matters arising are reviewed and actions agreed.

8 Promote a corporate culture that is based on ethical values and behaviours

The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation. We believe this to be an essential element of a well-run business.

The nature of our business, as a value-adding distributor, means expertise and people skills are at the core of what we do and how we maintain competitive advantage. Having a people-oriented ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We pride ourselves on our home-grown talent, with a significant number of our senior managers having built their careers within the Group.

To promote our ethical values, we actively encourage and support community involvement across the Group.

9 Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board typically meets eight to ten times a year. There were ten meetings in 2021 with additional meetings required to address COVID-19. Each one was attended by all Board directors.

Further ad hoc meetings are held by telephone as necessary.

A formal Board programme is agreed before the start of each financial year.

This is structured, as far as possible, to align with the Group's annual financial programme.

10 Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group communicates with shareholders through the Annual Report and Accounts, half-yearly trading updates, the AGM, capital markets days and one-to-one meetings with certain existing or potential new shareholders.

Reports from the Audit, Nominations and Remuneration Committees are set out within the Annual Report.

NOMINATIONS COMMITTEE REPORT

ANDREW HERBERT, CHAIRMAN

Group wide, we are committed to diversity and inclusion and the Committee reviews gender pay and equal pay reports and action plans annually.

Nominations Committee report

I am pleased to present the report of the Nominations Committee.

The Committee is comprised of the three independent non-executive directors and the Group Managing Director. The Committee met three times in 2021.

Board composition

The Committee is responsible for monitoring the Board's balance of skills, knowledge, experience and diversity, and makes recommendations to the Board throughout the year. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively. The Board regularly reviews its composition, independence, and diversity in the context of the Group's international growth.

The Group Finance Director undertakes the role of Company Secretary. The Committee keeps this position under review and believes that, at this present time, the two roles can be combined effectively.

Leadership diversity

The Committee believes that diversity, including skills, experience, gender, culture and ethnicity, strengthens our business. Our non-executive directors each bring specific skillsets that complement the experience of the executive directors. The gender mix of our Board is 80% male/20% female and, while we have no formal gender or ethnicity targets for Board composition, the Committee is committed to ensuring that diversity is a significant consideration in all Board appointments. Group wide, we are committed to being an inclusive employer and the Committee reviews gender pay and equal pay reports and action plans annually.

Board evaluation

In line with prior years, there was a formal Board evaluation and appraisal process in 2021. A survey seeking the individual views of directors on Board composition and effectiveness, business leadership, QCA code compliance and other matters was undertaken.

A senior Group employee compiled the results and subsequently facilitated a Board discussion, during which matters arising were reviewed and actions agreed. The Board has adapted to operating remotely over the last two years, due to the pandemic, and has found this an efficient and effective method of working. The evaluation identified no major issues or concerns about the effectiveness of the Board or its individual members. A few minor points that were raised have been acted upon.

The Board will continue to monitor its approach to the evaluation of effectiveness including the use from time to time of external facilitation.

Leadership development

The Group's Executive Leadership Team ("ELT") is responsible for determining and driving operational strategy. This team meets frequently and comprises the Group Managing and Finance Directors, as well as the Managing Directors for each of our four operating units, together with the Managing Director for the DACH businesses. The ELT's remit also includes succession planning and talent development across the wider business.

The Committee believes that this is the right model to drive performance of the Group, whilst ensuring implementation of the agreed strategy. There was regular communication between the ELT and the Board throughout the year.

The Committee continues to support the Group's leadership development programme for the executive team members.

Step 1
Annual survey of Board members

Step 2
Facilitated review of survey findings with agreed action plans

Step 3
Monitoring of progress against agreed plans

Main responsibilities

- To lead the process for Board appointments and make recommendations to the Board;
- To evaluate the structure, size and composition of the Board (including the balance of skills, knowledge and experience);
- To evaluate diversity and inclusion at both Board and senior management levels;
- Keep under review the leadership needs of the organisation, both executive and non-executive; and
- Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise.

AUDIT COMMITTEE REPORT

I am pleased to present the Audit Committee report describing our work during the past year.

Auditors and audit tender

Grant Thornton UK LLP ("Grant Thornton") was reappointed as the Company's auditor at the 2021 Annual General Meeting.

While there is no mandated requirement for AIM companies to tender their audit, the Committee is committed to ensuring sufficient rigour and independence of the auditor and their process, therefore, it was decided to undertake an audit tender process for the Group's 2021 financial year.

The process was informed by the FRC's Audit Tenders Notes on Best Practice. Six firms were invited to tender, a mix of both the big four and top ten audit firms and all were given access to appropriate information and Group management. A predefined assessment and scoring methodology was agreed by the Committee. Three audit firms were shortlisted for the final review.

Following a comprehensive review of the candidates' proposals and presentations, the Committee made the recommendation to the Board to appoint Grant Thornton as the Group's auditors, which was approved by the Board. The Board would like to thank Grant Thornton for its continued contribution as the Group's auditor, and the other firms that took part in the tender process for the time and commitment invested.

The reappointment of Grant Thornton will be recommended to shareholders for approval at the 2022 AGM.

Membership and responsibilities of the Committee

Membership of the Audit Committee is limited to the independent non-executive directors. I am the Chairman of the Committee and the member with recent and relevant experience.

The Committee met three times during 2021.

Key responsibilities include monitoring the audit arrangements, monitoring the integrity of the financial statements, and reviewing internal control and risk management systems.

Monitoring audit

The Committee oversees the plans for both the interim review and the full year audit undertaken by Grant Thornton. They draft initial proposals in consultation with executive management and these are presented to the Committee for review. These plans describe an assessment of the principal risks, proposed scope of work and approach to be taken to the audit including materiality. The Committee has the opportunity to challenge and satisfy itself that the proposed audit plan is appropriate and adequate.

Review of financial statements and audit findings

The Committee reviewed the interim and full year financial statements, and the report of the auditors on these statements. The audit partner and relevant senior members of the audit team attended the Audit Committee meetings, presenting the results of the audit and answering questions from the Committee.

Significant potential issues presented to the Committee in respect of financial statements were:

- Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The auditors were able to confirm no material misstatement of revenues;
- The risk of intangible assets being improperly accounted for on acquisition of Group companies – this risk relates to the assessment of the extent to which acquired intangible assets, liabilities assumed and non-controlling interests are recognised separately from goodwill. The Committee received feedback from the auditors on their separate assessment of goodwill to be recognised and noted that there was no material difference from that proposed by management; and
- The risk of management override of controls – this is a presumed risk and relates to both the internal control environment and the basis of management assessment and accounting estimates, including working capital provisions. There were no material issues identified.

The Committee has reviewed the 2021 annual report and accounts to ensure they are fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy in a clear, concise and balanced manner.

Significant risks considered by the committee

1

COVID-19 impact on liquidity and going concern

Corresponding actions taken by the Committee

Meetings with senior management including review of action plans and information including market reports, forecasts, net debt, bank facilities and covenants.

2

Brexit disruption

Corresponding actions taken by the Committee

Review of management action plans, risk assessments and discussions of third-party recommendations.

3

Dependence on key personnel

Corresponding actions taken by the Committee

Engagement with senior management across the Group, review of strategy, review of organisational changes and staff retention and succession plans.

4

Expected benefits from acquisitions may not be realised

Corresponding actions taken by the Committee

Assessment of acquisitions including integration plans and risks. Post-acquisition reviews.

5

Risk of inventory shortages

Corresponding actions taken by the Committee

Review of management action plans, risk assessments and inventory reports.

Internal control and risk management

The Group seeks to operate consistent accounting policies and control procedures across its subsidiary operations, including newly acquired entities, and places the onus on local management to ensure those policies and procedures are followed. This is confirmed by review by the central finance team. The Audit Committee receives feedback on the effectiveness of internal controls from executive management and correlates that with separate reports from the external audit process. While there have been no specific internal control issues identified to date, the growth of the business has led the Committee to discuss the possible introduction of an internal audit function, the options for which are under review.

The Group operates a risk assessment and monitoring process. This is coordinated by the Group Finance Director, who reports principal risks and mitigation actions to the Committee. Further detail on these risks is included at pages 32 to 35.

Main responsibilities

- to monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and trading updates;
- to review and challenge, where necessary, the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company/Group;
- to keep under review the effectiveness of the Company's internal controls and risk management systems; and
- to consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the Company's external auditor,

Assessment of auditors

The Committee has assessed the qualification, expertise, resources and independence of the external auditor and is satisfied that Grant Thornton is meeting those requirements.

In addition to seeking the views of the executive team, the Committee considers a range of criteria in that assessment:

- The delivery of a thorough audit, meeting the agreed plan in a timely manner to agreed budget;
- Demonstration of a deep understanding of the Group and its subsidiaries, evidenced in the quality and completeness of presentation material;
- The provision of perceptive advice on key accounting and technical matters;
- The professionalism and competence of the audit team deployed; and
- Confirmation from the firm themselves of their processes to ensure independence.

The Committee also monitors arrangements to ensure the independence of the auditor is not compromised either by the non-audit work undertaken or the relationship they have with executive management.

The Committee continues to require the Company to limit use of the auditor to only audit and other assurance related activities. The Group complies with the FRC's Revised Ethical Standard 2019 on audit engagements.

During the year, Grant Thornton UK LLP and its associates were paid fees of £343k (2020: £434k) in respect of audit and non-audit work as follows:

	2021 £'000	2020 £'000
Audit fees in relation to the audit of the Company	84	66
Audit fees in relation to the audit of subsidiaries	231	337
Audit related assurance fees in relation to the interim review	20	18
Total audit fees for audit and audit related assurance services	335	421
Tax compliance services	–	3
Tax advisory services		–
Other services	8	10
Total fees for audit and non-audit services	343	434

There was no contingent element to any of these fees and independence was safeguarded as follows:

- No tax advisory work was performed by Grant Thornton in respect of 2021. The teams performing tax compliance work in 2020, including the computation and compliance work, were separate and led by a different partner.
- Other services include accounts preparation for a non-significant subsidiary in 2020 and assurance work under the German Packaging Act. In both cases, the teams performing the work were separate to the Group audit team and led by a different partner.

Terms of reference

The Committee maintains its terms of reference under review and makes recommendations for changes to the Board as required. There were no changes made during 2021. Details of the full terms of reference are available on the Company's website.

Andrew Herbert
Chairman of the Audit Committee

REMUNERATION COMMITTEE REPORT

Mike Ashley,
Chairman

As Chairman of the Remuneration Committee, I am pleased to present the Directors' Remuneration report for the financial year ended 31 December 2021. The Remuneration Committee comprises the three non-executive directors.

Since our IPO in 2016, we have adopted the Corporate Governance Code published by the Quoted Companies Alliance (the "QCA Code") and continue to do so. The Remuneration Committee carried out a review during the year and is satisfied it continues to meet, and exceed, the standards set by the QCA Code.

The report is split into three parts:

- This Annual Statement.
- A "Remuneration Overview" section, which provides a brief summary of the Company's remuneration agreements with its directors.
- An Annual Report on Remuneration, which sets out payments made to the directors and details the link between Company's performance and remuneration for the 2021 financial year.

Main responsibilities

The Committee's main responsibilities are:

- to determine the framework and broad policy for setting remuneration for the Group Managing Director (Chief Executive) and all executive directors;
- to recommend and monitor the level and structure of remuneration for senior management;
- to review the establishment of all share incentive plans for approval by the Board and shareholders, and determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards per person to executive directors and other senior management;
- to produce an annual report on the Company's remuneration policy and its implementation; and
- engage with stakeholders and respond to their feedback on the Company's remuneration policy.

2021 performance and remuneration

Business performance

In the past year the level of disruption in the countries where we operate, and to the AV industry supply chain, from the COVID-19 pandemic continued. Further lockdowns were implemented in the UK at the start of 2021; a pattern that continued across our different regions throughout the year.

Data produced by Avixa (July 2021), the leading AV industry trade body, showed that the global Pro AV market declined by 17.4% in 2020 and was forecast to grow by 8.5% in 2021. Based on this data, the Pro AV market was expected to be over 10% below 2019 levels in 2021 and, despite strong growth expectations for each of the next five years, to only exceed 2019 activity in 2023.

Despite these significant headwinds, the Group was able to make excellent progress on the implementation of its long-term strategy and we have been able to deliver market share gains and an exceptional trading performance in 2021. This was especially pleasing given the delayed recovery in a number of end user markets such as entertainment, and live events. Revenue in 2021 at £856 million represents growth of 25% relative to pre-pandemic levels; a significant outperformance compared to the decline in the Global Pro AV market for the same period.

In 2020, the Board set a challenging strategic objective to accelerate growth and exceed pre-pandemic adjusted profit before tax, with an expectation that this profit target would likely be achieved in 2022 or later. Despite the ongoing market disruption, the Group's performance strengthened throughout the year and resulted in an exceptional 2021 performance including a full recovery in adjusted profit before tax a year earlier than expected.

> **"The remuneration arrangements are designed to be in the best interests of the Company and appropriately aligned to its strategic goals."**

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Some of the key highlights for 2021 are:

- Further growth in market share
- Revenue increased by 20.3% to £856 million
- Gross margin increased by 100bps to 15.3%
- Adjusted operating profit increased by 105.7% to £34.0 million
- Adjusted profit before tax increased by 125.4% to £31.9 million
- Three acquisitions were completed including strategic entry into the Middle East
- Dividends resumed at 14.1p per share (Special, interim and proposed final)

The Board is pleased with the 2021 performance and believes that the senior management team has taken appropriate actions to deliver on the Group's long-term strategic objectives. We will continue to implement the Remuneration Policy in a way that supports the future growth of the business and the interests of its stakeholders.

2021 salary reviews

Due to the pandemic, the Group made only limited changes to remuneration as at 1 January 2021. Following a strong business recovery in the first half of the year and to reflect the stronger labour market normal salary reviews were undertaken during the year. In line with the wider workforce, the executive directors' salaries were increased from 1 July 2021. The Group MD's salary was increased by 2% to £329,500 and the Group FD's salary was increased by 3% to £265,225. These increases were within the range applied to the wider workforce.

Executive directors' pension contributions

Executive directors' pension entitlements have been aligned with those of the wider UK workforce (typically 6% of salary) since the Company's IPO in 2016. Each director receives 6% of salary per annum paid as salary supplement after deducting an amount equivalent to employer's National Insurance.

2021 annual bonus

The Committee believes in setting stretching annual performance targets that align the goals of our executive directors, senior leaders and the wider business to those of our stakeholders.

Each year the Committee conducts a formulaic assessment of performance against the targets.

For 2021, performance targets were linked to specific goals:

- Profit growth targets (25% weighting)
- Other financial KPIs (12.5% weighting)
- Strategic/personal targets (12.5% weighting)
- Recovery of adjusted profit before to tax to pre-pandemic levels (50% weighting)

The maximum bonus opportunity for 2021 was 200% of salary for both executive directors. The Committee reviewed the 2021 performance outcomes against the performance targets set at the start of the financial year. The formulaic outcome was 92.5% of maximum. The Committee determined that this outcome was appropriate, taking into account its wider review of business performance, noting the continued market share gains achieved by the Group over the past two years together with further strategic acquisitions including entry into the Middle East in 2021. No discretion was exercised by the Committee to adjust the formulaic outcome.

The Committee determined that 50% of the recovery of adjusted profit element be paid as nominal cost share options, which will be deferred for two years. This resulted in an overall mix of 73% cash and 27% in share options for each executive director.

Further details are set out in the Directors' Remuneration report on page 69.

LTIP award vesting

No performance based LTIP awards vested in respect of performance for the 2021 financial year.

LTIP award granted during the year

The Committee granted awards of share options under the LTIP scheme in 2021 to executive directors and other senior employees. This included the grant of 51,500 nominal value shares (114% of base salary) to the Group Finance Director. These options vest over three years subject to performance criteria and a two-year post-vesting holding period.

In light of the Group Managing Director's substantial shareholding, it was agreed that he will not participate in the 2021 LTIP award. The Committee notes that he has not participated in the LTIP at any point since the Company's IPO in 2016.

The Committee expects executive directors to have sufficient shareholdings to align their interests with shareholders. In particular, executive directors are expected to develop a shareholding of 200% of base salary over an appropriate period of time from appointment. The MD's substantial shareholding is significantly above this level (at 32,952% of salary as at 31 December 2021). The FD is currently working towards the shareholding expectation since joining the Company in 2018 (at 89% of salary as at 31 December 2021). Note that these figures do not include the deferred elements of the 2021 annual bonus.

The Board believes in wider share ownership and, for the sixth year in a row, made free share awards to the majority of the wider workforce to recognise the long-term value created by our team members. The award of 300 shares was worth approximately £1,500 at the date of grant and will vest after three years subject to continued employment.

Our long-term approach to executive pay

The remuneration arrangements for the executive directors are designed to be in the best interests of the Company and appropriately aligned to its strategic goals, delivering shareholder value and supporting the long-term success of the Company.

In prior years, the Committee has engaged a third party to benchmark executive remuneration. The Committee believes that the remuneration levels are competitive and reflect the current scale and responsibility of the executive directors' roles.

The Group operates a long-term incentive plan ("LTIP") for the executive directors and members of the senior management team to incentivise long-term performance and achieve greater alignment with shareholders through share ownership. Where executive directors participate in the LTIP scheme, the normal annual awards are subject to a minimum two-year post-vesting holding period, bringing the total period of the awards to five years.

The Committee takes a pragmatic approach to the remuneration of its executives, acknowledging the substantial shareholdings of the MD and the external benchmarking of the remuneration levels of both the MD and FD. The Committee is satisfied that the incumbents are incentivised to achieve strong performance.

However, the Committee recognises that remuneration agreements may need to be reviewed should there be any changes or additions to the executive Board or changes in the scope or responsibilities of a role and will continue to monitor this going forward.

In addition to the Committee's remit of the remuneration of the executive directors, the Committee strongly focuses on succession and the development of the next tier of talent in the business. It is our strategy to retain and incentivise the leadership of the future and the Committee takes an active role in reviewing the remuneration structures of the senior leadership.

Alignment with the wider workforce

The Company believes in treating all employees fairly and encourages employee share ownership across the Group.

In April 2021, the Group determined that, despite continued disruption and some employees not yet being back to full employment in the UK&I that government support from the UK furlough scheme was no longer required. Subsequently, the Board decided to repay to all 2021 furlough benefits received from the UK Government meaning that there is no UK furlough impact in the 2021 financial results. The Committee continues to recognise the sacrifices made by our employees during the pandemic and our leadership team has worked tirelessly to retain our team members and ensure a return to long-term strategic growth which benefits all of our stakeholders. We believe that actions such as enhanced communication, flexible working and a focus on employee wellbeing have ensured that we were well positioned for the recovery and that we have already seen the benefit of this approach in the form of an accelerated recovery, market share gains and high levels of customer and vendor satisfaction.

As at 31 December 2021, over 60% of Group employees were either shareholders or participants in share awards that will vest in the next three years.

Each year since IPO, the Company has made free share awards and/or LTIP awards to employees that meet the Committee's criteria. Free shares, which vest after three years, have typically been awarded to employees of eligible Group companies based on length of service. Since IPO, c.1,000,000 free share awards have been given to members of staff under this programme, with the total value of these awards in excess of £6 million, based on the share price at 31 December 2021.

Broader employee remuneration is considered by the Committee when determining executive remuneration, for example, executive directors' pension arrangements (at 6% of base salary) are aligned to those offered to the wider workforce. Executive salary increases are also considered in the context of those given to other staff and are not expected to be significantly different to overall salary increases (other than in exceptional circumstances or significant growth of the Company).

Alignment with ESG objectives

Across the Group, ESG objectives have been part of senior leaders' goals and objectives for a number of years and the Committee intends to include science-based targets within annual bonus plans for the executive directors and senior leadership in the next two years. These will be developed as the Group's carbon reduction programme progresses.

Below: Meeting Demonstration Room, Van Domburg Partners, Netherlands.

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE CONTINUED

Advisory vote on Directors' Remuneration report and AGM response
Since 2019, the Company has included an advisory vote at the AGM on the Directors' Remuneration report. Whilst the Committee acknowledges that this is beyond our obligations as an AIM-listed company and the requirements of the QCA code, it has determined that this is an opportunity to better engage with shareholders on this important topic.

The outcome of the 2021 advisory vote was 71.64% in favour (2020: 99.05%). Feedback from those shareholders who voted against the advisory vote was related to the scale and transparency of the 2020 LTIP award.

The Company Chairman and the Chair of the Remuneration Committee engaged with the Company's shareholders in advance of and following the AGM vote to clarify the objectives, highly stretching targets and alignment with shareholder interests of the scheme.

The Committee considers the principles of its approach to executive remuneration to be appropriate and notes that, whilst the exceptionally stretching targets for the 2020 LTIP have not been disclosed for commercial confidentiality reasons, it has committed to retrospectively disclosing performance against the targets following the vesting date.

The Committee notes that 2021 LTIP awards were made in line with pre-pandemic levels.

The 2021, Directors' Remuneration report will be subject to an advisory vote at the AGM.

Key activities of the Remuneration Committee

The Remuneration Committee sets the overall approach to remuneration and the terms of employment of the executive directors, having regard to pay and conditions elsewhere in the Group. The Committee aims to ensure that the remuneration packages offered are competitive, and designed to attract, retain and motivate directors of the right calibre, as well as being aligned to the Group's corporate objectives.

The Remuneration Committee met five times during 2021 and its key activities were as follows:

- Reviewed the 2020 Directors' Remuneration report;
- Discussed and determined the discretionary waiver of the 2020 annual bonus awards for executive directors due to the ongoing pandemic;
- Discussed shareholder feedback and agreed actions with respect to the May 2021 AGM advisory vote on the Directors' Remuneration Report;
- Discussed and approved the targets for the 2021 annual bonus for executive directors and the ELT;
- Reviewed and approved the executive directors' remuneration arrangements for 2021 and 2022; and
- Considered the remuneration of the ELT for 2021 and 2022.

The remuneration policy is summarised in the "Remuneration Overview" section of this report.

Outlook for the 2022 financial year

Whilst the performance in 2021 represented an exceptional performance, the Committee also recognises that the Company has delivered long-term shareholder returns, grown strongly, made market share gains and completed numerous strategic acquisitions since its IPO in 2016. The Committee believes that the Group is well positioned to deliver its long-term strategic objectives and believes in incentivising future growth. The Committee will keep the remuneration arrangements under review and retains flexibility to reward significant outperformance through its incentive schemes.

The Committee increased the base salaries and the fees for the executive directors by amounts consistent with the general salary increases (which averaged 4%) awarded to the broader workforce from 1 January 2022.

Below: Retail demonstration space, Van Domburg Partners, Netherlands.

The MD's salary was increased by 4.0% to £342,500 and the FD's salary was increased by 3.7% to £275,000 from 1 January 2022.

From 1 January 2022, the fees for the non-executive chairman were increased by 3.0% to £85,490 while the fees for the other non-executives were increased by 3% to £43,260, with a further £2,000 fee being payable to the Chairman of the Remuneration Committee.

The maximum bonus opportunity for each executive director for 2022 will be 100% of base salary.

The Committee believes that the MD is incentivised through his substantial shareholding and, therefore, is not expected to participate in any 2022 LTIP award. The Group FD is expected to participate in the 2022 LTIP at a similar level to 2021.

Summary

The Committee believes that the current remuneration arrangements are in the best interests of the Company and are appropriately aligned to strategic goals, delivering shareholder value and supporting the long-term success of the Company.

In 2021, the Group delivered further strategic objectives including significant growth and market share gains with revenue for the period 25% ahead of pre-pandemic levels despite the global AV market estimated to still be below 2019. The Committee recognises that the Company has outperformed the market and achieved an accelerated turnaround, which is testament to the talents and dedication of the senior management and team.

The Company has ambitious plans to grow, and consideration will need to be given to the nature of remuneration arrangements that will be necessary to deliver the Company's strategy. To ensure that strategic alignment is maintained, the Committee will continue to monitor its remuneration agreements in light of the evolving strategic, business and economic climate.

We are committed to a responsible and transparent approach in respect of executive pay and I hope that you find the information in this report helpful and informative.

Mike Ashley
Chairman of the Remuneration Committee

Above: Live TV Professional Broadcast, UK Experience Centre, Innovation House, Bracknell.

DIRECTORS' REMUNERATION REPORT

Summary of remuneration agreements

In setting the remuneration arrangements, the Remuneration Committee takes into account:

1. The responsibilities of each individual's role and their experience and performance;
2. The need to attract, retain and motivate executive directors and senior management, ensuring an appropriate mix between fixed and variable pay;
3. The pay and benefits arrangements elsewhere in the Group, and in the sector;
4. Periodic external benchmarking to consider market conditions, and remuneration practices for roles of a similar size and complexity; and
5. The need to align the overall reward arrangements with the Company's strategy, both in the short and long term.

A summary of the remuneration arrangements applicable to remuneration in 2021 and 2022 is set out below for reference, to assist with the understanding of the contents of this report and to demonstrate alignment with strategy.

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base salary Provides a base level of remuneration to support recruitment and retention of executive directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed at the discretion of the Committee.	Base salaries will be set by the Committee at an appropriate level, with consideration given to comparable listed companies, experience in role and the Company's performance.	None
Benefits and pension Provides a competitive level of benefits and pension.	The executive directors receive benefits, which include pension contributions, company cars and private medical insurance. The FD also receives a contribution towards weekday accommodation near the Company's head office. Further benefits may also be provided for relocation following the appointment of new executives.	Employer pension contribution of 6% of base salary per annum or a salary supplement representing this contribution net of employer's National Insurance. The maximum value of other benefits will be set at the cost of providing the benefits described.	None
Annual bonus The annual bonus provides a significant incentive to the executive directors linked to achievement in delivering strategic goals, including financial performance. Maximum bonus is only payable for achieving demanding targets.	Performance is measured annually against a range of predetermined performance conditions. Outcomes are determined by the Committee after the year-end based on performance against these targets. All bonus payments are at the ultimate discretion of the Committee, and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year. Annual bonuses are paid in cash, or a mix of cash and shares, after the end of the financial year to which they relate.	The maximum normal bonus opportunity is currently 100% of base salary. The Committee retains the discretion to operate a higher maximum bonus in exceptional circumstances (as was the case in 2021).	Performance is measured over the financial year. Targets are set annually by the Committee. Performance metrics for 2022 will include targets for: • Profit growth • Other financial KPIs • Strategic/personal targets

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Long-term incentive plans ("LTIP") The LTIP provides a significant incentive to the executive directors linked to achievement in delivering longer-term strategic goals, including sustained financial performance. Maximum awards are only payable for achieving demanding targets.	LTIP awards are made using nominal cost share options. Performance is measured over three financial years against a range of predetermined performance conditions. LTIP awards are subject to a two-year post-vesting holding period. All LTIP awards are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall LTIP awards reflect its view of corporate performance during the period. LTIP awards may attract dividend equivalents for the duration of the performance period.	The normal maximum LTIP award is 200% of base salary. The Committee retains discretion to grant a higher LTIP award in exceptional circumstances.	Performance is measured over a minimum three-year performance period. Targets are set for each performance period by the Committee. Performance metrics for the awards are based on adjusted profit growth.
Non-executive director fees Provides a level of fees to support recruitment and retention of non-executive directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-executive directors are paid a base fee. Fees are reviewed from time to time at the Remuneration Committee's discretion based on equivalent roles in an appropriate comparator group used to review salaries paid to the executive directors.	The base fees for non-executive directors are set at a market rate. No additional fees are awarded for committee chairmanship or membership.	None

Wider employee pay

As outlined in the Chairman's Statement, the Company is committed to developing the next tier of talent and the Committee spent some time during the year reviewing, with the executive directors, the remuneration of the senior leadership. The MD put forward proposals to the Committee for base salary and bonus potential, together with long-term incentive awards in line with these individuals' performance. The proposals also reflected the executive directors' commitment to retaining and incentivising those individuals who are key to the future success of the Company with succession planning in mind.

Pay and conditions elsewhere in the Group were taken into account when considering arrangements for the remuneration of the executive directors. For example, the executive directors' pension contributions are consistent with those for the wider employee population. The same overarching remuneration principles apply but are proportionate to an individual's influence at Group level.

The Committee also encourages the participation of Midwich employees in share ownership and is supportive of the Group's share participation and free share award programmes. At 31 December 2021, over half of Group employees were participants in the Group's share ownership programmes.

Directors' service agreements and letters of appointment

The dates on which directors' initial service agreements/letters of appointment commenced and the current notice periods are as follows:

Executive directors	Date of original appointment	Term of appointment	Notice period
Stephen Fenby	13 April 2016	Continuous	Subject to nine months' written notice by either party
Stephen Lamb	26 July 2018	Continuous	Subject to nine months' written notice by either party

Non-executive directors	Date of original appointment	Term of appointment	Notice period
Andrew Herbert	13 April 2016	Continuous	Subject to three months' written notice by either party
Mike Ashley	13 April 2016	Continuous	Subject to three months' written notice by either party
Hilary Wright	9 March 2018	Continuous	Subject to three months' written notice by either party

The non-executive directors' letters of appointment were renewed in March 2019, at which time the term of appointment was changed from three years to continuous. Performance of the Board and independence of the non-executive directors is assessed annually.

Executive and non-executive directors are subject to annual re-election by shareholders at the AGM.

Approach to recruitment remuneration of executive directors

The Company's approach when setting the remuneration of any newly recruited executive director will be assessed in line with the same principles for the existing executive directors, as set out in the service agreements above. The Remuneration Committee's approach to recruitment remuneration is to pay no more than is necessary to attract candidates of the appropriate calibre and experience needed for the role from the market in which the Company competes. The Remuneration Committee is mindful that it wishes to avoid paying more than it considers necessary to secure the preferred candidate and will have regard to guidelines and shareholder sentiment regarding one-off or enhanced short-term or long-term incentive payments made on recruitment and the appropriateness of any performance measures associated with an award.

Executive directors' termination payments

The Remuneration Committee will honour executive directors' contractual entitlements. Service agreements do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are no contractual arrangements that would guarantee a pension with limited or no abatement on severance or early retirement. There is no agreement between the Company and its executive directors or employees, providing for compensation for loss of office or employment that occurs because of a takeover bid.

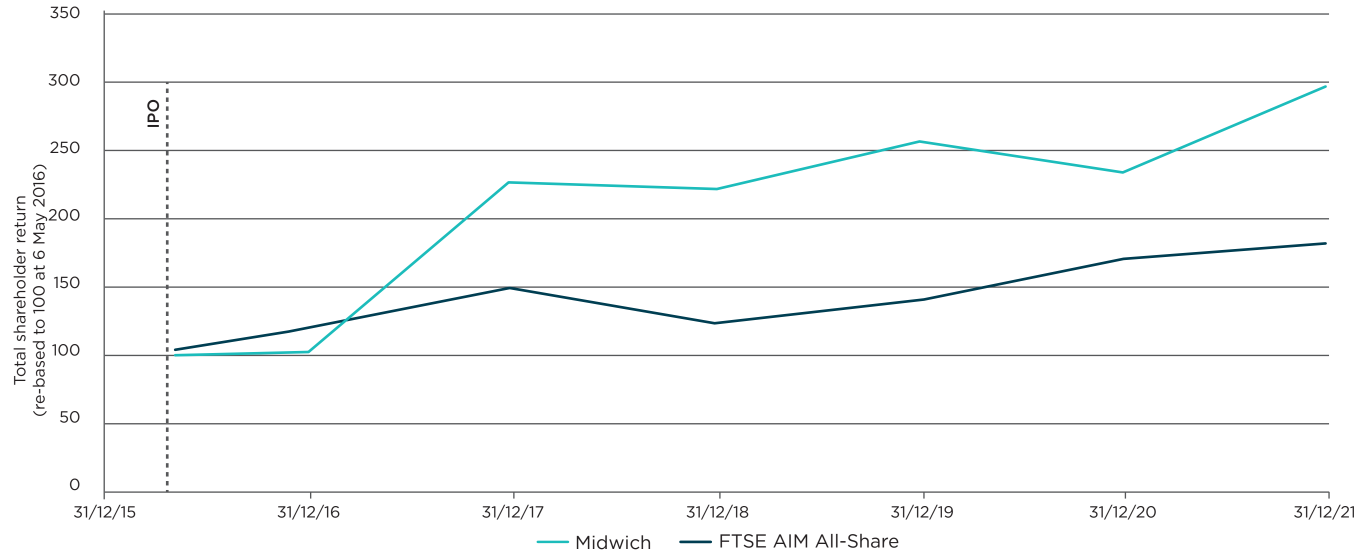
The Remuneration Committee reserves the right to make additional payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation), or by way of settlement or compromise of any claim arising in connection with the termination of an executive director's office or employment.

When determining any loss of office payment for a departing individual, the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time.

ANNUAL REPORT ON REMUNERATION

Total shareholder returns

The chart below shows Midwich Group plc's annual TSR performance against the AIM All-Share Index over the period since IPO (May 2016).



The Committee believes that a well-run business will deliver superior returns to its shareholders over time. In the period since IPO, we have created over £320 million of value through market capitalisation growth and dividends. Over the same period, we have outperformed the AIM All-Share Index by 64%.

Executive director remuneration

(Audited – see note 7 of the notes to the consolidated financial statements)

The table below sets out the total remuneration with a breakdown for each executive director in respect of the 2021 financial year. Comparative figures for the 2020 financial year have also been provided.

	Base salary		Benefits[2]		Annual Bonus[3]		Pension[4]		Other[5]		Total	
£'000	**2021**	2020[1]	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020	**2021**	2020
Stephen Fenby	**326**	237	**12**	12	**603**	–	**17**	11	**–**	–	**958**	260
Stephen Lamb	**261**	233	**22**	31	**484**	–	**13**	11	**56**	40	**836**	315

1 In response to the COVID-19 pandemic, Stephen Fenby and Stephen Lamb agreed to reductions in base salary for the six months ended 30 September 2020.

2 The taxable benefits received in 2020 and 2021 were principally company cars/car allowances and private medical insurance. Stephen Lamb also receives a contribution to weekday accommodation near the Company's head office.

3 The 2021 bonus is payable in a mix of cash (73%) and nominal cost share options (27%), the share options are deferred for two years.

4 Executive directors receive pension contributions of 6% of base salary. Pension contributions were delivered as a salary supplement net of employer's National Insurance of 13.8%.

5 On appointment, Stephen Lamb received 50,000 nominal cost options, which vest over a three-year period, from his date of appointment, subject to continued employment. 10,000 of these options vested on 26 July 2021 at a value (net of the exercise price) of £55,900 based on a share price of 560 pence at the date of vesting. 10,000 of these options vested on 26 July 2020 at a value (net of the exercise price) of £39,900 based on a share price of 400 pence at the date of vesting.

Non-executive directors (audited)

The table below sets out the total remuneration and breakdown for each non-executive director.

	Fees		Total	
£'000	**2021**	2020[1]	**2021**	2020
Andrew Herbert	**83**	73	**83**	73
Mike Ashley	**42**	37	**42**	37
Hilary Wright	**42**	37	**42**	37

1 In response to the COVID-19 pandemic, all non-executive directors agreed to a reduction of 25% in fees for the six months ended 30 September 2020.

Additional information regarding directors' remuneration

The Remuneration Committee considers that performance conditions for all incentives are suitably demanding, having regard to the business strategy, shareholder expectations, the markets in which the Group operates and external advice. To the extent that any performance condition is not met, the relevant part of the award will lapse. There is no retesting of performance.

Base salary

Salary levels as at the end of the financial period were:

Executive director	Base salary
Stephen Fenby	£329,500
Stephen Lamb	£265,225

Base salaries for the 2022 financial year are set out on page 71 of this report.

Bonus awards

The annual bonus opportunity for the executive directors in the year was a maximum of 200% of base salary and performance was assessed against the following metrics:

		Outcome (% of maximum)	
Performance measure	Weighting	Stephen Fenby	Stephen Lamb
Profit growth targets	25%	25%	25%
Other financial KPIs	15%	7.5%	7.5%
Strategic/personal targets	10%	10%	10%
Recovery of adjusted profit before to tax to pre-pandemic levels	50%	50%	50%
Total	**100%**	**92.5%**	**92.5%**

The following bonus awards were approved by the Remuneration Committee for the executive directors. Further detail on 2021 performance is set out on page 62.

Executive director	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded £'000
Stephen Fenby	92.5%	185%	603
Stephen Lamb	92.5%	185%	484

The Remuneration Committee considers that the specific performance targets for the 2021 annual bonus awards remain commercially sensitive.

Long-term incentives awarded in 2021

To reflect the substantial shareholdings of Stephen Fenby, and in line with the approach taken since IPO, no LTIP awards were granted to him during the year. Stephen Lamb was awarded options up to 51,500 shares, which are subject to both performance criteria and a two-year post vesting holding period.

Share interests

The interests of directors and their connected persons in Ordinary Shares and share options as at 31 December 2021 are presented in the table below.

		Options held:				
Director	Ordinary Shares at 31 December 2021[1]	Vested but not exercised	Unvested and subject to holding period	Unvested and subject to performance criteria[2]	Percentage shareholding[3]	Percentage of salary held[3]
Stephen Fenby	17,262,000	–	–	–	19.45%	32,952%
Stephen Lamb	37,716	–	–	348,616	0.04%	89%
Andrew Herbert	40,000	–	–	–	0.05%	n/a
Mike Ashley	1,442	–	–	–	<0.01%	n/a
Hilary Wright	4,000	–	–	–	<0.01%	n/a

1 Including closely associated people.

2 The 2021 award of 51,500 shares and the 2020 base award of 66,026 shares will be subject to a two-year post-vesting holding period.

3 Based on a share price of £6.29 and base salary on 31 December 2021.

Stephen Lamb exercised 50,000 nominal cost options on 11 November 2021 at a gain of £324,500. 23,500 of these shares were sold to cover tax and national insurance liabilities.

All share options lapse, if they are not exercised, ten years after the grant date.

Non-executive fees in 2021

Fees for the non-executive directors were not increased for the year ending 31 December 2021.

Fees at the end of the financial period were:

Non-executive director	Fees
Andrew Herbert	£83,000
Mike Ashley	£42,000
Hilary Wright	£42,000

Non-executive director fees for the 2022 financial year are set out on page 71 of this report.

Implementation of remuneration agreements in 2022

Base salary

The salaries of the MD and FD were increased by 4.0% and 3.7% respectively from 1 January 2022.

The table below sets out the base salaries effective from 1 January 2022 (with previous base salaries included for reference):

	Base salary	
	As at 31 December 2021	As at 1 January 2022
Stephen Fenby	**£329,500**	£342,500
Stephen Lamb	**£265,225**	£275,000

Annual bonus

The maximum annual bonus for the MD and FD will be 100% of base salary. Pay-outs will be determined by performance against the following targets:

- Profit growth targets (50% weighting)
- Other financial KPIs (35% weighting)
- Strategic/personal targets (15% weighting)

Long-term incentive

The Group MD and FD will be eligible to participate in any long-term incentive awards granted during 2022 up to 200% of salary. However, due to his significant existing shareholding, it is expected that the MD will not participate in the 2022 award. The Remuneration Committee will keep this under review in future years.

Pension

Company pension contributions will remain at 6% of base salary. The MD and FD each elect to receive this via salary supplement of 6% of salary (less employer's National Insurance) in lieu of pension contributions.

Non-executive director fees

Non-executive directors salary were increased by 3% from 1 January 2022. An addition fee of £2,000 is payable to the Chairman of the Remuneration Committee from 1 January 2022.

The table below sets out the 2021 fees for the non-executive directors (with previous fees included for reference):

	Fees	
	As at 31 December 2021	As at 1 January 2022
Andrew Herbert	**£83,000**	£85,490
Mike Ashley	**£42,000**	£45,260
Hilary Wright	**£42,000**	£43,260

Adviser

During the financial year, the Committee received independent advice from PwC and Deloitte. As founder members of the Remuneration Consultants Group, PwC and Deloitte voluntarily operate under the Voluntary Code of Conduct in relation to executive remuneration consulting in the UK. The Remuneration Committee is satisfied that the advice received was objective and independent.

Approval

This report is approved by the Board on 10 March 2022 and signed on its behalf by:

Mike Ashley
Chairman of the Remuneration Committee

DIRECTORS' REPORT

The directors present their report and the financial statements of the Group for the year ended 31 December 2021. Some disclosures that would normally be included in the Directors' Report are included in the Strategic Report. These include the review of the principal risks and uncertainties facing the business (pages 32 to 35), stakeholder engagement (pages 36 to 39), environmental reporting (pages 40 to 47) and an indication of likely future developments for the Group (pages 24 to 27).

Results and dividends

The profit after tax for the period amounted to £13.5 million (2020: £3.4 million loss).

The Company paid dividends in the year of £5.6 million (2020: nil).

Post balance sheet events

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 has completed two acquisitions since the 31 December 2021 with the acquisition of Cooper Project Limited, in January 2022, and the acquisition of Nimans Limited, in February 2022.

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. At the end of 2021, 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.

Financial risk management and policies

The Group uses various financial instruments such as loans, invoice discounting, forward exchange contracts, trade receivables and trade payables that arise directly from its operations. The main purpose of the financial instruments is to provide working capital for the Group's operations.

The main financial risks arising from the Group's operations are credit risk, interest rate risk, currency risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group's principal financial assets are cash and trade receivables.

In order to manage credit risk, the directors prioritise the credit control function, and clear procedures are in place to take on new customers and manage and mitigate the impact of slow payers. The Group is a significant purchaser of credit insurance cover.

Interest rate risk

The Group's borrowing facilities, including its invoice discounting facilities, are linked to either LIBOR or base rate. An increase in these benchmarks would impact the Group's cost of borrowing which, in turn, would affect the Group's financial performance.

The Group uses financial instruments to swap an element of its variable interest rate borrowings into fixed interest rates. The purpose of this is to provide greater certainty of future interest payments.

The Group regularly monitors its exposure to interest rate movements and, where appropriate, will consider further risk management products to mitigate this risk.

Below: Customer event at Van Domburg Partners, Netherlands.

Currency risk

The Group's companies largely source their goods and supply their customers in their domestic currency. In addition, many foreign currency denominated payments or receipts are hedged naturally with each other.

In the event of a long-term and material exposure to a movement in currency, the Group takes out risk management products to reduce the risk.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short-term flexibility is achieved by invoice finance facilities and overdraft facilities.

Directors

The directors of the Company during the year and their beneficial interest in the Ordinary Shares of the Company at 31 December 2021 are set out below:

	Ordinary Shares[1]	
	2021	2020
Stephen Fenby	**17,262,000**	19,425,000
Stephen Lamb	**37,716**	10,682
Andrew Herbert	**40,000**	40,000
Mike Ashley	**1,442**	1,442
Hilary Wright	**4,000**	4,000
	17,345,158	19,481,124

1 Including closely associated people.

Stephen Lamb is the only director with interests in share options of the Company. These are detailed on page 70.

Directors' remuneration

	2021					
	Salary/fees and bonus £'000	**Pension £'000**	**Benefits in kind £'000**	**Share option vesting £'000**	**Total £'000**	2020 Total £'000
Stephen Fenby	**929**	**17**	**12**	**–**	**958**	260
Stephen Lamb	**745**	**13**	**22**	**56**	**836**	315
Andrew Herbert	**83**	**–**	**–**	**–**	**83**	73
Mike Ashley	**42**	**–**	**–**	**–**	**42**	37
Hilary Wright	**42**	**–**	**–**	**–**	**42**	37
	1,841	**30**	**34**	**56**	**1,961**	722

Directors' and officers' liability insurance

The Company maintains insurance cover for the directors and key personnel against liabilities, which may be incurred by them while carrying out their duties.

Employee involvement and policies

We recognise the importance of our staff to the success of the business, since our product sales rely on the excellent service provided by our team. We aim to attract, motivate and retain the best people in our industry, regardless of race, age or disability. The Group provides its employees with information and consults with staff on matters of concern to them.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy, whenever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

The Board would like to thank our staff for the support, commitment and enthusiasm shown last year.

Substantial shareholders

The Company has been notified of the following interests of 3% or more in its issued share capital as at 24 February 2022:

Shareholders	Number of shares	%
Midwich Group plc directors & related parties	17,345,158	19.55
abrdn plc	11,228,196	12.65
Octopus Investment Nominees Limited	10,684,029	12.04
Granular Capital Ltd	6,788,664	7.65
FIL Limited	4,909,035	5.53
Liontrust Investment Partners LLP	4,530,147	5.11
Schroders	3,925,673	4.42
Janus Henderson Group plc	2,920,970	3.29

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law, the directors have elected to prepare the financial statements in accordance with UK adopted International Accounting Standards ("IAS"). Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company and Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK adopted IASs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- prepare the financial statement on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

- the group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the Board and signed on its behalf.

Mr S B Fenby
Director

Date: 10 March 2022

Company registration number: 08793266

CASE STUDY

Motorway Traffic Control Centre, Dublin.
One of the largest video walls of its kind in Europe!

Operational 24/7, the Motorway Traffic Control Centre receives multiple live data feeds from Dublin's road and tunnel network. A vast 15 metre long, NEC video wall provides operators with instant access to information as they maintain safe and efficient traffic management.

> People in this room are getting information from incident detectors in the road, automatic number-plate recognition systems, emergency response telephones, CCTVs and weather stations, among others," says Andrew O'Sullivan, senior operations manager for TII network projects.
>
> "We are able to measure the level of surface water and wind speed, close lanes and reduce speed depending on what we see here."

Operated by Egis Road & Tunnel Operation Ireland ("ERTO"), the Motorway Traffic Control Centre ("MTCC") is responsible for the safe and efficient management of the national motorway network and Ireland's tunnels. The centre operates several services, including variable message signs to motorists, emergency road telephones, advanced traffic management systems, as well as monitoring Dublin city centre traffic.

The challenge

Dublin's Port Tunnel, which opened in 2006, was conceived in order to relieve traffic congestion suffered by Dublin city centre, by diverting HGVs from the Dublin Port directly onto the motorway network. Handling two thirds of Ireland's seaport trade by value, Dublin is an incredibly important and busy port, fully operational 24/7.

Today, with a €60 million investment from Transport Infrastructure Ireland ("TII"), a new state of the art control centre in Dublin's docklands is commissioned to take the safety of Dublin's road network into the future. Now also incorporating coverage of the M50, the most heavily used road in the country carrying nearly 145,000 vehicles daily, the MTCC monitors and manages the entire Dublin road and tunnel network, future proofed for ever increasing usage. ERTO again chose to partner with Sharp/NEC and Digicom to upgrade its control room facilities in line with its wider and more complex remit.

The Midwich and NEC Solution

Thought to be one of the largest video wall of its kind in Europe, standing 3 metres high, and 15 metres wide, the 4.2-million pixel video wall comprising 52 × NEC MultiSync® UN551S displays, receives multiple data feeds coming from every inch of Dublin's traffic routes.

The integration of NEC displays driven by the Hiperwall content management system provides a highly flexible solution for managing multiple and varied data sources. Capable of expanding to welcome unlimited input sources and any number of output displays, Hiperwall is incredibly versatile. As an IP-based solution there are no physical controllers requiring space consuming racking equipment; Hiperwall is seamless and endlessly adaptable to changing needs, without additional hardware.

As the ambient light within the control room changes throughout the day and night, the brightness of the video wall automatically adjusts accordingly to provide just the right level for eye-pleasing readability.

Designed for operation within harsh environments, the unique NEC heat management system was an important feature, since heat build-up can be a major concern for large video walls. The robust metal cabinet also supports efficient heat dissipation.

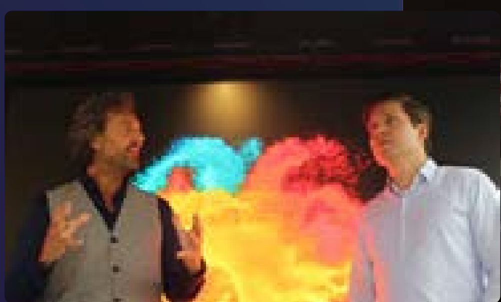
An additional 2 × 2 MultiSync® UN551S video wall is located in a separate incident room with the same access to all data feeds as the larger overview video wall.

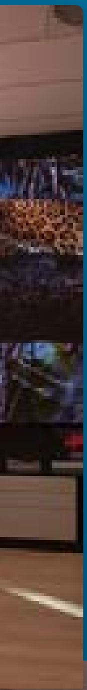
Result

The upgraded system marks a transition from monitoring roads to actively managing them. By monitoring incoming data, the purpose of the control centre is to get information back out to road users to help them travel safely. Cutting speeds and reducing congestion is the ultimate objective, ensuring motorists complete their journey without incident.

Receiving data from every inch of the road network, Dublin's road users can travel safely in the knowledge that help is at hand should it be required.

Financial statements





VAN DOMBURG PARTNERS

Headquartered in Rotterdam covering the Benelux region

Van Domburg Partners is the largest value add distributor in the Benelux of professional displays and audio visual solutions for the business market.

Van Domburg Partners provides Experience Rooms, equipped and furnished with up-to-date technology line ups and solutions representing the brands they distributer for. The rooms are inspiring as the live demonstration can show both the reseller and their customer what the product or solution can offer and how it may solve their challenge.

At the end of 2021, events were allowed once again.

The first was a Van Domburg customer event where many new products were showcased across the Experience Rooms. Van Domburg vendors were pleased to demonstrate their latest solutions and 120+ resellers were happy to see all the innovations in one location at one event.

The space was also utilised for onboarding and welcoming UK customers, together with some UK colleagues. As the UK participants were not able to visit a restaurant in the Netherlands, Van Domburg turned their office into one, including accompanying entertainment from a singer.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MIDWICH GROUP PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Midwich Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021, which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

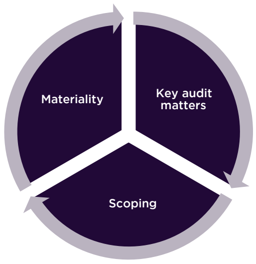
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Grant Thornton



Overall materiality:

Group: £915,000, which represents 5% of the group's draft profit before tax.

Parent company: £250,000, which was calculated based on 2% of the parent company's draft total assets and then restricted as part of our analysis of materialities across the different group entities.

Key audit matters for the group were identified as:

- Going concern (same as in the prior period)
- The risk of impairment in relation to the intangible asset under construction (new this year)

Our auditor's report for the year ended 31 December 2020 included three key audit matters for the group that have not been reported as key audit matters in our current year's report. These relate to:

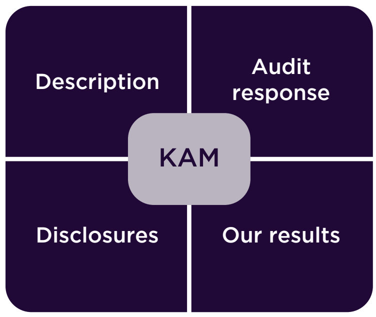
- Change in estimate for the inventory provision (there was no change in the calculation method for 2021, so this key audit matter is no longer applicable)
- The risk of intangible assets being incorrectly accounted for on acquisition of group companies (the acquisitions made in the year were non-complex and routine)
- The risk of improper recognition of revenue due to fraud (in the current year our audit approach included the use of computer aided analytics, which reduced the allocation of resources required in this area)

There were no additional key audit matters identified specifically in relation to the parent company only.

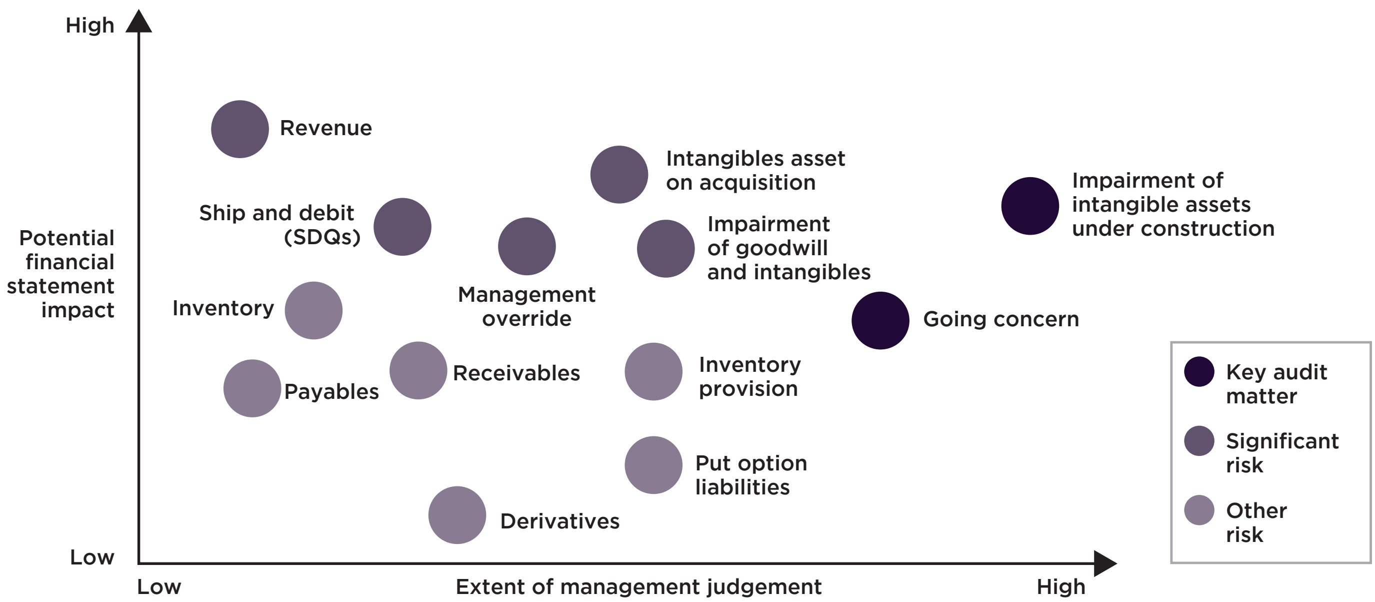
We performed an audit of the financial information of the component using component materiality (full-scope audit) for the parent company Midwich Group plc, Midwich Limited, Kern & Stelly Medientechnik GmbH, and Starin Marketing Inc.; an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) was performed for Sidev SAS, Bauer and Trummer GmbH, Prase Engineering S.p.A., and Nicolas M. Kvernitis Electronics ENT; analytical procedures were performed for all other components of the group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to error. The directors have prepared a base case forecast, a reasonably possible downside, and an extreme stress test. Under the base case and reasonably possible downside scenario the group remains in compliance with all debt covenants. In our evaluation of the directors' conclusions, we have identified reliance on short term funding as the most significant assumption in management's evaluation. This is because continued support from the lending institutions contributes a significant proportion to the group's headroom during the going concern assessment period. If the business lost this support, alternative finance would need to be used and/or mitigating actions taken. In response to this risk, the directors have also prepared an adjusted base case forecast, and a reverse stress test in which the short-term funding has been removed. The directors have included mitigating actions in the reverse stress test as part of demonstrating the business' ability to withstand severe adverse trading conditions during the assessment period. The directors have concluded, based on the finance facilities available and various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties around the going concern assumptions.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of key controls over management's going concern models, including those over the inputs and assumptions used in the models; • Obtained management's cash flow and covenant compliance forecasts covering the period to 31 December 2023, which included a base case, a reasonably possible downside scenario and an extreme stress test scenario. These forecasts have been cast to confirm the accuracy of the model used and the covenant calculations have been agreed to the underlying financing agreements; • Tested the underlying data used to prepare the forecast scenarios and applying professional judgment to determine whether there was adequate support for the assumptions underlying the forecast; • Obtained and comparing analyst reports and industry data with management's estimates; • Compared forecasting to recent historical financial information to evaluate the accuracy of forecasting; • Assessed the likelihood of short term funding being renewed during the forecast period. This included correspondence with the bank and the use of an insolvency specialist to support our audit; • Obtained and assessing further cash flow and covenant compliance forecasts covering the period to 31 December 2023 from management, which assumed the non-renewal of short time finance. This included assessing a revised base case and a reverse stress test scenario (which included mitigations available to management); • Understood management's proposed mitigating actions to reduce costs and manage cash flows and assessing the suitability and feasibility of instigating the proposed mitigating actions; and • Evaluated the group's disclosures on going concern for compliance the requirements of IAS 1 'Presentation of financial statements' (IAS 1).
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Note 1, Accounting policies	**Our results** Based on our audit work, we are satisfied that the assumptions made in management's assessment of the use of the going concern assumption are supported by sufficient appropriate audit evidence. We consider that the group's disclosure to be in accordance with IAS 1.

Key Audit Matter – Group	How our scope addressed the matter – Group
The risk of impairment in relation to the intangible asset under construction We identified the risk of impairment in relation to the intangible asset under construction as one of the most significant assessed risks of material misstatement due to error. This is due to the high level of management judgement and assumptions required to perform the annual impairment test required under IAS 36. As a result, there is a risk that the carrying value of the intangible asset under construction (the Group's new ERP system) may exceed its recoverable amount and therefore be subject to impairment.	In responding to the key audit matter, we performed the following audit procedures: • Gained an understanding of the process followed for the impairment assessment for assets under construction; • Obtained management's model to identify the key assumptions and check the arithmetical accuracy of the model. The assumptions identified have been challenged and corroborated by the audit team to ensure they are reasonable and in line with the requirements of IAS 36; • Use of internal auditor's experts, to recalculate a range for the discount rate applied and to confirm the reasonableness of key inputs and assumptions used in management's model; • Performed a critical review and robust challenge of the impairment review prepared by management, mainly through the use of applying sensitivities; • Assessed whether management's value in use calculation is appropriate and the expected timing of remaining development costs and net savings was reasonable; • For the future development costs and recurring costs, we have selected a sample of items to corroborate to supporting evidence; and • Sensitivity analyses have been completed on the key assumptions and inputs into the value in use calculations. As well as performing these individually, we created a "plausible downside" sensitivity model which combined all of the areas of our challenge.
Relevant disclosures in the Annual Report and Accounts 2021 Financial statements: Note 1, Accounting policies and Note 16, Intangible assets	**Our results** Based on our audit work, we are satisfied that the assumptions made in management's assessment of impairment of intangible assets under construction were appropriate.

There are no key audit matters identified which relate only to the parent company.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

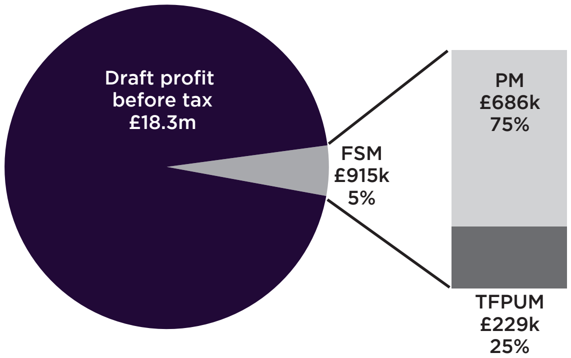
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£915,000, which represents 5% of the group's draft profit before tax.	£250,000, which was calculated based on 2% of the parent company's draft total assets and then restricted as part of our analysis of materiality across the different group entities.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following judgments: • The selection of an appropriate benchmark. • The selection of an appropriate percentage to apply to that benchmark. • The consideration of other qualitative factors. We have consistently used profit before tax as the underlying benchmark. We selected this benchmark as the company operates in a mature industry in which the customer base is stable and the cost of servicing the customers does not vary significantly. Profit before tax is also a key performance measure for the company and is therefore of most interest to stakeholders. In determining materiality in the current period, we returned to a calculation based on one year's profit before tax. In the previous period, an average profit before tax metric was used as trading was materially impacted by the covid-19 global pandemic. Our understanding of the business is that for the current period, trading has returned to pre-pandemic levels and as such we have revised our calculated benchmark. Our preliminary assessment of overall materiality was based on July 2021 management accounts. Applying the same basis, if 2021 actuals were used, our materiality threshold would have been £945,000. We did not revise materiality as actual financial results were not substantially different from the anticipated period end financial results that were used to initially determine materiality for the financial statements as a whole. We concluded that it remained appropriate to use materiality determined in risk assessment planning.	In determining parent company materiality, we used the benchmark of 2% of draft total assets. Materiality for the current year is lower than for the year ended 31 December 2020, due to being restricted when we applied component materiality across the group companies.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£686,250 which is 75% of financial statement materiality.	£187,500 which is 75% of financial statement materiality.
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the significant judgement of setting it at 75% based on the fact that there were no material adjustments identified in the 2020 audit, and management are suitably qualified and experienced.	In determining performance materiality, we made the significant judgement of setting it at 75% based on the fact that there were no material adjustments identified in the 2020 audit, and management are suitably qualified and experienced.

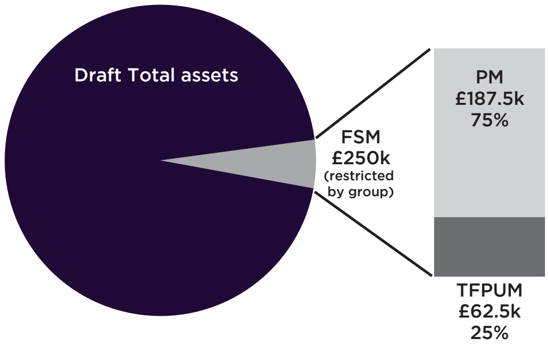
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for directors' remuneration and related party transactions.	We determined a lower level of specific materiality for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£45,750 was the threshold used for reporting misstatements, and any items below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,500 was the threshold used for reporting misstatements, and any items below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statements materiality · PM: Performance materiality · TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- the engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;
- the engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, identifying that the group financial reporting system is centralised, and that there is a use of management experts where required;

Identifying significant components

- Significant components were identified through assessing their relative share of key financial metrics including revenue, profit before taxation, fixed assets, current assets and current liabilities.
- Additional components were selected based on an assessment of the risk of material misstatement to the group. For these components an audit of one or more accounts, balances, class of transactions or disclosures (specific-scope audit) was performed.
- Performance of full-scope audits of the financial information of the parent company Midwich Group plc, Midwich Limited, Starin Marketing Inc., and Kern & Stelly Medientechnik GmbH.
- Specific-scope audit procedures were performed for Sidev SAS, Bauer and Trummer GmbH, Prase Engineering S.p.A., and Nicolas M. Kvernitis Electronics ENT. Component auditors were used to complete these procedures.
- Analytical procedures were performed for all other components.

Performance of our audit
Testing has been performed over 76% of total group revenues, either through full-scope or specific-scope audit procedures and 78% of total group assets, either through full-scope or specific-scope audit procedures.

Audit approach	No. of components	% coverage of total assets	% coverage of revenue	% coverage of PBT
Full-scope audit	4	76%	54%	62%
Specific-scope audit	4	2%	22%	30%
Analytical procedures	20	22%	24%	8%

The group audit team communicated with all component auditors performing full-scope audits and specific-scope audit procedures throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures. There were no changes in approach from the prior period, other than the group team reviews being performed remotely due to travel restrictions.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements
As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We understood how Midwich Group plc is complying with legal and regulatory frameworks such as the Companies Act and the financial reporting framework by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee.
- We enquired of management and the Audit Committee about the Group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. One isolated incident of external fraud was identified. This is covered by the group's insurance policy and the net exposure to the group financial statements is not material.
- We enquired of component auditors whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. No instances were identified.
- We identified that there is a culture of honesty and ethical behaviour and that there is a strong emphasis of prevention and deterrence of fraud.
- The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, specifically acquisition accounting and the impairment of intangible assets, all of which could be impacted by management bias, as well as the risk of fraud through the use of journal entries that increase revenues. We also looked at management's onboarding process for new customers.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sergio Cardoso

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 10 March 2022

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	**2021 £'000**	2020 £'000
Revenue	3	**855,973**	711,754
Cost of sales		**(724,712)**	(609,961)
Gross profit		**131,261**	101,793
Distribution costs		**(80,585)**	(68,488)
Total administrative expenses		**(34,871)**	(28,225)
Other operating income	4	**5,175**	2,010
Operating profit	5	**20,980**	7,090
Comprising			
Adjusted operating profit		**34,012**	16,532
Costs of acquisitions	6	**(486)**	(526)
Share based payments		**(4,416)**	(2,562)
Employer taxes on share based payments		**(904)**	(130)
Amortisation and impairments of brands, customer and supplier relationships	13	**(7,226)**	(6,224)
		20,980	7,090
Finance income		**108**	172
Finance costs	8	**(2,193)**	(8,257)
Profit/(loss) before taxation		**18,895**	(995)
Taxation	9	**(5,422)**	(2,392)
Profit/(loss) after taxation		**13,473**	(3,387)
Profit/(loss) for the financial year attributable to:			
The Company's equity shareholders		**12,429**	(3,751)
Non-controlling interest		**1,044**	364
		13,473	(3,387)
Basic earnings per share	10	**14.11p**	(4.32)p
Diluted earnings per share	10	**13.76p**	(4.32)p

The financial statements are also comprised of the notes on pages 91 to 125.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £'000	2020 £'000
Profit/(loss) for the financial year	**13,473**	(3,387)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	**254**	(4)
Items that will be reclassified subsequently to profit or loss:		
Net (loss)/gain on net investment hedge	**–**	(194)
Foreign exchange gains and (losses) on consolidation	**(4,710)**	3,542
Other comprehensive income for the financial year, net of tax	**(4,456)**	3,344
Total comprehensive income for the year	**9,017**	(43)
Attributable to:		
Owners of the Parent Company	**8,384**	(878)
Non-controlling interests	**633**	835
	9,017	(43)

The financial statements are also comprised of the notes on pages 91 to 125.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

Assets	Notes	2021 £'000	2020 £'000
Non-current assets			
Goodwill	12	**21,163**	15,350
Intangible assets	13	**51,972**	43,631
Right of use assets	14	**19,826**	17,102
Property, plant and equipment	15	**11,792**	11,206
Deferred tax assets	9	**2,725**	2,386
		107,478	89,675
Current assets			
Inventories	16	**125,825**	83,995
Trade and other receivables	17	**124,256**	107,082
Derivative financial instruments	20	**492**	24
Cash and cash equivalents		**15,476**	25,485
		266,049	216,586
Current liabilities			
Trade and other payables	18	**(142,546)**	(110,136)
Derivative financial instruments	20	**–**	(1,094)
Put option liabilities over non-controlling interests	21	**(3,863)**	(1,306)
Deferred and contingent considerations	22	**(466)**	(7,012)
Borrowings and financial liabilities	23	**(34,053)**	(30,045)
Current tax		**(2,869)**	(638)
		(183,797)	(150,231)
Net current assets		**82,252**	66,355
Total assets less current liabilities		**189,730**	156,030
Non-current liabilities			
Trade and other payables	18	**(1,418)**	(1,708)
Put option liabilities over non-controlling interests	21	**(4,287)**	(3,337)
Deferred and contingent considerations	22	**(1,468)**	(465)
Borrowings and financial liabilities	23	**(60,399)**	(34,719)
Deferred tax liabilities	9	**(5,066)**	(7,011)
Other provisions	19	**(2,696)**	(2,303)
		(75,334)	(49,543)
Net assets		**114,396**	106,487
Equity			
Share capital	30	**887**	886
Share premium		**67,047**	67,047
Share based payment reserve		**7,879**	4,472
Investment in own shares		**(5)**	(6)
Retained earnings		**39,078**	30,436
Translation reserve		**(2,182)**	2,117
Hedging reserve		**–**	–
Put option reserve		**(7,784)**	(4,813)
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Equity attributable to owners of the Parent Company		**105,120**	100,339
Non-controlling interests		**9,276**	6,148
Total equity		**114,396**	106,487

The financial statements are also comprised of the notes on pages 91 to 125. The financial statements were approved by the Board of Directors and authorised for issue on 10 March 2022 and were signed on its behalf by:

Mr S B Fenby

Director Company registration number: 08793266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000 (note 30)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 31)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2021	**886**	**67,047**	**(6)**	**30,436**	**1,976**	**100,339**	**6,148**	**106,487**
Profit for the year	**-**	**-**	**-**	**12,429**	**-**	**12,429**	**1,044**	**13,473**
Other comprehensive income	**-**	**-**	**-**	**254**	**(4,299)**	**(4,045)**	**(411)**	**(4,456)**
Total comprehensive income for the year	**-**	**-**	**-**	**12,683**	**(4,299)**	**8,384**	**633**	**9,017**
Shares issued (note 30)	**1**	**-**	**(1)**	**-**	**-**	**-**	**-**	**-**
Share based payments	**-**	**-**	**-**	**-**	**4,398**	**4,398**	**-**	**4,398**
Deferred tax on share based payments	**-**	**-**	**-**	**-**	**61**	**61**	**-**	**61**
Share options exercised	**-**	**-**	**2**	**1,051**	**(1,052)**	**1**	**-**	**1**
Acquisition of subsidiaries (note 21)	**-**	**-**	**-**	**-**	**(3,866)**	**(3,866)**	**3,866**	**-**
Dividends paid (note 36)	**-**	**-**	**-**	**(5,568)**	**-**	**(5,568)**	**-**	**(5,568)**
Acquisition of non-controlling interest (note 33)	**-**	**-**	**-**	**476**	**895**	**1,371**	**(1,371)**	**-**
Balance at 31 December 2021	**887**	**67,047**	**(5)**	**39,078**	**(1,887)**	**105,120**	**9,276**	**114,396**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000 (note 30)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 31)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2020	799	28,225	(5)	31,867	(2,891)	57,995	7,298	65,293
(Loss)/profit for the year	–	–	–	(3,751)	–	(3,751)	364	(3,387)
Other comprehensive income	–	–	–	(4)	2,877	2,873	471	3,344
Total comprehensive income for the year	–	–	–	(3,755)	2,877	(878)	835	(43)
Shares issued (note 30)	87	38,822	(7)	–	-	38,902	–	38,902
Share based payments	–	–	–	–	2,562	2,562	–	2,562
Deferred tax on share based payments	–	–	–	–	(232)	(232)	–	(232)
Share options exercised	–	–	6	1,855	(1,856)	5	–	5
Acquisition of non-controlling interest (note 33)	–	–	–	469	1,516	1,985	(1,985)	–
Balance at 31 December 2020	886	67,047	(6)	30,436	1,976	100,339	6,148	106,487

The financial statements are also comprised of the notes on pages 91 to 125.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit/(loss) before tax	**18,895**	(995)
Depreciation	**5,793**	5,991
Amortisation	**7,502**	6,429
Loss on disposal of assets	**25**	1,122
Share based payments	**4,398**	2,562
Foreign exchange losses	**(1,026)**	(295)
Finance income	**(108)**	(172)
Finance costs	**2,193**	8,257
Profit from operations before changes in working capital	**37,672**	22,899
(Increase)/decrease in inventories	**(36,496)**	34,939
(Increase)/decrease in trade and other receivables	**(12,473)**	18,097
Increase /(decrease) in trade and other payables	**27,943**	(31,442)
Cash inflow from operations	**16,646**	44,493
Income tax paid	**(5,151)**	(4,372)
Net cash inflow from operating activities	**11,495**	40,121
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	**(16,836)**	(18,393)
Purchase of intangible assets	**(2,401)**	(1,730)
Purchase of plant and equipment	**(3,558)**	(1,860)
Proceeds on disposal of plant and equipment	**253**	306
Interest received	**108**	172
Net cash used in investing activities	**(22,434)**	(21,505)
Net cash flows from financing activities		
Gross proceeds on issue of shares	**-**	39,724
Costs associated with shares issued	**-**	(822)
Proceeds on exercise of share options	**1**	5
Deferred consideration paid	**(11,265)**	(5,238)
Acquisition of non-controlling interest	**(2,055)**	(2,875)
Dividends paid	**(5,568)**	-
Invoice financing inflows/(outflows)	**6,261**	(32,191)
Proceeds from borrowings	**23,222**	4,796
Repayment of loans	**(4,660)**	(4,445)
Interest paid	**(2,087)**	(2,438)
Interest on leases	**(439)**	(362)
Capital element of lease payments	**(3,072)**	(4,226)
Net cash inflow/(outflow) from financing activities	**338**	(8,072)
Net (decrease)/increase in cash and cash equivalents	**(10,601)**	10,544
Cash and cash equivalents at beginning of financial year	**23,795**	11,497
Effects of exchange rate changes	**(1,555)**	1,754
Cash and cash equivalents at end of financial year	**11,639**	23,795
Comprising:		
Cash at bank	**15,476**	25,485
Bank overdrafts	**(3,837)**	(1,690)
	11,639	23,795

The financial statements are also comprised of the notes on pages 91 to 125.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

General information and nature of operations

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

Basis of preparation

The consolidated financial statements of Midwich Group plc have been prepared in accordance with UK adopted International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006.

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

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

Basis of consolidation

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

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

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

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

Acquisition of interests from non-controlling shareholders

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

Going concern

In considering the going concern basis for preparing the financial statements, the Board considers the Group's objectives and strategy, its principal risks and uncertainties in achieving its goals and objectives which are set out in the Strategic Report (pages 18 to 19 and pages 32 to 35). Given the ongoing global uncertainty, largely due to the impact of COVID-19, the Board has undertaken a review of going concern under three scenarios: 1) our base plan, 2) a downside scenario and 3) a reverse stress test for the period to 31 December 2023. The sensitivity stress test is based on a model that allows the Group to assess its liquidity, solvency and compliance with banking covenants based on inputs for future trading performance. Varying the inputs into the model allows the Group to assess the impact of potential adverse trading conditions.

The directors consider the working capital and finance facilities of the business to be adequate to fund its operations and growth strategy. The Group has a variety of finance facilities available to it including a revolving credit facility which expires on 1 June 2024 and secured invoice discounting facilities which require renewal in the forecast period. The directors are confident that they will be able to renew the secured invoice discounting facilities given the secured nature of the facility and state of the business. Notwithstanding, this represents an uncertainty and further models (base plan and reverse stress test) have been prepared to assess going concern without the use of these facilities. The base case continues to demonstrate the Group's ability to continue as a going concern. The reverse stress test demonstrates that the Group can withstand severe adverse trading conditions.
In assessing the ability to withstand severe adverse trading conditions, the directors have also considered mitigating actions available to them.

There are no material uncertainties that cast significant doubt on the Group's ability to continue as a going concern and the Group continues to adopt the going concern basis in preparing consolidated financial statements. The Group's strategy remains unchanged, and we will continue to focus on profitable organic growth complemented by targeted acquisitions.

1. Accounting policies continued

Revenue

Revenue arises from the sale of goods and incidental ancillary services, and the rental of products.

Revenue from the sale of goods is recognised on despatch when control of the products is transferred to the customer. All performance obligations are met on despatch when the customer obtains control to direct the goods in the channel and incurs the risk of obsolescence. Ancillary services are not material to the Group and include installations, removals, support services, transport, warranties, and repairs. Revenue from ancillary services is recognised over time as the services are performed. Where contracts for the sales of ancillary services include multiple performance obligations the transaction price is allocated to each separate performance obligation within the contract. Revenue for each performance obligation is estimated based on expected cost-plus margin and is recognised over time as the service is performed.

Revenue from the rental of products via an operating lease is recognised on a straight-line basis over the lease term. Changes in the price or duration of a lease that were not part of the original terms and conditions are accounted for as a lease modification and recognised as a new lease from the effective date of the modification.

Proceeds from the sale of rental assets are recognised as sales of goods. Revenue for the sale of rental assets is recognised at the point in time when the control is transferred, at which point the customer obtains the ability to direct the goods in the channel and incurs the risk of obsolescence.

Finance income and costs

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

Goodwill

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

Intangible assets other than goodwill

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

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

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

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

Right of use assets

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

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

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

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

1. Accounting policies continued

Property, plant and equipment

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

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

- Land Not depreciated
- Freehold buildings 50 years
- Leasehold improvements Over the period of the lease up to a maximum of 50 years
- Rental assets 3–10 years
- Plant and equipment 3–10 years

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

Impairment of non-financial assets including goodwill

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

Inventory

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

Financial instruments

Financial instruments are contracts that give rise to financial assets or financial liabilities and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Derivatives are financial instruments that have a value that changes in response to a specific external factor and do not have a significant initial investment.

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 two categories:

- financial assets measured at amortised cost; 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.

1. Accounting policies continued

Financial assets measured at amortised cost are initially measured at fair value plus directly attributable transaction costs and subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial.

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

Investments in equity instruments that are not held for trading are classified as financial assets and are measured at fair value through profit and loss.

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

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

Financial liabilities

Financial liabilities include trade and other payables; deferred considerations; put option liabilities; borrowings; and derivative financial instruments with a negative market value.

The Group classifies financial liabilities into three categories:

- financial liabilities measured at amortised cost;
- financial liabilities measured at fair value through profit or loss; and
- contingent consideration recognised in a business combination.

Financial liabilities measured at amortised cost are initially measured at fair value minus directly attributable transactions costs and 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 or loss are initially and subsequently measured at fair value. Transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss.

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

Financial liabilities with embedded derivatives are recognised as hybrid contracts and are classified in their entirety and not in separate components unless;

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the financial liability;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled, or expire.

Trade and other receivables

Trade and other receivables are financial assets recognised when the Group becomes party to the contractual provisions of the instrument. Included within trade and other receivables are vendor rebates.

Trade and other receivables are initially measured at transaction price plus directly attributable transaction costs. Transaction price is equivalent to fair value for trade and other receivables that do not contain a significant financing component. Where trade and other receivables do contain a significant financing component the fair value is equivalent to the transaction price adjusted for the effects of discounting. The effects of discounting are not adjusted if it is expected at the inception of the contract that there will be a period of one year or less from when the goods or services are transferred to the customer to the payment date.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method less expected credit losses. Expected credit losses are calculated based on probability weighted amounts derived from a range of possible outcomes that are based on reasonable supporting information and discounted for the time value of money. The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses including where trade receivables contain a significant financing component. The effects of expected credit losses are omitted if immaterial.

Vendor rebates and other income

Vendor rebates are recognised when the conditions attached to the rebate have been satisfied and after deducting any probable liability to repay the rebate. Vendor rebates are deducted from inventory or recorded within cost of sales depending on the contractual terms of the rebate. Promotional income from suppliers does not relate to the purchase of inventory and is therefore recognised within other income.

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.

1. Accounting policies continued

Borrowings

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

Trade and other payables

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

Derivative financial instruments

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

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. 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. Further details of the measurement of put options are given in the accounting judgements and key sources of estimation uncertainty accounting policy.

Foreign currency

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

Current taxation

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

Deferred taxation

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

1. Accounting policies continued

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 reporting date, are recognised in accruals. Contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate. The Group operates defined benefit pension plans in the Netherlands and Switzerland, which require contributions to a separately managed funds. Both defined benefit pension plans are final salary pension schemes which provide members with a guaranteed income on retirement. Defined benefit pension scheme surpluses or deficits are calculated by independent qualified actuaries using actuarial assumptions applied to actual pension contributions and salaries. The actuarial assumptions include return on assets, inflation, life expectancy, mortality rates and expected retirement ages. Actuarial assumptions are updated annually to reflect changes in market conditions and all actuarial gains and losses are recognised in other comprehensive income.

Leases

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

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

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

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

Government grants

Government grants are recognised when the conditions attached to the grant have been satisfied and after deducting any probable liability to repay the grant.

Government grants relating to costs incurred are offset against the cost to which the grant relates in the income statement. Government grants in relation to employment support are offset against the employee costs in the income statement. Government grants relating to the purchase of property, plant and equipment are deducted from the purchase price of the asset and credited to the income statement on a systematic basis over the expected useful life of the related asset.

Equity

Equity comprises the following:

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

1. Accounting policies continued

Share based payments

Equity-settled share based payments are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of grant incorporating market based vesting conditions. The fair value of goods and services received is measured by reference to the fair value of options. The fair values of share options are measured using the Black Scholes model. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees 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 the market condition is satisfied, provided that all other performance 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. Where an equity-settled award is forfeited during the vesting period, the cumulative charge expensed up to the date of forfeiture and is credited to the income statement.

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trusts (EBT) have been included in the Group financial statements. Any assets held by the EBT cease to be recognised on the group statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the 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 Accounting Standards adopted by the Group

The Group adopted the following standards, amendments to standards and interpretations, which are effective for the first time this year:

- Annual improvements to IFRS standards 2018–2020;
- Amendments to IFRS16 – COVID-19 related rent concessions IBOR reform phase 1 amendments;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest rate benchmark reform phase 2;
- Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; and
- IFRS 17 Insurance contracts.

The new standards have not had a material impact on the reported results and there is no adjustment to previously reported equity due to the implementation of the new standards.

International Accounting Standards in issue but not yet effective

The Group intends to adopt new and amended standards and interpretations, if applicable, when they become 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 not expected to have an impact on the Group's reported financial position or performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies continued

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 IAS 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 IAS measures of performance, but management has included them as they consider them to be key measures used within the business for assessing the underlying performance.

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

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

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

Adjusted EBITDA: This represents operating profit before acquisition related expenses, share based payments and associated employer taxes, depreciation and amortisation.

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

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

Adjusted EPS: Adjusted EPS is EPS calculated using the basis of adjusted profit after tax instead of profit after tax after deducting adjustments to profit after tax due to non-controlling interests.

Adjusted net debt: Net debt is borrowings less cash and cash equivalents. Adjusted net debt excludes leases.

Accounting judgements and sources of estimation uncertainty

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

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

Put options over non-controlling interests

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

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

Inventory write down

Inventory is written down to the lower of cost and net realisable value. To determine inventory write downs the Group is required to estimate the future sales volumes, sales prices, costs to sell inventory, and shrinkage. The gross value and write down of inventories, as well as cost of inventory write downs in the period are disclosed in note 16.

The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from purchase date and these specific percentages are based on historic data.

The only uncertainty with regards to inventory is the realisable value on sale or disposal of inventory, which applies to all inventory as disclosed in note 16. The ultimate sale or disposal of inventory results in a reversal of the write down against the cost of inventory disposed with a potential gain or loss depending upon the accuracy of the estimation. Due to the number of variables involved, it is not possible to include a range of reasonably possible outcomes for this estimate, on a simple level if the write down percentages applied to inventory were 10% higher or 10% lower the effect would be a decrease or increase of £1,520k respectively in profit before tax for the year.

1. Accounting policies continued

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. 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 34 and the carrying values of separately identifiable intangible assets initially measured at fair value are disclosed in note 13.

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. The Group use a range of present valuation techniques including both the discount rate adjustment technique and the expected present value technique to determine the fair values of contingent considerations and the present values of put option liabilities. The fair value of contingent consideration is disclosed in note 22 and the amortised cost of put option liabilities is disclosed in note 21.

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.

2021	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	286,060	455,434	45,384	69,094	–	855,972
Gross profit	45,333	67,000	7,958	10,969	–	131,260
Gross profit %	15.8%	14.7%	17.5%	15.9%	–	15.3%
Adjusted operating profit	12,720	21,356	926	4,556	(5,546)	34,012
Costs of acquisitions	–	–	–	–	(486)	(486)
Share based payments	(1,599)	(1,384)	(366)	(45)	(1,022)	(4,416)
Employer taxes on share based payments	(249)	(401)	(33)	(5)	(216)	(904)
Amortisation of brands, customer and supplier relationships	(2,371)	(3,356)	(273)	(1,226)	–	(7,226)
Operating profit	8,501	16,215	254	3,280	(7,270)	20,980
Interest						(2,085)
Profit before tax						18,895

2021	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	106,426	203,066	21,489	41,987	559	373,527
Segment liabilities	(74,564)	(148,943)	(17,357)	(17,454)	(813)	(259,131)
Segment net assets	31,862	54,123	4,132	24,533	(254)	114,396
Depreciation	2,064	2,761	563	405	–	5,793
Amortisation	2,391	3,446	288	1,377	–	7,502

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	25,575	81,903	107,478
Deferred tax asset	1,268	1,457	2,725
Non-current assets excluding deferred tax	24,307	80,446	104,753

2. Segmental reporting continued

2020	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	224,386	331,115	44,476	111,777	–	711,754
Gross profit	31,321	45,635	6,821	18,016	–	101,793
Gross profit %	14.0%	13.8%	15.3%	16.1%	–	14.3%
Adjusted operating profit	3,916	9,393	820	4,909	(2,506)	16,532
Costs of acquisitions	–	–	–	–	(526)	(526)
Share based payments	(1,141)	(799)	(218)	(3)	(401)	(2,562)
Employer taxes on share based payments	(46)	(31)	(7)	–	(46)	(130)
Amortisation of brands, customer and supplier relationships	(2,490)	(2,285)	(270)	(1,179)	–	(6,224)
Operating profit	239	6,278	325	3,727	(3,479)	7,090
Interest						(8,085)
Loss before tax						(995)

2020	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	94,627	150,167	21,039	40,130	298	306,261
Segment liabilities	(60,545)	(103,078)	(17,614)	(17,851)	(686)	(199,774)
Segment net assets	34,082	47,089	3,425	22,279	(388)	106,487
Depreciation	2,540	2,603	480	368	–	5,991
Amortisation	2,519	2,356	286	1,268	–	6,429

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	25,959	63,716	89,675
Deferred tax asset	730	1,656	2,386
Non-current assets excluding deferred tax	25,229	62,060	87,289

Revenue from the UK, being the domicile of the Parent Company amounted to £270,954k (2020: £208,601k). Revenue from Germany amounted to £228,487k (2020: £169,864k). There was no other revenue from a country that amounted to more than 10% of total revenue. Included within the international non-current assets excluding deferred tax is £15,709k (2020: £16,472k) for the USA. There were no other non-current assets excluding deferred tax in any country that amounted to more than 10%.

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.

In addition to the external revenue reported by segment the UK & Ireland segment made £496k (2020: £3,660k) of intercompany sales, the EMEA segment made £1,280k (2020: £1,278k) of intercompany sales, and the North America segment made nil (2020: £652k) intercompany sales.

Sales to the largest customer

Included in revenue is £21.5m (2020: £17.3m) that arose from sales to the Group's largest customer, which is based in the Germany (2020: USA). No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Revenue

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

	2021 £'000	2020 £'000
Sale of goods and ancillary services	**855,308**	710,838
Rental of goods (operating lease income)	**665**	916
	855,973	711,754

4. Other operating income

	2021 £'000	2020 £'000
Promotional receipts	**5,119**	1,914
Other income	**56**	96
	5,175	2,010

5. Operating profit

Operating profit is stated after charging:	2021 £'000	2020 £'000
Auditor's remuneration		
– audit service in relation to the Company	84	66
– audit services in relation to the subsidiaries	231	337
– audit related assurance services	20	18
– tax compliance services	-	3
– all non-audit services not covered above	8	10
Net (gain)/loss on foreign exchange	(1,026)	(295)
Short term lease cost	1,000	487

6. Administrative expenses

Administrative expenses in the period include £486k of acquisition related costs (2020: £526k). For details of acquisitions in the year see note 34.

7. Directors and employees

The aggregate payroll costs of the employees were as follows:

	2021 £'000	2020 £'000
Staff costs		
Wages and salaries	54,392	42,552
Social security costs	6,786	5,213
Pension costs	1,571	1,510
	62,749	49,275

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

	2021 Number	2020 Number
By activity:		
Administration	208	198
Sales and distribution	887	825
	1,095	1,023

	2021 £'000	2020 £'000
Remuneration of directors		
Remuneration	1,794	575
Gain on the exercise of share options	324	-
Employer contribution to defined contribution schemes	-	-

	2021 £'000	2020 £'000
Emoluments of highest paid director		
Remuneration	958	275
Employer contribution to defined contribution scheme	-	-

No retirement benefits were accruing to directors (2020: nil) under a money purchase pension scheme. During the year the 51,500 (2020: 197,116) share options were granted to directors under the Long Term Incentive Plan.

Details of key management personnel and their remuneration is disclosed within note 35. The directors' remuneration report forms part of these financial statements.

During the year the Group received no support (2020: £4.0m) from government schemes towards enhanced furlough payments to offer flexible working to its team members. These actions allowed it to limit headcount reductions to a relatively small number and ensure that the business is well positioned for the anticipated recovery.

8. Finance costs

	2021 £'000	2020 £'000
Interest on overdraft and invoice discounting	**867**	1,194
Interest on leases	**439**	362
Interest on loans	**810**	830
Fair value movements on foreign exchange derivatives	**77**	156
Other interest costs	**15**	4
Fair value movements on derivatives for borrowings	**(1,244)**	1,194
Foreign exchange gains on borrowings for acquisitions	**(814)**	1,088
Interest, foreign exchange and other finance costs of deferred and contingent considerations	**347**	3,275
Interest, foreign exchange and other finance costs of put option liabilities	**1,696**	154
	2,193	8,257

9. Taxation on ordinary activities

Analysis of charge

	2021 £'000	2020 £'000
Current tax		
UK corporation tax for the current year	**652**	(494)
Adjustment in respect of prior years	**167**	(429)
Total UK current tax	**819**	(923)
Overseas tax for the current year	**6,682**	3,760
Adjustment in respect of prior years	**46**	(70)
Total overseas current tax	**6,728**	3,690
Total current tax	**7,547**	2,767
Deferred tax		
Deferred tax for the current year	**(2,125)**	(530)
Adjustment in respect of prior years	**–**	155
Total deferred tax	**(2,125)**	(375)
Tax on profit on ordinary activities	**5,422**	2,392

The reasons for the differences between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits / (losses) for the year are as follows:

Reconciliation of the effective tax charge:

	2021 £'000	2020 £'000
Profit/(loss) on ordinary activities before taxation	**18,895**	(995)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**3,590**	(189)
Factors affecting tax expense for the year:		
Adjustment in respect of prior years	**213**	(344)
Tax losses with no available relief	**50**	112
Expenses not deductible for tax purposes	**456**	1,066
Effects of different tax rates in foreign jurisdictions	**1,080**	1,352
Differences in tax rates	**–**	199
Effects of changes in tax rates	**33**	196
Total amount of tax	**5,422**	2,392

The main UK Corporation tax rate for the current and prior year has remained at 19%. On 24 May 2021 the Finance Act 2021 was substantively enacted increasing the UK corporation tax rate from 19% to 25% from 1 April 2023. The increase in UK tax rate from 19% to 25% has increased both deferred tax assets and liabilities for all UK companies within the Group. This increase comprises the majority of the effects of changes in tax rates of £33k.

9. Taxation on ordinary activities continued

Deferred tax

	Losses available for relief £'000	Accelerated capital allowances liabilities £'000	Accelerated capital allowances assets £'000	Company share schemes £'000	Total £'000
At 1 January 2020	–	6,850	(1,665)	(504)	4,681
Acquired in business combinations	–	–	(3)	–	(3)
Credited to income statement	(96)	(3)	1	(277)	(375)
Charged to equity	–	–	–	232	232
Foreign exchange movements	–	164	(74)	–	90
At 31 December 2020	**(96)**	**7,011**	**(1,741)**	**(549)**	**4,625**
Acquired in business combinations	–	81	–	–	81
Credited to income statement	96	(1,762)	323	(782)	(2,125)
Credited to equity	–	–	–	(61)	(61)
Foreign exchange movements	–	(264)	85	–	(179)
At 31 December 2021	**–**	**5,066**	**(1,333)**	**(1,392)**	**2,341**

	2021 £'000	2020 £'000
Deferred tax asset	**2,725**	2,386
Deferred tax liability	**(5,066)**	(7,011)
Net deferred liability	**(2,341)**	(4,625)

10. Earnings per share

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

	2021	2020
Profit/(loss) attributable to equity holders of the Group (£'000)	**12,429**	(3,751)
Weighted average number of shares in issue	**88,101,300**	86,893,508
Potentially dilutive effect of the Group's share option schemes	**2,204,110**	1,242,399
Weighted average number of diluted Ordinary Shares	**90,305,410**	88,135,907
Basic earnings per share	**14.11p**	(4.32)p
Diluted earnings per share	**13.76p**	(4.32)p

Diluted earnings per share excludes the antidilutive effects of potential Ordinary Shares that result in a decrease in the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Subsidiaries

The following subsidiary undertakings have been included within the consolidated financial statements and are all held indirectly unless otherwise stated:

Name	Address	Country of incorporation	% ownership held by the Group 2021	2020
Midwich Limited[1]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Midwich Employees' Trustees Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
True Colours Distribution Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Invision UK Ltd	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Square One Distribution Limited	Bray South Business Park, Unit 9, Killarney Rd, Bray, Co. Wicklow, A98 D7V2	Republic of Ireland	**100%**	100%
Sidev SAS	183 Av. de l'Industrie, 69143 Rillieux-la-Pape	France	**100%**	100%
Midwich Australia Pty Limited	Parklands Estate, 4/23 South St, Rydalmere NSW 2116	Australia	**100%**	100%
Midwich Limited	7a 19Edwin Street, Mount Eden, Auckland 1024	New Zealand	**100%**	100%
Kern Und Stelly Medientechnik GmbH	Sportallee 8, 22335 Hamburg	Germany	**100%**	100%
Holdan Limited	Brookfield House, Brookfield Industrial Estate, Peakdale Road, Glossop SK13 6LQ	England and Wales	**100%**	100%
Earpro S.A.	Carrer Miguel Hernández, 69, 08908 L'Hospitalet de Llobregat, Barcelona	Spain	**88%**	88%
Gebroeders van Domburg B.V.[2]	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
van Domburg Partners B.V.[2]	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Transport en Opslagbedrijf van Domburg B.V.[2]	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
van Domburg Services B.V.[2]	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Dutch Light Pro B.V. [2]	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Sound Technology Limited	17 Letchworth Point, Letchworth Garden City SG6 1ND	England and Wales	**100%**	100%
Bauer Und Trummer GmbH	Pirnaer Strasse 20, 90411 Nuremberg	Germany	**100%**	100%
Holdan Benelux B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Blonde Robot Pty Limited[3]	8 Theobald St, Thornbury, Melbourne, Victoria 3071	Australia	**100%**	65%
Blonde Robot Limited[4]	Watson Centre, No.16-22, 18/F Kung Yip St	Hong Kong	**N/A**	65%
Blonde Robot Pte Limited[3]	51 Goldhill Plaza, 308900	Singapore	**100%**	65%
Blonde Robot Sdn Bhd[5]	Tower A, Atria SOFO Suites, Jalan SS22/23, Damansara Jaya, 47400 Petaling Jaya, Selangor	Malaysia	**N/A**	65%
MobilePro AG	Europa-Strasse 19a, 8152 Opfikon	Switzerland	**100%**	100%
Midwich Asia Pte Limited	229 Mountbatten Rd, 1-19 Mountbatten Square, 398007	Singapore	**100%**	100%
Prase Engineering SpA	Via Nobel, 10, 30020 Noventa di Piave VE	Italy	**80%**	80%
AV Partner AS	Ole Deviks v. 18, 0666 Oslo	Norway	**100%**	100%
Entertainment Equipment Supplies SL	Pol. Bidebitarte, Donostia Ibilbidea, 118, 20115 Astigarraga, Gipuzkoa	Spain	**88%**	88%
New Tension Inc[6]	136 Venturi Drive, Chesterton, Indiana 46304	USA	**100%**	100%
Starin Marketing Inc[7]	136 Venturi Drive, Chesterton, Indiana 46304	USA	**100%**	100%
Think Fast Holdings LLC[7]	136 Venturi Drive, Chesterton, Indiana 46304	USA	**100%**	100%
Midwich International Limited[8]	Vince's Rd, Diss IP22 4YT	England and Wales	**80%**	80%
NMK Technologies Trading LLC[9]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**80%**	N/A
NMK Electronics Trading LLC[9]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**80%**	N/A
NMK Middle East FZE[9]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	UAE	**80%**	N/A
Edge Electronics Trading LLC[9]	Porto Holding Group Building, 2nd floor, Office 9, C-Ring Road, Doha	Qatar	**80%**	N/A
Midwich UCD B.V. [10]	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	N/A
Van Domburg Belgie B.V. [11]	Kolenbranderstraat 10, 2984 AT Ridderkerk, Netherlands	Belgium	**100%**	N/A

1 Investments held directly by Midwich Group plc.
2 Acquired remaining shares on 18 September 2020. See note 33.
3 Acquired remaining shares on 13 October 2021. See note 33.
4 Company dissolution began on 30 November 2020.
5 Company dissolution began on 2 December 2020.
6 Incorporated 14 January 2020.
7 Acquired 6 February 2020. See "Starin" acquisition in note 34.
8 Incorporated 15 November 2020.
9 Acquired 1 January 2021. See "NMK" acquisition in note 34.
10 Incorporated 22 December 2020.
11 Incorporated 1 January 2021.

12. Goodwill

	Total £'000
Cost	
At 1 January 2020	13,326
On acquisition of Starin	520
On acquisition of Vantage	960
Foreign exchange movements	544
At 31 December 2020	**15,350**
On acquisition of NMK	3,769
On acquisition of eLink	2,634
On acquisition of Intro 2020	20
Foreign exchange movements	(610)
At 31 December 2021	**21,163**

Allocation of goodwill to cash generating units

Goodwill is not amortised but tested for impairment annually with the recoverable amount being determined from value in use calculations. Goodwill has been allocated for impairment testing to groups of Cash Generating Units (CGUs) for each operating segment, as follows:

Allocation of goodwill to groups of CGUs	2021 £'000	2020 £'000
United Kingdom & Ireland	**4,893**	4,899
EMEA	**13,768**	7,846
Asia Pacific	**2,003**	2,112
North America	**499**	493
Other	**–**	–
	21,163	15,350

The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using an individual growth rate expected for each group of CGUs over a five-year period from the reporting date and cash flows beyond this period exclude growth. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

Other major assumptions are as follows:

Forecast profitability assumptions

Management's key assumptions are the achievement of the forecast profits for the 12-month period after the reporting date and stable long-term profit margins. The 12-month forecast data is based on the most recent annual financial statements adjusted for management's best estimates of reasonable growth.

Growth rates

The annual growth rates used to extrapolate the approved forecast for years 2 to 5 within the value in use calculation are between 0% - 2.0% (2020: 0% - 2.0%). The growth rates are based on economic data for the wider economy and represent a prudent expectation of growth.

Discount rates

Discount rates are based on management's assessment of the specific risks relating to the groups of CGUs within each operating segment. Discount rates used in the value in use calculation for assessing the recoverable amount of goodwill for each operating segment are as follows:

Operating segment	2021	2020
United Kingdom & Ireland	**13.6%**	13.5%
EMEA	**11.4%**	12.9%
Asia Pacific	**11.5%**	12.3%
North America	**10.8%**	11.9%
Other	**N/A**	N/A

12. Goodwill continued

The recoverable amounts for each operating segment's group of CGUs exceed the carrying amounts by the following amounts in each year assessed:

Amount by which recoverable amount exceeds carrying amount:

	2021 £'000	2020 £'000
United Kingdom & Ireland	**70,241**	105,452
EMEA	**82,055**	60,962
Asia Pacific	**7,910**	13,929
North America	**11,888**	13,400
Other	**–**	–
Total	**172,094**	193,743

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

13. Intangible assets

	Assets in the course of construction £'000	Patents and software £'000	Brands £'000	Customer relationships £'000	Supplier relationships £'000	Total £'000
Cost						
At 1 January 2020	2,427	576	5,715	29,462	12,938	51,118
On acquisition	–	82	4,065	2,884	9,189	16,220
Additions	1,272	458	–	–	–	1,730
Disposals	–	(150)	–	–	–	(150)
Foreign exchange movements	3	4	(58)	607	(40)	516
At 31 December 2020	3,702	970	9,722	32,953	22,087	69,434
On acquisition	–	–	893	2,672	10,934	14,499
Additions	1,608	793	–	–	–	2,401
Transfer	(216)	216	–	–	–	–
Disposals	–	(333)	–	–	–	(333)
Foreign exchange movements	–	(41)	(107)	(866)	(448)	(1,462)
At 31 December 2021	**5,094**	**1,605**	**10,508**	**34,759**	**32,573**	**84,539**
Amortisation						
At 1 January 2020	–	354	2,470	13,664	2,656	19,144
Charge for year	–	205	940	3,348	1,936	6,429
Disposals	–	(146)	–	–	–	(146)
Foreign exchange movements	–	14	29	273	60	376
At 31 December 2020	–	427	3,439	17,285	4,652	25,803
Charge for year	–	276	1,072	3,546	2,608	7,502
Disposals	–	(128)	–	–	–	(128)
Foreign exchange movements	–	(26)	(49)	(414)	(121)	(610)
At 31 December 2021	**–**	**549**	**4,462**	**20,417**	**7,139**	**32,567**
Net book value						
At 31 December 2020	3,702	543	6,283	15,668	17,435	43,631
At 31 December 2021	**5,094**	**1,056**	**6,046**	**14,342**	**25,434**	**51,972**

Included within intangible assets are £45,822k of separately identifiable intangible assets that were measured at fair value on acquisition in business combinations. These assets have subsequently been measured at cost less accumulated amortisation. The fair value of separately identifiable intangible assets is calculated based on the estimation of future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. If the estimated fair values of intangible assets on acquisition were 10% higher or 10% lower the effect would be a decrease or increase of £723k respectively in profit before tax for the year.

Assets in the course of construction includes £5,094k (2020: £3,486k) relating to the development of an Enterprise Resource Planning system. During the year the scope of the project increased in scale by 188%, and as well as incorporating additional features. The costs for the asset will transfer to patents and software and amortise over a period of 10 years or less as the asset is brought into use from 2022.

Assets in the course of construction are tested for impairment annually with the recoverable amount being determined from value in use calculations. The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using 2% growth rate over a ten-year period from the reporting date. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of assets in the course of construction to exceed the value in use. The value in use exceeded cost by £23,964k (2020: £793k) using a discount rate of 8.0% (2020: 14.8%).

14. Right of use assets

	Land and buildings £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2020	19,700	–	2,181	21,881
On acquisition	743	–	–	743
Additions	3,280	87	426	3,793
Disposals	(3,797)	–	(334)	(4,131)
Foreign exchange movements	588	(5)	251	834
At 31 December 2020	20,514	82	2,524	23,120
Additions	5,994	500	259	6,753
Disposals	(1,405)	–	(452)	(1,857)
Foreign exchange movements	(816)	8	(290)	(1,098)
At 31 December 2021	**24,287**	**590**	**2,041**	**26,918**
Depreciation				
At 1 January 2020	5,056	–	876	5,932
Charge for year	2,209	7	559	2,775
Disposals	(2,675)	–	(334)	(3,009)
Foreign exchange movements	133	–	187	320
At 31 December 2020	4,723	7	1,288	6,018
Charge for year	2,507	113	604	3,224
Disposals	(1,141)	–	(555)	(1,696)
Foreign exchange movements	(229)	–	(225)	(454)
At 31 December 2021	**5,860**	**120**	**1,112**	**7,092**
Net book value				
At 31 December 2020	15,791	75	1,236	17,102
At 31 December 2021	**18,427**	**470**	**929**	**19,826**

15. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost					
At 1 January 2020	4,935	2,572	3,510	5,514	16,531
On acquisition	–	100	-	420	520
Additions	–	9	617	1,234	1,860
Disposals	–	(101)	(752)	(493)	(1,346)
Foreign exchange differences	123	17	–	475	615
At 31 December 2020	5,058	2,597	3,375	7,150	18,180
On acquisition	–	–	-	97	97
Additions	57	328	717	2,456	3,558
Disposals	–	(20)	(1,095)	(1,174)	(2,289)
Foreign exchange differences	(147)	(25)	–	(635)	(807)
At 31 December 2021	**4,968**	**2,880**	**2,997**	**7,894**	**18,739**
Depreciation					
At 1 January 2020	271	131	1,678	2,365	4,445
Charge for year	90	441	1,160	1,525	3,216
Disposals	–	(41)	(543)	(462)	(1,046)
Foreign exchange differences	2	14	–	343	359
At 31 December 2020	363	545	2,295	3,771	6,974
Charge for year	80	314	708	1,467	2,569
Disposals	–	(20)	(910)	(1,150)	(2,080)
Foreign exchange differences	(5)	(13)	–	(498)	(516)
At 31 December 2021	**438**	**826**	**2,093**	**3,590**	**6,947**
Net book value					
At 31 December 2020	4,695	2,052	1,080	3,379	11,206
At 31 December 2021	**4,530**	**2,054**	**904**	**4,304**	**11,792**

Included in land and buildings is land at £607k (2020: £607k) that is not depreciated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Inventories

	2021 £'000	2020 £'000
Finished goods for resale		
Gross inventory	**141,024**	107,845
Write down	**(15,199)**	(23,850)
	125,825	83,995

	2021 £'000	2020 £'000
Amounts of inventories recognised as an expense during the period as cost of sales (gross of vendor rebates) are:	**741,636**	620,234

	2021 £'000	2020 £'000
Total movement in inventory write down (credited)/charged for the period:	**(10,324)**	239

During the year the Group experienced an economic recovery from the pandemic, which resulted in a decrease in aged inventory and a release in the write down offset by the cost of inventory sold.

17. Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	**109,088**	92,126
Other receivables	**3,270**	2,110
Prepayments	**11,898**	12,846
	124,256	107,082

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

The Group incurs a small incidence of credit losses and as a result the receivables are impaired for expected credit losses. Where management views that there is a significant risk of non-payment, an additional specific provision for impairment is made and recognised as a deduction from receivables.

Trade receivables includes a total of £66,077k (2020: £51,938k) subject to a receivables financing agreement.

	2021 £'000	2020 £'000
Impairments at 1 January	**2,906**	1,656
Increase in impairments on acquired businesses	**137**	897
Increase in impairments in the year	**321**	1,079
Release of impairments against receivables written off	**(766)**	(733)
Foreign exchange variance	**(98)**	7
Impairments at 31 December	**2,500**	2,906

18. Trade and other payables

Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade payables	**106,376**	82,323
Other taxation and social security	**11,907**	12,263
Other payables	**348**	125
Accruals	**23,915**	15,425
	142,546	110,136

Amounts falling due after one year:

	2021 £'000	2020 £'000
Accruals	**1,418**	1,708
	1,418	1,708

19. Provisions

	2021 £'000	2020 £'000
Dilapidations provision	897	587
Defined benefit obligations (see note 29)	1,633	1,545
Agency contract severance provisions	166	171
	2,696	2,303

Dilapidations provision	2021 £'000	2020 £'000
Provision at 1 January	587	597
Fair value of provision acquired	50	-
Increase in provision	287	-
Amortised interest cost	3	4
Release of provision	(28)	(17)
Foreign exchange variance	(2)	3
Provision at 31 December	897	587

Dilapidations provision comprises liabilities in respect of future expected repair and restoration costs that the Group has obligations for under the terms of lease contracts.

Agency contract severance provision	2021 £'000	2020 £'000
Provision at 1 January	171	544
Increase/(decrease) in provision	6	(399)
Foreign exchange variance	(11)	26
Provision at 31 December	166	171

Agency contract severance provision ("FISC") comprises liabilities in respect of future expected agency costs that the Group is required to settle on conclusion of the agent's contract in accordance with the terms and conditions of the contract and as required by statutory obligations for engaging agency workers in Italy.

20. Derivative financial instruments

	2021 £'000	2020 £'000
Derivative financial assets		
Foreign currency call options (see note 24)	130	24
Derivative financial liabilities		
Interest rate swaps (see note 24)	362	(1,094)
Net derivative financial instruments	492	(1,070)

During the year the Group entered into foreign currency call options and forward exchange contracts in relation to foreign currencies. Details of the Group's management of foreign exchange risk are included in note 25.

21. Put option liabilities

	2021 £'000	2020 £'000
Current	3,863	1,306
Non-current	4,287	3,337
	8,150	4,643

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

	2021 £'000	2020 £'000
Brought forward	4,643	7,289
Recognition of new put option on acquisitions	3,866	–
Subsequent remeasurement to present value	1,375	(523)
Interest cost amortised	590	263
Loss/(gain) on foreign exchange	(269)	488
Extinguished on acquisition of non-controlling interest	(2,055)	(2,874)
At 31 December	8,150	4,643

During the year the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the NMK acquisition (see note 34). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2024.

21. Put option liabilities continued

During the 2019 the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the acquisition of Prase Engineering SpA. The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2022.

During 2018 the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the acquisition of Blonde Robot Pty Limited. The put and call option to acquire the non-controlling interests was exercised during the year and further detail is provided in note 33.

During 2017 the Group entered into symmetrical put and call option contracts to acquire the non-controlling interests that were created during the acquisitions of Earpro SA and Gebroeders van Domburg BV. The put and call option to acquire the non-controlling interest in Gebroeders van Domburg BV was exercised during the prior year and further detail is provided in note 33. The put and call option is over the remaining non-controlling interest in Earpro SA is timed to exercise in 2022.

The classification between current and non-current liabilities is based on management's best estimates of when the options will be exercised.

22. Deferred consideration

	2021 £'000	2020 £'000
Current:		
– Deferred consideration at amortised cost	**-**	3,189
– Contingent consideration	**466**	3,823
Total current deferred and contingent considerations	**466**	7,012
Non-current:		
– Deferred consideration at amortised cost	**-**	–
– Contingent consideration	**1,468**	465
Total non-current deferred and contingent considerations	**1,468**	465
Total deferred consideration at amortised cost	**-**	3,189
Total contingent consideration	**1,934**	4,288
Total deferred and contingent considerations	**1,934**	7,477

During the year the Group recognised deferred consideration in respect of the NMK acquisition and contingent consideration in respect of the eLink acquisition (see note 34). Deferred consideration in relation to the NMK acquisition was settled during the year. Contingent consideration in relation to eLink acquisition is due to be settled in 2024.

During the prior year the Group recognised deferred consideration in respect of the Starin acquisition and contingent consideration in respect of the Vantage acquisition (see note 34). Deferred consideration in relation to the Starin acquisition was settled during the year. Contingent consideration in relation to Vantage acquisition is due to be settled in 2022.

During the 2019 the Group recognised deferred consideration in relation to the acquisition of Prase Engineering SpA. The deferred consideration was partially settled during the prior year with the remaining deferred consideration settled during the year.

During 2018 the Group recognised contingent consideration in relation to the acquisition of Bauer Und Trummer GmbH, which was settled during the year.

The total fair value of contingent consideration has been valued at £1,934k at 31 December 2021 (2020: £4,288k). The final payments depend upon the future profitability of the subsidiaries acquired.

The fair value of contingent consideration is based on estimations of future trading performance and discount factors. If the estimated future trading performance were 10% higher or 10% lower the effect would be an a £230k increase or £241k decrease respectively in the fair value of the deferred contingent consideration liability. If the estimated discount factors were 1 percentage point higher or lower the effect would be a decrease or increase respectively of £37k in the fair value of the deferred contingent consideration liability.

23. Borrowings

	2021 £'000	2020 £'000
Secured borrowings		
Bank overdrafts and invoice discounting	**30,856**	22,448
Bank loans	**42,604**	24,042
Leases (see note 27)	**20,992**	18,274
	94,452	64,764
Current	**34,053**	30,045
Non-current	**60,399**	34,719
	94,452	64,764

Summary of borrowing arrangements:

The Group has overdraft borrowings which comprised £3,837k at the end of 2021 (2020: £1,690k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group has invoice discounting borrowings which comprised £27,019k at the end of 2021 (2020: £20,758k). The facilities comprise fully revolving receivables financing agreements which are secured on the underlying receivables. The facility has no fixed repayment dates and receivables are automatically offset against the outstanding amounts of the facility on settlement of the receivable. The Group retains the credit risk associated with the receivables. Acquisitions completed during the year were debt free and did not include invoice discounting facilities.

The Group has loans of £42,604k at the end of 2021 (2020: £24,042k). The loans are secured with fixed and floating charges over the assets of the Group. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has leases of £20,992k at the end of 2021 (2020: £18,274k). Acquisitions completed during the year did not include any finance leases.

For details of leases please refer to note 27.

Borrowings

	2021 £'000	2020 £'000
Short term borrowings	**30,900**	27,292
Long term borrowings	**42,560**	19,198
Leases (see note 27)	**20,992**	18,274
	94,452	64,764

Reconciliation of liabilities arising from financing activities

	2021 £'000	2020 £'000
At 1 January	**64,764**	82,995
Cash flows:		
Invoice financing inflows/(outflows)	**6,261**	(32,191)
Proceeds from borrowings	**25,369**	4,968
Repayment of loans	**(4,660)**	(4,445)
Capital element of leases	**(3,072)**	(4,226)
Non-cash:		
Acquisitions	**-**	13,334
New liabilities arising on leases	**6,753**	3,792
Disposals on modification or termination of leases	**(297)**	-
Foreign exchange gain or loss	**(666)**	537
At 31 December	**94,452**	64,764

24. Financial instruments

Classification of financial instruments

The fair value hierarchy allocates financial assets and liabilities to groups according to three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year (2020: none). Financial instruments measured at fair value through profit or loss comprise interest forward contracts and contingent consideration.

As at 31 December 2021 the Group had interest rate swaps and foreign exchange options which were measured at fair value. The valuation of the interest rate swap and foreign exchange options contracts is based on observable inputs other than quoted prices and hence is a level 2 valuation.

The contingent consideration in relation to the acquisition of eLink (see note 22) has been measured at fair value. The valuation of the contingent consideration is based on unobservable inputs and hence is a level 3 valuation. The fair value has been calculated using the expected present value technique using a discount factor based on the risk-free rate that has been adjusted to include systematic risk. A discount factor of 10.4% has been applied to probability weighted cash flows that are not certainty-equivalent because they have not been adjusted to exclude systematic risk.

The contingent consideration in relation to the acquisition of Vantage (see note 22) has been measured at fair value. The present value was calculated using the discount rate adjustment technique using a discount rate derived from market data for comparable assets. The discount rate of 15.5% was applied to the most likely cash flows.

The put option liabilities held by the Group to acquire the remaining non-controlling interests that arose in the NMK and Prase acquisitions (see note 34) and the acquisition of Earpro SA in 2017 were initially measured at present value.

A discount factor of 2.5% was applied to certainty equivalent cash flows that were adjusted to exclude systematic risk to discount the put option liability over the non-controlling interest for the acquisition of Prase Engineering SpA. Discount factors of 9.4% and 10.2% were applied to the most likely cash flows to calculate the put option liabilities over the non-controlling interests of Earpro SA and the NMK acquisition respectively.

Put option liabilities over non-controlling interests are subsequently measured at amortised cost using the effective interest method. However, when contractual cash flows relating to the put option are modified the put option liability is remeasured at present value using the original effective interest rate. Due to modifications in the contractual cash flows the put option liabilities were subsequently remeasured to present value at the year end.

During the year the Group exercised the put option in relation to Blonde Robot Pty Limited and acquired the remaining non-controlling interest (see note 33). During the prior year the Group exercised the put option in relation to Gebroeders van Domburg BV and acquired the remaining non-controlling interest (see note 33).

The expected cash flows in relation to the put option liabilities are provided in note 25. The maximum amount payable under all put option liabilities over non-controlling interests is £18,518k (2020: £12,287k).

The contract for put options over non-controlling interest state they are to be settled in cash and the amounts vary depending upon the results of the acquired subsidiary.

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

Financial assets

Financial assets at amortised cost

	2021 £'000	2020 £'000
Trade and other receivables (note 17)	**112,358**	94,236
Cash and cash equivalents	**15,476**	25,485
	127,834	119,721

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

Financial assets at fair value through profit or loss

	2021 £'000	2020 £'000
Derivative financial instruments (note 20)	**492**	24

24. Financial instruments continued

Financial liabilities at amortised cost

	2021 £'000	2020 £'000
Trade and other payables (note 18)	106,724	82,448
Accruals (note 18)	25,333	17,133
Lease payables (note 27)	20,992	18,274
Put option liabilities (note 21)	8,150	4,643
Bank loans, overdrafts and invoice discounting (note 23)	73,460	46,490
Deferred consideration (note 22)	–	3,189
	234,659	172,177

All of the above financial liabilities' carrying values are considered by management to be approximate to their fair values, as at each reporting date disclosed.

Financial liabilities at fair value through profit or loss

	2021 £'000	2020 £'000
Derivative financial instruments (note 20)	–	1,094

Contingent consideration

	2021 £'000	2020 £'000
Contingent consideration (note 22)	1,934	4,288

25. Financial instrument risk exposure and management

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

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 17 to 24.

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 diversified over a substantial number of third parties. The risk is further mitigated by insurance of the trade receivables. Some specifically identified receivables have been provided for at 100%.

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 2021 total credit risk amounted to £124,564k (2020: £117,611k).

Interest rate risk

The interest on the Group's overdrafts, invoice discounting facilities and Revolving Credit Facility borrowings are variable. During the 2019 the Group entered into an interest rate swap contract in respect of the Group's variable interest rates in order to achieve a fixed rate of interest.

Foreign exchange risk

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

The Group holds certain borrowings in the currencies of foreign acquired operations to reduce the Group's exposure to fluctuations in the value of foreign currencies that have a negative effect on the value of foreign operations. The Group does not adopt hedge accounting and recognises gains and losses on foreign exchange in both the income statement and translation reserve.

The total value of borrowings held in foreign currencies by companies whose functional currency is GBP relating to overseas acquired operations is as follows:

	2021 £'000	2020 £'000
EUR	17,574	13,276
AUD	3,925	1,134
USD	15,722	–

A 10% increase or decrease in the strength of sterling against all borrowings held in foreign currencies by companies whose functional currency is GBP would increase or decrease in profit before tax by £3,722k (2020: £1,441k).

25. Financial instrument risk exposure and management continued

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), Dollars (USD) and Australian Dollars (AUD). The table below sets out the exchange rates in the periods reported.

	Annual average		Year end	
	2021	2020	**2021**	2020
EUR/GBP	**1.166**	1.127	**1.191**	1.112
AUD/GBP	**1.839**	1.858	**1.859**	1.763
NZD/GBP	**1.950**	1.969	**1.973**	1.885
USD/GBP	**1.374**	1.287	**1.348**	1.365
CHF/GBP	**1.257**	1.207	**1.231**	1.220
NOK/GBP	**11.864**	12.086	**11.893**	11.627
AED/GBP	**5.049**	N/A	**4.971**	N/A
QAR/GBP	**5.004**	N/A	**4.927**	N/A

The following tables illustrate the effect of changes in foreign exchange rates in the EUR, AUD, NZD, USD, CHF, and NOK relative to the GBP on the profit before tax and net assets. The amounts are calculated retrospectively by applying the current year exchange rates to the prior year results so that the current year exchange rates are applied consistently across both periods. Changing the comparative result illustrates the effect of changes in foreign exchange rates relative to the current year result.

Applying the current year exchange rates to the results of the prior year has the following effect on profit before tax and net assets:

(Loss)/profit before tax

	2020 £'000	Revised 2020 £'000	Impact £'000	Impact %
EUR	(995)	(734)	261	(26.2)%
AUD	(995)	(998)	(3)	0.3%
NZD	(995)	(993)	2	(0.2)
USD	(995)	(881)	114	(11.5)%
CHF	(995)	(1,022)	(27)	2.7%
NOK	(995)	(996)	(1)	0.1%
All currencies	(995)	(649)	346	(34.8)%

Net assets

	2020 £'000	Revised 2020 £'000	Impact £'000	Impact %
EUR	106,487	109,838	3,351	3.2%
AUD	106,487	106,702	215	0.2%
NZD	106,487	106,500	13	–
USD	106,487	106,396	(91)	(0.1)%
CHF	106,487	106,487	–	–
NOK	106,487	106,534	47	–
All currencies	106,487	110,022	3,535	3.3%

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.

See note 23 for details of borrowing arrangements.

25. Financial instrument risk exposure and management continued

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2021 and 2020, on the basis of their earliest possible contractual maturity:

At 31 December 2021

	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	106,376	96,167	10,209	–	–	–
Other payables	348	321	27	–	–	–
Deferred consideration	2,372	–	–	538	–	1,834
Put option liabilities	9,234	–	3,903	–	–	5,331
Leases	23,107	635	1,191	1,752	3,048	16,481
Accruals	25,333	20,980	2,586	349	23	1,395
Bank overdrafts, loans and invoice discounting	73,460	28,273	1,502	1,125	1,967	40,593
	240,230	146,376	19,418	3,764	5,038	65,634

At 31 December 2020

	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	82,323	78,393	3,930	–	–	–
Other payables	125	39	–	86	–	–
Deferred consideration	7,625	7,015	–	–	–	610
Put option liabilities	4,892	–	–	1,363	3,529	–
Leases	19,732	487	1,062	1,512	2,786	13,885
Accruals	17,133	12,083	2,127	1,215	632	1,076
Bank overdrafts, loans and invoice discounting	46,490	24,988	1,093	1,211	1,291	17,907
	178,320	123,005	8,212	5,387	8,238	33,478

26. Capital management

The Group's capital management objectives are:

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

The Group defines and monitors capital based on the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the statement of financial position and as follows:

	2021 £'000	2020 £'000
Equity	105,120	100,339
Borrowings	94,452	64,764
Cash and cash equivalents	(15,476)	(25,485)
	184,096	139,618

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

27. Leases

Lease liabilities minimum lease payments:

	2021 £'000	2020 £'000
Not later than one year	**3,578**	3,061
Later than one year and not later than five years	**19,529**	16,671
	23,107	19,732
Less: future finance charges	**(2,115)**	(1,458)
Present value of minimum lease payments	**20,992**	18,274

Lease liabilities are included in liabilities:

	2021 £'000	2020 £'000
Current	**3,153**	2,753
Non-current	**17,839**	15,521
	20,992	18,274

The Group classifies its right of use assets associated with lease liabilities consistently with its classification of property, plant, and equipment. The Group has leases in respect of land and buildings, plant and machinery, and rental assets. Leases in respect of land and buildings relate to sales offices and warehouses and leases in respect and plant and machinery relate to motor vehicles. Leases in respect of rental assets relate to products that are held for use by the Group to generate rental income.

28. Guarantees and other financial commitments

The Group has provided a cross guarantee to HSBC Bank plc in respect of borrowings due by companies within the Group headed by Midwich Group plc. The liabilities covered by these guarantees at the year end were £67,859k (2020: £41,655k).

29. Retirement benefit plans

The Group contributes to several retirement benefit pension schemes according to service contracts of employees working in the various countries in which the Group operates. The retirement benefit pension schemes include both defined contribution and defined benefit pension schemes.

Defined contribution retirement benefit pension schemes

Most of the Group's retirement benefits are provided in the form of defined contribution pension schemes. The Group contributions to these schemes are charged as an expense to the consolidated income statement as they fall due. The assets of these schemes are held separately from those of the Group in independently administered funds.

Expenses for retirement benefit pension schemes recognised as defined contribution schemes are as follows:

	2021 £'000	2020 £'000
Defined contribution pension schemes expense	**1,545**	1,375

Defined benefit retirement obligations

The Group participates in the "Pensioenfonds Vervoer", an industry-wide pension fund in the Netherlands, "Swiss life" a defined benefit pension scheme in Switzerland, and has statutory obligations to pay employee severance in Italy, UAE and Qatar, which are recognised as defined benefit obligations.

Pensioenfonds Vervoer is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The investment risk is shared collectively among the members of the scheme and the employers. The employer is only required to make a fixed contribution for current employees. Fixed contributions could be increased or decreased in future but it is legally prohibited for the pension fund to require any additional contribution in excess of the fixed contributions. Equally the Group has no claim to any excess pension scheme assets. The Group has accounted for the pension scheme as a defined contribution pension scheme because the records of the industry-wide pension fund are not able to provide the sufficient satisfactory information to enable reporting a defined benefit pension scheme.

Swiss Life is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The scheme is funded by payments to an independently managed fund. Contributions calculated by qualified actuaries using projected unit credit method valuations and are charged to the income statement. The liabilities of the scheme are measured by discounting the future cash flows to participants estimated by actuaries using the projected unit credit method. Changes in the value of assets and liabilities in the scheme excluding contributions charged to income statement are recognised in other comprehensive income.

Employee severance is payable to employees in Italy under a scheme call TFR. In addition to TFR there are also amounts payable to directors under a scheme called TFM. In the UAE and Qatar gratuity benefits are provided to employees as an end of service benefit.

The obligations for TFR, TFM and gratuity benefits are recognised as defined benefit obligations in accordance with IAS 19.

29. Retirement benefit plans continued

Defined benefit retirement obligations:

	2021 £'000	2020 £'000
Present value of defined benefit pension obligations	**(3,027)**	(3,083)
Fair value of plan assets	**1,394**	1,538
Net defined benefit pension liability	**(1,633)**	(1,545)

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2021	(3,083)	1,538	(1,545)
On acquisition	(319)	–	(319)
Service cost			
Current service cost	(284)	–	(284)
Past service cost	115	–	115
	(169)	–	(169)
Net interest			
Interest income on plan assets	–	3	3
Interest cost on defined benefit obligation	(12)	–	(12)
	(12)	3	(9)
Total defined benefit cost recognised in income statement	(181)	3	(178)
Cash flows			
Plan participants contributions	(81)	81	–
Employer contributions	–	76	76
Benefits paid	246	(246)	–
Unfunded benefits paid	11	–	11
Expected closing position	(3,407)	1,452	(1,955)
Remeasurements			
Changes in demographic assumptions	111	–	111
Changes in financial assumptions	83	–	83
Other experience	79	–	79
Return on assets excluding amounts included in net interest	–	(20)	(20)
Foreign exchange gain/(loss) recognised in translation reserve	107	(38)	69
Total remeasurements recognised in other comprehensive income	380	(58)	322
At 31 December 2021	**(3,027)**	**1,394**	**(1,633)**

29. Retirement benefit plans continued

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2020	(2,571)	1,228	(1,343)
Service cost			
Current service cost	(238)	–	(238)
Past service cost	17	–	17
	(221)	–	(221)
Net interest			
Interest income on plan assets	–	2	2
Interest cost on defined benefit obligation	(9)	–	(9)
	(9)	2	(7)
Total defined benefit cost recognised in income statement	(230)	2	(228)
Cash flows			
Plan participants contributions	(249)	249	–
Employer contributions	-	75	75
Benefits paid	103	(103)	–
Unfunded benefits paid	36	–	36
Expected closing position	(2,911)	1,451	(1,460)
Remeasurements			
Changes in financial assumptions	(2)	–	(2)
Other experience	(11)	9	(2)
Foreign exchange gain/(loss) recognised in translation reserve	(159)	78	(81)
Total remeasurements recognised in other comprehensive income	(172)	87	(85)
At 31 December 2020	(3,083)	1,538	(1,545)

Plan assets

	2021 £'000	2020 £'000
Cash and cash equivalents	–	–
Insurance contracts with a quoted market price	1,394	1,538
	1,394	1,538

Actuarial assumptions

	2021 £'000	2020 £'000
Salary increase rate	2.0-3.0%	2.0-2.5%
Discount rate	0.3-2.3%	0.2-0.4%
Inflation rate	0.8-3.0%	0.3-1.2%
Life expectancy	BVG 2020	BVG 2015

Sensitivity analysis

The defined benefit obligation would increase/(decrease) by the following amounts due to the respective changes in the following actuarial assumptions:

	2021 £'000	2020 £'000
0.5% increase in discount rate	(198)	(257)
0.5% decrease in discount rate	229	295
0.5% increase in salary increase rate	49	28
0.5% decrease in salary increase rate	(46)	(27)

Funding

The total amount of contributions expected to be paid during the financial year ending 31 December 2022 is £361k.

30. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2021		2020	
	Number	£'000	Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	88,604,712	886	79,973,412	799
Shares issued	130,900	1	8,631,300	87
At 31 December	**88,735,612**	**887**	88,604,712	886

During the year the Company issued 130,900 shares to the Group's employee benefit trusts. During the prior year the Company issued 7,944,800 shares for total proceeds less issue cost of £38,902k and 686,500 shares to the Group's employee benefit trusts.

Employee benefit trust

The Group's employee benefit trusts were allocated the following shares to be issued on exercise of share options:

	2021		2020	
	Number	£'000	Number	£'000
At 1 January	593,600	6	476,700	5
Allocated during the year	130,900	1	686,500	7
Shares issued on exercise of options	(206,200)	(2)	(569,600)	(6)
At 31 December	**518,300**	**5**	593,600	6

31. Other reserves

Movement in other reserves for the year ended 31 December 2021

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2021	4,472	2,117	(4,813)	50	150	1,976
Other comprehensive income	–	(4,299)	–	–	–	(4,299)
Total comprehensive income for the year	–	(4,299)	–	–	–	(4,299)
Share based payments	4,398	–	–	–	–	4,398
Deferred tax on share based payments	61	–	–	–	–	61
Share options exercised	(1,052)	–	–	–	–	(1,052)
Acquisition of subsidiary (note 34)	–	–	(3,866)	–	–	(3,866)
Acquisition of non-controlling interest (note 33)	–	–	895	–	–	895
Balance at 31 December 2021	7,879	(2,182)	(7,784)	50	150	(1,887)

Movement in other reserves for the year ended 31 December 2020

	Share based payment reserve £'000	Translation reserve £'000	Hedging reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2020	3,998	(954)	194	(6,329)	50	150	(2,891)
Other comprehensive income	–	3,071	(194)	–	–	–	2,877
Total comprehensive income for the year	–	3,071	(194)	–	–	–	2,877
Share based payments	2,562	–	–	–	–	–	2,562
Deferred tax on share based payments	(232)	–	–	–	–	–	(232)
Share options exercised	(1,856)	–	–	–	–	–	(1,856)
Acquisition of non-controlling interest (note 33)	–	–	–	1,516	–	–	1,516
Balance at 31 December 2020	4,472	2,117	–	(4,813)	50	150	1,976

32. Share based payments

The Group operates two share option plans, the Long Term Incentive Plan ("LTIP") and the Share Incentive Plan ("SIP"). The Group has made a grant under each plan during the year and made three awards under the LTIP and one award under the SIP in the prior year.

Share Incentive Plan:
The Group operates a SIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Under the SIP, free shares granted to employees are issued and held in trust in during a conditional vesting period. The SIP shares vest 3 years after the date of grant. The SIP share are settled in equity once exercised.

Long Term Incentive Plan:
The Group also operates an LTIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Options issued under the LTIP are exercisable at £0.01 per share but the Group has the option to provide an exemption for this payment. The options vest up to 3 years after the date of grant, subject to certain service and non-market performance conditions. The Group has the option to require an extended holding period in relation to specific options. The options are settled in equity once exercised except for options issued to employees in certain jurisdictions where settlement in equity is prohibited. For options issued to employees in jurisdictions in which settlement in equity is prohibited the options are issued on the same basis apart settlement in cash.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

During the prior year the Group cancelled 522,500 LTIP shares options issued in 2018 and 576,000 LTIP share options issued in 2019. The cancelled options were replaced with the same number of LTIP options with revised performance conditions and a vesting date of 31 January 2023. The replacement options are accounted for as a modification of the original grant. The incremental fair value of the options granted, measured immediately before and after the modification, has been recognised in addition to the fair value of the options at the original grant date. The total incremental fair value of share options modified during the prior year was £52,242.

LTIP options and SIP shares were valued using the Black–Scholes option-pricing model. The fair value of the 2021 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	5 Jul 2021	3 Jun 2021
Number granted	812,700	111,900
Share price at date of grant (£)	£5.89	£5.14
Exercise price (£)	£0.01	–
Expected volatility	17.7%	17.7%
Expected life (years)	3-5	3
Risk free rate	0.02%	0.02%
Expected dividend yield excluded from option	2.7%	0.0%
Fair value at date of grant	£3,713,918	£405,484
Earliest vesting date	31 Mar 2024	3 Jun 2024
Expiry date	5 Jul 2031	3 Jun 2031

Included within the LTIP issue are 18,000 options issued to employees in jurisdictions where settlement in equity is prohibited and the options will be settled in cash.

LTIP options and SIP shares were valued using the Black-Scholes option-pricing model. The fair value of the 2020 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	25 Nov 2020	25 Nov 2020
Number granted	1,222,676	105,900
Share price at date of grant (£)	£4.55	£4.55
Exercise price (£)	£0.01	–
Expected volatility	17.5%	17.5%
Expected life (years)	3-5	3
Risk free rate	-0.03%	-0.03%
Expected dividend yield excluded from option	3.05%	0.0%
Fair value at date of grant	£4,628,300	£339,667
Earliest vesting date	31 Jan 2023	7 Dec 2023
Expiry date	25 Nov 2030	25 Nov 2030

The expected volatility is based on the volatility of similar companies in the industry. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

32. Share based payments continued

The Group recognised total expenses of £4,398k (2020: £2,562k) related to equity-settled share based payment transactions.

In addition to equity settled share based payment transactions the Group recognised £18k (2020: £nil) related to cash-settled share based payment transactions and £904k (2020: £130k) related to employers taxes on share options for the above schemes during the year.

A reconciliation of LTIP option movements over the current and prior year excluding any options to be settled in cash is shown below:

	As at 31 December 2021		As at 31 December 2020	
	Number of LTIP options	Weighted average exercise price £	Number of LTIP options	Weighted average exercise price £
Outstanding at start of year	**2,691,676**	**0.01**	1,976,250	0.01
Granted	**794,700**	**0.01**	1,222,676	0.01
Lapsed	**(61,202)**	**0.01**	(39,750)	0.01
Exercised	**(140,800)**	**0.01**	(467,500)	0.01
Outstanding at end of year	**3,284,374**	**0.01**	2,691,676	0.01
Weighted average remaining contractual life	**2.6 years**		2.0 years	

A reconciliation of SIP movements over the current and prior year is shown below:

	As at 31 December 2021		As at 31 December 2020	
	Number of SIP shares	Weighted average exercise price £	Number of SIP shares	Weighted average exercise price £
Outstanding at 1 January	**254,700**	**–**	265,100	–
Granted	**111,900**	**–**	105,900	–
Lapsed	**(33,300)**	**–**	(14,200)	–
Exercised	**(65,400)**	**–**	(102,100)	–
Outstanding at 31 December	**267,900**	**–**	254,700	–
Weighted average remaining contractual life	**2.7 years**		1.8 years	

As at the year end there were 199,500 (2020: 296,000) equity settled share options that had vested and had yet to be exercised.

33. Acquisition of non-controlling interest

During the current year the Group acquired the remaining 35.0% non-controlling interest in Blonde Robot Pty limited, which had a value of £1,371k, for a consideration of £2,055k. £895k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

During the prior year the Group acquired the remaining 30.0% non-controlling interest in Gebroeders van Domburg BV, which had a value of £1,985k, for a consideration of £2,874k. £1,516k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

34. Business combinations

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

Subsidiaries acquired:

Acquisition[1]	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
NMK	Distribution of audio visual products to trade customers	1 January 2021	80%	15,463
Starin	Distribution of audio visual products to trade customers	6 February 2020	100%	20,961

[1] See note 11 for details of companies acquired during the current and prior year.

34. Business combinations continued

Trade and assets acquired:

In addition to the acquisition of subsidiaries listed above the Group also acquired trade and assets from eLink Distribution AG ("eLink"), a company registered in Germany and Intro 2020 Limited ("Intro 2020"), a company registered in England and Wales. In the prior year the Group acquired trade and assets from Vantage Systems Pty Limited ("Vantage"), a company registered in Australia.

Fair value of consideration transferred 2021	NMK £'000	eLink £'000	Intro 2020 £'000
Cash	11,350	7,441	702
Deferred contingent consideration	4,113	1,334	–
Total	15,463	8,775	702

Acquisition costs of £53k in relation to the acquisition of NMK, £29k in relation to the eLink acquisition of trade and assets, £199k in relation to the Intro 2020 acquisition of trade and assets, and £205k in relation to acquisitions not completed by the year end were expensed to the income statement during the year ended 31 December 2021.

Fair value of acquisitions 2021	NMK £'000	eLink £'000	Intro 2020 £'000
Non-current assets			
Goodwill	3,769	2,634	20
Intangible assets – brands	721	172	–
Intangible assets – customer relationships	1,700	972	–
Intangible assets – supplier relationships	8,289	2,197	448
Property, plant and equipment	77	–	20
	14,556	5,975	488
Current assets			
Inventories	2,325	2,800	209
Trade and other receivables	4,673	–	28
Cash and cash equivalents	2,657	–	–
	9,655	2,800	237
Current liabilities			
Trade and other payables	(4,432)	–	(23)
	(4,432)	–	(23)
Non-current liabilities			
Deferred tax	(81)	–	–
Other provisions	(369)	–	–
	(450)	–	–
Non-controlling interests	(3,866)	–	–
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	15,463	8,775	702

Goodwill acquired in 2021 relates to the workforce, synergies and sales know how. Goodwill arising on the NMK acquisition and eLink acquisition of trade and assets has been allocated to the EMEA segment. Goodwill arising on the Intro 2020 acquisition of trade and assets has been allocated to the United Kingdom and Ireland segment.

Net cash outflows of acquisitions 2021

	NMK £'000	eLink £'000	Intro 2020 £'000
Consideration paid in cash	11,350	7,441	702
Less: cash and cash equivalent balances acquired	(2,657)	–	–
Net cash outflow	8,693	7,441	702
Plus: borrowings acquired	–	–	–
Net debt outflow	8,693	7,441	702

Post-acquisition contribution 2021

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

	NMK £'000
Date acquired	1 Jan
Post-acquisition contribution to Group revenue	24,140
Post-acquisition contribution to Group profit after tax	3,093

34. Business combinations continued

Proforma full year contribution 2021

As the acquisition occurred on 1 January 2021 the acquired subsidiaries made a full year contribution to the Group's results for the year and the revenue and profit after tax[1] for the Group would have been no different if the subsidiaries were acquired earlier.

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 IAS 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 IAS 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 2021, together with the consequential tax effects.

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

Acquisition costs of £506k in relation to the acquisition of Starin and £20k in relation to the Vantage acquisition of trade and assets were expensed to the income statement during the year ended 31 December 2020.

Fair value of acquisitions 2020	Starin £'000	Vantage £'000
Non-current assets		
Goodwill	520	960
Intangible assets – brands	4,065	–
Intangible assets – customer relationships	2,884	–
Intangible assets – supplier relationships	9,189	–
Intangible assets – software	82	–
Right of use assets	743	–
Property, plant and equipment	515	5
Deferred tax	3	–
	18,001	965
Current assets		
Inventories	30,243	–
Trade and other receivables	20,951	129
Cash and cash equivalents	985	–
	52,179	129
Current liabilities		
Trade and other payables	(35,885)	(209)
Borrowings and financial liabilities	(12,728)	–
	(48,613)	(209)
Non-current liabilities		
Borrowings and financial liabilities	(606)	–
	(606)	–
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	20,961	885

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

Net cash outflows on acquisitions 2020

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

34. Business combinations continued

Post-acquisition contribution 2020

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

	Starin £'000
Date acquired	6 Feb
Post-acquisition contribution to Group revenue	111,777
Post-acquisition contribution to Group profit after tax	2,540

Proforma full year contribution 2020

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 2020:

	Starin £'000
Full year revenue[1]	130,502
Full accounting period profit after tax[1]	1,921

If the acquisitions had occurred on 1 January 2020, revenue of the Group for the year would have been £730,479k and loss after tax for the year would have been £4,006k.

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 IAS 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 IAS 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 2020, together with the consequential tax effects.

35. Related party transactions

Transactions and outstanding balances between the Group companies have been eliminated on consolidation. For transactions between the Company and subsidiaries see note 9 of the separate company financial statements.

Key management personnel are identified as the executive and non-executive directors and other members of the senior management team, and their remuneration is disclosed as follows:

	2021 £'000	2020 £'000
Remuneration of key management		
Remuneration cost	**2,977**	1,095
Share Based Payment cost	**1,268**	488
Employer taxes	**327**	207
Company pension contributions to defined contributions scheme	**35**	25
	4,607	1,815

The definition of key management personnel includes the board of directors and a representative from the UK & Ireland, EMEA, Asia Pacific and North America segments admitted to the senior management team. Share options for 157,500 (2020: 506,904) shares were awarded to members of the senior management team and option for 50,000 (2020: 25,000) shares were exercised by members of the senior management team during the year.

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

36. Dividends

On the 7 July 2021 the Company paid a special dividend of £2,650k, excluding the effects of waived dividends this equated to 3.00 pence per share. On 25 October 2021 the Company paid an interim dividend of £2,918k, excluding the effects of waived dividends this equated to 3.30 pence per share. The Board is recommending a final dividend of 7.8 pence per share which, if approved, will be paid on 17 June 2022 to shareholders on the register on 6 May 2022. The Company did not pay any dividends during the prior year.

37. Events after the reporting date

On 10 January 2022, the Group acquired 65% of the share capital of Cooper Projects Limited, the parent Company of DVS Limited, a Company based in Cardiff, United Kingdom. The business specialises in the distribution of video security products to the trade market. The initial consideration is £8.6m with a contingent consideration of up to £6.4m payable in 2023.

Put and call options are granted over the non-controlling interest in Cooper Project Limited to the holders of the non-controlling interest and Group respectively. The put and call options have an exercisable value in 2025 of up to £20m depending on the financial performance of the business during the 2022-2024 financial years.

On 7 February 2022, the Group entered a binding agreement to acquire 100% of the share capital of Nycomm Holdings Limited and all its subsidiaries, a group of companies based in Manchester, United Kingdom. The business is a specialist distributor of unified communications, telecoms, collaboration and audio visual technologies. The initial consideration is £16.5m with deferred considerations of £5.5m payable in 2023 and 2024 respectively.

Due to the proximity of the date of the announcement to the date these financial statements were authorised for issue, the Group considers it impracticable to produce disclosures required under IFRS 3 regarding the acquisition fair value of assets and liabilities to be acquired under the acquisition.

38. Ultimate controlling party

As at 31 December 2021, Midwich Group plc had no ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Notes	2021 £'000	2020 £'000
Assets			
Non-current assets			
Investments	3	**39,633**	36,421
Deferred tax	4	**532**	292
		40,165	36,713
Current assets			
Receivables	5	**37,396**	39,130
		37,396	39,130
Current liabilities			
Payables	6	**(514)**	(545)
Net current assets		**36,882**	38,585
Total assets less current liabilities		**77,047**	75,298
Non-current liabilities	6	**(300)**	(141)
Net assets		**76,747**	75,157
Share capital	7	**887**	886
Share premium		**67,047**	67,047
Share based payment reserve		**8,311**	4,716
Investment in own shares		**(5)**	(6)
Retained earnings:			
Opening retained earnings		**2,314**	3,873
Profit/(loss) for the year		**2,536**	(3,408)
Dividends paid		**(5,568)**	-
Transfers into retained earnings		**1,025**	1,849
Total retained earnings		**307**	2,314
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Shareholders' funds		**76,747**	75,157

The financial statements are also comprised of the notes on pages 128 to 132. The financial statements were approved by the Board of Directors and authorised for issue on 10 March 2022 and were signed on its behalf by:

Mr S B Fenby
Director

Company registration number: 08793266

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2021	**886**	**67,047**	**4,716**	**(6)**	**2,314**	**50**	**150**	**75,157**
Profit for the year	**–**	**–**	**–**	**–**	**2,536**	**–**	**–**	**2,536**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**2,536**	**–**	**–**	**2,536**
Shares issued	**1**	**–**	**–**	**(1)**	**–**	**–**	**–**	**–**
Share based payments	**–**	**–**	**4,398**	**–**	**–**	**–**	**–**	**4,398**
Deferred tax on share based payments	**–**	**–**	**223**	**–**	**–**	**–**	**–**	**223**
Share options exercised	**–**	**–**	**(1,026)**	**2**	**1,025**	**–**	**–**	**1**
Dividends paid (note 8)	**–**	**–**	**–**	**–**	**(5,568)**	**–**	**–**	**(5,568)**
Balance at 31 December 2021	**887**	**67,047**	**8,311**	**(5)**	**307**	**50**	**150**	**76,747**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2020	799	28,225	3,997	(5)	3,873	50	150	37,089
Loss for the year	–	–	–	–	(3,408)	–	-	(3,408)
Total comprehensive income for the year	–	–	–	–	(3,408)	–	–	(3,408)
Shares issued	87	38,822	–	(7)	–	–	–	38,902
Share based payments	–	–	2,562	–	–	–	–	2,562
Deferred tax on share based payments	–	–	7	–	–	–	–	7
Share options exercised	–	–	(1,850)	6	1,849	–	–	5
Balance at 31 December 2020	886	67,047	4,716	(6)	2,314	50	150	75,157

The financial statements are also comprised of the notes on pages 128 to 132.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

Basis of Preparation

The annual financial statements of Midwich Group plc (the parent company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by IAS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

As permitted by section 408 of Companies Act 2006, a separate income statement for the Company has not been included in these financial statements.

The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

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 financial derivatives and financial instruments at fair value through profit or loss.

Investments

Investments are valued at cost less provision for any permanent impairment.

Financial instruments

Financial instruments are contracts that give rise to financial assets or financial liabilities and are recognised when the Company becomes a party to the contractual provisions of the instrument.

Derivatives are financial instruments that have a value that changes in response to a specific external factor and do not have a significant initial investment.

Financial assets

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

The Company classifies financial assets into two categories:

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

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

Financial assets measured at amortised cost are initially measured at fair value plus directly attributable transaction costs and subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial.

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

Investments in equity instruments that are not held for trading are classified as financial assets and are measured at fair value through profit and loss.

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

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

1. Accounting policies continued

Financial liabilities

Financial liabilities include trade and other payables; deferred considerations; put option liabilities; borrowings; and derivative financial instruments with a negative market value.

The Company classifies financial liabilities into three categories:

- financial liabilities measured at amortised cost;
- financial liabilities measured at fair value through profit or loss; and
- contingent consideration recognised in a business combination.

Financial liabilities measured at amortised cost are initially measured at fair value minus directly attributable transactions costs and 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 or loss are initially and subsequently measured at fair value. Transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss.

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

Financial liabilities with embedded derivatives are recognised as hybrid contracts and are classified in their entirety and not in separate components unless;

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the financial liability;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.
- Financial liabilities are derecognised when they are extinguished, discharged, cancelled, or expire.

Trade and other receivables

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

Trade and other receivables are initially measured at transaction price plus directly attributable transaction costs. Transaction price is equivalent to fair value for trade and other receivables that do not contain a significant financing component. Where trade and other receivables do contain a significant financing component the fair value is equivalent to the transaction price adjusted for the effects of discounting. The effects of discounting are not adjusted if it is expected at the inception of the contract that there will be a period of one year or less from when the goods or services are transferred to the customer to the payment date.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method less expected credit losses. Expected credit losses are calculated based on probability weighted amounts derived from a range of possible outcomes that are based on reasonable supporting information and discounted for the time value of money. The Company applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses including where trade receivables contain a significant financing component. The effects of expected credit losses are omitted if immaterial.

Trade and other payables

Trade and other payables are financial liabilities recognised when the Company 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.

Foreign currency

The presentation currency for the Company's financial statements is Sterling. Foreign currency transactions 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 reporting date, with any exchange adjustments being charged or credited to the Income Statement, within administrative expenses. The Parent Company's functional currency is Sterling.

Current taxation

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies continued

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 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 reporting 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 where there is an intention to settle the balances on a net basis.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents the amounts subscribed for share capital, net of issue costs, above the nominal value.
- "Share based payment reserve" represents the accumulated value of share based payments expensed in the income statement.
- "Investment in own shares" represents amounts of the Parent Company's own shares held within an Employee Benefit Trust.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.
- "Other reserve" relate to the Employee Benefit Trust.

Employee benefit trust

The assets and liabilities of the employee benefit trust (EBT) have been included in the Company financial statements. Any assets held by the EBT cease to be recognised 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.

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 Company'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 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, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

2. Directors and employees

The directors' remuneration is as stated in the directors' remuneration disclosure in the Directors' Report and in note 7 to the consolidated financial statements.

Average monthly number of persons, including directors, employed by the Company during the year was as follows:

	2021 Number	2020 Number
By activity:		
Administration	22	23

3. Investments

	2021 £'000	2020 £'000
At 1 January	**36,421**	34,258
Additions	**3,377**	2,163
Disposals	**(165)**	–
At 31 December	**39,633**	36,421

The Company holds 100% of the share capital of Midwich Limited, a company incorporated in England and Wales. Indirect share interests in the Midwich Group of companies are disclosed in note 11 of the consolidated financial statements. Additions in the year represent the capital contributions to subsidiaries in respect of share option schemes, see note 31 of the consolidated financial statements for details of share options.

4. Deferred tax

	2021 £'000	2020 £'000
Deferred tax on losses	**–**	96
Deferred tax asset on temporary differences	**532**	196
	532	292

5. Receivables

	2021 £'000	2020 £'000
Prepayments	**26**	6
Amounts due from Group undertakings	**37,370**	39,124
	37,396	39,130

6. Payables

Amounts falling due within one year:

	2021 £'000	2020 £'000
Accruals	**514**	545

Amounts falling due after one year:

	2021 £'000	2020 £'000
Accruals	**300**	141

7. Share capital

The total allotted share capital of the Company is:

Allotted, issued and fully paid

	2021		2020	
	Number	**£'000**	Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At start of year	**88,604,712**	**886**	79,973,412	799
Shares issued	**130,900**	**1**	8,631,300	87
At end of year	**88,735,612**	**887**	88,604,712	886

During the year the Company issued 130,900 shares to the Group's employee benefit trusts. During the prior year the Company issued 7,944,800 shares for total proceeds less issue cost of £38,902k and 686,500 shares to the Group's employee benefit trusts.

Employee benefit trust

The Company's employee benefit trusts were allocated the following shares to be issued on exercise of share options:

	2021		2020	
	Number	**£'000**	Number	£'000
At 1 January	**593,600**	**6**	476,700	5
Allocated during the year	**130,900**	**1**	686,500	7
Shares issued on exercise of options	**(206,200)**	**(2)**	(569,600)	(6)
At 31 December	**518,300**	**5**	593,600	6

8. Dividends

On the 7 July 2021 the Company paid a special dividend of £2,650k, excluding the effects of waived dividends this equated to 3.00 pence per share. On 25 October 2021 the Company paid an interim dividend of £2,918k, excluding the effects of waived dividends this equated to 3.30 pence per share. The Board is recommending a final dividend of 7.8 pence per share which, if approved, will be paid on 17 June 2022 to shareholders on the register on 6 May 2022. The Company did not pay any dividends during the prior year.

9. Related parties and transactions with directors

There were no related party transactions or transactions with the directors during the current or prior year. The directors are remunerated by subsidiary entities and recharged to the Company.

Other related party transactions

Included within other debtors are the following transactions and outstanding amounts with Midwich Limited, a wholly owned subsidiary:

	2021 £'000	2020 £'000
Outstanding at 1 January	**39,124**	3,115
Amounts advanced	**4,000**	38,902
Management charges	**204**	204
Amounts repaid	**(5,958)**	(3,097)
Outstanding at 31 December	**37,370**	39,124

Audit fees for the entity are borne by subsidiary entities and recharged to the Company.

10. Ultimate controlling party

As at 31 December 2021, Midwich Group plc had no ultimate controlling party.

NOTICE OF AGM

Resolutions Summary

Annual General Meeting

The notice convening the Annual General Meeting (the "**AGM**") is set out on pages 134 to 137. Resolutions 1 to 9 set out in the notice of the AGM deal with the ordinary business to be transacted at the AGM. The special business to be transacted at the meeting is set out in Resolutions 10 to 12.

Resolutions 1 to 10 are being proposed as ordinary resolutions (and therefore need the approval of a simple majority of those shareholders who are present and voting in person or by proxy at the AGM) and Resolutions 11 and 12 are being proposed as special resolutions (and therefore need the approval of at least 75 per cent of those shareholders who are present and voting in person or by proxy at the AGM).

Presentation of the Company's annual accounts (Resolution 1)

Resolution 1 deals with the adoption of the Company's annual accounts for the financial year ending 31 December 2021.

Re-election of Directors (Resolutions 2 to 6)

The Company's Articles of Association require the number nearest to one third of the Board to retire by rotation at each Annual General. The UK Corporate Governance Code provides that all Directors should be subject to re-election by their shareholders every year. In accordance with this provision of the UK Corporate Governance Code and in keeping with the Board's aim of following best corporate governance practice, the Board has decided that, as at recent Annual General Meetings of the Company, all Directors should retire at each Annual General Meeting and offer themselves for re-election.

Information about the Directors is set out on pages 50 to 51.

Re-appointment and remuneration of auditors (Resolution 7)

Resolution 7 proposes the re appointment of Grant Thornton UK LLP as auditors of the Company and authorises the Directors to set the auditors' remuneration.

Declaration of dividend (Resolution 8)

The Directors are recommending a final dividend for the financial year ended 31 December 2021 of 7.8p per ordinary share, which requires the approval of the shareholders.

Directors' Remuneration Report (Resolution 9)

This Resolution seeks shareholder approval for the Directors' Remuneration Report (excluding the remuneration policy). The Directors' Remuneration Report can be found on pages 66 to 71 (inclusive) of the Annual Report and Financial Statements.

In accordance with regulations which came into force on 1 October 2013, Resolution 9 offers shareholders an advisory vote on the Directors' Remuneration Report (which reflects the implementation of the Company's existing remuneration policy).

Authority to allot shares (Resolution 10)

Under section 551 of the Companies Act 2006 (the "CA 2006"), the Directors may only allot shares or grant rights to subscribe for or convert any securities into shares if authorised by the shareholders to do so.

Resolution 10, which complies with guidance issued by the Investment Association, will, if passed, authorise the Directors to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares, up to an aggregate nominal value of £295,785 (corresponding to approximately one-third of the issued share capital at 1 April 2022 and up to an aggregate nominal value of £591,570 (corresponding to approximately two-thirds of the issued share capital at 1 April 2022) in the case of allotments only in connection with a fully pre-emptive rights issue. The Directors have no present intention to exercise the authority sought under this Resolution. However, the Directors may consider doing so if they believe it would be appropriate in respect of business opportunities that may arise consistent with the Company's strategic objectives.

This authority will expire no later than 15 months after the passing of the Resolution. It is the Board's current intention to seek renewal of such authority at each future Annual General Meeting of the Company.

As at 1 April 2022, the Company does not hold any shares in the Company in treasury.

Disapplication of pre-emption rights (Resolutions 11 and 12)

Under section 561(1) of the CA 2006, if the Directors wish to allot equity securities (as defined in section 560 of the CA 2006) they must in the first instance offer them to existing shareholders in proportion to their holdings. In addition, there may be occasions, when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the CA 2006 unless the shareholders have first waived their pre-emption rights.

In accordance with institutional guidelines, under Resolution 11, to be proposed as a special resolution, authority is sought to allot shares:

i. in relation to a pre-emptive rights issue only, up to an aggregate nominal amount of £591,570 (being the nominal value of approximately two thirds of the issued share capital of the Company); and
ii. in any other case, up to an aggregate nominal amount of £44,367 (representing 5% of the issued share capital of the Company).

The Directors do not currently have an intention to exercise this authority.

In addition, Resolution 12, again in accordance with institutional guidelines and which is also to be proposed as a special resolution, asks the shareholders to waive their pre-emption rights in relation to the allotment of equity securities or sale of treasury shares up to a further aggregate nominal amount of £44,367 (representing 5% of the issued share capital of the Company), but where such authority may only be used for the purpose of financing (or refinancing, if the authority is to be used in the six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's Statement of Principles on Disapplying Pre-Emption Rights.

The Directors will also have regard to the guidance in the Statement of Principles concerning cumulative usage of authorities within a three-year period. Accordingly, the Board confirms that it does not intend to issue shares for cash representing more than 7.5 per cent of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders.

If Resolutions 11 and 12 are passed, the authorities will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, the date which is 15 months after the date of passing of the Resolutions. It is the Board's current intention to seek renewal of such authorities at each future Annual General Meeting of the Company.

NOTICE OF AGM

Notice of AGM

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "**Meeting**") of Midwich Group plc (the "**Company**") will be held at the offices of the Company at Vinces Road, Diss, Norfolk, IP22 4YT on Monday 9 May 2022 at 10.00 a.m. Noting the location of the Meeting, for those shareholders unable to attend, but who would like to follow its progress and potentially ask questions, the Company intends to take advantage of the flexibility that has become standard practice in recent years and will provide a conference call link to enable such shareholders to follow the Meeting remotely. Any shareholders who wish to listen to the meeting by such means, should contact the Company Secretary prior to the day of the meeting at Stephen.Lamb@midwich.com in order to request conference dial-in details.

At the Meeting you will be asked to consider and vote on the resolutions below. Resolutions 1 to 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions.

Ordinary business

Report and accounts

1. THAT the Company's annual accounts for the financial year ended 31 December 2021, together with the directors' report and auditor's report on those accounts, be received and adopted.

Re-election of directors

2. THAT Stephen Fenby be re-elected as a director of the Company.
3. THAT Andrew Herbert be re-elected as a director of the Company.
4. THAT Mike Ashley be re-elected as a director of the Company.
5. THAT Stephen Lamb be re-elected as a director of the Company.
6. THAT Hilary Wright be re-elected as a director of the Company.

Reappointment and remuneration of auditors

7. THAT Grant Thornton UK LLP be reappointed as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company and that the directors be authorised to agree the remuneration of the auditors.

Dividend

8. THAT a final dividend recommended by the directors of the Company for the financial year ended 31 December 2021 of 7.8p per ordinary share of £0.01 each in the capital of the Company ("**Ordinary Share**") be declared.

Directors' remuneration report

9. THAT the directors' remuneration report which is set out on pages 66 to 71 of the Company's annual report and accounts for the financial year ended 31 December 2021 (excluding the directors' remuneration policy which is set out on pages 66 to 68 of the directors' remuneration report), be approved.

Special business

Issue of Ordinary Shares

10. THAT the directors of the Company be hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "**CA 2006**"), to exercise all the powers of the Company to allot shares and or grant rights to subscribe for or to convert any security into shares ("**Rights**"):

    i. up to an aggregate nominal value of £295,785 (being the nominal value of approximately one third of the issued share capital of the Company); and
    ii. up to an aggregate nominal value of £591,570 (being the nominal value of approximately two thirds of the issued share capital of the Company) (such amount to be reduced by the nominal amount of any shares allotted or Rights granted under paragraph (i)) in connection with an offer by way of a rights issue or other pre-emptive offer to:
        a. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and
        b. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

    and so that, in each case, the directors of the Company may impose any limits or restrictions or exclusions or other arrangements that they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter,

    such authorities to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution becomes unconditional and the date 15 months after the passing of this resolution, save that the Company may at any time before such expiry make any offer(s) or enter into any agreement(s) which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares or grant Rights in pursuance of any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

11. THAT, subject to the passing of resolution 10, the directors of the Company be authorised to allot equity securities (as defined in Section 560 of the CA 2006) for cash under the authority conferred by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares as if Section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:

    i. the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph (ii) of resolution 10, by way of a rights issue or other pre-emptive offer only) to:
        a. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and
        b. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

        but subject to such limits or restrictions or exclusions or other arrangements, which the directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

ii. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph (i) of this resolution) to any person up to an aggregate nominal amount of £44,367,

such authorities granted by this resolution to expire at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

12. THAT, subject to the passing of resolution 10, the directors of the Company be authorised, in addition to any authority granted under resolution 11, to allot equity securities (as defined in Section 560 of the CA 2006) for cash under the authority conferred by resolution 10 and/or to sell Ordinary Shares held by the Company as treasury shares as if Section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:

i. limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £44,367; and
ii. used only for the purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

such authority granted by this resolution to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

Dated 1 April 2022

By order of the Board

Stephen Lamb
Company Secretary

Registered Office
Vinces Road
Diss
Norfolk
IP22 4YT

Notes:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members:

   - at the time which is 48 hours prior to the Meeting; or
   - if this Meeting is adjourned, at the time which is 48 hours prior to the adjourned meeting

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section.
4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. Failure to specify the number of shares to which each proxy appointment relates or specifying more shares than the number of shares held by you at the time set out in note 1 above will result in the proxy appointments being invalid.
6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at their discretion. Your proxy will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Meeting.

Appointment of proxies using hard copy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To appoint a proxy using the proxy form, the form must be:

   - completed and signed;
   - sent or delivered to the offices of the Company's registrars, Link Group, in accordance with the reply paid details or by hand or by courier only to Link Group PXS1 , 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL; and
   - received by the Company's registrars no later than 48 hours prior to the time set for the start of the Meeting.

CREST members should use the CREST electronic proxy appointment service and refer to note 9 below in relation to the submission of a proxy appointment via CREST.

In the case of a member that is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

In each case, the proxy appointment must be received not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or notarially certified copy of such authority) under which it is signed.

Appointment of proxies via the web

8. As an alternative, shareholders may cast their vote online via the registrars' website at www.signalshares.com.

Appointment of Proxies via Proxymity

9. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged 48 hours prior to the time appointed for the Meeting in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointment of proxies through CREST

10. As an alternative to completing the hard copy proxy form, CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

    In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

    CREST members and, where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

    The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

11. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

Changing proxy instructions

12. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy forms (see above) also apply in relation to amended instructions; any amended proxy form received after the relevant cut-off time will be disregarded.

    Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

    If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

13. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

    The revocation notice must be received by the Company's registrars not less than 48 hours before the time for holding the Meeting or adjourned meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

14. A corporation that is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

Issued shares and total voting rights

15. As at 5.00 p.m. on 1 April 2022, the Company's issued share capital comprised 88,735,612 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the 1 April 2022 is 88,735,612.

Communication

16. Except as provided above, members who have general queries about the Meeting should use the following means of communication:

- calling the Company Secretary on +44 (0) 1379 774 661; or
- calling our shareholder helpline provided by the Company's registrars, Link Group, on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider) or +44 (0) 371 664 0300 from outside the UK. Lines are open Monday to Friday, 9.00 a.m. to 5.30 p.m.; or
- emailing the Company Secretary at stephen.lamb@midwich.com.

You may not use any electronic address provided either:

- in this Notice of Annual General Meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

DIRECTORS, OFFICERS AND ADVISERS

Directors
Mr S B Fenby
Mr S Lamb
Mr M Ashley
Mr A C Herbert
Mrs H Wright

Company Secretary
Mr S Lamb

Independent auditor
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Registered office
Vinces Road
Diss
Norfolk
IP22 4YT

Bankers
HSBC Bank plc
19 Midsummer Place
Milton Keynes
Buckinghamshire
MK9 3GB

Solicitors
Mills and Reeve LLP
Botanic House
100 Hills Road
Cambridge
CB2 1PH

Nominated advisers and brokers
Investec
30 Gresham Street
London
EC2V 7QP

Berenberg
60 Threadneedle Street
London
EC2R 8HP

Company registration number
08793266

Midwich
Group Plc

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