

14 March 2023

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

Final Results

Record financial performance achieved with significant market share gains and a confident outlook for 2023

Midwich Group (AIM: MIDW), a global specialist audio visual ("AV") distributor to the trade market, today announces its final results for the year ended 31 December 2022.

Statutory financial highlights

	Year to 31 December 2022	Year to 31 December 2021	Total growth %
	£m	£m	
Revenue	1,204.1	856.0	40.7%
Gross profit	183.7	131.3	40.0%
Operating profit	35.1	21.0	67.1%
Profit before tax	24.9	18.9	31.9%
Profit after tax	16.9	13.5	25.1%
Basic EPS - pence	17.32	14.11	22.7%
Dividend - pence per share ¹	15.0	11.1	35.1%

Adjusted financial highlights²

	Year to 31 December 2022	Year to 31 December 2021	Total growth %	Growth at constant currency %
	£m	£m		
Revenue	1,204.1	856.0	40.7%	38.6%
Gross profit	183.7	131.3	40.0%	37.5%
Gross profit margin %	15.3%	15.3%		
Adjusted operating profit	51.1	34.0	50.3%	46.2%
Adjusted profit before tax	45.2	31.9	41.5%	37.5%
Adjusted profit after tax	34.1	23.9	42.3%	39.0%
Adjusted EPS - pence	36.08	25.63	40.8%	
Adjusted net debt ratio	1.6x	1.4x		

¹Total of interim and final dividends. 2021 excludes the special dividend of 3.0p per share

²Definitions of the alternative performance measures are set out in note 1

Financial highlights

- Record financial performance and further market share gains achieved
- Revenue increased 40.7% to £1,204.1m (2021: £856.0m), performance reflects strong organic growth globally and the performance of the acquisitions of DVS and Nimans
- Revenue growth of 38.6% at constant exchange rates, including 20.7% organic growth
- Adjusted profit before tax growth of 41.5% to £45.2m (37.5% on a constant currency basis)
- Net debt to Adjusted EBITDA at the period end reduced to 1.6 times from the interim period, well within the Board's comfort range
- Proposed final dividend of 10.5p bringing the full year dividend to 15.0p (2021: 11.1p excluding the special dividend of 3.0p per share)

Operational highlights

- Two UK acquisitions, DVS and Nimans, strengthen our unified communications offering and bring video security capabilities
- Acquisitions have been fully integrated and are delivering a positive net contribution to the Group
- Gross profit margins remained stable at 15.3%, in line with the prior year (2021: 15.3%)
- Compound annual growth in revenue and adjusted operating profit since IPO in 2016 of 22% and 19% respectively, testament to the strength of our long-term strategy and the quality of our teams
- Management continues to see a strong future acquisition pipeline across a number of regions and technologies
- Good recovery in live events, hospitality and corporate markets
- Post-period end increase in the Group's revolving bank facilities from £80m to £175m to support future delivery of our acquisition pipeline

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

"We have delivered an outstanding performance this year, with revenues increasing 40.7% to over £1.2bn, a record level, made significant market share gains and entered new markets. 2022 saw the strongest annual growth in the Group's history and I would like to take this opportunity to thank our employees for their continued hard work, dedication and delivery of our value-added proposition. Our organic growth of 20.7% (2021: 18.9%) was supplemented by a significant contribution from the two UK businesses acquired early in the year. EPS in 2022 was 26.6% higher than in 2019 – the last full pre-pandemic year.

The impact of the pandemic reduced somewhat in the period, with product shortages easing (but not completely) and the cost of shipping containers reducing significantly during the year. We saw the resumption of a significant part of the live events and hospitality markets, and the corporate market strengthened during the year.

Although still early into the new financial year and mindful of the slower general economic conditions and higher interest rate environment, we remain confident that 2023 will see yet another year of growth in excess of the overall market."

Analyst meeting/webinar

There will be a meeting and webinar for sell-side analysts at 10.00am GMT today, 14 March 2023, the details of which can be obtained from FTI Consulting: midwich@fticonsulting.com.

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About Midwich Group

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

The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of over 22,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality. Although the Group does not sell directly to end users, it believes that the majority of its products are used by commercial and educational establishments rather than consumers.

Initially a UK only distributor, the Group now has around 1,500 employees across the UK and Ireland, EMEA, Asia Pacific and North America. A core component of the Group's growth strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions.

For further information, please visit www.midwichgroupplc.com

Chairman's Statement

I am delighted that the Group once again achieved record results in 2022. This was a milestone year, with exceptional profit growth and sales exceeding £1bn for the first time. The Pro AV market can be characterised by the breadth of product offering to a wide spectrum of end users in a market that has consistently grown above GDP for over twenty years. The overall market continues to demonstrate robust levels of demand, exceeding pre-pandemic levels[^] in 2022 despite the impact of product shortages during the year.

Midwich Group once again made significant market share gains in the year, with revenue growth of 40.7% (organic revenue growth of 20.7%) to £1.2bn against an estimated market growth of 10.5%[^]. The Group has achieved compound annual growth in revenue and adjusted operating profit since our IPO in 2016 of 22% and 19% respectively, which is testament to the strength of our long-term strategy and the quality of our teams.

Looking to the future, the Pro AV market is forecast to grow by an average of 5.9%[^] per annum for the next five years and the Group is well placed to benefit from this. Despite the scale of the Group's revenue in 2022, it represented less than 1% of the global Pro AV market which provides significant opportunity for future growth.

On a macroeconomic level, 2022 was characterised by change and uncertainty, but, after two years of significant disruption from issues such as computer chip and product shortages, post-Brexit customs arrangements and labour shortages in logistics, the AV market largely returned to normal. In the second half of the year supply chains, for all but the most specialist products, were stable, global shipping costs reduced and inflationary pressures in the AV industry were generally below those in the wider economy. Whilst the industry is not immune from recession, the Board feels that the structural increase in the use of AV solutions combined with post-pandemic changes in behaviour will result in robust AV demand in the years ahead.

Alongside record organic growth, I am pleased that the Group was also able to achieve further strategic milestones, which included:

The Group's acquisition of a controlling stake in Cooper Projects Limited, the UK-based parent company of DVS Limited ("DVS"), in January 2022 marked its entry into the distribution of video security products. This is a significant segment of the AV market in which the Group had little presence. The knowledge and support of the experienced DVS team bring opportunities for our customers in an increasingly converging technology market.

In February 2022, the Group acquired Nimans Limited ("Nimans") which is a UK based specialist distributor of unified communications, telecoms, collaboration and audio visual technologies. Based near Manchester, Nimans was founded in 1981 and has built a strong presence and reputation in the UK telephony hardware market. In recent years the business has expanded successfully into new market areas such as unified communications, VOIP solutions, security and networking. Key brand relationships include Yealink, Jabra and BT. The acquisition brought 2,500 telephony, IT and retail customers to the Group.

The integration of both businesses is progressing well, delivering some exciting revenue synergies in the first year, and we have thoroughly enjoyed welcoming the DVS and Nimans teams to the Group.

We anticipate a continuation of our expansion strategy through both organic growth and acquisition of complementary businesses and with that in mind, early in 2023, we increased our revolving credit facility to £175m.

[^] Source: AVIXA

Dividend

The Board understands the importance of dividends for many of our investors and is pleased to recommend a final dividend of 10.5p per share which, if approved, will be paid on 16 June 2023 to all shareholders on the register as on 5 May 2023. The last day to elect for dividend reinvestment ("DRIP") is 26 May 2023. With the already announced interim dividend of 4.5p per share, this represents a total dividend for the year of 15.0p per share. The combined value of the interim and proposed final dividends is covered 2.4 times by adjusted earnings.

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 2.0 to 2.5 times adjusted earnings per share.

Board

Membership of the Board has remained stable throughout the year, and we have moved to a hybrid approach to our meetings, mixing in person with unified communications solutions for our 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 2022, 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 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 remain appropriate at this stage of the Group’s development.

The Group has a broad international footprint with the majority of its revenue coming from outside the UK & Ireland and the Board welcomes the cultural diversity that this brings. The Midwich culture is an open and welcoming one and we have been recognised for this. In 2022, we were named “Distributor of the Year” at the AV Awards whilst in 2021 we were named the “Best place to work” at 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 is committed to doing the right thing for the wider society; community engagement is embedded in our DNA. This year we have stepped up our work on formalising our approach to Environmental, Social and Governance (“ESG”) matters by engaging a third party to support us in developing our Midwich Sustainability strategy which we have set out in this year’s annual report.

The process for establishing our baseline CO2 emissions was completed in 2022 and we are making good progress on finalising our plans and metrics to reduce our carbon emissions. Although the absolute value of CO2 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.

As an AIM listed company, the Mandatory Climate-related Financial Disclosures are not yet applicable to the Group, but as a Board we are on track to report Group wide data for the 2023 financial year.

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. 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 continue to engage with our largest shareholders including seeking input into our sustainability strategy and inviting them to join us at our capital markets day and AV trade show in October 2022.

The Board recognises its duty to have regard to broader stakeholder interests and, in addition to developing our sustainability strategy this year, our teams shared industry-leading ideas with a wide audience through our Midwich Live social media broadcasts.

People

The success of any company is down to the quality of its leadership and its people. I believe that we have the best teams in the industry, and they have once again delivered exceptional service to vendors, customers and end users alike. The Board has a strong belief in rewarding success and ensuring that engagement levels are high. Share ownership by our people is a core part of our engagement strategy and I believe that our employee share plans have incentivised the exceptional business performance. In 2022, I was also delighted to see how our country managing directors responded to the cost-of-living pressures. Our business leaders acted to support our people through a mix of accelerated pay reviews, a step up in staff benefits and a focus on wellbeing. After the disruption from Covid-19, I was

extremely pleased to see our offices buzzing once again in 2022. Our teams address every challenge with commitment and determination, and it is this positive approach that is the main driver of our market share gains and continued growth.

The Board has regular interaction with the 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

Managing Director's review

Overview

The performance of the Group in 2022 was outstanding, with revenues increasing 40.7% to over £1.2bn and adjusted profit before tax of £45.2m being 41.5% up on 2021. Our organic revenue growth of 20.7% (2021: 18.9%) was supplemented by a significant contribution from the two UK businesses we acquired early in the year.

On a constant currency basis, organic growth was between 14% and 18% in all regions except for North America where we grew at 60%.

The impact of the pandemic reduced somewhat in the period, with product shortages easing (but not completely) and the cost of shipping containers reducing significantly during the year. We saw the resumption of a significant part of the live events and hospitality markets, and the corporate market strengthened during the year. Although only a small part of the business, demand for consumer products was suppressed during the year, and lower consumer demand generally appears to have had a negative impact on investment by high street retailers.

Our team worked very well in dealing with sporadic product supplies, particularly in the earlier part of the year where it was important to ensure that we had sufficient product for our customers' needs. Subsequently, in some parts of the market (such as displays), manufacturers accelerated production very rapidly which led to the oversupply of product which required careful inventory management.

Cash flow was good, particularly given the strong organic growth in the business. Adjusted net debt to adjusted EBITDA of 1.6 times at the year-end (2021 1.4 times) was comfortably within the Board's target range and demonstrates the Group's ability to deleverage post the two acquisitions completed this year.

Strong organic revenue growth outperforms the market significantly

Group organic revenue growth was 20.7% on a constant currency basis. This compares with Avixa's estimated growth in the global AV market of 10.5% in 2022.

Steady improvement in most end user markets

We saw a steady improvement in a number of end user markets that have been quieter since the start of the pandemic. The corporate market was stronger for us, with demand for our offering of unified communication and collaboration products showing the greatest improvement. The live events, hospitality and entertainment markets also improved during the year as in-person activity resumed.

The retail market has remained relatively subdued – a reflection of relatively tough trading conditions. Avixa anticipates that this market may not return to 2019 levels until 2025. We believe that this market has historically accounted for around 5% of Group revenue.

Operating margin improvement

The Group's adjusted operating margin improved from 4.0% in 2021 to 4.2% in 2022. Gross margins were in line with the prior year whilst better operating leverage led to an improvement in net margins.

The gross margin was positively impacted by strong growth in our higher margin professional audio business and relatively strong margins from businesses acquired in the year. However, these were offset by a negative swing in the provision for aged stock. In 2021, the gross margin was positively impacted by an aged stock provision release, whereas a charge was seen in 2022. Excluding these provision movements, the gross margin would have been 0.5% higher in 2022 than in 2021.

Strong contribution from acquisitions

The Group acquired two significant businesses early in the year, Cooper Projects (trading as DVS) and Nimans. Combined, these two businesses contributed total revenue of £154m at a gross profit level marginally ahead of the Group average and with a strong contribution to net profit, after funding costs. The acquired businesses are based in the UK and either strengthen our existing technical capabilities (such as in unified communications in the case of Nimans) or move the Group into new market areas (CCTV and access control in the case of DVS).

Profitability and cash generation

Adjusted profit before tax increased by 41.5% to reach £45.2m – a new record for the Group. In addition to maximising profitability, we continued to focus on managing our cash flow. The significant organic growth experienced in 2022, plus the cash outflow from acquisitions, meant that adjusted net debt increased from around £58m to £96m. At 31 December 2022, the ratio of adjusted net debt to adjusted EBITDA was 1.6 times – well within the Board’s target range. The Board considers that cash conversion of 54.3% is satisfactory given the strong organic growth of the business. Our expectation of long-term cash conversion remains between 70% and 80%.

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

In broad terms, we categorise our products into mainstream and specialist categories. Mainstream products cover displays and projectors, which comprised an aggregate of 40.4% of Group revenue in 2022 (2021: 50%). Specialist categories cover technologies which 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 54% of total sales compared with 43% in 2021. A core part of the Group’s long term strategic focus is to become more specialist.

Our largest technology area is displays, a category which grew by 16% in 2022 and is now 30% larger than it was in the pre Covid year of 2019. Growth was strong across all geographical regions. LED displays experienced very strong growth, in excess of 60% in the year, and we believe we have established a strong market position in this category. These products require a higher level of expertise to distribute effectively, and hence tend to carry a higher overall gross margin.

Revenue from projector sales increased by 8% in 2022 (2021: 6%), with the UK&I once again achieving the most significant growth due to its focus on high-end projection. Whilst the overall projector market continues to be impacted by a shift towards displays, we believe that we gained market share in this category through our focus on high-end projection.

Growing our technical product categories has been a particular focus of the business for many years and in 2022 revenues in this category increased by over 76% (2021: 50%). As expected, after two particularly strong years, revenues in the broadcast segment declined in 2022. However, we saw strong growth in professional audio, particularly in EMEA. Revenues from lighting products increased by 60% as live events returned in 2022. Other technical product categories grew, with the two acquisitions contributing to a new category of security products and also expanding our unified communications revenues.

Outlook

The Group has a proven capability to grow ahead of its markets both organically and through acquisition. I believe that our standing with customers and vendors alike continues to go from strength to strength. However, our team is not complacent – we recognise that we operate in a competitive market where both vendors and customers have a choice of which partners to work with. Our focus is to ensure that we provide the best service possible and continue to develop our service offering. We have a strong pipeline of acquisition opportunities which will enable us to enter new geographical markets and expand our range of products.

With the global AV market expected by Avixa to grow at 5.9% per annum over the five years to 2027, I believe our Group is very well positioned for the future.

Although still early into the new financial year and mindful of the slower general economic conditions and higher interest rate environment, we remain confident that 2023 will see yet another year of growth in excess of the overall market.

NORTH AMERICA

Starin, our North American business, performed well in the year, with revenues increasing by 78.2% to £123.1m (60.0% on a constant currency basis). The gross margin of 14% achieved in the year was below the 2021 level, but we believe

it is still strong for a business in the US market. Our 2021 profitability in this region was particularly positively impacted by aged stock provision movements.

Our focus in North America has been to expand our sales and business management teams, to gain market share through high service levels and to win strong new brands. In each of these respects the business performed well in 2022.

Adjusted operating profit was £6.4m – a 41.3% increase on 2021 (27.1% in constant currency) and 5.2% of revenue in the year.

UK & IRELAND

Revenues in the UK&I grew by 72.1% to £492m. This included organic revenue growth of 18.4%. Technical product categories, such as audio and lighting, were particularly strong, as were high-end projector sales. The gross margin percentage in this division increased from 15.8% to 16.1% despite an increase in the aged stock provision.

Adjusted operating profit more than doubled from £12.7m to £26.5m due to strong contributions from both organic growth and the acquired companies.

EMEA

The EMEA region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy, Iberia and the Middle East. Revenues, on a constant currency basis, increased by 16.8% to £535.0m, with organic growth also being 16.8%.

Our audio-focused higher margin businesses in Iberia, Italy and the Middle East performed particularly well in the year with the return of in-person activities and improved availability of product. We saw high single digit revenue growth in the main territories of Germany and France. Gross margins remained flat in France but declined marginally in Germany due to a change in product mix.

Gross margins in EMEA decreased by 0.1% to 14.6%.

Adjusted operating profit in EMEA increased by 6.4% (3.2% on a constant currency basis).

ASIA PACIFIC

After a slow start, due to extended pandemic restrictions, our Asia Pacific business improved in the latter part of the year and finished with revenue growth of 18.5% to £53.8m (14.3% growth on a constant currency basis). The overall gross margin percentage dropped slightly due to a relatively strong performance in the lower margin displays product category.

Adjusted operating profit of £1.4m was 48.8% higher in 2021 (42.3% on a constant currency basis).

Financial Review

2022 was an exceptional year for Midwich Group; we achieved record revenue growth and made further significant market share gains which resulted in revenue of £1.2bn (2021: £856m).

Excluding the impact of acquisitions and currency movements, organic revenue increased by 20.7% (2021: 18.9%) whilst gross profit margin was in line with the prior year at 15.3% (2021: 15.3%).

Adjusted operating profit of £51.1m (2021: £34.0m) was a Group record and up by 46% at constant currency (2021: 110%). Statutory operating profit (before adjustments) was £35.1m (2021: £21.0m).

Our adjusted net debt to adjusted EBITDA ratio at 1.6x (2021 1.4x) positions us well for future acquisitions and in January 2023 we increased our revolving credit facility to £175m which gives us funding capacity to support our growth strategy.

Statutory financial highlights

	Year to 31 December 2022	Year to 31 December 2021	Total growth
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Revenue	£1,204.1m	£856.0m	41%
Gross profit	£183.7m	£131.3m	40%
Operating profit	£35.1m	£21.0m	67%
Profit before tax	£24.9m	£18.9m	32%
Profit after tax	£16.9m	£13.5m	25%
Basic EPS – pence	17.32p	14.11p	23%

Adjusted financial highlights¹

	Year to 31 December 2022	Year to 31 December 2021	Total growth	Growth at constant currency
Revenue	£1,204.1m	£856.0m	41%	39%
Gross profit	£183.7m	£131.3m	40%	38%
Gross profit margin %	15.3%	15.3%		
Adjusted operating profit	£51.1m	£34.0m	50%	46%
Adjusted profit before tax	£45.2m	£31.9m	41%	38%
Adjusted profit after tax	£34.1m	£23.9m	42%	39%
Adjusted EPS – pence	36.08p	25.63p	41%	

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

Currency movements increased Group revenue and adjusted operating profit in the year by 2.1% and 4.1% respectively. The currency impact in the prior year reduced revenue by 2.6% and adjusted operating profit by 4.7%.

Organic growth in revenue was 20.7% (2021: 18.9%).

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 2022	Year to 31 December 2021	Total growth	Growth at constant currency	Organic growth
	£m	£m	%	%	%
Revenue					
UK & Ireland	492.2	286.1	72.1%	72.1%	18.4%
EMEA	535.0	455.4	17.5%	16.8%	16.8%
Asia Pacific	53.8	45.4	18.5%	14.3%	14.3%
North America	123.1	69.1	78.2%	60.0%	60.0%
Total Global	1,204.1	856.0	40.7%	38.6%	20.7%
Gross profit margin					
UK & Ireland	16.1%	15.8%	0.3ppts		
EMEA	14.6%	14.7%	(0.1)ppts		
Asia Pacific	17.3%	17.5%	(0.2)ppts		
North America	14.0%	15.9%	(1.9)ppts		
Total Global	15.3%	15.3%	0.0ppts		
Adjusted operating profit¹					
UK & Ireland	26.5	12.7	108.3%	108.5%	
EMEA	22.7	21.4	6.4%	3.2%	
Asia Pacific	1.4	0.9	48.8%	42.3%	
North America	6.4	4.6	41.3%	27.1%	
Group costs	(5.9)	(5.5)			
Total Global	51.1	34.0	50.3%	46.2%	

Adjusted finance costs	(5.9)	(2.1)	183.5%	178.4%
Adjusted profit before tax¹	45.2	31.9	41.5%	37.5%

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 & IRELAND

The UK and Ireland segment revenue increased by 72.1% (2021: 27.5%) to £492.2m (2021: £286.1m). The revenue growth included the contribution from the DVS and Nimans acquisitions at the start of the year. Organic revenue growth was 18.4% (2021: 27.7%). The UK&I generated gross profit of £79.1m (2021: £45.3m) at a gross profit margin of 16.1% (2021: 15.8%). This resulted in an adjusted operating profit of £26.5m (2021: £12.7m), an increase of 108.3% (2021: 224.8%).

EMEA

The EMEA segment revenue grew 17.5% (2021: 37.5%) to £535.0m (2021: £455.4m). Gross profit increased to £78.0m (2021: £67.0m) at a gross profit margin of 14.6% (2021: 14.7%), with the slight erosion in margin attributable to a £1.4m increase in the aged inventory provision (2021: £1.2m gain). The region produced an adjusted operating profit of £22.7m (2021: £21.4m), an increase of 6.4% (2021: 127.4%). In constant currency, revenue grew 16.8% (2021: 41.8%) and adjusted operating profit increased 3.2% (2021: 132.8%).

ASIA PACIFIC

The Asia Pacific segment revenue grew by 18.5% to £53.8m (2021: £45.4m), generating gross profit of £9.3m (2021: £8.0m) at a gross profit margin of 17.3% (2021: 17.5%). Adjusted operating profit was £1.4m (2021: £0.9m). On a constant currency basis, revenue increased by 14.3% (2021: 1.4%) and adjusted operating profit grew 42.3% (2021: 9.3%).

NORTH AMERICA

The North America segment achieved very strong growth of 78.2% (2021: (38.1%)) due to the exit of fulfilment activity in 2020 to £123.1m (2021: £69.1m). Gross margins were 14.0% (2021: 15.9%) with adjusted operating profit up by 41.3% (2021: (7.2%)) to £6.4m (2021: £4.6m). On constant currency basis, excluding the impact of the stronger US\$, revenue increased by 60.0% (2021: (34.3%)) and adjusted operating profit grew 27.1% (2021: (2.2%)).

Group costs

Group costs for the year were £5.9m (2021: £5.5m). Group costs include central support for acquisitions, sales, finance, compliance, human resources, information technology and executive management.

Adjusted finance costs

Adjusted finance costs at £5.9m (2021: £2.1m) reflect the interest costs on borrowings for historical acquisition investments and working capital together with the costs associated with hedging instruments for the purchase of goods in non-domestic currencies. Finance costs increased during the year mainly because of interest rate increases during the period. Reported finance costs of £10.2m (2021: £2.1m) 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 £24.9m (2021: £18.9m) and adjusted profit before tax of £45.2m (2021: £31.9m), the increase using constant currency rates was 37.5% (2021: 130.3%).

Tax

The adjusted effective tax rate was 24.5% in 2022 (2021: 25.0%) which reflects the mix of tax rates in the geographies where the Group operates.

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 17.32p (2021: 14.11p). Adjusted EPS increased by 41% (2021: 129%) to 36.08p (2021: 25.63p).

Dividend

The Board has recommended a final dividend of 10.5p per share which, together with the interim dividend of 4.5p per share, gives a total dividend for 2022 of 15.0p per share (2021: 14.1p including a special dividend of 3.0p per share). If approved by shareholders at the AGM the final dividend will be paid on 16 June 2023 to shareholders on the register on 5 May 2023. The last day to elect for dividend reinvestment (“DRIP”) is 26 May 2023.

Cash flow

	Year to 31 December 2022 £m	Year to 31 December 2021 £m
Adjusted operating profit	51.1	34.0
Add back depreciation and unadjusted amortisation	7.4	6.1
Adjusted EBITDA	58.5	40.1
Decrease/(Increase) in stocks	(15.7)	(36.5)
Decrease/(Increase) in debtors	(70.7)	(12.5)
(Decrease)/Increase in creditors ¹	59.6	27.0
Adjusted cash flow from operations	31.7	18.1
Adjusted EBITDA cash conversion	54.3%	45.2%

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 54.3% (2021: 45.2%). The exceptional revenue growth rate led to a step up in the absolute value of working capital in 2022 which resulted in cash conversion below the long-term average for the Group. Our expectation of long-term cash conversion remains between 70% and 80%.

Gross capital spend on tangible assets was £5.3m (2021: £3.6m) and included investment in new offices in Germany and Australia and the fit-out of experience centres in the Middle East, Germany and Spain together with rental asset purchases in UK&I. An investment of £5.8m in intangible fixed assets included £5.3m (2021: £1.6m) in relation to the Group’s new ERP solution.

Net debt

Reported net debt increased from £79.0m at 31 December 2021 to £119.4m at 31 December 2022. The Group’s reported net debt continues to be impacted by the adoption of IFRS 16 in 2019 which results in approximately £23.4m of lease liabilities (2021: £21m) being added to net debt. 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 2022 was £96.0m (2021: £58.0m). The increase was largely driven by the investment in working capital together with payments for acquisitions and deferred consideration.

In January 2023, the Group increased its revolving credit facility to £175m (£80m at 31 December 2021) to finance future acquisitions. This facility is supported by six banks, is for a 4½ year term, and has an adjusted net debt to adjusted EBITDA covenant ratio of 3 times and an adjusted interest cover covenant of 4 times adjusted EBITDA. The EBITDA covenant is calculated on a historical twelve-month basis and includes the full 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 2022, the Group has access to total facilities of over £200m (2021: £185m) with an additional £95m added to the RCF post year end.

The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 1.6x (2021: 1.4x). This, combined with the Group’s underlying cash generation, equips it well to fund short-term swings in working capital as well as to 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 £111.8m (2021: £73.1m) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2022, 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 and the impact of acquisitions. As at 31 December 2022, the Group had working capital (trade and other receivables plus inventories less trade and other payables) of £150.7m (2021: £106.1m). This represented 12.5% of current year revenue (2021: 12.4%). 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. As at 31 December 2022 the Group's inventory provision was £18.8m (10.5% of cost) (2021: £15.2m: 11% of cost).

Adjustments to reported results

	2022	2021
	£000	£000
Operating profit	35,053	20,980
Acquisition costs	435	486
Share based payments	6,031	4,416
Employer taxes on share based payments	176	904
Amortisation of brands, customer and supplier relationships	9,413	7,226
Adjusted operating profit	51,108	34,012
Profit before tax	24,916	18,895
Acquisition costs	435	486
Share based payments	6,031	4,416
Employer taxes on share based payments	176	904
Amortisation of brands, customer and supplier relationships	9,413	7,226
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	(1,194)	(2,058)
Finance costs – deferred and contingent consideration	508	347
Finance costs – put option	4,866	1,696
Adjusted profit before tax	45,151	31,912
Profit after tax	16,855	13,473
Acquisition costs	435	486
Share based payments	6,031	4,416
Employer taxes on share based payments	176	904
Amortisation of brands, customer and supplier relationships	9,413	7,226
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	(1,194)	(2,058)
Finance costs – deferred and contingent consideration	508	347
Finance costs – put option	4,866	1,696
Tax impact	(3,018)	(2,545)
Adjusted profit after tax	34,072	23,945
Profit after tax	16,855	13,473
Non-controlling interest	1,562	1,044

Profit after tax attributable to owners of the Parent Company	15,293	12,429
Number of shares for EPS	88,299,098	88,101,300
Reported EPS – pence	17.32	14.11
Adjusted EPS – pence	36.08	25.63

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 in note 1 of the notes to the financial statements.

Consolidated income statement for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue		1,204,049	855,973
Cost of sales		<u>(1,020,335)</u>	<u>(724,712)</u>
Gross profit		183,714	131,261
Distribution costs		(109,042)	(80,585)
Administrative expenses		(45,592)	(34,871)
Other operating income		<u>5,973</u>	<u>5,175</u>
Operating profit		35,053	20,980
Comprising			
Adjusted operating profit		51,108	34,012
Costs of acquisitions	3	(435)	(486)
Share based payments		(6,031)	(4,416)
Employer taxes on share based payments		(176)	(904)
Amortisation of brands, customer relationships, and supplier relationships		<u>(9,413)</u>	<u>(7,226)</u>
		35,053	20,980
Finance income		95	108
Finance costs	4	<u>(10,232)</u>	<u>(2,193)</u>
Profit before taxation		24,916	18,895
Taxation		<u>(8,061)</u>	<u>(5,422)</u>
Profit after taxation		<u>16,855</u>	<u>13,473</u>
Profit for the financial year attributable to:			
The Company's equity shareholders		15,293	12,429
Non-controlling interest		<u>1,562</u>	<u>1,044</u>
		<u>16,855</u>	<u>13,473</u>
Basic earnings per share	5	17.32p	14.11p
Diluted earnings per share	5	16.74p	13.76p

Consolidated statement of comprehensive income for the year ended 31 December 2022

	2022	2021
	£'000	£'000
Profit for the financial year	16,855	13,473
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	588	254
Items that will be reclassified subsequently to profit or loss:		
Foreign exchange gains and (losses) on consolidation	<u>8,282</u>	<u>(4,710)</u>
Other comprehensive income for the financial year, net of tax	<u>8,870</u>	<u>(4,456)</u>
Total comprehensive income for the year	<u><u>25,725</u></u>	<u><u>9,017</u></u>
Attributable to:		
Owners of the Parent Company	23,419	8,384
Non-controlling interests	<u>2,306</u>	<u>633</u>
	<u><u>25,725</u></u>	<u><u>9,017</u></u>

Consolidated statement of financial position as at 31 December 2022

	Notes	2022	2021
		£'000	£'000
Assets			
Non-current assets			
Goodwill		35,765	21,163
Intangible assets		76,002	51,972
Right of use assets		21,559	19,826
Property, plant and equipment		14,961	11,792
Deferred tax assets		2,567	2,725
		<u>150,854</u>	<u>107,478</u>
Current assets			
Inventories		159,823	125,825
Trade and other receivables		218,612	124,256
Derivative financial instruments		4,630	492
Cash and cash equivalents		25,855	15,476
		<u>408,920</u>	<u>266,049</u>
Current liabilities			
Trade and other payables		(225,899)	(142,546)
Derivative financial instruments		(1,483)	-
Put option liabilities over non-controlling interests		-	(3,863)
Deferred and contingent considerations		(9,275)	(466)
Borrowings and financial liabilities	6	(44,955)	(34,053)
Current tax		(3,541)	(2,869)
		<u>(285,153)</u>	<u>(183,797)</u>
Net current assets		<u>123,767</u>	<u>82,252</u>
Total assets less current liabilities		<u>274,621</u>	<u>189,730</u>
Non-current liabilities			
Trade and other payables		(1,872)	(1,418)
Put option liabilities over non-controlling interests		(15,975)	(4,287)
Deferred and contingent considerations		(8,157)	(1,468)
Borrowings and financial liabilities	6	(100,324)	(60,399)
Deferred tax liabilities		(10,576)	(5,066)
Other provisions		(3,583)	(2,696)
		<u>(140,487)</u>	<u>(75,334)</u>
Net assets		<u><u>134,134</u></u>	<u><u>114,396</u></u>

Equity			
Share capital	8	889	887
Share premium		67,047	67,047
Share based payment reserve		12,025	7,879
Investment in own shares		(5)	(5)
Retained earnings		46,023	39,078
Translation reserve		5,356	(2,182)
Hedging reserve		-	-
Put option reserve		(10,799)	(7,784)
Capital redemption reserve		50	50
Other reserve		150	150
Equity attributable to owners of the Parent Company		<u>120,736</u>	<u>105,120</u>
Non-controlling interests		<u>13,398</u>	<u>9,276</u>
Total equity		<u><u>134,134</u></u>	<u><u>114,396</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2023 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 2022

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 2022	887	67,047	(5)	39,078	(1,887)	105,120	9,276	114,396
Profit for the year	-	-	-	15,293	-	15,293	1,562	16,855
Other comprehensive income	-	-	-	588	7,538	8,126	744	8,870
Total comprehensive income for the year	-	-	-	15,881	7,538	23,419	2,306	25,725
Shares issued (note 8)	2	-	(2)	-	-	-	-	-
Share based payments	-	-	-	-	6,006	6,006	-	6,006
Deferred tax on share based payments	-	-	-	-	(1,093)	(1,093)	-	(1,093)
Share options exercised	-	-	2	766	(767)	1	-	1
Acquisition of subsidiaries	-	-	-	-	(6,933)	(6,933)	6,933	-
Dividends paid (note 12)	-	-	-	(10,901)	-	(10,901)	-	(10,901)
Acquisition of non-controlling interest (note 10)	-	-	-	1,199	3,918	5,117	(5,117)	-
Balance at 31 December 2022	889	67,047	(5)	46,023	6,782	120,736	13,398	134,134

For the year ended 31 December 2021

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non- controlling interests £'000	Total £'000
Balance at 1 January 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 8)	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	-	-	-	-	(3,866)	(3,866)	3,866	-
Dividends paid (note 12)	-	-	-	(5,568)	-	(5,568)	-	(5,568)
Acquisition of non-controlling interest (note 10)	-	-	-	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 cash flows for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit before tax	24,916	18,895
Depreciation	7,039	5,793
Amortisation	9,807	7,502
Loss on disposal of assets	141	25
Share based payments	6,006	4,398
Foreign exchange losses	3,827	(1,026)
Finance income	(95)	(108)
Finance costs	10,232	2,193
Profit from operations before changes in working capital	<u>61,873</u>	<u>37,672</u>
Increase in inventories	(15,670)	(36,496)
Increase in trade and other receivables	(70,654)	(12,473)
Increase in trade and other payables	59,779	27,943
Cash inflow from operations	<u>35,328</u>	<u>16,646</u>
Income tax paid	(9,142)	(5,151)
Net cash inflow from operating activities	<u>26,186</u>	<u>11,495</u>
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	(22,372)	(16,836)
Purchase of intangible assets	(5,760)	(2,401)
Purchase of plant and equipment	(5,328)	(3,558)
Proceeds on disposal of plant and equipment	140	253
Interest received	95	108
Net cash used in investing activities	<u>(33,225)</u>	<u>(22,434)</u>
Net cash flows from financing activities		
Proceeds on exercise of share options	1	1
Deferred consideration paid	(198)	(11,265)
Acquisition of non-controlling interest	(3,974)	(2,055)
Dividends paid	(10,901)	(5,568)
Invoice financing inflows/(outflows)	14,282	6,261
Proceeds from borrowings	31,304	23,222
Repayment of loans	(4,947)	(4,660)
Interest paid	(5,217)	(2,087)
Interest on leases	(602)	(439)
Capital element of lease payments	(4,126)	(3,072)
Net cash inflow/(outflow) from financing activities	<u>15,622</u>	<u>338</u>
Net increase/(decrease) in cash and cash equivalents	<u>8,583</u>	<u>(10,601)</u>
Cash and cash equivalents at beginning of financial year	11,639	23,795
Effects of exchange rate changes	716	(1,555)
Cash and cash equivalents at end of financial year	<u><u>20,938</u></u>	<u><u>11,639</u></u>
Comprising:		
Cash at bank	25,855	15,476
Bank overdrafts	(4,917)	(3,837)
	<u>20,938</u>	<u>11,639</u>

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 remeasurement 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. 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 2024. 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 in 2027 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 on demand 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.

Revenue

Revenue arises from the sale of goods, provision of 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 within the sales channel and incurs the risk of obsolescence.

Ancillary services include support services, managed services, licences, transport, installations, removals, warranties, and repairs. Where contracts for ancillary services include multiple performance obligations the transaction price is allocated to each separate performance obligation within the contract based on estimated cost-plus margin. Revenues from support services, managed services, and warranties are recognised over time as the services are performed. Revenues from all other ancillary services including licences, transport, installations, removals, and repairs are recognised at a point in time upon delivery of the service. Revenues from licences comprise the services to arrange for the provision of the licence.

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 estimated 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
- Plant and equipment Over the period of the lease up to a maximum of 10 years
- Rental assets Over the period of the lease up to a maximum of 10 years

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

Property, plant and equipment

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

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

- Land Not depreciated
- Freehold buildings 50 years
- Leasehold improvements Over the period of the lease up to a maximum of 50 years
- Rental assets 3-10 years
- Plant and equipment 3-10 years

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

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 transaction 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.

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.

Supplier rebates and other income

Supplier rebates include promotional income and are recognised when the conditions attached to the rebate have been satisfied and after deducting any probable liability to repay the rebate. Supplier 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.

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. Cash inflows from invoice discounting arrangements are classified as financing cash inflows and cash inflows from receivables are classified as operating cash inflows. The business continues to recognise the receivables and the amount received from the factor is recorded as a financial liability.

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 the 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.

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 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 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 Trusts.
- “Non-controlling interest” represents the share of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests.

Share based payments

Equity-settled share based payments 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 the 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 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 and Company financial statements. Any assets held by the EBT cease to be recognised on the 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:

Amendments to IFRS 3 Business combinations - References to the conceptual framework;

Amendments to IAS 16 Property, plant and equipment - Proceeds before intended use; and

Amendments to IAS 37 Provisions, contingent liabilities and contingent assets - Costs of fulfilling an onerous contract.

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.

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 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 relationship, 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 relationship, 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 historical experience, continuing 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

Where the Group has acquired less than 100% ownership of a subsidiary it has always issued put and call options over the remaining non-controlling interests. The significant accounting judgement is whether the Group has 100% control despite not having 100% ownership. If the Group judges that it has 100% control, there would be no recognition of a put option liability or non-controlling interest. If the Group judges that it does not have 100% control, it recognises a put option liability and non-controlling interest. The key judgements to determine the proportion of control are assessments of the level of risks and rewards, the proportionate right to dividends, and the exposure to changes in the 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 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 historical data.

The only uncertainty with regards to estimation on the write down of inventory is whether the realisable value on sale or disposal of inventory approximates the value of inventory after write downs have been applied. 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.

If each write down percentage applied to inventory were increased by ten percentage points the total write down against inventory held at the reporting date would increase by £5,657k. This increase excludes inventory on which no write down has been applied and is subject to an increase up to a maximum write down of 100%.

If each write down percentage applied to inventory were decreased by ten percentage points the total write down against inventory held at the reporting date would decrease by £5,474k. This decrease is subject to a minimum write down of 0%.

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 11.

Contingent considerations and put option liabilities

The Group is required to record contingent considerations at fair value. The Group initially measures put option liabilities at present value and subsequently measures put option liabilities at amortised cost using the effective interest rate method. 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.

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.

2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	492,203	534,962	53,763	123,121	-	1,204,049
Gross profit	79,104	78,014	9,312	17,284	-	183,714
Gross profit %	16.1%	14.6%	17.3%	14.0%	-	15.3%
Adjusted operating profit	26,500	22,718	1,378	6,437	(5,925)	51,108
Costs of acquisitions	-	-	-	-	(435)	(435)
Share based payments	(2,260)	(1,911)	(469)	(96)	(1,295)	(6,031)
Employer taxes on share based payments	(56)	(57)	3	(4)	(62)	(176)
Amortisation of brands, customer and supplier relationships	(4,201)	(3,566)	(282)	(1,364)	-	(9,413)
Operating profit	19,983	17,184	630	4,973	(7,717)	35,053
Interest						(10,137)
Profit before tax						24,916
2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	235,716	245,321	27,024	51,002	711	559,774
Segment liabilities	(196,934)	(187,802)	(19,013)	(20,985)	(906)	(425,640)
Segment net assets	38,782	57,519	8,011	30,017	(195)	134,134
Depreciation	2,731	3,294	443	571	-	7,039
Amortisation	4,290	3,652	297	1,568	-	9,807

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	68,547	82,307	150,854
Deferred tax asset	1,051	1,516	2,567
Non-current assets excluding deferred tax	67,496	80,791	148,287

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

Revenue from the UK, being the domicile of the Parent Company, amounted to £470,930k (2021: £270,954k). Revenue from Germany amounted to £249,570k (2021: £228,487k) and revenue from the USA amounted to £123,121k (2021: £69,094k). 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 £19,108k (2021: £12,531k) for Germany and £16,181k (2021: £15,709k) 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 operating profits include the costs of share based payments arising from both cash and equity settled share options, and the amortisation of intangible assets measured at fair value acquired in business combinations.

In addition to the external revenue reported by segment the UK & Ireland segment made £17,647k (2021: £6,149k) of intercompany sales and the EMEA segment made £20,084k (2021: £3,739k) of intercompany sales. The North America segment made £nil (2021: £274k) of intercompany sales. There were no intercompany sales made by the Asia Pacific segments for the current and prior year.

Sales to the largest customer

Included in revenue is £12.4m (2021: £21.5m) that arose from sales to the Group's largest customer based in Germany. No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Administrative expenses

Administrative expenses in the period include £435k of acquisition related costs (2021: £486k). For details of acquisitions in the year see note 11.

4. Finance costs

	2022 £'000	2021 £'000
Interest on overdraft and invoice discounting	2,221	867
Interest on leases	602	439
Interest on loans	2,470	810
Foreign exchange derivative costs	733	77
Other interest costs	26	15
Borrowings derivative costs	(2,888)	(1,244)
Foreign exchange losses/(gains) on borrowings for acquisitions	1,694	(814)
Interest, foreign exchange and other finance costs of deferred and contingent considerations	508	347
Interest, foreign exchange and other finance costs of put option liabilities	4,866	1,696
	<u>10,232</u>	<u>2,193</u>

5. Earnings per share

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

Profit attributable to equity holders of the Group (£'000)	15,293	12,429
Weighted average number of shares in issue	88,299,098	88,101,300
Potentially dilutive effect of the Group's share option schemes	<u>3,064,305</u>	<u>2,204,110</u>
Weighted average number of diluted Ordinary Shares	<u>91,363,403</u>	<u>90,305,410</u>
Basic earnings per share	<u>17.32p</u>	<u>14.11p</u>
Diluted earnings per share	<u>16.74p</u>	<u>13.76p</u>

Diluted earnings per share excludes the antidilutive effects of potential Ordinary Shares that result in a decrease in the loss per share.

6. Borrowings

	2022	2021
	£'000	£'000
Secured borrowings		
- Bank overdrafts and invoice discounting	47,052	30,856
- Bank loans	74,782	42,604
- Leases	23,445	20,992
	<u>145,279</u>	<u>94,452</u>
Current	44,955	34,053
Non-current	<u>100,324</u>	<u>60,399</u>
	<u>145,279</u>	<u>94,452</u>

Summary of borrowing arrangements:

The Group has overdraft borrowings which comprised £4,917k at the end of 2022 (2021: £3,837k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group.

At the reporting date the Group had drawn down £42,135k (2021: £27,019k) on invoice discounting and short-term borrowing facilities. The total amount drawn down on invoice discounting facilities was £30,352k (2021: £20,628k). The short-term borrowing facilities are secured with floating charges over the assets of the Group. The invoice discounting facilities comprise fully revolving receivables financing agreements which are secured on the underlying receivables. The facilities have 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. Invoice discounting arrangements included within acquisitions completed during the year totalled £3,968k.

At the reporting date the Group had drawn down £74,782k (2021: £42,604k) of its long-term loan facilities. 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 lease liabilities of £23,445k at the end of 2022 (2021: £20,992k). Lease obligations included within acquisitions completed during the year totalled £2,720k. There were no lease obligations included within acquisitions in the prior year.

Borrowings

	2022	2021
	£'000	£'000
Borrowings due within 1 year	40,900	30,900
Borrowings due after 1 year	80,934	42,560
Leases	23,445	20,992
	<u>145,279</u>	<u>94,452</u>

Reconciliation of liabilities arising from financing activities

2022	2021
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	£'000	£'000
At 1 January	94,452	64,764
Cash flows:		
Invoice financing inflows/(outflows)	14,282	6,261
Proceeds from borrowings	32,384	25,369
Repayment of loans	(4,947)	(4,660)
Capital element of leases	(4,126)	(3,072)
Non-cash:		
Acquisitions	6,689	-
New liabilities arising on leases	2,783	6,753
Disposals on modification or termination of leases	(10)	(297)
Foreign exchange gain or loss	3,772	(666)
At 31 December	<u>145,279</u>	<u>94,452</u>

7. Financial instrument risk exposure and management

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

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

Credit risk

The Group's credit risk is primarily attributable to its cash balances and trade receivables. The Group does not have a significant concentration of risk, with exposure 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 2022 total credit risk amounted to £216,735k (2021: £124,564k).

Interest rate risk

The interest on the Group's overdrafts, invoice discounting facilities and Revolving Credit Facility borrowings are variable. Since 2019 the Group has entered into interest rate swap contracts in respect of the Group's variable interest rates in order to achieve a fixed rate of interest. Rising interest rates present an increased cash flow risk associated with the high cost of servicing debt. Rising interest rates also increase the finance costs of working capital. The Group manages the increased cost of working capital by focusing on profitability margins and working capital arrangements of the business.

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:

	2022	2021
	£'000	£'000
EUR	20,578	17,574
AUD	-	3,925
USD	17,600	15,722

At the reporting date the Group was in the process of renewing its borrowing facilities and repaid the AUD borrowing facility relating to the overseas operations in the APAC segment for renewal. 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 profit before tax by £3,818k (2021: £3,722k).

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	
	2022	2021	2022	2021
EUR/GBP	1.170	1.166	1.128	1.191
AUD/GBP	1.777	1.839	1.771	1.859
NZD/GBP	1.946	1.950	1.897	1.973
USD/GBP	1.231	1.374	1.204	1.348
CHF/GBP	1.173	1.257	1.111	1.231
NOK/GBP	11.832	11.864	11.846	11.893
AED/GBP	4.525	5.049	4.435	4.971
QAR/GBP	4.485	5.004	4.396	4.927

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:

Profit/(loss) before tax

	2021	Revised	Impact	Impact
	£'000	2021	£'000	%
EUR	18,895	18,774	(121)	(0.6)%
AUD	18,895	18,899	4	0.0%
NZD	18,895	18,895	-	0.0%
USD	18,895	19,261	366	1.9%
CHF	18,895	18,875	(20)	(0.1)%
NOK	18,895	18,896	1	0.0%
AED	18,895	19,268	373	1.9%

QAR	18,895	19,008	113	0.6%
All currencies	18,895	19,611	716	3.7%

Net assets

	2021	Revised 2021	Impact	Impact
	£'000	£'000	£'000	%
EUR	114,396	117,541	3,145	2.7%
AUD	114,396	114,514	118	0.1%
NZD	114,396	114,408	12	0.0%
USD	114,396	115,604	1,208	1.0%
CHF	114,396	114,352	(44)	(0.0)%
NOK	114,396	114,404	8	0.0%
AED	114,396	115,252	856	0.7%
QAR	114,396	114,627	231	0.2%
All currencies	114,396	119,930	5,534	4.6%

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 6 for details of borrowing arrangements.

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2022 and 2021, on the basis of their earliest possible contractual maturity:

At 31 December 2022

	Total	Within 2 months	Within 2 - 6 months	Between 6 - 12 months	Between 1-2 years	After than 2 years
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	175,646	167,753	7,878	3	-	12
Other payables	213	153	53	7	-	-
Deferred consideration	17,902	3,800	5,500	-	8,602	-
Put option liabilities	17,499	-	-	-	17,499	-
Leases	25,817	764	1,602	2,263	4,120	17,068
Accruals	33,682	26,277	4,488	1,057	191	1,669
Bank overdrafts, loans and invoice discounting	121,834	39,901	531	468	72,970	7,964
	<u>392,593</u>	<u>238,648</u>	<u>20,052</u>	<u>3,798</u>	<u>103,382</u>	<u>26,713</u>

At 31 December 2021

	Total	Within 2 months	Within 2 - 6 months	Between 6 - 12 months	Between 1-2 years	After than 2 years
	£'000	£'000	£'000	£'000	£'000	£'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
	<u>240,230</u>	<u>146,376</u>	<u>19,418</u>	<u>3,764</u>	<u>5,038</u>	<u>65,634</u>

8. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2022		2021	
	Number	£'000	Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	88,735,612	887	88,604,712	886
Shares issued	144,300	2	130,900	1
At 31 December	<u>88,879,912</u>	<u>889</u>	<u>88,735,612</u>	<u>887</u>

During the year the Company issued 144,300 shares to the Group's employee benefit trusts (2021: 130,900).

Employee benefit trust

The Group's employee benefit trusts were allocated the following shares to be issued on exercise of share options:

	2022		2021	
	Number	£'000	Number	£'000
At 1 January	518,300	5	593,600	6
Allocated during the year	144,300	2	130,900	1
Shares issued on exercise of options	(161,140)	(2)	(206,200)	(2)
At 31 December	<u>501,460</u>	<u>5</u>	<u>518,300</u>	<u>5</u>

9. Other reserves

Movement in other reserves for the year ended 31 December 2022

	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 2022	7,879	(2,182)	(7,784)	50	150	(1,887)
Other comprehensive income	-	7,538	-	-	-	7,538
Total comprehensive income for the year	-	7,538	-	-	-	7,538
Share based payments	6,006	-	-	-	-	6,006
Deferred tax on share based payments	(1,093)	-	-	-	-	(1,093)
Share options exercised	(767)	-	-	-	-	(767)
Acquisition of subsidiary (note 11)	-	-	(6,933)	-	-	(6,933)
Acquisition of non-controlling interest (note 10)	-	-	3,918	-	-	3,918

Balance at 31 December 2022	12,025	5,356	(10,799)	50	150	6,782
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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 11)	-	-	(3,866)	-	-	(3,866)
Acquisition of non-controlling interest (note 10)	-	-	895	-	-	895
Balance at 31 December 2021	7,879	(2,182)	(7,784)	50	150	(1,887)

10. Acquisition of non-controlling interest

During the current year the Group acquired the remaining 12% non-controlling interest in Earpro SA and the remaining 20% non-controlling interest in Prase Engineering SpA. The non-controlling interest in Earpro SA had a value of £1,309k and was acquired for a consideration of £1,062k. The non-controlling interest in Prase Engineering SpA had a value of £3,808k and was acquired for a consideration of £2,912k. £1,033k of the put option reserve was transferred to retained earnings when the Earpro SA element of the put option was extinguished and £2,885k of the put option reserve was transferred to retained earnings when the Prase Engineering SpA element of the put option was extinguished.

During the prior 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.

11. Business combinations

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

Subsidiaries acquired:

Acquisition	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
Nimans	Distribution of audio visual products and telephone network services	7 February 2022	100%	27,271
DVS	Distribution of audio visual and security products to trade customers	7 January 2022	65%	12,877
NMK	Distribution of audio visual products to trade customers	1 January 2021	80%	15,463

Trade and assets acquired:

In addition to the acquisition of subsidiaries listed above during 2021 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.

Fair value of consideration transferred 2022	DVS	Nimans
	£'000	£'000
Cash	8,580	16,500
Deferred consideration	4,297	10,771
Total	12,877	27,271

Acquisition costs of £376k were expensed to the income statement during the year in relation to the acquisition of DVS and Nimans. £59k of acquisition costs were expensed to the income statement during the year in relation to acquisitions not completed by the reporting date.

Fair value of acquisitions 2022	DVS	Nimans
	£'000	£'000
Non-current assets		
Goodwill	5,055	8,388
Intangible assets - patents and software	103	-
Intangible assets - brands	1,288	2,950
Intangible assets - customer relationships	799	4,809
Intangible assets - supplier relationships	5,948	8,591
Right of use assets	314	1,610
Property, plant and equipment	242	510
	13,749	26,858
Current assets		
Inventories	6,513	11,815
Trade and other receivables	7,841	15,861
Cash and cash equivalents	643	2,065
	14,997	29,741
Current liabilities		
Trade and other payables	(2,297)	(22,308)
Borrowings and financial liabilities	(4,119)	(275)
Current tax	(142)	-
	(6,558)	(22,583)
Non-current liabilities		
Borrowings and financial liabilities	(256)	(2,039)
Deferred tax	(2,057)	(3,874)
Other provisions	(65)	(832)
	(2,378)	(6,745)
Non-controlling interests	(6,933)	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	12,877	27,271

Goodwill acquired in 2022 relates to the workforce, synergies, sales and purchasing knowledge and experience. Goodwill arising on the DVS and Nimans acquisitions has been allocated to the UK and Ireland segment.

Net cash outflows of acquisitions 2022	DVS	Nimans
	£'000	£'000
Consideration paid in cash	8,580	16,500

Less: cash and cash equivalent balances acquired	(643)	(2,065)
Net cash outflow	<u>7,937</u>	<u>14,435</u>
Plus: borrowings acquired	4,375	2,314
Net debt outflow	<u>12,312</u>	<u>16,749</u>

Post-acquisition contribution 2022

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

	DVS £'000	Nimans £'000
Date acquired	7 Jan	7 Feb
Post-acquisition contribution to Group revenue	38,600	115,055
Post-acquisition contribution to Group profit after tax	762	4,245

Proforma full year contribution 2022

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 2022:

	DVS £'000	Nimans £'000
Date acquired	7 Jan	7 Feb
Post-acquisition contribution to Group revenue ¹	38,600	125,703
Post-acquisition contribution to Group profit after tax ¹	762	4,738

As the acquisition of DVS occurred on 7 January 2022 the acquired subsidiary made a full year contribution to the Group's results for the year. The revenue and profit after tax¹ for the Group would have been no different if the DVS were acquired earlier.

¹These 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 2021

	NMK £'000	eLink £'000	Intro 2020 £'000
Cash	11,350	7,441	702
Deferred contingent consideration	4,113	1,334	-
Total	<u>15,463</u>	<u>8,775</u>	<u>702</u>

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
	<u>14,556</u>	<u>5,975</u>	<u>488</u>
Current assets			
Inventories	2,325	2,800	209
Trade and other receivables	4,673	-	28
Cash and cash equivalents	2,657	-	-
	<u>9,655</u>	<u>2,800</u>	<u>237</u>
Current liabilities			
Trade and other payables	(4,432)	-	(23)
	<u>(4,432)</u>	<u>-</u>	<u>(23)</u>
Non-current liabilities			
Deferred tax	(81)	-	-
Other provisions	(369)	-	-
	<u>(450)</u>	<u>-</u>	<u>-</u>
Non-controlling interests	<u>(3,866)</u>	<u>-</u>	<u>-</u>
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	<u>15,463</u>	<u>8,775</u>	<u>702</u>

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	<u>8,693</u>	<u>7,441</u>	<u>702</u>
Plus: borrowings acquired	-	-	-
Net debt outflow	<u>8,693</u>	<u>7,441</u>	<u>702</u>

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

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 tax¹ for the Group would have been no different if the subsidiaries were acquired earlier.

¹These 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.

12. Dividends

On the 17 June 2022 the Company paid a final dividend of £6,910k. Excluding the effects of waived dividends this equated to 7.80 pence per share. On 25 October 2022 the Company paid an interim dividend of £3,991k. Excluding the effects of waived dividends this equated to 4.50 pence per share. During the prior year the Company paid a special dividend of £2,650k and an interim dividend of £2,918k. Excluding the effects of waived dividends this equated to 3.00 and 3.30 pence per share respectively.

The Board is recommending a final dividend of 10.5 pence per share which, if approved, will be paid on 16 June 2023 to shareholders on the register on 6 May 2023.