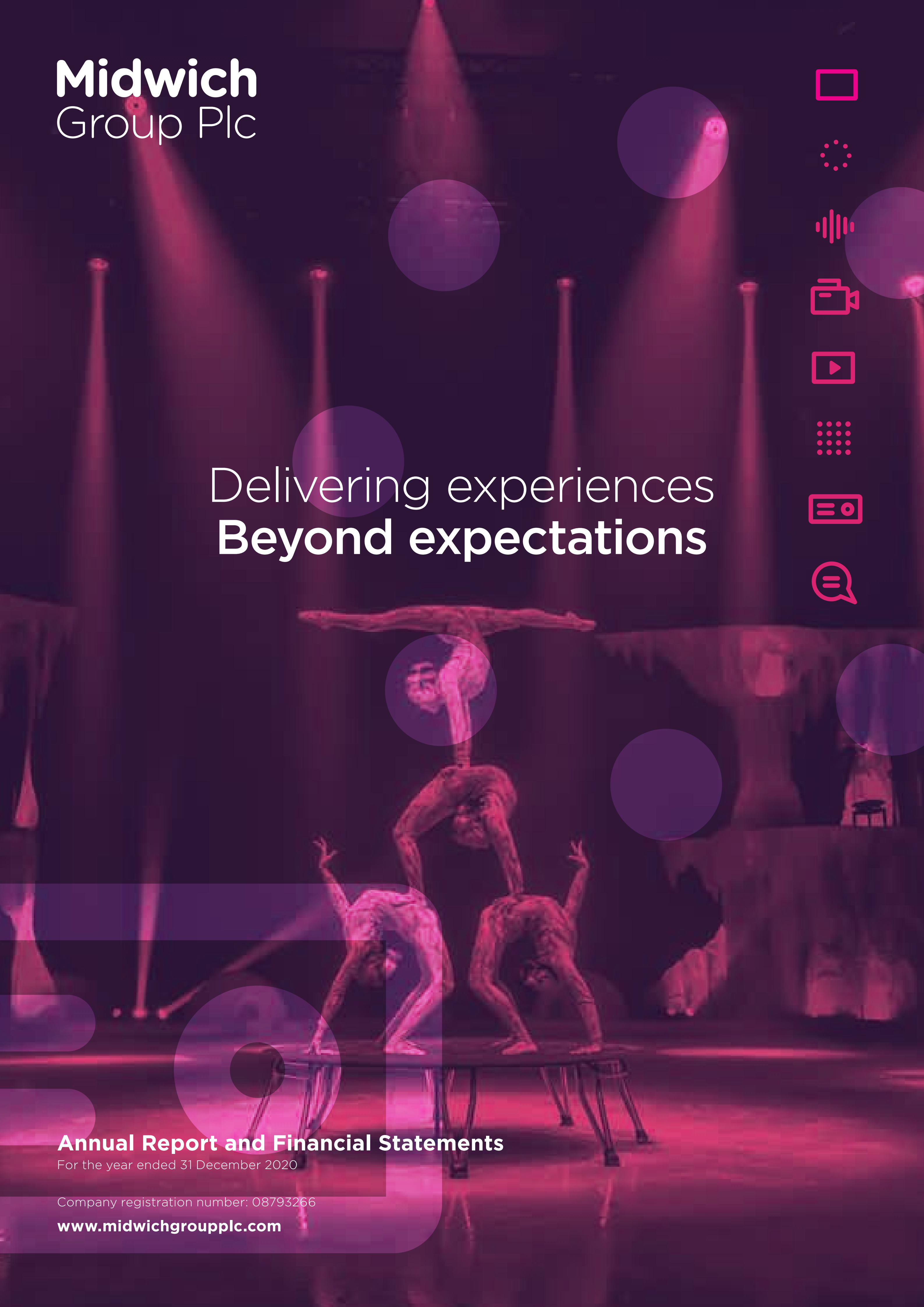


Midwich
Group Plc

Delivering experiences
Beyond expectations

Annual Report and Financial Statements
For the year ended 31 December 2020

Company registration number: 08793266

www.midwichgroupplc.com

MIDWICH GROUP IS A LEADING GLOBAL SPECIALIST AV DISTRIBUTOR TO THE TRADE MARKET

The Group's long-standing relationships with over 500 vendors, including blue-chip organisations, support a comprehensive product portfolio across major audio visual ("AV") categories such as large format displays, projectors, digital signage, unified communications and professional audio. With operations in the UK and Ireland, EMEA, Asia Pacific and North America, the Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

OUR PURPOSE

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

VALUES

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

CULTURE

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

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

FINANCIAL HIGHLIGHTS

STATUTORY MEASURES

Revenue
£712m
2019: £686m

Operating profit
£7.1m
2019: £24.9m

Gross profit
14.3%
2019: 16.5%

Basic EPS
(4.32)p
2019: 21.67p

ADJUSTED PERFORMANCE MEASURES

Adjusted operating profit
£16.5m
2019: £33.5m

Adjusted EBITDA cash conversion
194.4%
2019: 69.5%

Adjusted profit before tax
£14.2m
2019: £31.2m

Adjusted net debt
£21.0m
2019: £53.3m

OPERATIONAL HIGHLIGHTS

- Resilient financial performance – a robust recovery in the second half of the year exceeded the Board's expectations at the start of the pandemic
- Acquisitions made in 2019 and 2020 have been fully integrated and are delivering a positive contribution to the Group
- Entry into the strategically important North American market through the acquisition of Starin Marketing Inc.
- Established specialist unified communications capabilities, including the addition of numerous new vendors
- Successful equity placing and refinancing to fund acquisition investment
- Post-period end, entry into the Middle East market through the acquisition of NMK Group
- Continue to have a strong acquisition pipeline across a number of regions and technologies

See note 1 of the Group financial statements for definitions of non-GAAP measures, and note 26 actual and constant currency exchange rates.

CONTENTS

GROUP AT A GLANCE

INVESTMENT CASE

Experienced team has grown revenue and profit in 14 of the last 15 years. Expertise, focus, strong customer and supplier relationships, and scale in a market expected to grow at an average of 5.8% per annum for the next five years.

Specialist AV offering

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

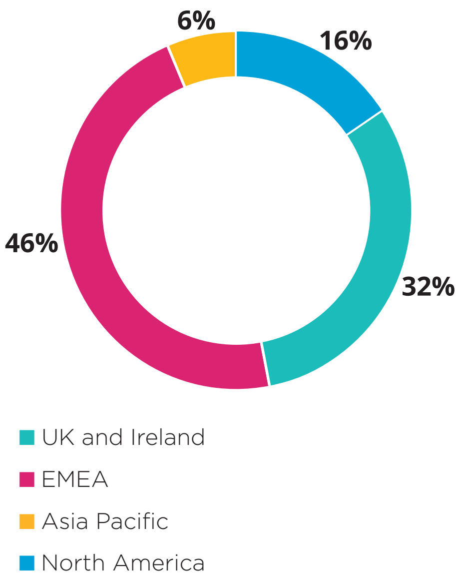
Geographical footprint

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

Buy and grow expertise

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

Revenue split between divisions



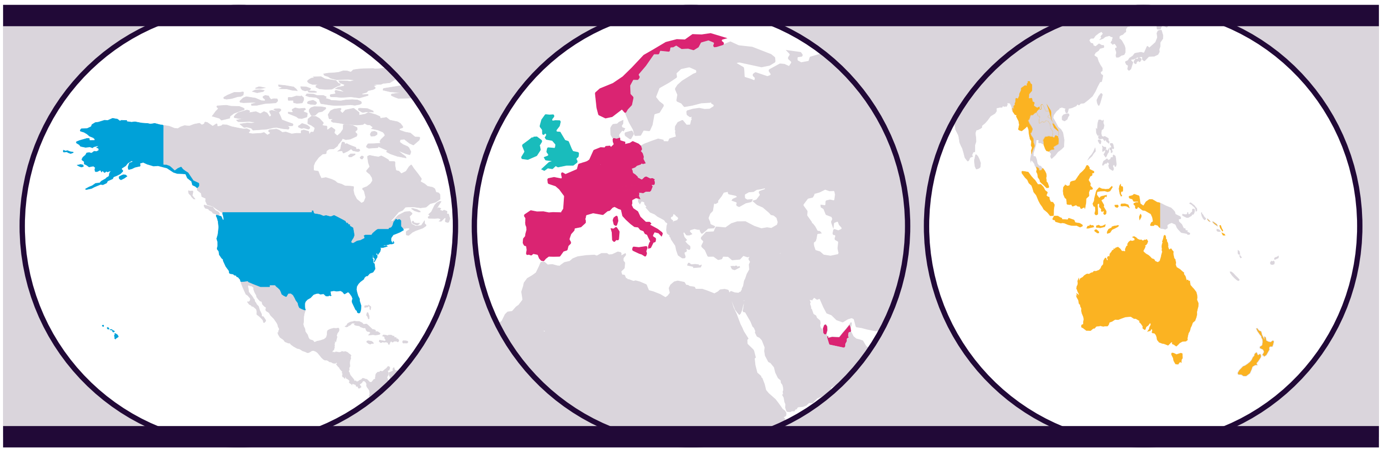
31
Offices/showrooms[1]

20,000+
Customers served

20
Countries of operation[2]

500+
Vendor relationships

1,000+
Staff members



Read more about **Our Marketplace** on page 10

1. Numbers inclusive of NMK Group
2. Includes UAE and Qatar from 2021

COMPREHENSIVE TECHNOLOGY PORTFOLIO

Display

Projection

Technical

Broadcast

Unified Comms

LED

Audio

Lighting

OUR END MARKETS

Corporate

Education

Government

Healthcare

Transportation

Media & Entertainment

Retail

Venues & Events

Hospitality

Residential

PROVEN ACQUISITION CAPABILITY

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

15 acquisitions since IPO

2016
Holdan
UK
Wired
New Zealand

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

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

2019
Mobile Pro
Switzerland
Prase
Italy
AV Partner
Norway
EES
Spain

2020
Starin Marketing
USA
Vantage Systems
Australia

2021
NMK Group
UAE, Qatar


Customer showroom experience at Prase, Italy (pre-pandemic)

COVID-19 STATEMENT

COVID-19 and its impact on our business

The coronavirus pandemic represents the biggest shock known to our business sector. As the crisis unfolded, we took decisive action to protect our teams, preserve cash and support our customers and vendors. These remain our key priorities as the pandemic continues.

Although the economic effect of COVID-19 has been significant across the world, our market strength, combined with the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets have partially mitigated the negative impact on our business, highlighting the strength of our business model.

After the initial fall, Group revenues improved consistently from April, such that the Group's organic revenue decline of 22% in the first half of the year reduced to a 7% decline in the second half of the year. Including the impact of the Starin acquisition, we were pleased to be able to grow Group revenue by 3.7% to £711.8 million for 2020. Adjusted profit before tax for the year was reduced to £14.2 million (2019: £31.2 million) as a direct result of the disruption from COVID-19.

The impact on our strategy

The coronavirus pandemic has shocked the global economy and how we live our lives. However, we believe that the AV industry is well placed for the future and see no overall change in long-term prospects for the market. Although some segments of the market may be slower to recover, other trends have unsurprisingly accelerated, such as the increased adoption of unified communications technology, and our entry into this market through the acquisition of Starin positions the Group well for the future.

Whilst the impact of COVID-19 continues to create short-term uncertainty, the Group's strategy remains focused on markets and product areas where it can leverage its value-add services, technical expertise, and sales and marketing skills. Using its market knowledge and expertise, the Group provides its vendors with support to build and execute plans to grow market share. The Group supports its customers to deliver successful projects, from initial pitch to execution.

A core component of the Group's growth strategy remains further expansion of its international operations and footprint into strategically targeted jurisdictions both organically and through acquisition. After the initial disruption from the pandemic, we resumed our acquisition activity in the second half of the year.

The effect on our end-markets

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

While the Group's system integrator customers initially struggled to undertake typically complex projects due to limited ability to access sites, sales to customers selling online were comparatively strong. Over the second half of the year customers' site access improved and the increased market demand helped the Group improve revenue throughout the period. The disruption to more complex projects and the events market has had an adverse impact on Group margins, although these are anticipated to recover as markets return to normal.

Certain product sets have been impacted in different ways depending on their use. A strong performance was achieved from technologies used to facilitate working from home. Such products include desktop monitors, printers and various associated accessories. Certain broadcast products have also performed well throughout the period, as organisations have invested in technologies which enable better remote communication. Unified communications solutions have performed relatively well, and the Group has sought to maximise the skills and relationships it acquired through the acquisition of Starin in the US in February 2020.

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

How we are responding

Whilst we continue to monitor the pandemic and remain cautious given the return to COVID-19 restrictions in early 2021, we have increasingly shifted our focus to the future. We have launched new vendor relationships and further developed our expertise in the unified communications sector. Our acquisition programme recommenced in the second half of 2020, we acquired NMK Group in early 2021 and we have a number of exciting opportunities in the pipeline across various geographies.

What the long-term future looks like

The Board would like to thank our staff, customers and partners for their incredible support in recent months and looks forward to returning to our previous financial performance as quickly as possible, thereby continuing our long-term growth trajectory.

OUR RESPONSE

Supporting the NHS (or key worker environments)

A large quantity of our products formed part of mission critical installations in the health, defence, education, and emergency services sectors. In 2020 we prioritised orders into key worker sectors, for example, the Nightingale Hospital in Birmingham.

New partnerships

In 2020, the Group not only continued to launch with new vendors during the lockdown period but rolled out existing partnerships and entered new technology areas and geographical markets. Below are just some of the 2020 brands launched or had their reach extended.

Barco ClickShare, Poly, DTEN, Biamp, Netgear, BirdDog, Sure, ZeeVee, Sonos, Huddly, Absen.

Outdoor cinemas

New opportunities in outdoor cinema experiences emerged during the pandemic. Partnering with One Agency, saw the use of AV technology in the creation of Scare City, in Manchester, an immersive drive-in experience watching favourite horror films from the car. Each event was accompanied by professional actors, adding to the bone-chilling outdoor screening.

STEPHEN FENBY
Group Managing Director

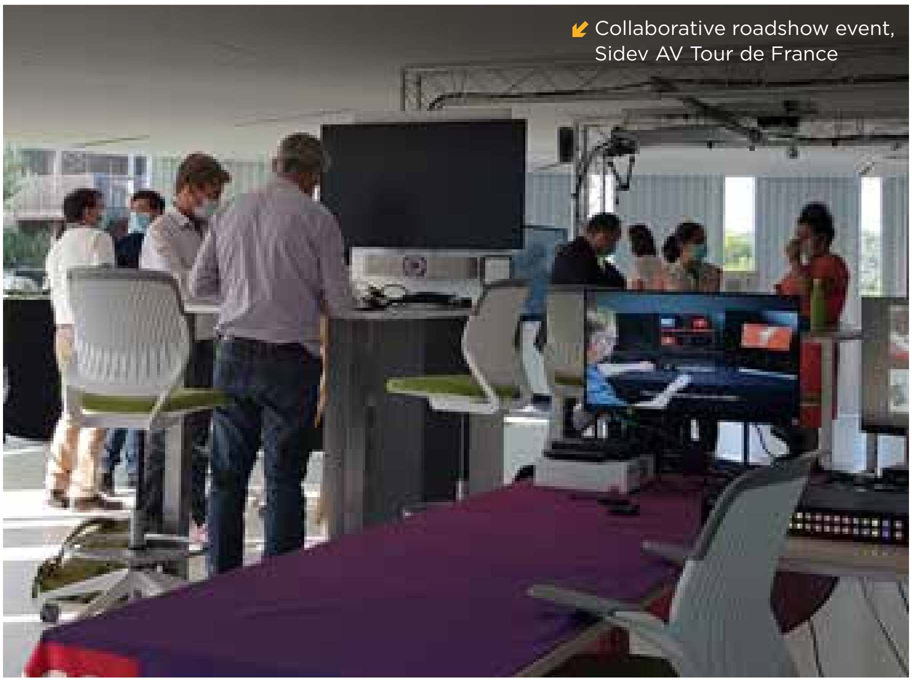
"In a difficult year we have remained resilient, profitable, service driven and continued to pursue our successful long-term strategy."

Read more about the effect of COVID-19 on our **operational performance** on page 22

STEPHEN LAMB
Group Finance Director

"A strong cash performance in 2020 leaves us well placed for the recovery."

Read more about the effect of COVID-19 on our **financial performance** on page 26



Collaborative roadshow event, Sidev AV Tour de France

CHAIRMAN'S STATEMENT

Andrew Herbert, Chairman

Whilst the pandemic was a major focus in 2020, I am pleased that the Group was able to achieve further strategic milestones.

In an unprecedented year, I am delighted that we achieved record revenue of £711.8 million, 3.7% ahead of the prior year. Against the backdrop of the global pandemic, we demonstrated resilience in achieving a robust and progressive recovery in revenue throughout the second half of the year. A strong close to the year saw the Group exceed the Board's expectations for full year revenue and adjusted profit while also delivering a significant reduction in net debt, maintaining the financial flexibility of the Group.

At the start of the pandemic, we took early and decisive action to address the emerging risks posed by COVID-19, including protecting our teams, preparing all staff for remote working, supporting our customers and vendors and preserving cash and liquidity. Countries and economies were affected by lockdowns and other restrictions at different times during the year and the Group was able to respond quickly and adapt to the changes in market needs. Our strong AV market position, combined with the diversity of our Group in terms of geographical spread, vendor breadth, technology focus and end user markets have partially mitigated the negative impact of the crisis.

Our response to the pandemic required the Board to make some difficult decisions during the year, including the use of furlough schemes and part-time working, salary reductions and a small number of headcount reductions. Given the use of government support to help retain jobs and a focus on the preservation of cash we also determined that the Group would not pay dividends in 2020. The Board is conscious of the impact of this decision on shareholders, including the majority of our staff who own shares in the Group, and is committed to reinstating dividend payments when appropriate.

Whilst the pandemic was a major focus in 2020, I am pleased that the Group was able to achieve further strategic milestones:

The Group's acquisition of Starin Marketing Inc. ("Starin"), in February 2020, represented our entry into North America, the world's largest AV market. Starin is a value added AV distributor with a reputation for technical excellence and a high level of customer support. Since the acquisition, Midwich has helped Starin to accelerate its development by strengthening its sales and business management capabilities, releasing significant cash invested in working capital and exiting lower margin activities to focus on high growth and higher margin market segments. Starin has brought expert knowledge of the unified communications ("UC") market to the wider Group and supported the addition of multiple UC vendors to the Group's portfolio.

During 2020, we further expanded our vendor relationships in support of our long-term organic growth objectives. New brands added in the year included Barco ClickShare, Poly, DTEN and Huddly and the Group also launched a Hardware as a Service ("HaaS") solution to help channel partners to offer the latest UC technology to their customers, without the requirement for substantial upfront outlay.

After the period end, we completed the acquisition of a majority stake in NMK Electronics ENT. ("NMK Group"). Based in the UAE and Qatar, NMK Group is a value-added distributor of AV products and represents the Group's entry into the Middle Eastern market, one of the fastest growing AV markets in the world. The deal further expands the Group's geographical footprint, enabling it to extend the support it can provide to customers and vendors internationally.

The pandemic has caused significant disruption to our end user markets. Although the business has seen the benefit of increased investment in remote working and teaching, we have been negatively impacted by the discontinuation of live events and conferences in many countries. Both the AV industry and our customers have demonstrated agility in switching activity to the areas of demand during the pandemic, and industry data continues to show long-term growth in demand for AV products; exceeding GDP growth.


Innovation House, Bracknell, UK

"The Board attributes our robust performance through this challenging year to continued focus on service, looking after our teams and continuing to pursue our strategic goals. We believe that the business is well positioned for the future."

The Board attributes our robust performance through this challenging year to continued focus on service, looking after our teams and continuing to pursue our strategic goals. We believe that the business is well positioned for the future.

Board

Membership of the Board has remained stable throughout the year and we adapted to the use of unified communications for both our AGM and our Board and committee meetings. Reflecting the challenging global backdrop, the Board met more frequently 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 2020, reinforcing our commitment to, and success in, establishing a strong corporate governance framework. We took the opportunity of this review to confirm strong and effective governance and reaffirmed the role of the Board and its individual members in ensuring compliance with the QCA code. There were no major issues or concerns raised about the effectiveness of the Board or its individual members.

For a number of years, the Group has acted to reduce its environmental impact. This year the Board has chosen to formalise its focus on sustainability by asking Hilary Wright to be the non-executive director with particular responsibility for Environmental, Social and Governance ("ESG") matters and through the introduction of our first environmental targets for the Group.

The Group continues to apply the QCA code as its governance framework. The Board has reviewed all aspects of compliance and continues to believe that it meets or exceeds the requirements of the code. Over the last few years, we have enhanced our reporting by including a detailed Directors' Remuneration Report and ESG information. We also chose to introduce an annual advisory vote on the Directors' Remuneration Report.

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

People

The success of any company is down to the quality of its leadership and its people. The team at Midwich has demonstrated immense skill, commitment, drive and resilience over the last twelve months. Our people have adapted incredibly well to each and every challenge without sacrificing quality of service or losing their enthusiasm. I recognise the sacrifices made by our teams in responding to the pandemic and strongly believe that we have the best team in the industry and are well positioned for future growth.

During 2020, the Board has welcomed the opportunity to interact with the Executive Leadership Team ("ELT"), which comprises the executive directors together with the managing directors of our key operating units. We have been delighted with the ELT's success in delivering strategic goals at the same time as leading the Group's operational response to COVID-19. 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

Case study

Lighting for Circo de Halo 2 show

EES, our Spanish distributor, worked with lighting designer Juanjo Llorens who designed the latest winter show from Madrid-based Productores de Sonrisas (Smile Producers), creators of large-scale multidisciplined extravaganzas like Circo de Los Horrores.

The newest arena show, directed by Suso Silva, played in a bespoke 1,800-capacity circular tent erected for the production at IFEMA Madrid. The show combined premium ice skating with acrobatics, breathtaking stunts – including a skater fighting with a violinist playing live – and was filled with theatricality, live music and incredible visuals! Juanjo worked with the EES team to identify the best solution and chose 40 x Robe LEDBeam 150s, 24 x MegaPointe and 24 x Spiider moving lights to be central to his lighting rig for this project.

> “EES provided the best lighting solutions for the show, helping to deliver breath taking results.”

Strategic report

MARKETPLACE

Our addressable market in professional audio visual solutions covers areas such as sound, video and lighting. These solutions are prevalent and relied upon in many areas of daily life – at home, in transit, at the workplace, in education and in a wide range of retail, leisure and recreational uses.

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

KEY TRENDS IN THE AV MARKET

Growing use of AV products and technology

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

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

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

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

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

Fundamentally, we believe that the multiple demand drivers for AV solutions have an appeal in periods of economic growth and more challenging times. Even during the unprecedented disruption from COVID-19, AV market demand has remained robust with Group revenue growing by 3.7% in 2020.

Industry forecasts indicate that the global market for AV is expected to grow at a compound annual growth rate of 5.8% over the five years to 2025.

How we're responding

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

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

The Group has a long-standing programme of supplementing its organic growth with the acquisition of smaller businesses which provide it with access to new products, sectors and geographical markets. Our general strategy is to acquire businesses which not only add to the Group's capabilities, but which provide exciting opportunities for growth and widen our addressable market. We continue to have significant success with this strategy.

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

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

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

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

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

In addition, the distribution model helps AV integrators develop the right solutions for their customers, which are often made up of products from multiple vendors. This enhances the growth of the overall AV industry and increases customer satisfaction. It also allows the distributor to share.

broad market feedback with the manufactures which helps inform long-term product development.

How we're responding

The Group's long-standing relationships with over 500 vendors, including blue-chip organisations such as Samsung, LG, Epson and SMART, supports a comprehensive product portfolio across major audio-visual categories such as large format displays, projectors, technical and professional video, audio and digital signage. The Group operates as the sole or largest in-country distributor for many of its vendors in their respective product sets. We attribute this position to the Group's technical expertise, extensive product knowledge, focused sales capability and strong customer service offering built up over many years.

The Group offers a range of support to our customers, including demonstrating products, training their staff, providing technical advice, logistics, and post-sales support. We have a large and diverse base of over 20,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality.

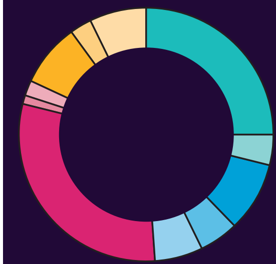
5.8%

Annual expected AV market growth to 2025

Source: AVIXA 2020

OUR END USER MARKETS

Our customers are primarily installers and resellers of AV equipment into the pro AV market. This market addresses a number of segments covering a very broad range of end user markets. We believe that in 2020 these segments represented the following proportions of our business:



- Corporate 25%
- Venues and events 4%
- Media and entertainment 9%
- Retail 5%
- Others 6%
- Education 30%
- Residential 1%
- Transportation 2%
- Government and military 8%
- Hospitality 3%
- Healthcare 7%

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

EDUCATION

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

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

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

CORPORATE

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

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

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

THE VALUE CHAIN

THE AV EQUIPMENT VALUE CHAIN

Midwich Group is part of a larger value chain in the AV equipment industry. This is shown below, along with the value exchange between each member of the value chain.

VALUE EXCHANGE

VALUE EXCHANGE

AV manufacturers

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

Midwich Group

Midwich Group distributes AV products to the trade market.

Value that AV manufacturers get from Midwich:

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

Value that Midwich gets from AV manufacturers:

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

Value that the trade market gets from Midwich:

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

Value that Midwich gets from the trade market:

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

VALUE EXCHANGE

Trade market

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

End users

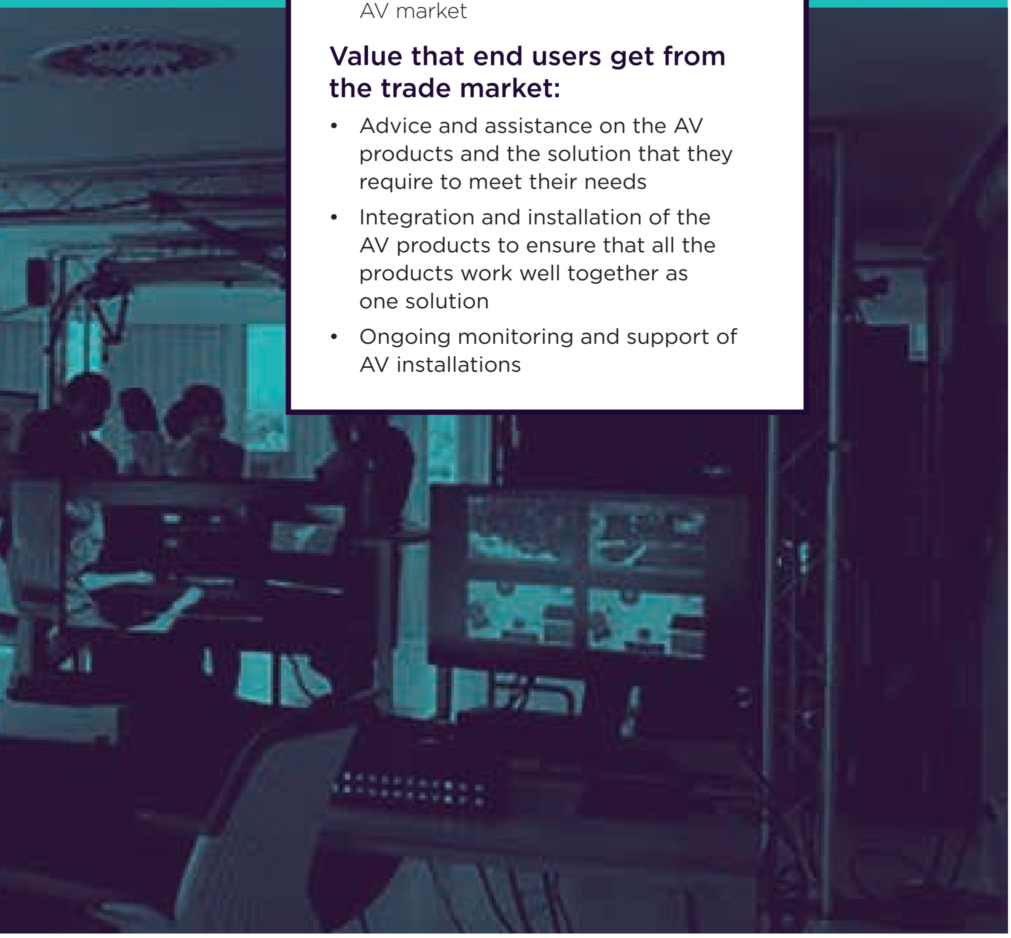
End users of AV products broadly cover the corporate, events, government, education, retail, hospitality, healthcare and residential markets.

Value that trade market gets from end users:

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

Value that end users get from the trade market:

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



CASE STUDY

Technological innovation – successful renovation of 'El Beatriz'

El Beatriz, an emblematic building in the city of Madrid, recently underwent a comprehensive renovation of its architecture, design and installations in order to strengthen its positioning as the "Perfect venue for holding professional events providing the highest levels of comfort, technology and exclusiveness."

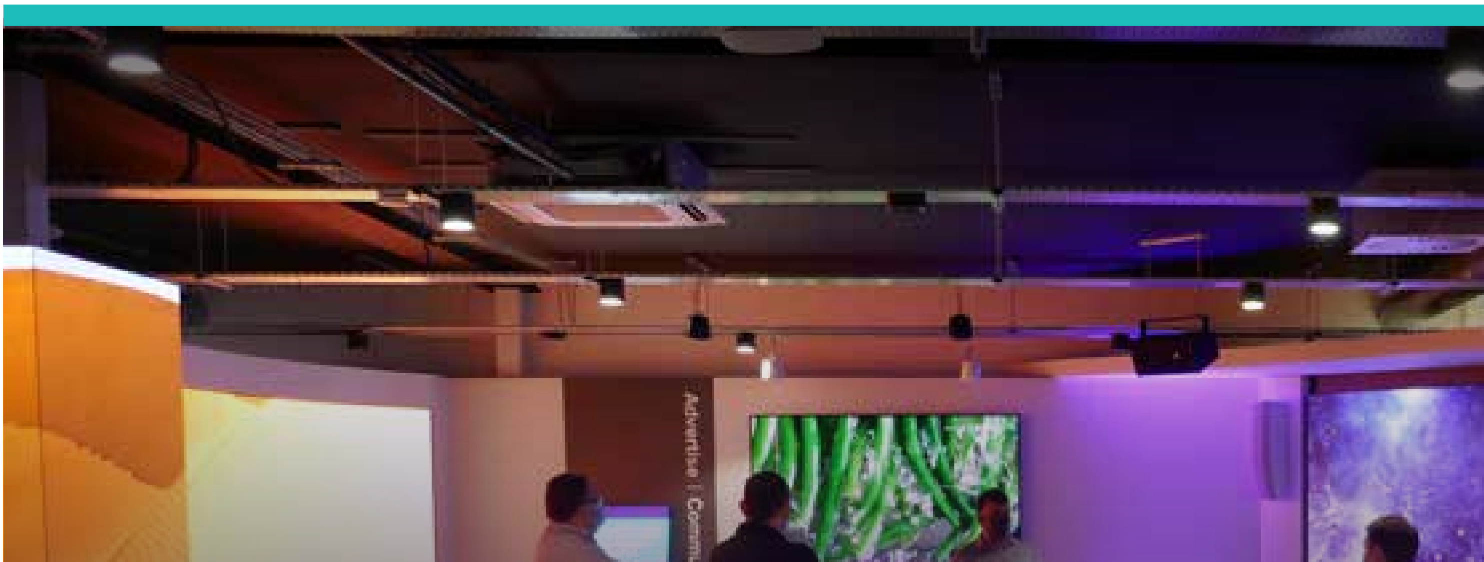
One of the highlights of the building's facilities is the remodelled El Beatriz Madrid, with approximately 300m^2 of floorspace and seating for 192 people. To carry out its renovation, the managers of El Beatriz chose Telesonic S.A.U. which, with the support of EARPRO, designed and installed a conference, microphone and simultaneous interpretation system, capable of meeting and exceeding the highest expectations in terms of performance, quality and aesthetics.

BUSINESS MODEL

MARKET-LEADING SPECIALIST VALUE ADDED AV DISTRIBUTION

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

KEY RESOURCES AND CAPABILITIES



Market-leading AV vendor portfolio

Resource

The Group operates as the sole or largest in-country distributor for many of its 500+ vendors in their respective product sets. We believe this is the largest global vendor portfolio in the AV market, a position that has been built over many years through our technical expertise, extensive product knowledge, focused sales capability and strong customer service offering.

Benefits

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

Opportunities

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

Strong relationships with a broad range of focused AV customers

Resource

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

Benefits

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

Opportunities

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

Proven ability to successfully acquire, integrate and grow businesses

Resource

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

Benefits

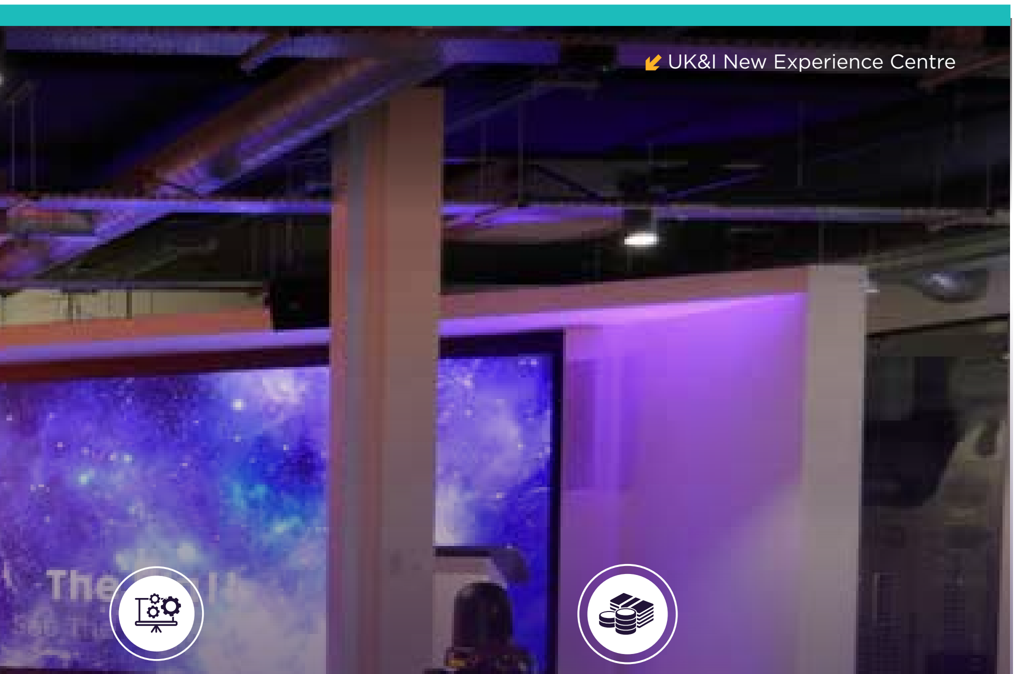
The Group uses acquisition to quickly gain access to relevant and attractive new geographical and product markets. An effective acquisition process reduces the risk of failed acquisitions and management distraction. The Group's reputation as a trustworthy potential partner make it an attractive prospect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

Opportunities

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

WHAT MAKES US DIFFERENT?

- Our industry expertise allows us to specialise and add value to both our vendors and our customers
- Our global footprint makes us the largest specialist AV distributor in the world
- Our approach to acquisitions creates scale and growth in value whilst retaining entrepreneurial spirit



UK&I New Experience Centre

Depth of up-to-date market knowledge

Resource

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

Benefits

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

Opportunities

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

Financial strength

Resource

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

Benefits

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

Opportunities

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

VALUE GENERATED

Trade customers

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

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

AV manufacturers

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

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

Employees

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

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

Shareholders

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

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

STRATEGY

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

Our primary focus is on organic growth supplemented by acquisition of businesses in new geographical or product markets. Where we acquire, it is always with a plan for how we can help that business to grow and be more successful. The Group takes a disciplined approach to acquisitions, seeking to add capital value without an adverse impact on the existing business. We have a strong ongoing pipeline of opportunities.

OUR THREE STRATEGIC AREAS

SPECIALISATION

Why?
- Relevance
- Profitability
- Defensibility

How?
- Portfolio management
- Acquisition
- Values and services

Success Measures
- Growth in technical product sales
- Long-term growth in gross profit margin

GEOGRAPHICAL COVERAGE

Why?
- Support
- Projects
- Share of wallet

How?
- Acquisition
- Investment

Success Measures
- Number of territories
- Market presence
- Number of customers

SCALE

Why?
- Efficiency
- Profitability
- Cross selling

How?
- Focus
- Sharing expertise
- Referral
- Acquisition

Success Measures
- EBIT % growth
- Growth in acquired companies
- Product offering

STRATEGY IN ACTION

Risk Mitigation

- Staff safety
- Working capital management
- Overhead control
- Keeping customer service and vendor support as high as possible
- Secure funding arrangements
- Cease discretionary capital spend

OUR SHORT-TERM STRATEGIC FOCUS

Recovering from COVID-19

Our focus has been on mitigating short-term risk whilst also positioning the business for the future. Our assessment is that the opportunity for Midwich in the AV market remains as strong as ever.

Recovery

- Planning for short to medium-term business development
- New vendor acquisition and launch
- Launch of "as a service" model
- Bring people back to work and into offices safely
- Continue to focus on working capital – particularly inventory management
- Resume M&A programme and selective CapEx

CASE STUDY

Travel hub transformation takes flight

A vast digital canvas at the centre of Edinburgh Airport's multimillion-pound redevelopment project is transforming the check-in hall by quickly and seamlessly delivering important information to travellers.

Traditional check-in desks at Edinburgh Airport have been replaced by an 85m visually striking self-check-in LED environment, ensuring wayfinding, flight information and marketing visuals are clearly visible from anywhere in the hall.

As part of a long-term expansion and modernisation plan, Edinburgh Airports Limited (EAL) has completed a multimillion-pound redevelopment of the check-in facility featuring a baggage carousel display spanning the full length of the hall enhanced by innovative self-service technology.

Completed in March 2020 in just over five weeks, the team behind the ambitious project endeavoured to integrate a flexible wayfinding and flight information display solution. From the outset, nuVIDEO worked with our Midwich team and PSCo (part of the Midwich Group) to ensure everything was in place to facilitate an installation that would be seen by millions of travellers.

> "nuVIDEO worked with our Midwich team to ensure everything was in place to facilitate an installation that would be seen by millions of travellers."

A critical use of innovation

The redevelopment project's success lies in its ability to harness the power of technology to help achieve the airport's vision of creating a multi-airline self-bag drop facility that enhances the airport experience for passengers by reducing bag drop times, informing customers of new check-in processes and providing pertinent information regarding their journey.

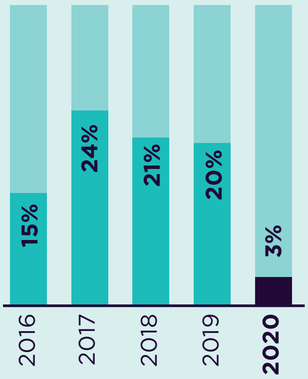
This has been particularly crucial in enabling Edinburgh Airport to operate safely throughout the coronavirus pandemic, engaging with customers on a scale previously not possible, to deliver clear and concise information on new procedures and local restrictions.

In a busy and constantly changing environment such as an airport, using LED as a canvas for digital signage supported by reliable processing systems can be a powerful tool to engage travellers and deliver targeted and meaningful messaging.

KEY PERFORMANCE INDICATORS

How we performed in 2020

1



REVENUE GROWTH

3%

Change in total revenue vs prior year at constant currency.

Why we use this measure

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

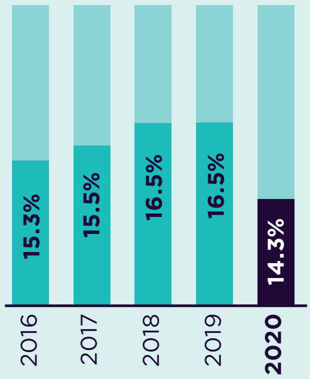
Performance

Despite the global disruption from COVID-19 during the year, the Group continued to grow in 2020 with total growth of 3.3% (CFX). Whilst the pandemic slowed organic growth, a good recovery in the second half of the year combined with a strong contribution from acquisitions made in 2019 and 2020 allowed the Group to maintain its record of long-term growth.

Target

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

2



GROSS MARGIN

14.3%

Gross profit as a percentage of revenue.

Why we use this measure

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

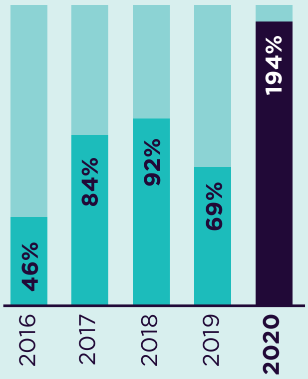
Performance

In 2020, COVID-19 caused significant disruption to many of our end user markets. This was felt particularly hard in some of the higher margin value add areas, such as live events and corporate infrastructure investments. Despite this, the Group was pleased with the gross margin performance and is well positioned for gross margins to recover as activity returns to normal.

Target

Maintain or increase gross margin each year.

3



CASH FLOW CONVERSION

194%

Adjusted operating cash flow as a percentage of adjusted EBITDA.

Why we use this measure

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

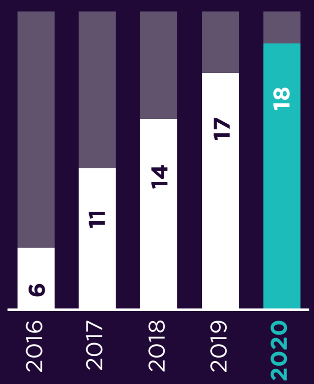
Performance

The Group had a tight focus on working capital and cash in 2020 and was able to substantially reduce its net debt during the year. Not only does this demonstrate the resilience of the Group's business model but also positions the Group well to invest in future growth.

Target

Over 70% of EBITDA.

4



COUNTRIES WITH A PRESENCE

18

The number of countries in which the Group has operations.

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

Performance
The Group continued to increase its international presence in 2020, entering the North American market through the acquisition of Starin, which gave us a presence in the world's largest AV market and increases our direct representation in the global AV market to over 50%. After the period end the acquisition of NMK Group in the Middle East gives us a presence in all the major global AV regions and increases the number of countries where we operate to 20.

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


AV in one of three COMBO globetrotting hostels in Venice, Milan and Turin.

MANAGING DIRECTOR'S REVIEW

Stephen Fenby

"2020 was a challenging year for everyone and I would like to take this opportunity to thank all of our employees, partners and suppliers for their tireless hard work and continued support. We delivered a robust performance in the year, thanks to our proven business model and our position as a true value add distributor in the global AV market."

MANAGING DIRECTOR'S Q&A ON 2020

Q How has the past year been for Midwich?

A In 2020 the world economy, the AV industry and our business faced unprecedented challenges. Changes to how people interact, work, travel and spend their leisure time have often been significant and sudden. Against this background our people and business have responded well – adapting to how we work, communicate with each other, our customers and vendors, and how we continue to deliver a consistently excellent service. We believe our market share has grown in each of our major territories – reflecting the strength of our offering and the support we have continued to give our customers and vendors in challenging times.

With our comprehensive product offering and geographical reach the business has been able to maximise the opportunities that have been available to us in 2020 – focusing particularly on those end user markets that have been strong through the pandemic. Group revenue increased in the year, with the contribution from Starin more than compensating for challenges in other markets.

Whilst dealing with short-term challenges, the business has not lost focus on our longer-term strategies and plans. For example, we have taken on an unprecedented number of new vendor relationships, and expanded our footprint through the acquisition of Starin in the US in February 2020 and NMK after the year end.

Despite the pandemic, I feel that Midwich has had one of our most successful years.

Q What impact has COVID-19 had on Midwich's performance?

A The COVID 19 pandemic has impacted many of our end user markets – mostly negatively, but in some cases positively. Generally, lower end user demand had an impact on our revenues, which in turn reduced the volume of purchases we made from vendors. Lower purchase levels can have an impact on our ability to hit rebate targets, to obtain special pricing support from manufacturers, and reduces volume discounts. In addition, additional price competition can reduce selling prices, particularly in mainstream products. These factors have all contributed to generally lower margins, but should be reversed once volumes build back.

The mix of sales has also been impacted by the pandemic. In particular, end user markets in the events, leisure and hospitality sectors were depressed for the majority of 2020. These markets often use more specialist, (and hence higher margin) products, particularly in the technical video, audio and lighting technology areas.

With lower revenues and gross profits, we took actions to realign our cost base. Our focus was to reduce discretionary spend whilst seeking to maintain our market-leading team. We reduced recruitment and most leavers were not replaced. The Group took advantage of government job support funding where appropriate.

The Group remained profitable in 2020, with adjusted profit before tax falling to just under half the level achieved in 2019. In its 41-year history Midwich has never had a loss making year[1].

In addition to maximising profitability, we focused heavily on managing our cash flow. The rapid decline in trade in the spring of 2020 meant that we needed to give particular focus to managing inventory levels, supplier payments and customer receipts. We made very good progress in working capital management, with the result that our net debt reduced significantly over the course of the year.

Q Has COVID-19 impacted your strategy moving forward?

A Since the start of the COVID-19 crisis we have kept our long-term strategy under constant review. In particular, we have been seeking to identify areas of risk with our previous strategy, and whether we need to fundamentally refocus onto new product, end user or geographical market areas. We have taken note of industry research, including an Avixa report published in July 2020, which suggested that after a decline in 2020, the global AV market is expected to grow at a compound annual rate of 5.8% for the next five years. Overall, we have concluded that the changes we have seen in the market were either an acceleration of changes that were already happening, fall within our current focus areas or appear to be short term in nature. As such, we have not fundamentally changed our focus on increasing specialisation, expanding our geographical footprint and growing our scale.

Q What does the future look like for Midwich?

A The global AV market was believed by Avixa to be worth $239bn in 2020 and will grow at 5.8% per annum for the next five years. Midwich is a major player in the market, with a focused, skilled and experienced team. With revenue representing under 1% of the world market and operations in just 20 countries we are well placed to capitalise on the long-term growth prospects of the market.

In the short term, we expect that severe COVID lockdowns in many key markets will suppress our potential in at least the first half of 2021. Should vaccination programmes develop as hoped, and general economic conditions improve, we would expect to see a return to normal levels of trade in the second half of 2021.

1. Based on adjusted operating profit.

Keeping in touch during the pandemic

CASE STUDY

Mercedes-Benz Fashion Week Madrid – the show goes on

The new edition of the Mercedes-Benz Fashion Week Madrid (MBFWM) has celebrated its first hybrid edition marked by strict security measures and capacity control.

Our specialist lighting distributor EES, located in Spain, worked closely with Fluge, their reseller partner, to support this hybrid format; the first of its kind. This new edition of the Mercedes-Benz Fashion Week, held in Madrid, once again counted on designer Juanjo Saunier as master of ceremonies. Saunier works to programme, illuminate and make the event as spectacular as the usual in-person fashion shows through designing a digital experience.

Saunier's challenge was to create lighting designs that allowed each of the shows to look different as part of the requirements of a new digital era. The Midwich Group company EES was honoured to be able to support the partners of this iconic fashion show, together with its creators and the show's commitment to 'hybridisation' and 'digitisation' have resulted in its success.

OPERATIONAL REVIEW

Overview

In 2020 the world economy, the AV industry and our business faced unprecedented challenges. Changes to how people interact, work, travel and spend their leisure time have often been significant and sudden. Against this background, our people and business have responded brilliantly – adapting to how we work and communicate with each other, and how we continue to deliver a consistently excellent service.

Despite the negative financial impact of the pandemic, Midwich has had one of its most successful years – building on its market position and pursuing our long-term goals.

Revenue growth in a challenging market

Group revenue increased by 3.7% in the year, with the contribution from Starin since February 2020 more than compensating for challenges in other markets. The Group's comprehensive product offering, and geographical reach have enabled us to capitalise on those opportunities that were available to us in 2020.

We believe our market share has grown in each of our major territories – reflecting the strength of our offering and the support we have continued to give our customers and vendors in challenging times.

Impact on end-user markets

The COVID-19 pandemic has impacted many of our end user markets – mostly negatively, but in some cases positively. Our two largest end user markets are education and corporate. The education market was relatively robust in 2020, with government spend remaining strong. We saw an increase in demand for technologies to enable combined remote and in-class teaching. The corporate market was impacted in the year as businesses assess their future office strategies. Nonetheless, we remain comfortable that our technology portfolio will form an important part of future office strategies – for example to enable closer collaboration or remote communication.

End user markets such as events, leisure and hospitality have continued to be severely impacted, but are expected to recover once people are able to mix freely again.

Short-term impact on gross margins

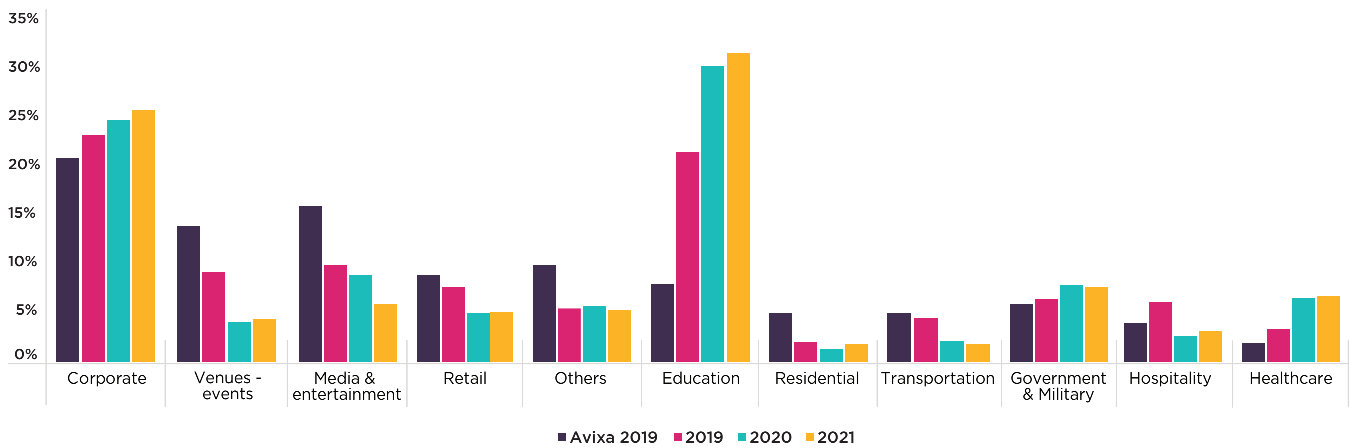
Generally lower end user demand had an impact on our revenues, which in turn reduced the volume of purchases we made from vendors. Lower purchase levels can have an impact on our ability to hit rebate targets, to obtain special pricing support from manufacturers, and reduces volume discounts. In addition, greater price competition can reduce selling prices, particularly in mainstream products. These factors have all contributed to generally lower margins, but should be reversed once volumes build back.

The mix of sales has also been impacted by the pandemic. In particular, the depressed events, leisure and hospitality sectors often use more specialist, (and hence higher margin) products, particularly in the technical video, audio and lighting technology areas. During the year, we reviewed our policy of applying fixed percentage write-downs to our stock as it ages. Given the temporary disruption to end user markets, many current and viable products would have become fully written down, which would not reflect the recoverable value of such items, as such, the time to full write-down was extended. At the end of the year the Group had a stock provision of £23.8 million (22% of cost) compared to £13.3 million at the end of the prior year (13%). Had the Group maintained the previous percentages, the inventory write-down would have been £6.5m higher as at 31 December 2020.

Managing costs without damaging the business

With lower revenues and gross profits, we took actions to realign our cost base. Our focus was to reduce discretionary spend whilst seeking to maintain our market-leading team. We reduced recruitment and most leavers were not replaced. The Group took advantage of government job support funding where appropriate, receiving approximately £2.8 million in UK&I and about half this amount across other regions.

Estimated split of pro AV revenue by end user market



Source: AVIXA/Company 2020

Profitability and cash generation

The Group remained profitable in 2020[1], with adjusted profit before tax falling to just under half the level achieved in 2019. In its 41-year history Midwich has never had a loss-making year at the adjusted operating profit level and I am pleased that this still continues to be the case.

In addition to maximising profitability, we focused heavily on managing our cash flow. The rapid decline in trade in the spring of 2020 meant that we needed to give particular focus to managing inventory levels, provisions, supplier payments and customer receipts. We made very good progress in working capital management, with the result that our net debt reduced significantly over the course of the year.

1. Based on adjusted operating profit

Group strategy remains unchanged

Since the start of the COVID-19 crisis we have kept our long-term strategy under constant review. In particular, we have been seeking to identify areas of risk with our previous strategy, and whether we need to fundamentally refocus onto new product, end user or geographical market areas. We have taken note of industry research, including an Avixa report published in July 2020, which suggested that after a decline in 2020, the global AV market is expected to grow at a compound annual rate of 5.8% for the next five years. Overall, we concluded that the changes we have seen in the market were either an acceleration of changes that were already happening, fall within our current focus areas or appear to be short-term in nature. As such, we have not fundamentally changed our focus on increasing specialisation, expanding our geographical footprint and growing our scale.

Whilst dealing with short-term challenges, we have continued to focus on our longer-term strategies and plans. For example, we have taken on an unprecedented number of new vendor relationships, and expanded our footprint through the acquisition of Starin in the US in February 2020 and NMK in the Middle East at the end of the year.

Technologies[2]

In broad terms, we categorise our products into mainstream and specialist categories. Mainstream products cover displays and projectors, which comprised an aggregate of 54% of Group revenue in 2020 (57% in 2019). 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 38% of total sales in 2020 compared with 36% in 2019.

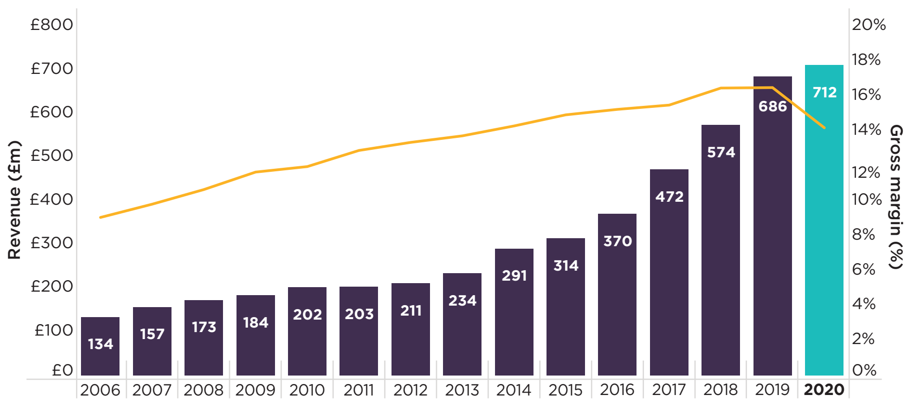
Our largest technology area is displays, a category which has been growing for a number of years but actually fell by 14% in 2020. The fall was particularly pronounced in UK&I, and was mitigated in part by a growth in display sales in EMEA. Displays represented 37% of Group revenue in 2020 (2019 40%). We believe that the fall in our displays business was less than that of the overall market in our key territories.

Revenue from projector sales fell by 7% in 2020, with the UK&I reduction being the most significant amongst our territories. Whilst the overall projector market continues to be impacted by a shift towards displays, we believe that we gained market share in high-end projection and are well positioned for the expected recovery in demand in this area. Mainstream product categories tend to see greater price competition, which was a factor in lower gross margins across displays and projection in the year.

Sales in our technical product categories were broadly flat cross the year. However, this was a combination of significant growth in the broadcast business (particularly in streaming and pro video solutions), in technical AV products (including unified communications products) and significant falls in audio and lighting (caused by lower demand in the events and hospitality markets).

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

Long track record of accretive delivery



Global AV market expected to decline by 8% in 2020, return to 2019 levels by 2022 and then grow to $315bn by 2025 (five year CAGR 5.8%)

Source: Company 2020

Outlook

Despite the short-term impact of the pandemic, we have continued to pursue our long-term strategic goals with the result that I believe the business is in a stronger market position at the end of 2020 than it was at the beginning.

The global AV market was believed by Avixa to be worth $239bn in 2020 and will grow at 5.8% per annum for the next five years to reach $315 billion in 2025. Midwich is a major player in the market, with a focused, skilled and experienced team. With revenue representing under 1% of the world market and operations in just 20 countries we are well placed to capitalise on the long-term growth prospects of the market.

In the short term, we expect that severe COVID lockdowns in many key markets will suppress our potential in at least the first half of 2021. Should vaccination programmes develop as hoped, and general economic conditions improve, we expect to see a return towards normal levels of trade in the second half of 2021.

OPERATIONAL REVIEW CONTINUED

UK & IRELAND

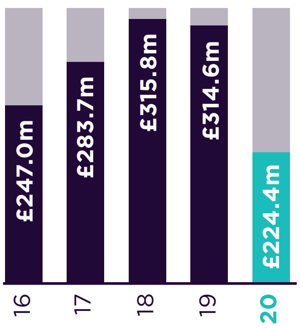
The UK is the Group's single largest territory by revenue, profit and headcount, and addresses multiple markets with many different product sets. As such, general economic conditions tend to have a more significant impact on the UK business than in other countries where the Group has a relatively smaller market share. Like other regions, the impact of COVID-19 on the UK business was initially significant but trading steadily improved as the year progressed.

We achieved revenue of £224.4 million in the region (2019: £314.6 million) whilst margins declined to 14.0% (2019: 17.6%). The change in margin reflects both a change in mix, as higher margin value added projects and our rental business were most affected by the COVID-19 restrictions, and a reduction in vendor rebates, as the level of purchasing activity was reduced in the year. The Board expects gross margins to recover as normal economic activity resumes.

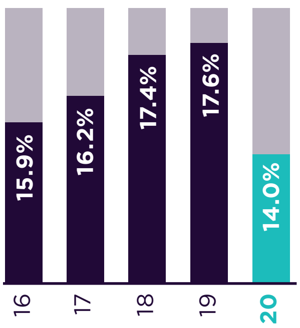
In response to the pandemic we acted to reduce costs, including reductions in salaries, bonuses and discretionary expenditure. In addition, UK&I received £2.8 million from government schemes towards enhanced furlough payments and offered flexible working to its team members. These actions allowed us to limit headcount reductions to a relatively small number and ensure that the business is well positioned for the anticipated recovery.

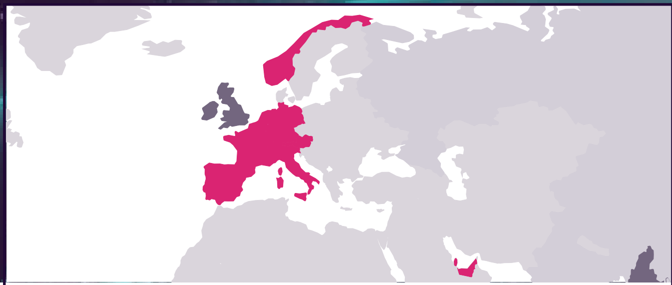
The overall revenue reduction of around 30% was reflected across most product categories, reflecting a general drop in the market. Professional audio and lighting were impacted to a greater degree due to the virtual cessation of the events and entertainment markets in the region during 2020. Strong performance was seen in the smaller categories of document solutions (as consumers set themselves up to work from home) and also consumer audio sold through online retailers.

£224.4m
Revenue



14.0%
Gross margin





EMEA

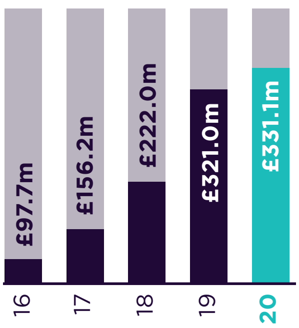
The EMEA region comprises our businesses in France, Germany, Switzerland, Benelux, Norway, Italy and Iberia and will include activities in the Middle East from 2021.

Despite the adverse impact from COVID-19 we improved revenue by 3.2% to £331.1 million (2019: +44.6% to £321.0 million). Whilst all territories in the region were affected by the pandemic, the initial reduction in revenue and pace of recovery has varied by both country and product area. Germany and France recovered strongly during the second half of the year, helped by strong demand for education, remote working, broadcast and streaming solutions. The more specialist audio and lighting focused businesses in Southern Europe have seen a greater impact on demand, but they have performed well, maintained or increased market share, and are well positioned for future growth. Underlying revenue (excluding the effects of acquisitions and currency changes) was in line with the prior year (2019: +15.2%).

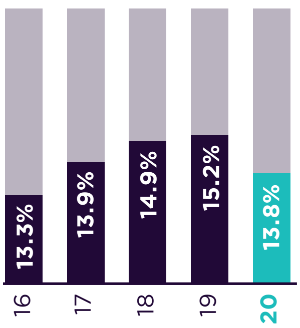
In line with other territories, gross margin was impacted by COVID-19, reducing to 13.8% (2019: 15.2%) manly due to a negative mix effect. Operating profit in EMEA at £9.4 million (2019: £14.1 million), was impacted by the change in gross margin. Whilst certain countries benefited from government support to retain jobs, this was at a much lower level (£0.8 million) than that received in UK&I.

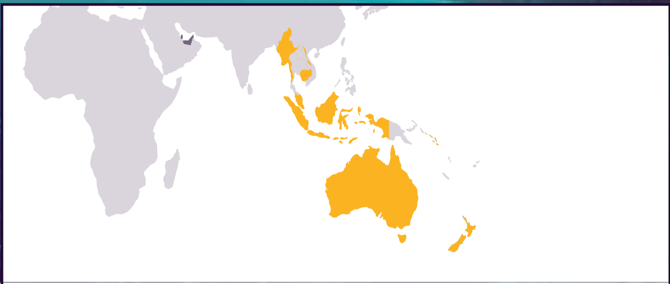
In the mainstream product categories, revenue from displays increased by 9% but from projectors declined by 5%, reflecting a long-term trend as part of the projector market switches to displays. Our broadcast product sales increased significantly, driven by stronger sales of live streaming, prosumer and corporate products, particularly in the German market. Pro audio and lighting showed revenue declines of around 25%, being somewhat less impacted than the UK&I market.

£331.1m
Revenue



13.8%
Gross margin





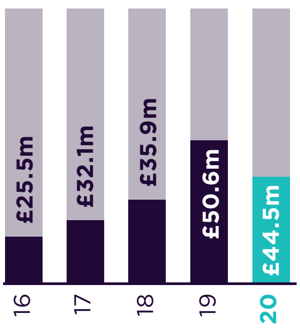
ASIA PACIFIC

Our Asia Pacific region sales declined by 12.1% to £44.5 million in 2020 (2019: Up 41.2% to £50.6 million). Across the region the response to the pandemic saw some very strict lockdowns and periods of business closure, particularly in New Zealand. Against this backdrop our businesses have performed well, especially broadcast and streaming solutions.

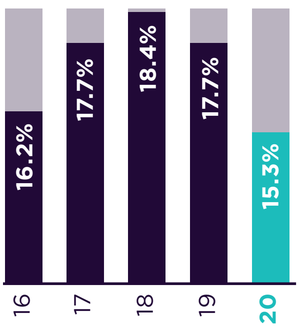
In prior years, APAC margins have benefited from high value add, complex projects. These were adversely affected by COVID-19 in 2020 and the resulting change in mix resulted in a gross margin of 15.3% (2019: 17.7%).

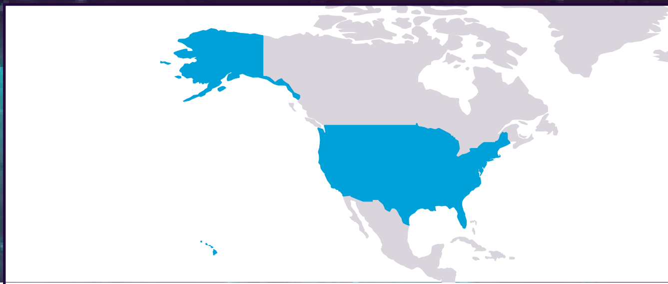
APAC received £0.4 million of government support, and due to the reduction in gross profit, adjusted operating profit declined by £1.9 million to £0.8 million (2019: £2.7 million).

£44.5m
Revenue



15.3%
Gross margin





NORTH AMERICA

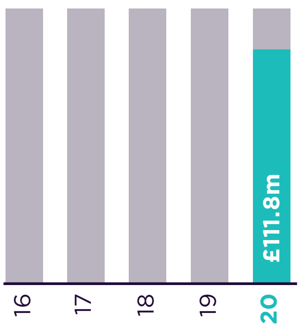
Starin became part of the Group on 6 February 2020 and contributed £111.8 million to Group revenue in the year.

Despite the COVID-19 pandemic, the integration of Starin has progressed ahead of our initial plans with significant achievements including restructuring and investing in both sales and business management capabilities, overhead reductions, exiting low margin fulfilment activity and a significant reduction in net debt through focus on working capital management.

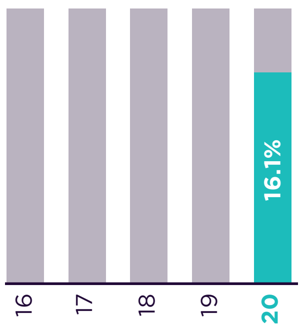
Gross margins at 16.1% and adjusted PBT at £4.9 million were ahead of our expectations and included the benefits of the accelerated integration activity.

The Group has also been able to leverage Starin's strong relationships with unified communications vendors to expand its capabilities and strengthen its UC offering across all regions.

£111.8m
Revenue



16.1%
Gross margin



FINANCIAL REVIEW
Stephen Lamb

We achieved further revenue growth in 2020 and generated exceptionally strong cash flows which leaves the Group well positioned for the post COVID-19 recovery.

Despite the pandemic, we achieved further growth in 2020 with revenue increasing by 3.7% to £711.8 million (2019: £686.2 million). Excluding the impact of acquisitions and currency movements, organic revenue declined by 14.1% (2019: +6.0%). Gross profit margin was down on the prior year at 14.3% (2019: 16.5%).

Adjusted operating profit of £16.5 million (2019: £33.5 million) reduced by 50.8% at constant currency (2019:+11.0%). Operating profit before adjustments was £7.1 million (2019: £24.9 million).

Statutory financial highlights

	Year to 31 December 2020	Year to 31 December 2019	Total growth
Revenue	**£711.8m**	£686.2m	3.7%
Gross profit	**£101.8m**	£113.1m	(10.0)%
Operating profit	**£7.1m**	£24.9m	(71.6)%
Profit before tax	**£(1.0)m**	£23.8m	(104.2)%
Profit after tax	**£(3.4)m**	£18.2m	(118.6)%
Basic EPS – pence	**(4.32)p**	21.67p	(119.9%)%

Adjusted financial highlights[1]

	Year to 31 December 2020	Year to 31 December 2019	Total growth	Growth at constant currency
Revenue	**£711.8m**	£686.2m	3.7%	3.3%
Gross profit	**£101.8m**	£113.1m	(10.0)%	(10.2)%
Gross profit margin %	**14.3%**	16.5%		
Adjusted operating profit	**£16.5m**	£33.5m	(50.6)%	(50.8)%
Adjusted profit before tax	**£14.2m**	£31.2m	(54.6)%	(54.7)%
Adjusted profit after tax	**£10.3m**	£23.8m	(56.7)%	(56.8)%
Adjusted EPS – pence	**11.20p**	28.49p	(60.7)%	

1. Definitions of the alternative performance measures are set out on page 101.

Currency movements had a limited impact across the Group in both 2020 and 2019.

On a constant currency basis, growth in revenue was 3.3% (2019: 20.1%) and adjusted profit after tax reduced by 56.8% (2019: +7.7%).

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 2020 £m	Year to 31 December 2019 £m	Total growth %	Growth at constant currency %	Organic growth %
Revenue					
UK & Ireland	**224.4**	314.6	(28.7)	(28.7)	(28.7)
EMEA	**331.1**	321.0	3.2	2.2	(0.1)
Asia Pacific	**44.5**	50.6	(12.1)	(10.7)	(11.8)
North America	**111.8**	–	–	–	–
Total Global	**711.8**	686.2	3.7	3.3	(14.1)
Gross profit margin					
UK & Ireland	**14.0%**	17.6%	(3.6)ppts		
EMEA	**13.8%**	15.2%	(1.4)ppts		
Asia Pacific	**15.3%**	17.7%	(2.4)ppts		
North America	**16.1%**	–			
Total Global	**14.3%**	16.5%	(2.2)ppts		
Adjusted operating profit[1]					
UK & Ireland	**3.9**	19.9	(80.3)	(80.3)	
EMEA	**9.4**	14.1	(33.4)	(33.9)	
Asia Pacific	**0.8**	2.7	(69.8)	(69.6)	
North America	**4.9**	–			
Group costs	**(2.5)**	(3.2)			
Total Global	**16.5**	33.5	(50.6)	(50.8)	
Adjusted finance costs	**(2.3)**	(2.3)			
Adjusted profit before tax[1]	**14.2**	31.2	(54.6)	(54.7)	

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

The financial performance of each segment during the year was:

UK and Ireland

The UK and Ireland segment revenue reduced by 28.7% (2019: -0.4%) to £224.4 million (2019: £314.6 million), generating gross profit of £31.3 million (2019: £55.3 million) at a gross profit margin of 14.0% (2019: 17.6%). This resulted in an adjusted operating profit of £3.9 million (2019: £19.9 million), a decrease of 80.3% (2019: +1.6%).

EMEA

The EMEA segment revenue grew 3.2% (2019: 44.6%) to £331.1 million (2019: £321.0 million). Gross profit reduced to £45.6 million (2019: £48.8 million) at a gross profit margin of 13.8% (2019: 15.2%), leading to an adjusted operating profit of £9.4 million (2019: £14.1 million) that reduced 33.4% (2019: +37.3%). In constant currency, revenue grew 2.2% (2019: 45.2%) and adjusted operating profit fell 33.9% (2019: +37.9%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, decreased by 0.1% (2019: +15.2%).

Asia Pacific

The Asia Pacific segment revenue declined 12.1% to £44.5 million (2019: +41.2% to £50.6 million), generating gross profit of £6.8 million (2019: £9.0 million) at a gross profit margin of 15.3% (2019: 17.7%). Adjusted operating profit was £0.8 million (2019: £2.7 million). On constant currency basis, revenue reduced by 10.7% (2019: 44.1%) and adjusted operating profit fell 69.6% (2019: -5.2%). Organic revenue growth, excluding the effects of acquisitions in the current and prior period, decreased by 11.8% (2019: +4.4%).

North America

The North America segment was new for 2020 following the acquisition of Starin in February 2020. Revenue from North America was £111.8 million, of which approximately half was attributable to fulfilment activity for a vendor relationship which will not continue into 2021. Gross margin at 16.1% was above the Group average due to the benefit of integration activity, including better working capital management and the exit of low margin vendor relationships. Adjusted operating profit was £4.9 million.

FINANCIAL REVIEW CONTINUED

Group costs

Group costs for the year were £2.5 million (2019: £3.2 million). The decline in cost was largely due to savings in staff costs attributable to the impact of COVID-19, including temporary salary cuts, lower bonus costs and a small number of headcount reductions.

Adjusted finance costs

Adjusted finance costs at £2.3 million (2019: £2.3 million) reflect the interest costs on borrowings for historic acquisition investments and working capital. Reported finance costs of £8.3 million (2019: £1.2 million) include interest costs on Group borrowings, the change in valuation of both deferred consideration and put and call options and the revaluation of loans and financial instruments.

Profit before tax

The Group reported a loss before taxation of £1.0 million (2019: £23.8 million profit), while adjusted profit before tax reduced by 54.7% (2019: +8.5%), at constant currency, to £14.2 million (2019: £31.2 million).

Tax

The adjusted effective tax rate was 27.3% in 2020 (2019: 23.7%) which reflects an increase in the mix of profits arising in higher tax jurisdictions. Note, COVID-19 had a significant impact on the mix in 2020.

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 -4.32p (2019: 21.67p). Diluted EPS was -4.32p (2019: 21.31p). Adjusted EPS reduced by 60.7% (2019: +4.7%) to 11.20p (2019: 28.49p).

Dividend

The Board took the difficult decision to suspend dividend payments as part of its response to COVID-19. Disruption from the pandemic has continued into 2021 and, as such, the Board is not proposing a final dividend for 2020.

Cash flow

	Year to 31 December 2020 £m	Year to 31 December 2019 £m
Adjusted operating profit	**16.5**	33.5
Add back depreciation and unadjusted amortisation	**6.2**	5.5
Adjusted EBITDA	**22.7**	39.0
Decrease/(Increase) in stocks	**34.9**	(5.1)
Decrease/(Increase) in debtors	**18.1**	(7.7)
(Decrease)/Increase in creditors[1]	**(31.6)**	0.9
Adjusted cash flow from operations	**44.1**	27.1
Adjusted EBITDA cash conversion	**194.4%**	69.5%

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 194.4% compared to 69.5% for the prior year. The exceptional performance for the current year reflects a focus on cash and working capital management during the pandemic. Our expectation of long-term cash conversion remains between 70 and 80%.

Gross capital spend on tangible assets was £1.9 million (2019: £5.8 million). The reduction on prior year reflected a cautious approach to capital expenditure during the pandemic together with an exceptional investment of £1.5 million on our new UK facility in 2019. Intangible asset additions in 2020 include £1.1 million (2019: £1.8m) in relation to the Group's new ERP solution.

Net debt

Reported net debt reduced from £70.0 million at 31 December 2019 to £39.3 million at 31 December 2020. The Group's reported net debt continues to be impacted by the adoption of IFRS 16 in 2019 which resulted in approximately £17 million of lease liabilities 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 2020 was £21.0m (2019: £53.3 million). The strong working capital performance together with the Group's response to the pandemic which focused on preserving cash, liquidity and headroom resulted in a significant reduction in net debt during the year. Adjusted net debt was also favourably impacted by the excess net proceeds from the placing undertaken in February 2020. This resulted in a net debt reduction of £5.3 million, being the net placing proceeds of £38.9 million less Starin purchase price of £21.0 million, associated transaction costs of £0.3 million and net debt acquired of £12.3 million.

In January 2020, the Group increased its revolving credit facility to £50 million (£20 million at 31 December 2019) to support its acquisition strategy. This facility has an adjusted net debt to adjusted EBITDA covenant ratio of 2.75 times calculated on a historic 12-month basis.

Most of the Group's other borrowing facilities are to provide working capital financing. During the period, the Group arranged further flexibility in working capital financing, including the addition of flexible term loans, inventory-backed facilities and extended overdrafts in several countries. Whilst the use of such facilities has been limited, the additional headroom has enhanced the Group's access to liquidity. As at 31 December 2020, the Group has access to total facilities of over £170 million (2019: £115 million).

The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 0.9 (2019: 1.4). This, combined with the Group's underlying cash generation, equips the Group well to fund short-term swings in working capital as the Group delivers organic growth as well as continue to pursue accretive acquisitions. The Group targets a long-term adjusted net debt to adjusted EBITDA range of 1.5x–2.0x.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £59.0 million (2019: £45.3 million) arise from the various acquisitions undertaken. Each year the Board reviews goodwill for impairment and, as at 31 December 2020, 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 and there was considerable focus on this during the year. At 31 December 2020, the Group had working capital (trade and other receivables plus inventories less trade and other payables) of £79.3 million (2019: £85.8 million). This represented 11.1% of current year revenue (2019: 12.5%). 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. In 2020 the Group reviewed and revised these percentages to reflect both the delays to market demand from COVID-19 and the Board's view that, as the Group mix has moved towards more specialist value added products, the average period for which inventory can be sold at above cost has increased. At 31 December 2020 the Group's inventory provision was £23.8 million (22% of cost) (2019: £13.3 million; 13% of cost). Had the Group maintained the previous percentages the inventory write-down would have been £6.5m higher as at 31 December 2020.

Adjustments to reported results

	2020 £000	2019 £000
Operating profit	**7,090**	24,934
Acquisition costs	**526**	356
Share based payments	**2,562**	2,874
Employer taxes on share based payments	**130**	427
Amortisation of brands, customer and supplier relationships	**6,224**	4,871
Adjusted operating profit	**16,532**	33,462
(Loss)/profit before tax	**(995)**	23,781
Acquisition costs	**526**	356
Share based payments	**2,562**	2,874
Employer taxes on share based payments	**130**	427
Amortisation of brands, customer and supplier relationships	**6,224**	4,871
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**2,282**	(104)
Finance costs – deferred and contingent consideration	**3,275**	(949)
Finance costs – put option	**154**	(48)
Adjusted profit before tax	**14,158**	31,208
(Loss)/profit after tax	**(3,387)**	18,200
Acquisition costs	**526**	356
Share based payments	**2,562**	2,874
Employer taxes on share based payments	**130**	427
Amortisation of brands, customer and supplier relationships	**6,224**	4,871
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**2,282**	(104)
Finance costs – deferred and contingent consideration	**3,275**	(949)
Finance costs – put option	**154**	(48)
Tax impact	**(1,472)**	(1,840)
Adjusted profit after tax	**10,294**	23,787
(Loss)/profit after tax	**(3,387)**	18,200
Non-controlling interest	**364**	(1,018)
(Loss)/profit after tax attributable to owners of the Parent Company	**(3,751)**	17,182
Number of shares for EPS	**86,893,508**	79,275,480
Reported EPS – pence	**(4.32)**	21.67
Adjusted EPS – pence	**11.20**	28.49

The directors present adjusted operating profit, adjusted profit before tax, and adjusted profit after tax as alternative performance measures in order to provide relevant information relating to the performance of the Group. Adjusted profits are a reflection of the underlying trading profit and are important measures used by directors for assessing Group performance. The definitions of the alternative performance measures are set out on page 101.

MANAGING RISK

Our risk management process

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

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

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

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

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

Our risk appetite

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

Our risk culture

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

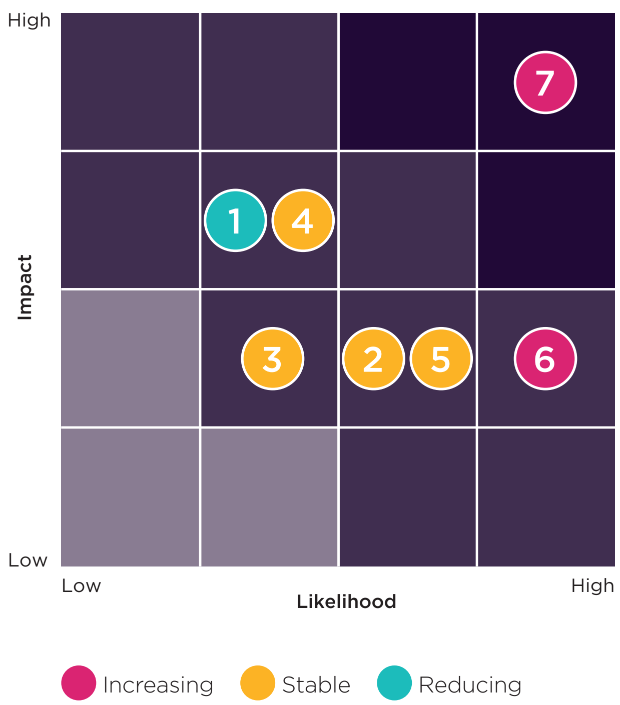
Current areas of focus

Whilst our risk landscape continues to evolve, in 2020 the emergence of COVID-19 was an area of enhanced focus for the Board, with additional resources allocated to reviewing the impact of COVID-19 and the Group's response. In addition, the Board spent additional time reviewing the Group's preparation for Brexit.

Risk management framework

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

Risk Heat Map



1. Dependence on key personnel
2. Expected benefits from acquisitions may not be realised
3. Loss of key customers
4. Loss of key vendors
5. Regulatory risk
6. Brexit
7. COVID-19

Trend key: Decreased risk | Increased risk | Unchanged risk

1 DEPENDENCE ON KEY PERSONNEL

Risk description

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

Mitigation

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

The Board has made succession planning and leadership development a key agenda item.

Change in the risk during the year

After establishing a regional operating model in 2018, this year we have taken further steps to broaden the leadership of the Group, strengthening the executive leadership team through the addition of Lutz Kern (MD DACH) to the team.

In line with our integration plans, we have taken steps to reorganise and enhance the Starin leadership team in order to position that business for future growth.

We have also reviewed participation in the Group's LTIP scheme and taken action to ensure that the interests of our key senior leaders are aligned to those of other stakeholders and the Group's strategic objectives.

2 EXPECTED BENEFITS FROM ACQUISITIONS MAY NOT BE REALISED

Risk description

The Group intends to continue executing its strategy of entering new jurisdictions through carefully targeted acquisitions. The Group also intends to pursue targeted acquisitions in its current markets in order to bolster product offerings and sector penetration, increase scale and to gain access into new market segments.

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

Mitigation

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

Change in the risk during the year

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

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

MANAGING RISK CONTINUED

3 LOSS OF KEY CUSTOMERS

Risk description

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

Mitigation

The Group has a very large customer base of over 20,000 AV integrators and IT resellers, many of whom have long-term relationships with it. The diversity of our customer base is demonstrated by the fact that no customer accounted for more than 2.5% (2019: 2.0%) of overall Group revenues this year. By providing a best-in-class service in terms of stock availability, logistics and credit capacity, the Group intends to continue to keep our customer base satisfied.

Change in the risk during the year

While the competitive risk to our business remains high, we believe our mitigation efforts limit this risk and have allowed us to deepen our customer relationships as well as increase our market share in a number of key territories in 2020.

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

4 LOSS OF KEY VENDORS

Risk description

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

Mitigation

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

Change in the risk during the year

Our vendor portfolio was a significant area of strategic focus in the year with many new vendors added in strategic growth areas, such as unified communications. We also expanded existing vendor relationships into more of our businesses and took the decision to exit a small number of low margin relationships.

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

5 REGULATORY RISK

Risk description

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

Mitigation

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

Change in the risk during the year

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

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

Trend key Decreased risk Increased risk Unchanged risk

6 BREXIT

Risk description

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

Mitigation

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

In the short term, disruption to the supply of products could affect the ability of UK&I operations to meet demand. The UK business held approximately two months' inventory at 31 December 2020 and had worked closely with key vendors to maintain availability of goods during any initial disruption. The Group currently services its Republic of Ireland business from the UK. Following a review of alternatives, this model is expected to continue, although direct EU to Ireland options will be evaluated in the event of permanent disruptions to the UK to Ireland supply chain.

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

The Group continues to work closely with its vendors to minimise any Brexit related disruption. The Board does not believe that Brexit will result in any impairment of assets or materially impact the Group's ability to continue as a going concern.

Change in the risk during the year

During the year we invested substantial time and effort to monitor and plan for the post-Brexit trade arrangements.

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

Post period end, the Group saw a short period of direct disruption of supply from the UK to Ireland because of administrative changes required by customs and logistics suppliers. A small number of vendors also experienced challenges supplying goods from the UK to the EU. We attribute this to the timing of the announcement of the UK-EU deal and this has now substantially improved.

7 COVID-19

Risk description

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

Mitigation

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

Due to reduced customer demand during the period, our employees showed great flexibility in their work patterns, including voluntary short-time working and reduced remuneration. We also used the support offered by governments as necessary, such as furloughing in the UK.

Protection of the business over the short term meant a significant and ongoing focus on the management of working capital. Measures undertaken included additional bank facilities, temporary suspension of acquisition activities and capital expenditure; together with the withdrawal of dividend payments.

Whilst seeking to ensure strong short-term liquidity, we've been careful not to disrupt long-term customer and supplier relationships. Cash receipts from customers generally remained at normal levels and suppliers have shown flexibility where necessary.

The overall impact of actions taken to manage cashflow is that adjusted net debt has reduced significantly during the year.

Change in the risk during the year

COVID-19 affected our businesses to a different extent and at different times during the year. We took decisive actions at an early stage to mitigate the emerging risk. Whilst the disruption from the various government restrictions fluctuated during the year, as the pandemic evolved, our revenue broadly recovered month on month and our net debt was reduced. The approval of vaccines late in 2020 provides increased confidence that the COVID-19 risk will diminish during 2021, although we note that the restrictions in place at the time of writing are expected to result in continued disruption for the time being.

OUR STAKEHOLDER ENGAGEMENT

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

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

The Company has a clearly defined strategy (as summarised on pages 10 to 16) and the Board takes into account the long-term consequences of its decisions in the context of this. When making decisions the Board considers a number of factors, including:

- The macroeconomic environment, including anticipated GDP growth, market disruptions and investment activity.
- The AV marketplace (see pages 10 to 13) – specifically ensuring that the Group continues to build on its reputation for high standards as a value-add AV specialist.
- The translation of the strategy into both longer-term goals and annual plans with regular updates reviewed by the Board throughout the year.
- How the Group's objectives influence its employees, customers, suppliers and shareholders together with the Group's wider impact on the environment and the communities where it operates. Further details on stakeholder engagement are set out below and in the ESG section on pages 37 to 42.
- Our Risk Management Framework which, as a distributor, places our relationships with wider stakeholders at the centre of our decision-making (see pages 30 to 33).

During the year, specific significant decisions made by the Board included actions taken in response to the COVID-19 pandemic, the decision to raise capital for acquisition investment through an equity placing, the approval of the Starin acquisition, the strategic entry into the Middle East, approval of additional debt facilities and the allocation of share awards to our employees. The Board members also received feedback from our customers, vendors, employees and shareholders.

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

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

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

> **As a Board, our intention is to behave responsibly towards our stakeholders and treat them fairly and equitably, so that they all benefit from the successful delivery of our strategy."**

CUSTOMERS

Why it is important to engage

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

Ways we engage

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

- Partnering with our customers to design end user solutions
- Access to our experience centres to build product and market knowledge
- Customer training programmes
- Supporting multi-country project delivery

VENDORS

Why it is important to engage

Midwich is a value-added distributor of AV products, representing over 500 high end manufacturers. Vendor relationships are critical to the long-term success of our business.

Ways we engage

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

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

EMPLOYEES

Why it is important to engage

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

Ways we engage

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

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

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

- Group-wide and local communication programmes
- Broad participation in share ownership
- Enhanced furlough, regular communication and training to support our people during the pandemic

OUR STAKEHOLDER ENGAGEMENT CONTINUED

SHAREHOLDERS

Why it is important to engage

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

Ways we engage

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

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

- Additional content made available to stakeholders on the Group website
- Group newsletter launched
- The introduction of a "virtual" AGM

ENVIRONMENT

Why it is important to engage

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

Ways we engage

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

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

Stakeholders' key interests

- Alignment of Company values with environmental concerns
- Actions to reduce environmental impact
- Investments in sustainability

Actions taken on the back of engagement

- Appointment of a non-executive director to be responsible for ESG
- Setting targets to directly reduce our energy consumption and emissions
- New offices must meet stretching environmental impact targets

Read more about **the environment** on page 39

COMMUNITIES

Why it is important to engage

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

Ways we engage

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

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

- Support for local charities selected by our teams
- Encouraging our team members to support community action for COVID-19
- Virtual team events to raise money for charity

Read more about **communities** on page 38

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
Hilary Wright

midwich loves ...giving back

We continue to take our commitment to Environmental and Social Governance seriously across the Group and in 2020 we further progressed the work that we started in 2018. The Group's approach to ESG is aligned to four key pillars: our local communities; supporting charities close to our hearts; reducing our environmental impact and supporting our people.

These focus areas continue to be relevant and are at the heart of what matters to our people. Each country adopts these in their own unique way to ensure that they matter to their teams and build strong local engagement with the programme.

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

During 2020, work continued within the four pillars and despite the pandemic we've adapted our approach and continued to make a difference in each area.

Hilary Wright
Non-executive director with responsibility for ESG

OUR FOUR PILLARS

THE COMMUNITY

Summary

During 2020 we continued to play our part in our local communities. In this COVID-19 year, community spirit was more prevalent than ever with our teams seeking to provide extra support for key workers and their communities during lockdowns across the world.

2021 Targets:

- Every office to have a community programme
- To donate £10,000 worth of AV equipment to local schools or community projects

CHARITY SUPPORT

Summary

We continue to support an array of local, national and international charities across the Group. Although it has been tough with COVID-19 preventing the usual fund raisers, the teams have been creative to ensure that our charities continue to be supported.

2021 Targets:

- Every Group company to have a nominated local charity
- To contribute over £25,000 to our chosen charities
- To contribute over 100 hours to our chosen charities

THE ENVIRONMENT

Summary

We care about the environment and in 2020 we took our first step to formalising our approach by commissioning our first sustainability analysis, carried out at Kern and Stelly based in Hamburg, Germany. The goal was to identify environmental improvements that could be implemented, build them into our culture and roll out Group wide.

2021 Targets:

- Create internal environment teams to champion being more environmentally conscious
- Reduce our SECR intensity ratio vs 2019
- Increase our percentage of low-emission vehicles in the fleet vs 2020

OUR PEOPLE

Summary

The Midwich Group continues to take its social responsibilities seriously and we strive to look after and develop our employees. Not only supporting their professional development but their personal welfare too, through providing additional external resources for mental health and wellbeing over and above what would be expected.

2021 Targets:

- Safely welcome our teams back to our offices
- Welcome NMK Group to the Midwich family
- Resume face-to-face social activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
CONTINUED

THE COMMUNITY

During 2020 our 'generosity amplified' approach continued.

Our track record for supporting local communities across the Group ensures that our reach is worldwide. COVID-19 did not stop our teams' desires to do good and demonstrated that the offer of time can be so valuable to many small and individual community ventures.

In recognition of this, we continued to support and provide time off for our people to regularly engage in volunteering for their chosen causes or giving back to the community. Examples include, one of our technology specialists offering time as an on-call firefighter; a business development manager used her skill set to support the government's track and trace system during COVID 19; and our ERP Data & Business Intelligence Analyst helped the homeless and vulnerable with hot meals at least twice a week through the charity 'The People's Picnic'.

Supporting local communities also comes in the form of buying local, for example Kern and Stelly source office supplies locally, with the majority of their suppliers connected to a social or environmental project.

In 2020, Midwich's achievements have played an important part in firmly placing Norfolk on the map as an innovative and dynamic place to live and work. The team based at our head office won the Outstanding Achievement award from the local business community which looked at the company's 41-year history, as well as the positive impacts our employees have generated and will continue to deliver into the future.

Volunteer support, 'The People's Picnic'

Our pledge

Throughout 2021, we will once again continue to support local worthwhile community projects, as well as supporting our people to give up their time to volunteer for local causes that matter to them.

Our pledge

In 2021, we will once again continue to support charities chosen by the committees at each of our businesses, as well as support our people through being flexible to allow fund-raising activities to take place.

Midwich UK&I employees taking part in the one million steps

OUR CHARITY SUPPORT

We will use our platform and resources to bring benefits to society through the support of charities chosen by our peoples.

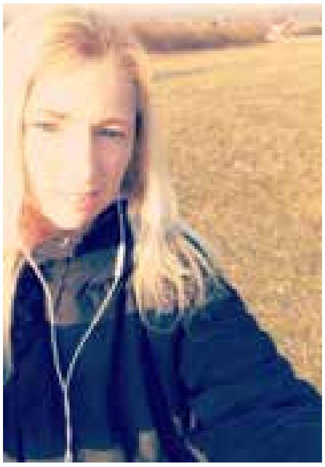
With a long track record of teams around the world supporting local charities, the pandemic certainly presented obstacles to the traditional ways of fundraising. However, many employees have been innovative in overcoming this and not let COVID-19 get in the way of their, and our, desire to do good.

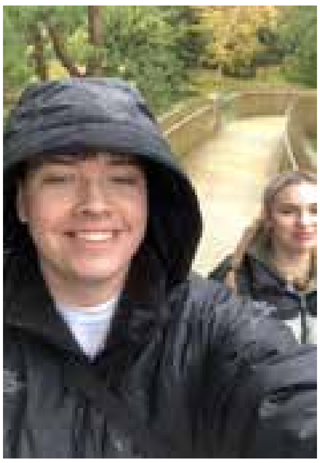
For example, the team across the UK&I businesses pledged to walk, jog or run 1,000,000 steps for charity starting on World Mental Health Day and finishing on World Kindness Day. This approach allowed everyone to work together towards a combined goal whilst avoiding physical contact with others and respecting the COVID-19 restrictions.

The UK&I team's efforts over that last two years meant that a cheque for £27,000 was handed over to the mental health charity Norfolk and Waveney Mind.

In addition to our various charity committees' fundraising efforts, many employees across the Group carry out their own fundraising and where possible, the business supports them in their individual charity ventures.

Throughout 2020, our ethical values and inclusive culture were strongly represented by our employees, with a keen enthusiasm to help find alternative ways to make a difference throughout the pandemic.





THE ENVIRONMENT

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

As referenced in the summary, we care about the environment. More than ever before, 2020 saw the Group focussed on looking at ways to make a difference.

Our role as a distributor limits our ability to directly affect carbon emissions as we do not manufacture the products we supply, but we are determined to do what we can. To this end, we felt it was important to understand where we are today and have initiated a programme of commissioning sustainability analysis for the Group, starting with our Hamburg office in Germany. We see this as the first step to understanding what we are doing well and, of course, not so well.

From here we can understand priorities, create an action plan to make a difference and, where possible, implement change across the Group.

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

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

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

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

We have included Streamlined Energy and Carbon Reporting ("SECR") for Midwich Limited for the first time this year and a number of our companies have conducted a CO_2 footprint calculation, as we are keen to understand the effect of our businesses and how we can offset our carbon emissions and continue to make a concerted effort to reduce our environmental impact.

In 2020, we continued with our goal of reducing waste going to landfill and our consumption of single-use plastic and non-recyclable containers. With the majority of our people working from home, due to COVID-19, this has naturally further reduced. As we return to our offices in 2021, this will continue to be a focus area and we have set targets for each country to create less waste. We continue to support many initiatives across the Group designed to be embedded in our culture and change our mentality to 'sustainability for the future'.

Our pledge

To increase the number of sustainability audits, to analyse where improvements can be made, and to set targets for lower waste by company. Our commitment is to focus on positive impacts on the environment and to reduce the negative impacts. To underpin these reports and deliver the actions and outcomes we will establish teams within each of our businesses across the world to focus on the green topics and champion change.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE
CONTINUED

OUR PEOPLE

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

The last twelve months has been challenging for our teams all around the world. Throughout this time, we have focussed on ensuring everyone is supported and engaged; putting wellbeing at the forefront of our response to the pandemic that changed everyone's lives. With most of our people working from home it was more important than ever before to stay connected.

We are committed to programmes and initiatives that support our people. The tools that we have established over the years, which balance success with a whole person approach, were the perfect foundation to build upon. Internal communications were increased with virtual company updates and regular staff newsletters, containing a high proportion of video content created in-house, activities for staff to get involved in and a virtual weekly coffee morning.

Where possible, the Midwich Group has tried to maintain people activities, such as our employee awards and continuing training and development. The creation of a learning and development (L&D) portal proved an excellent asset, not only to staff in work but for those on furlough, as it provided easy and simple access to online personal development tools.

The pandemic and lockdowns around the world forced many of us to work remotely. The HR team developed a digital portal to help our people to easily find information when they wanted it.

During 2020, we continued with our mental health first aiders and our assistance programmes to support people, in an anonymous way, if they struggle with personal problems, such as finance, family, advice for work, providing them with an option to reach out.

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

Our pledge

In the year ahead we will focus on supporting the health and wellbeing of our people. Recognising that COVID-19 has affected everyone differently we will support our teams as they return to work in our offices.

Recognition for their long service

Celebrating long service

7 years 5 months

Average length of service per employee

2,258 years

combined years of service

(UK&I employee data as of December 2020)

Mark Lowe, UK&I Managing Director, receiving the 'Outstanding Achievement Award' on behalf of the team

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

BENEFITS

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

TRAINING

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

EQUALITY

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

WELLBEING

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

EVENTS

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

STREAMLINED ENERGY AND CARBON REPORTING

In addition to the activity taking place across the Group to reduce our environmental impact, we are reporting on energy consumption and Greenhouse Gas ("GHG") emissions under the Streamlined Energy and Carbon Reporting ("SECR") regulations for the first time this year.

The data reported is for Midwich Limited[1] and we have chosen to include comparable 2019 data to assist the user in understanding the one-off impact from the Covid-19 disruption.

Our carbon footprint

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

Quantification and reporting methodology

The information used to calculate these emissions is based on electricity and gas meter readings, whilst transport information is captured as part of our operational processes. We have used emission factors from the UK Department for Business, Energy & Industrial Strategy ("BEIS") "Conversion factors 2020: condensed set" to calculate our Scope 1, 2 and 3 emissions. The reported Scope 3 data relates to fuel purchased by employees for business travel in their own vehicles. The Group uses third parties for the shipment of goods from vendors and to customers. These emissions fall outside of our Scope 3 reporting as they will be reported as Scope 1 emissions by those parties.

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

GHG emissions and energy use data for the year ended 31 December 2020

	Year to 31 December 2020		Year to 31 December 2019	
	Energy (kWh)	**GHG emissions (tCo_2e)**	Energy (kWh)	GHG emissions (tCo_2e)
Scope 1 emissions (direct)[1]				
Gas consumption	**–**	**–**	22,798	4.6
Transport	**8,747**	**2.2**	55,246	13.7
Total Scope 1	**8,747**	**2.2**	78,045	18.3
Scope 2 emissions (energy indirect)[2]				
Electricity	**430,767**	**100.4**	499,796	116.5
Scope 3 emissions (other indirect)[3]				
Employee-owned vehicles	**146,453**	**36.2**	515,923	116.5
Combined total (Scope 1 and 2)	**585,966**	**138.2**	1,093,765	262.7

1. Emissions from direct activities such as combustion in owned or controlled boilers and vehicles that release emissions into the atmosphere.
2. Emissions released into the atmosphere associated with the consumption of purchased electricity. These are indirect emissions that are a consequence of Midwich Limited's activities but which occur at sources that are not owned or controlled.
3. Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel.

Over the last two years, Midwich has consolidated its southern UK office and showroom facilities into a modern purpose-built facility. Environmental considerations were at the heart of this change and the new facility includes automated building monitoring, solar panels, low energy heating and lighting and electric vehicle charging facilities. We are also moving our vehicle fleet towards low emission vehicles and have implemented policies restricting single-use plastic and non-recyclable containers. Further information on the Group's approach to sustainability is set out on pages 37 to 42.

Intensity ratio

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

GHG emissions and energy use data

	Year to 31 December 2020		Year to 31 December 2019	
	Revenue £ million	**Intensity ratio**	Revenue £ million	Intensity ratio
Midwich Limited	**153.6**	**0.90**	225.8	1.16

The Strategic Report comprising the Chairman's Statement, Managing Director's Review and Financial Review was approved by the Board on 9 March 2021 and signed on its behalf by:

Andrew Herbert
Chairman

CASE STUDY

University of Southern California

How technology has evolved in learning environments at the University of Southern California

Prior to the pandemic, resulting in students being sent home, Joe Way, the Director of Learning at the University of Southern California, had already started the process of designing and mocking up what the next generation of 200–300 student classrooms and Hyflex spaces look like. Behind the scenes, Joe was strengthening and upgrading their campus network as the foundation for new systems to come. As Joe mentioned "...the true convergence is not AV and IT, but the convergence of AV and UC."

The pandemic has become a great equaliser, and the use of technology in every room is now a necessity. The priority is to continue education while maintaining student safety. One goal was to simplify controls, based on Zoom's user interface. A key component to the overall design was the experience of the end users. Allowing the faculty to decide how they wanted to interact with the technology was key.

Though Joe and his team have been very hands-on with regard to the specification of the spaces, he encourages all Technology Managers to strengthen their relationships with manufactures, distributors, and integrators. These relationships are key to selecting the right technology, coordinating the project timelines, and getting the work done right. This is where Starin, a Midwich Group company based in the US, added their expertise and support.

> **"The true convergence was not AV and IT, the convergence is AV and UC."**
>
> **Joe Way, PhD**
> **Director of Learning Environments at University of Southern California**

↑ Joe Way, PhD, Director of Learning Environments at University of Southern California

Governance

EXPERIENCED MANAGEMENT

ANDREW HERBERT (61)
Non-Executive Chairman

A N R

Appointed
2016

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

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

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

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

STEPHEN FENBY (57)
Group Managing Director

N

Appointed
2016

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

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

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

STEPHEN LAMB (47)
Group Finance Director

Appointed
2018

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

Previous experience
Stephen joined Midwich as Group Finance Director in July 2018. He has over 20 years' experience in finance, working in high growth, international business services organisations.

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

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

MIKE ASHLEY (53)
Non-Executive Director

A N R

Appointed
2016

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

Previous experience
Mike is the Chief Commercial Officer ("CCO") of Holland and Barrett International Ltd. He joined the business from Travis Perkins plc in 2019. In his time there, he held the position of CCO both in Wickes and the Plumbing and Heating Division, leading transformation of both businesses.

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

HILARY WRIGHT (61)
Non-Executive Director

A N R ESG

Appointed
2018

Qualifications
Hilary is a Fellow of the Chartered Institute of Personnel and Development. She is also a non-executive director of ActiveOps PLC.

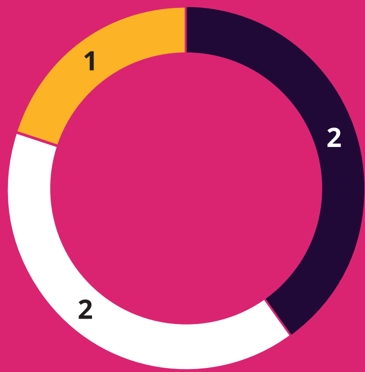
Previous experience
Hilary was Group HR Director of Domino Printing Sciences plc from 2016 until her retirement in 2019.

Her background was formed in retailing and more latterly with Cambridge based engineering and technology companies, where she gained global experience as well as involvement in a number of acquisitions.

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

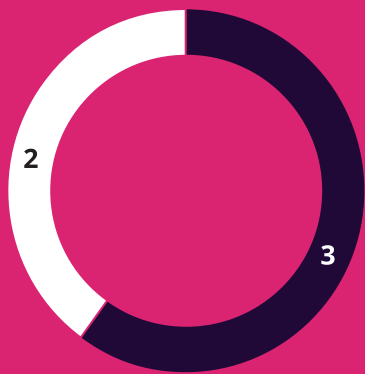
BOARD BALANCE

Tenure of directors



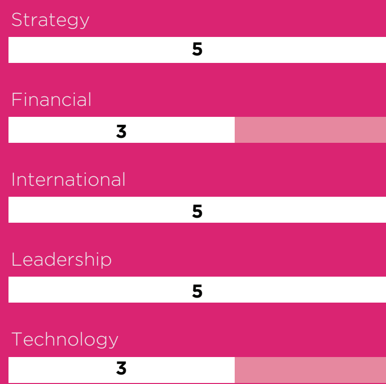
- 0–3 years: Stephen Lamb and Hilary Wright
- 4–6 years: Andrew Herbert and Mike Ashley
- 6+ years: Stephen Fenby

Independence



Independent   Non-Independent

Skills



Committee membership

- A Audit Committee
- R Remuneration Committee
- N Nominations Committee
- Chair of Committee

OPERATIONAL MANAGEMENT

MARK LOWE (40)
UK & Ireland

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

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

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

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

THOMAS SUMNER (34)
EMEA and North America

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

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

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

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

Following the acquisition of Starin in 2020, Tom has led the onboarding and integration of that business into the wider Midwich Group.

LUTZ KERN (52)
Germany, Austria and Switzerland (DACH)

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

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

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

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

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

MICHAEL BROADBENT (57)
Asia Pacific

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

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

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

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

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Andrew Herbert, Chairman

The established policies and strong management disciplines within the Midwich Group have enabled the business to manage through this most challenging of years with no loss of focus on governance.

The Board considers sound governance to be an essential element of a well-run business and has followed the Quoted Companies Alliance ("QCA") guideline since IPO. We have included a summary of our compliance with the QCA code in the annual report. The full statement of compliance with the QCA Corporate Governance Code, as approved by the Board on 10 September 2020, is available on the Company's website.

The established policies and strong management disciplines within the Midwich Group have enabled the business to manage through this most challenging of years with no loss of focus on governance. The Board has particularly focused on the wellbeing of our people and continues to take a longer-term view on sustainability as we develop and enhance our governance approach.

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

The Board is comprised of three independent non-executive directors (including the Chairman who was independent upon appointment) and two executive directors. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively.

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

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

The Board maintains a regular dialogue with Investec, the Company's nominated adviser, and obtains other legal and financial advice as necessary to ensure compliance with the AIM Rules and other governance requirements.

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

We take our social responsibility seriously and this year have appointed Hilary Wright as the non-executive director responsible for ESG matters. We have also enhanced our ESG reporting this year. In addition to including information (page 34) about how we engage with our people, our environment and our local communities, we have set targets to reduce our environmental impact. We are committed to behaving in a way that is beneficial to all stakeholders.

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

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Our leadership structure

THE BOARD

Nominations Committee

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

Members:

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

Audit Committee

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

Members:

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

Remuneration Committee

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

Members:

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

The Board met in person or by video conference ten times during the year and held a number of meetings by telephone/video conference to consider specific matters. The Board receives a full pack of reports in advance of each scheduled meeting detailing Group and entity trading performance, and containing individual reports from each of the executive directors and local management. During 2020, the Board also received presentations from operational management on topics including business unit strategy, talent and succession planning, tax strategy, IT systems and security, and acquisition proposals. Alongside monitoring operational performance, it is the Board's responsibility to formulate, review and approve the Group's strategy, investments (including acquisitions), budgets and major items of expenditure.

Board committees

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

Attendance at board and committee meetings

Board meetings are scheduled in advance for each calendar year. The scheduled Board meetings and attendance during the twelve months ended 31 December 2020 as detailed here:

	Board Meetings		Audit		Remuneration		Nominations	
Andrew Herbert (Chairman)	10	10	3	3	4	4	1	1
Mike Ashley	10	10	3	3	4	4	1	1
Hilary Wright	10	10	3	3	4	4	1	1
Stephen Fenby	10	10	n/a		n/a		1	1
Stephen Lamb	10	10	n/a		n/a		n/a	

Note: Attendance was 100% and Board meetings were held by video conference from March 2021.

Attended Meetings

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE
CONTINUED

Audit Committees
The Audit Committee consists of the non-executive directors and is scheduled to meet at least three times a year. Andrew Herbert is the Chairman of the Audit Committee having a relevant background. The current terms of reference of the Audit Committee were published in May 2016. No change was made to those terms of reference during 2020.

Nominations Committee
The Nominations Committee consists of the non-executive directors and the Group Managing Director and is scheduled to meet at least once a year. Andrew Herbert is the Chairman of the Nominations Committee. The current terms of reference of the Nominations Committee were published in May 2016 and remain unchanged.

Remuneration Committee
The Remuneration Committee consists of the non-executive directors and is scheduled to meet at least three times a year. Mike Ashley is the Chairman. The current terms of reference of the Remuneration Committee were published in May 2016. No changes were made to these terms of reference during 2020.

Separate reports from the Audit Committee, Nominations Committee and Remuneration Committee are presented throughout pages 54 to 61.

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

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

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

2. Seek to understand and meet shareholder needs and expectations

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

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

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

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

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

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

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

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

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

Overview
Each Board member brings a different mix of knowledge and experience, which blend well into a successful and effective team. For example, specialist AV industry knowledge and broad experience in sales, operations, international expansion, finance, human resources, information technology and capital markets.

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

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

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

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

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

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

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

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

Overview
The Board typically meets eight times a year. There were ten meetings in 2020 with additional meetings required to address COVID-19. Each one was attended by all Board directors. Further ad hoc meetings are held by telephone as necessary.

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

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

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

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

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

NOMINATIONS COMMITTEE REPORT

Andrew Herbert, Chairman

Group wide, we are committed to being an equal opportunities employer and the Committee reviews gender pay and equal pay reports and action plans annually.

Nominations Committee report

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

The Committee is comprised of the three independent non-executive directors and the Group Managing Director. The Committee met once in 2020.

Board composition

The Committee is responsible for monitoring the Board's balance of skills, knowledge, experience and diversity, and makes recommendations to the Board throughout the year.

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

Leadership diversity

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

Board evaluation

In line with prior years, there was a formal Board evaluation and appraisal process in 2020. A survey seeking the individual views of directors on Board composition and effectiveness, business leadership, QCA code compliance and other matters was undertaken.

A senior Group employee compiled the results and subsequently facilitated a Board discussion during which matters arising were reviewed and actions agreed. The Board has been forced to operate remotely throughout most of 2020 due to social distancing and lockdown restrictions but has found an efficient and effective method of working through video and telephone links. Despite this, the evaluation identified no major issues or concerns about the effectiveness of the Board or its individual members, and concluded that the processes of the Board had not been impaired as a result of the circumstances. A few minor points that were raised have been acted upon.

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

Leadership development

The Group's Executive Leadership Team ("ELT") is responsible for determining and driving operational strategy. This team comprises the Group Managing and Finance Directors, as well as the Managing Directors for each of our four operating units, together with the Managing Director for the DACH businesses.

The Committee believes that this is the right model to drive operation performance of the Group whilst ensuring implementation of the agreed strategy. In 2020, the ELT also met frequently to, initially, manage the immediate response to the emerging COVID-19 pandemic and then to plan for the post-pandemic recovery. There was regular communication between the ELT and the Board throughout the year.

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

Step 1
Annual survey of Board members

Step 2
Facilitated review of survey findings with agreed action plans

Step 3
Monitoring of progress against agreed plans

MAIN RESPONSIBILITIES

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

AUDIT COMMITTEE REPORT

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

Auditors and audit tender

Grant Thornton UK LLP ("Grant Thornton") was reappointed as the Company's auditor at the 2020 Annual General Meeting.

Grant Thornton has been the Group's auditors since 2010 and there have been two engagement partner rotations during this period. While there is no mandated requirement for AIM companies to tender their audit, the Committee remains committed to ensuring sufficient rigour and independence of the auditor and their process, therefore it was decided to undertake an audit tender process for the Group's 2021 financial year.

The process was informed by the FRC's Audit Tenders Notes on Best Practice. Six firms were invited to tender, a mix of both the big four and top ten audit firms and all were given access to appropriate information and Group management. A predefined assessment and scoring methodology has been agreed by the Committee. At the time of writing, three audit firms have been shortlisted for the final review. We expect to make a recommendation of the appointment of the firm chosen by the Committee to the Board in the coming months.

The reappointment of Grant Thornton will be recommended to shareholders for approval at the 2021 AGM in the meantime.

Membership and responsibilities of the Committee

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

The Committee met three times during 2020.

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

Monitoring audit

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

Review of financial statements and audit findings

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

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

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

The Committee has reviewed the 2020 annual report and accounts to ensure they are fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy in a clear, concise and balanced manner.

SIGNIFICANT RISKS CONSIDERED BY THE COMMITTEE

1 COVID-19 impact on liquidity and going concern

Corresponding actions taken by the Committee
Meetings with senior management including review of action plans and information including forecasts, net debt, bank facilities and covenants.

2 Brexit disruption

Corresponding actions taken by the Committee
Review of management action plans, risk assessments and discussions of third-party recommendations.

3 Dependence on key personnel

Corresponding actions taken by the Committee
Engagement with senior management across the Group, review of strategy, review of organisational changes and staff retention and succession plans.

4 Expected benefits from acquisitions may not be realised

Corresponding actions taken by the Committee
Assessment of acquisitions including integration plans and risks. Post-acquisition reviews.

AUDIT COMMITTEE REPORT CONTINUED

Internal control and risk management

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

The Group operates a risk assessment and monitoring process. This is coordinated by the Group Finance Director, who reports principal risks and mitigation actions to the Committee. Further detail on these risks is included at pages 30 to 33.

MAIN RESPONSIBILITIES

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

Assessment of auditors

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

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

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

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

In the prior year, and to reflect best governance practice, the Committee further tightened the Company's policy to limit use of the auditor from 2020 onwards to only audit and other assurance related activities. The Group complies with the FRC's Revised Ethical Standard 2019 on audit engagements.

During the year, Grant Thornton UK LLP and its associates were paid fees of £434k (2019: £251k) in respect of audit and non-audit work as follows:

	2020 £'000	2019 £'000
Audit fees in relation to the audit of the Company	**66**	87
Audit fees in relation to the audit of subsidiaries	**337**	119
Audit related assurance fees in relation to the interim review	**18**	18
Total audit fees for audit and audit related assurance services	**421**	224
Tax compliance services	**3**	14
Tax advisory services	**–**	4
Other services	**10**	9
Total fees for audit and non-audit services	**434**	251

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

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

Terms of reference

The Committee maintains its terms of reference under review and makes recommendations for changes to the Board as required. There were no changes made during 2020. Details of the full terms of reference are available on the Company's website.

Andrew Herbert
Chairman of the Audit Committee

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Mike Ashley, Chairman

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

As Chairman of the Remuneration Committee, I am pleased to present the Directors' Remuneration report for the financial year ended 31 December 2020. The Remuneration Committee comprises the three non-executive directors.

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

The report is split into three parts:

- This *Annual Statement*.
- A '*Remuneration Overview*' section, which provides a brief summary of the Company's remuneration agreements with its directors.
- An *Annual Report on Remuneration*, which sets out payments made to the directors and details the link between Company's performance and remuneration for the 2020 financial year.

Our approach to the COVID-19 pandemic

2020 was an unprecedented year, with the emergence of the COVID-19 pandemic requiring the Committee, working closely with the executive directors, to adopt a number of measures in response. The Committee believes that the interests of the executive directors should be strongly aligned with those of the Group's wider stakeholders. This resulted in the following set of actions being adopted during 2020:

- All directors voluntarily reduced their salary and fees to align their interests with the negative impacts from COVID-19 on other stakeholders including the wider workforce and shareholders.
- Other reductions in salaries were tiered, with higher percentage reductions applied to more senior staff.
- Government job retention schemes were used to preserve employment.
- For furloughed staff, the Group made top-up payments to partially offset reductions in income.
- No bonuses would be paid to executive directors for 2020 regardless of the actual performance.

MAIN RESPONSIBILITIES

The Committee's main responsibilities are:

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

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE CONTINUED

- Post-pandemic recovery incentive plans were developed to align the executive directors' and senior managers' interests with wider stakeholders.
- Other actions included the provision of technology for home working, offering part time and flexible working patterns and enhanced wellbeing support.

Further details regarding the implementation of these is set out below.

2020 performance and remuneration

2020 performance and impact of COVID-19

In the past year, despite the material impact from the COVID-19 pandemic, the Group was able to grow revenue by 3.7% to £711.8m, delivering an increased overall market share. The Group completed two strategic acquisitions: entering North America and adding Unified Communications capabilities in APAC. In a period of global uncertainty, the Group was also able to deliver exceptional cash conversion and a £32m reduction in adjusted net debt. Our executive team, led by the MD and FD, has been instrumental in driving this performance.

However, the Committee recognises the wider adverse impact from the pandemic on the Group's stakeholders including reductions in dividends, furloughs and salary cuts for our employees and support from several government institutions.

In March 2020, the Committee and the directors agreed that there should be reductions in base salary or fees for all directors. This resulted in all directors taking reductions equivalent to between 19–53% of base pay or fees for the six month period up to 30 September 2020.

2020 annual bonus

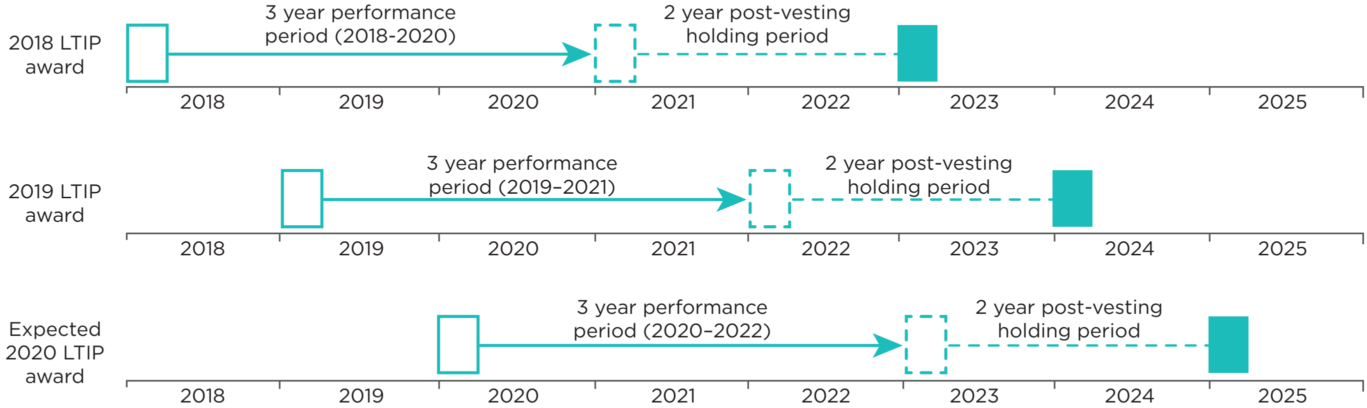
The annual executive bonus is linked to specific goals covering profit, cash conversion and strategic objectives. Measured against these goals, the 2020 Group performance would have resulted in a bonus payment for both the MD and FD. However, given the global backdrop and the experience of our stakeholders during the year, the executive directors volunteered to waive any bonus for 2020. Further details are set out in the Directors' Remuneration report on page 62.

2020 LTIP award

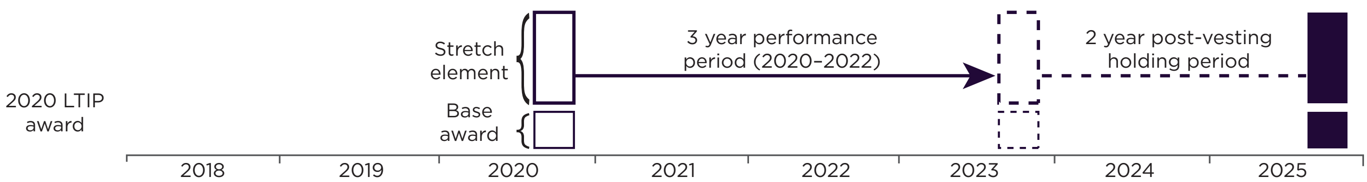
The Committee reviewed the Group's in-flight performance-based share awards. As a direct result of the unprecedented impact of the COVID-19 pandemic, LTIP awards granted in 2018 and 2019, which had been on track, were no longer expected to meet their performance criteria. Conversely, the vesting of free share awards (which are

The diagram below illustrates the performance and vesting timelines of the original awards (including the 2020 LTIP award we originally expected to grant pre-pandemic) and the 2020 LTIP award:

Before changes:



After changes:



not subject to performance conditions) granted to junior employees each year since our IPO have been unaffected, and these awards will continue to vest on their normal timescales.

The Committee recognised the need to ensure that senior management continues to be retained and incentivised to deliver a strong recovery. For this reason, a one-off 2020 LTIP award was granted to the executive leadership team ("ELT") (including the FD) and the senior management team, subject to stretching performance conditions linked to the Group's profitability.

To reflect this and mitigate potential dilution concerns, the in-flight 2018 and 2019 awards have been cancelled. The MD does not currently participate in the LTIP, but the Committee remains satisfied that he is incentivised to deliver strong performance through his substantial shareholding.

The 2020 LTIP Award will ordinarily vest in 2023 and is exercisable for up to ten years from the date of grant. The base award is subject to a two-year holding period from the date of vesting.

The Committee recognises that a key concern of shareholders is dilution arising from share based incentive schemes. This was a key driver behind the decision to cancel the 2018 and 2019 LTIP awards. The dilutive impact of the 2020 LTIP is 2.5% (at maximum performance, based on the current share capital), but the net dilutive impact (once the cancellation of the 2018 and 2019 LTIP awards is taken into account) is 1.3%.

Free share awards to junior employees (which are not subject to performance conditions) were granted as normal during the year.

Executive shareholdings

The Committee expects executive directors to have sufficient shareholdings to align their interests with shareholders. In particular, executive directors are expected to develop a shareholding of 200% of base salary over an appropriate period of time from appointment. Given the MD's substantial shareholding (over 20% of the Group) and the FD joining the Company in 2018, the Committee is satisfied that the executive directors' shareholdings are sufficient.

Our long-term approach to executive pay

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

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

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

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

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

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

Alignment with the wider workforce

The Company believes in treating all employees fairly (evidenced by our tiered approach to salary reductions during the COVID-19 pandemic) and encourages employee share ownership across the Group.

During 2020, the Group benefited from government support, which helped it maintain jobs during the pandemic. The Committee recognises the sacrifices made by our employees during the year including time off due to furlough, part-time working and reductions in earnings. We believe that the Group took a fair and balanced approach to managing the COVID-19 impact through both enhanced furlough payments and larger percentage reductions in earnings for the Group's more senior staff. These actions have ensured that we are well positioned for the post-COVID recovery.

As at 31 December 2020, over half of Group employees were either shareholders or participants in share awards that will vest in the next three years.

Each year since IPO, the Company has made free share awards and/or LTIP awards to employees that meet the Committee's criteria. Free shares, which vest after three years, have typically been awarded to employees of eligible Group companies based on length of service. Since IPO, 800,000 free share awards have been given to members of staff, this includes 300 shares per eligible employee awarded to 600 employees in 2020.

STATEMENT FROM THE CHAIRMAN OF THE REMUNERATION COMMITTEE CONTINUED

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

2017 share award vesting

LTIP awards are made to senior management to align personal objectives with the Company's strategic goals and recognise long-term value creation.

Awards have been made annually since the Company's IPO in 2016. The Committee was pleased to be able to determine that the performance criteria for the vesting of the 2017 awards were met in full (based on financial performance for the three years ended 31 December 2019). No executive directors were included in this vesting.

Advisory vote on Directors' Remuneration report

Since 2019, the Company has included an advisory vote at the AGM on the Directors' Remuneration report. Whilst the Committee acknowledges that this is beyond our obligations as an AIM-listed company and the requirements of the QCA code, it has determined that this is an opportunity to better engage with shareholders on this important topic. The outcome of the 2020 advisory vote was 99.05% in favour. The 2020 Directors' Remuneration report will be subject to an advisory vote at the 2021 AGM.

Key activities of the Remuneration Committee

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

The Remuneration Committee met four times during 2020 and its key activities were as follows:

- Reviewed the 2019 Directors' Remuneration report;
- Agreed 2019 annual bonus awards for executive directors and the wider ELT;
- Discussed 2020 annual bonus scheme proposal for executive directors and the ELT for 2020;
- Reviewed the 2017 LTIP award performance and approved the vesting in full of these awards;
- Assessed the impact of COVID-19 and recommended and approved actions on directors' base pay and bonuses;
- Assessed the impact of COVID-19 and recommended and approved actions on the LTIP scheme;
- Reviewed and approved the executive directors' remuneration arrangements for 2021; and
- Considered the remuneration of the ELT for 2021.

H-Farm Campus, AV solutions, by Prase, Italy

Both the remuneration policy and LTIP scheme are summarised in the "Remuneration Overview" section of this report.

Outlook for the 2021 financial year

Whilst 2020 was impacted by COVID-19, the Committee recognises that the Company has delivered long-term shareholder returns, grown strongly, made market share gains and completed strategic acquisitions, and believes in incentivising a strong recovery. The Committee will keep the remuneration arrangements under review and retains flexibility to reward significant outperformance through its incentive schemes.

The Committee believes that the MD is incentivised through his substantial shareholding and will therefore not participate in any 2021 LTIP award.

The Committee determined that it was not appropriate to increase executive directors' salaries or non-executive directors' fees from 1 January 2021.

Summary

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

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

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

Mike Ashley
Chairman of the
Remuneration Committee

H-Farm Campus, AV in the classroom, by Prase Italy

DIRECTORS' REMUNERATION REPORT

Summary of remuneration agreements

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

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

A summary of the remuneration arrangements applicable to remuneration in 2020 and 2021 is set out below for reference, to assist with the understanding of the contents of this report and to demonstrate alignment with strategy.

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base salary Provides a base level of remuneration to support recruitment and retention of executive directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed at the discretion of the Committee.	Base salaries will be set by the Committee at an appropriate level, with consideration given to comparable listed companies, experience in role and the Company's performance.	None
Benefits and pension Provides a competitive level of benefits and pension.	The executive directors receive benefits, which include pension, car allowance and private medical insurance. The FD also receives a contribution towards weekday accommodation near the Company's head office. Further benefits may also be provided for relocation following the appointment of new executives.	Employer pension contribution of 6% of base salary per annum or a salary supplement representing this contribution net of employer's National Insurance of 13.8%. The maximum value of other benefits will be set at the cost of providing the benefits described.	None

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Annual bonus The annual bonus provides a significant incentive to the executive directors linked to achievement in delivering strategic goals, including financial performance. Maximum bonus is only payable for achieving demanding targets.	Performance is measured annually against a range of predetermined performance conditions. Outcomes are determined by the Committee after the year-end based on performance against these targets. All bonus payments are at the ultimate discretion of the Committee, and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year. Annual bonuses are paid in cash after the end of the financial year to which they relate.	The maximum normal bonus opportunity is currently 100% of base salary. The Committee retains discretion to award a higher bonus in circumstances of significant outperformance.	Performance is measured over the financial year. Targets are set annually by the Committee. Performance metrics for 2021 will include targets for: • Profit growth • Other financial KPIs • Strategic/personal targets
Long-term incentive plans ("LTIP") The LTIP provides a significant incentive to the executive directors linked to achievement in delivering longer-term strategic goals, including sustained financial performance. Maximum awards are only payable for achieving demanding targets.	LTIP awards are made using nominal cost share options. Performance is measured over three financial years against a range of predetermined performance conditions. LTIP awards are subject to a two-year post-vesting holding period. All LTIP awards are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall LTIP awards reflect its view of corporate performance during the period. LTIP awards may attract dividend equivalents for the duration of the performance period.	The normal maximum LTIP award is 200% of base salary. In 2020, an enhanced LTIP award of 550% of salary was granted to the FD. This reflected the cancellation of both the 2018 and 2019 LTIP awards.	Performance is measured over a minimum three-year performance period. Targets are set for each performance period by the Committee. Performance metrics for the awards are based on adjusted profit growth.
Non-executive director fees Provides a level of fees to support recruitment and retention of non-executive directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-executive directors are paid a base fee. Fees are reviewed from time to time at the Remuneration Committee's discretion based on equivalent roles in an appropriate comparator group used to review salaries paid to the executive directors.	The base fees for non-executive directors are set at a market rate. No additional fees are awarded for committee chairmanship or membership.	None

DIRECTORS' REMUNERATION REPORT CONTINUED

Wider employee pay

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

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

The Committee also encourages the participation of Midwich employees in share ownership and is supportive of the Group's share participation and free share award programmes. At 31 December 2020, over half of Group employees were participants in the Group's share ownership programmes.

Directors' service agreements and letters of appointment

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

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

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

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

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

Approach to recruitment remuneration of executive directors

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

Executive directors' termination payments

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

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

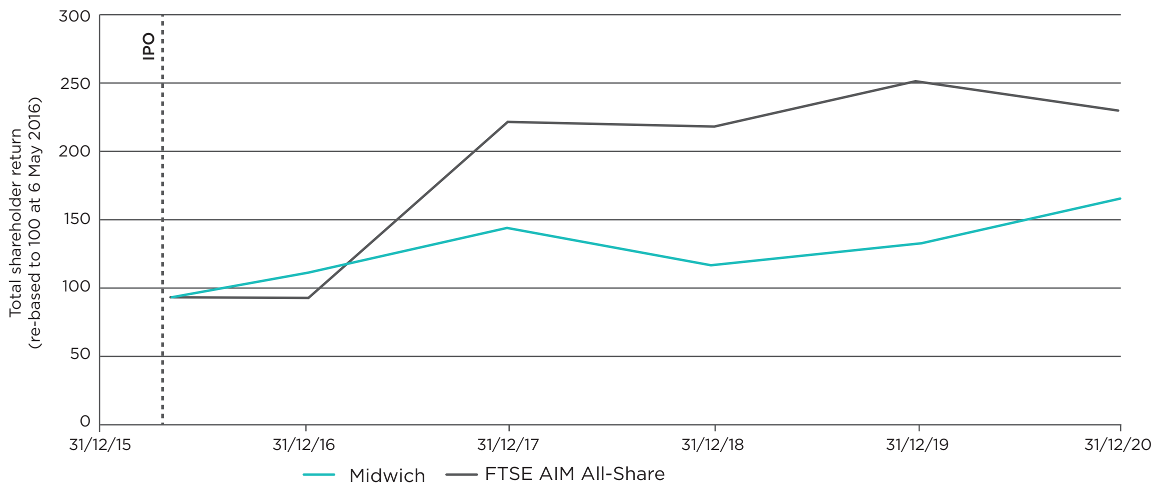
When determining any loss of office payment for a departing individual the Remuneration Committee will always seek to minimise cost to the Company whilst seeking to address the circumstances at the time.

ANNUAL REPORT ON REMUNERATION

Total shareholder returns

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

The Committee believes that a well-run business will deliver superior returns to its shareholders over time. In the period since IPO, we have created over £218m of value through market capitalisation growth and dividends. Over the same period, we have outperformed the AIM All-Share Index by 37%.



Executive director remuneration

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

The table below sets out the total remuneration with a breakdown for each executive director in respect of the 2020 financial year. Comparative figures for the 2019 financial year have also been provided.

	Base salary[1]		Benefits[2]		Annual Bonus		Pension[3]		Other[4]		Total	
£'000	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
Stephen Fenby	**237**	315	**12**	12	**–**	58	**11**	16	**–**	–	**260**	401
Stephen Lamb	**233**	250	**31**	30	**–**	36	**11**	13	**40**	168	**315**	497

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

[2] The taxable benefits received in 2019 and 2020 were principally company cars/car allowances and private medical insurance. Stephen Lamb also receives a contribution to weekday accommodation near the Company's head office.

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

[4] On appointment, Stephen Lamb received 50,000 nominal cost options, which vest over a three-year period, from his date of appointment, subject to continued employment. The value of these awards, at the time of grant, was £265,000 based on the share price of 530 pence at the date of grant and an exercise price of 1 penny. 10,000 of these options vested on 26 July 2020 at a value (net of the exercise price) of £39,900 based on a share price of 400 pence at the date of vesting. In the prior year, 30,000 of these options vested on 26 July 2019 at a value of £167,700 based on a share price of 560 pence at the date of vesting.

Non-executive directors (audited)

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

	Fees[1]		Total	
£'000	**2020**	2019	**2020**	2019
Andrew Herbert	**73**	81	**73**	81
Mike Ashley	**37**	41	**37**	41
Hilary Wright	**37**	41	**37**	41

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

Additional information regarding directors' remuneration

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

Base salary

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

Executive director	Base salary
Stephen Fenby	£322,875
Stephen Lamb	£257,500

Base salaries for the 2021 financial year are set out on page 68 of this report.

Bonus awards

The annual bonus opportunity for the executive directors in the year was a maximum of 100% of base salary and performance was assessed against the following metrics:

- Profit growth targets (60% weighting)
- Cash conversion rate (20% weighting)
- Strategic targets (20% weighting)

Whilst targets were achieved for cash conversion and strategic goals, the Remuneration Committee supported the executive directors' decision to waive any bonuses in 2020. Further detail on 2020 performance is set out in the Directors Remuneration report on page 62.

Long-term incentives awarded in 2020

As noted in the Chairman's statement, the Committee reviewed the Group's in-flight performance-based share awards. As a result of the impact of the COVID-19 pandemic and therefore factors outside of the senior management team's control, LTIP awards granted in 2018 and 2019 were not expected to meet their performance criteria. The Committee determined that exercising discretion to permit these awards to vest would not be aligned with the experience of our shareholders.

However, the Committee also recognised the need to ensure that the senior management team continues to be retained and incentivised to deliver a strong recovery. For this reason, a one-off 2020 LTIP award was granted to senior management (including the FD) subject to stretching performance conditions linked to the Group's profitability. To reflect this and mitigate potential dilution concerns, the in-flight 2018 and 2019 awards have been cancelled.

The 2020 LTIP award for the FD consists of two elements:

- A "base award" of 66,026 nominal cost options, which will only vest if adjusted profit before tax in the financial year ending 31 December 2022 exceeds the adjusted profit before tax for the year ending 31 December 2019; and
- Subject to achieving the base award performance condition, an additional element of up to 231,090 nominal cost options will vest subject to the achievement of further tiers of stretching profit targets above this level for the year ending 31 December 2022.

The 2020 LTIP award will vest in 2023 and is exercisable for up to ten years from the date of grant. The base award is subject to a two-year holding period from the date of vesting.

To reflect the substantial shareholdings of Stephen Fenby, and in line with the approach taken since IPO, no LTIP awards were granted to him during the year.

ANNUAL REPORT ON REMUNERATION CONTINUED

Share interests

The interests of directors and their connected persons in Ordinary Shares and share options as at 31 December 2020 are presented in the table below.

		Options held:				
Director	**Ordinary Shares at 31 December 2020**	**Vested but not exercised**	**Unvested and subject to continued employment**	**Unvested and subject to performance criteria[1]**	**Percentage shareholding[2]**	**Percentage of salary held[2]**
Stephen Fenby	19,425,000	–	–	–	21.92%	30,081%
Stephen Lamb	10,682	40,000	10,000	297,116	0.04%	72%
Andrew Herbert	40,000	–	–	–	0.05%	n/a
Mike Ashley	1,442	–	–	–	<0.01%	n/a
Hilary Wright	4,000	–	–	–	<0.01%	n/a

[1] Base award of 66,026 shares subject to a two-year post-vesting holding period.

[2] Percentage shareholding and percentage of salary held is based on a share price of £5.00 on 31 December 2020. Vested but unexercised options and options that are only subject to continued employment are included at 53% of their nominal value to reflect estimated tax deductions.

No share options were exercised by directors during the year. All share options lapse, if they are not exercised, ten years after the grant date.

Non-executive fees in 2020

Fees for the non-executive directors were not increased for the year ending 31 December 2020.

Fees at the end of the financial period were:

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

Non-executive director fees for the 2020 financial year are set out on page 63 of this report.

Implementation of remuneration agreements in 2021

Base salary

There was no increase in base salary for either the MD or FD from 1 January 2021.

The table below sets out the base salaries effective from 1 January 2021 (with previous base salaries included for reference):

	Base salary	
	As at 31 December 2020	**As at 1 January 2021**
Stephen Fenby	£322,875	£322,875
Stephen Lamb	£257,500	£257,500

Annual bonus

2021 will be a critical year for the Group and the Committee believes it is vital that the executive directors, and broader senior management team, are incentivised to deliver strong results for our shareholders as we emerge from the global pandemic.

Normal bonus opportunities for Executive Directors will be 100% of salary, but the Committee retains the flexibility to provide additional reward for significant outperformance. The performance targets for the 2021 bonus will be:

- Profit growth targets (50% weighting)
- Other financial KPIs (25% weighting)
- Strategic/personal targets (25% weighting)

Long-term incentive

The Group MD and FD will be eligible to participate in any long-term incentive awards granted during 2021. However, due to his significant existing shareholding, it is expected that the MD will not participate in the 2021 award. The Remuneration Committee will keep this under review in future years.

Pension

Company pension contributions will remain at 6% of base salary. The MD and FD each elect to receive this via salary supplement of 6% of salary (less employer's National Insurance of 13.8%) in lieu of pension contributions.

Non-executive director fees

There was no increase in fees for the non-executive directors from 1 January 2021.

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

	Fees	
	As at 31 December 2020	**As at 1 January 2021**
Andrew Herbert	£83,000	£83,000
Mike Ashley	£42,000	£42,000
Hilary Wright	£42,000	£42,000

Adviser

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

Approval

This report is approved by the Board on 9 March 2021 and signed on its behalf by:

Mike Ashley
Chairman of the Remuneration Committee

DIRECTORS' REPORT

↘ UK&I Experience Centre

The directors present their report and the financial statements of the Group for the year ended 31 December 2020. Some disclosures that would normally be included in the Directors' Report are included in the Strategic Report. These include the review of the principal risks and uncertainties facing the business (page 30), stakeholder engagement (page 34), environmental reporting (page 37) and an indication of likely future developments for the Group (on page 22).

Results and dividends

The loss after tax for the period amounted to £3.4m (2019: £18.2m profit).

The Company did not pay dividends in the year (2019: £12.3m).

Going concern

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity to continue in operational existence for the foreseeable future. At the end of 2020, the directors considered the working capital of the business to be adequate for its needs, and the Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

Financial risk management and policies

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

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

Credit risk

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

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

Interest rate risk

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

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

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

Currency risk

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

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

Liquidity risk

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

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

Directors

The directors of the Company during the year and their beneficial interest in the Ordinary Shares of the Company at 31 December 2020 are set out below:

	Ordinary Shares 2020	Ordinary Shares 2019
Stephen Fenby	**19,425,000**	19,125,000
Stephen Lamb	**10,682**	7,766
Andrew Herbert	**40,000**	30,000
Mike Ashley	**1,442**	1,442
Hilary Wright	**4,000**	4,000
	19,481,124	19,168,208

Stephen Lamb is the only director with interests in share options of the Company. These are detailed on page 68.

Directors' remuneration

	2020 Salary/fees and bonus £'000	2020 Pension £'000	2020 Benefits in kind £'000	2020 Share option vesting £'000	2020 Total £'000	2019 Total £'000
Stephen Fenby	**237**	**11**	**12**	**–**	**260**	401
Stephen Lamb	**233**	**11**	**31**	**40**	**315**	497
Andrew Herbert	**73**	**–**	**–**	**–**	**73**	81
Mike Ashley	**37**	**–**	**–**	**–**	**37**	41
Hilary Wright	**37**	**–**	**–**	**–**	**37**	41
	617	**22**	**43**	**40**	**722**	1,061

Directors' and officers' liability insurance

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

Employee involvement and policies

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

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

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

DIRECTORS' REPORT CONTINUED

Substantial shareholders

The Company has been notified of the following interests of 3% or more in its issued share capital as at 17 February 2021:

Shareholders	Number of shares	%
Midwich Group plc directors & related parties	19,481,124	21.99
Aberdeen Standard Investments	10,241,644	11.56
Granular Capital Ltd	7,087,709	8.00
Octopus Investment Nominees Limited	6,417,560	7.24
Liontrust Investment Partners	4,530,147	5.11
Canaccord Genuity Group Inc	4,108,246	4.64

Directors' responsibilities statement

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

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

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

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

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

The directors confirm that:

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

Auditor

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

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

Mr S B Fenby
Director

Date: 9 March 2021

Company registration number: 08793266

CASE STUDY

H-FARM Campus – a school of innovation

Prase, a Midwich Group company based in Italy, worked closely with H-FARM Campus on their digital transformation. A school of innovation with the best AV technology for the people of today.

"The cultural transformation caused by digital innovation is forcing us to rethink dialogue with consumers and how to rewrite the internal processes of companies. Similarly, in schools and universities and in education, in general, we need to rethink software platforms to communicate with students and to reorganise teachers and staff."

H-FARM Campus has entered into technological partnerships to create future-proof digital buildings, asking for support for AV solutions from Prase Media Technologies. The project covered multiple rooms throughout the campus and supported a wide variety of AV technology to deliver a multi-use approach throughout.

"Prase, an added-value distributor played a key role in the H-FARM Campus project," commented Alberto Prase, Founder and Sales Manager of the company of the same name. "Our team of AV specialists have interpreted the needs and objectives given, not only by proposing suitable technological solutions, but also by guiding the client along a careful validation process. The various combinations were first tested with the H-FARM Campus representatives at our headquarters, and then test rooms were set up on site to validate the proposed solution in a live environment."

"Prase proved to be a fundamental partner for the success of our project. Thanks to the close collaboration with the technical team, we were able to build a solid infrastructure."

Alberto Aldrigo, IT Manager of H-FARM

H-FARM campus operates from kindergarten to masters, with the new school complex boasting a unique internationally inspired educational cycle that can accommodate over 2,000 students and about 3,000 people. The various complexes cover a total area of 30,000 square meters, spread over 27 hectares of park, which is open to the public. This makes the project a complex AV integration requiring specialist expertise at every stage.

"Prase proved to be a fundamental partner for the success of our project. They supported us through all the requirements analysis and development phases of our AV project, allowing us to field test every single component for the necessary time in production environments to validate specifications before inserting them into the final solution. Thanks to the close collaboration with the technical team, we were able to build a solid infrastructure by optimising the number of products installed in the field and introducing some innovative elements, such as Biamp's voice lift system and automatic shooting systems with speaker tracking." said Alberto Aldrigo, IT Manager of H-FARM.

You can see the full project details at **www.prase.it/h-farm-campus.**

RESOLUTION SUMMARY

COVID-19 statement

In the lead up to the Annual General Meeting (notice of which is set out below), the directors are closely monitoring the impact of the COVID-19 virus in the United Kingdom. Due to ongoing limitations on public gatherings and associated social distancing measures in response to COVID-19, external shareholders (i.e. shareholders who do not also hold office as a director of the Company) are prohibited from attending the Annual General Meeting in person. Accordingly, so as to ensure their vote is counted at the Annual General Meeting, all shareholders are asked to submit a proxy form, instructing the Chairman on how they wish to vote on the proposed resolutions. Further, the Company will be providing a conference call link to enable shareholders to follow proceedings of the meeting and potentially to ask questions remotely. All shareholders are encouraged to use these facilities should they wish to follow the progress of the meeting. Any shareholders who wish to listen to the meeting by such means, should contact the Company Secretary prior to the day of the meeting at Stephen.Lamb@midwich.com in order to request conference dial-in details.

Annual General Meeting

The notice convening the Annual General Meeting (the "**AGM**") is set out on pages 147 to 148. Resolutions 1 to 8 set out in the notice of the AGM deal with the ordinary business to be transacted at the AGM. The special business to be transacted at the meeting is set out in Resolutions 9 to 11.

Resolutions 1 to 9 are being proposed as ordinary resolutions (and therefore need the approval of a simple majority of those shareholders who are present and voting in person or by proxy at the AGM) and Resolutions 10 and 11 are being proposed as special resolutions (and therefore need the approval of at least 75 per cent of those shareholders who are present and voting in person or by proxy at the AGM).

Presentation of the Company's annual accounts (Resolution 1)

Resolution 1 deals with the adoption of the Company's annual accounts for the financial year ending 31 December 2020.

Re-election of Directors (Resolutions 2 to 6)

The Company's Articles of Association require the number nearest to one third of the Board to retire by rotation at each Annual General. The UK Corporate Governance Code provides that all Directors should be subject to re-election by their shareholders every year. In accordance with this provision of the UK Corporate Governance Code and in keeping with the Board's aim of following best corporate governance practice, the Board has decided that, as at recent Annual General Meetings of the Company, all Directors should retire at each Annual General Meeting and offer themselves for re-election.

Information about the Directors is set out on pages 46 to 47.

Re-appointment and remuneration of auditors (Resolution 7)

Resolution 7 proposes the re-appointment of Grant Thornton UK LLP as auditors of the Company and authorises the Directors to set the auditors' remuneration.

Directors' Remuneration Report (Resolution 8)

This Resolution seeks shareholder approval for the Directors' Remuneration Report (excluding the remuneration policy). The Directors' Remuneration Report can be found on pages 62 to 69 (inclusive) of the Annual Report and Financial Statements.

In accordance with regulations which came into force on 1 October 2013, Resolution 8 offers shareholders an advisory vote on the implementation of the Company's existing remuneration policy.

Authority to allot shares (Resolution 9)

Under section 551 of the Companies Act 2006 (the "**CA 2006**"), the Directors may only allot shares or grant rights to subscribe for or convert any securities into shares if authorised by the shareholders to do so.

Resolution 9, which complies with guidance issued by the Investment Association, will, if passed, authorise the Directors to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares, up to an aggregate nominal value of £295,349 (corresponding to approximately one-third of the issued share capital at 6 April 2021 and up to an aggregate nominal value of £590,698 (corresponding to approximately two-thirds of the issued share capital at 6 April 2020) in the case of allotments only in connection with a fully pre-emptive rights issue. The Directors have no present intention to exercise the authority sought under this Resolution. However, the Directors may consider doing so if they believe it would be appropriate in respect of business opportunities that may arise consistent with the Company's strategic objectives.

This authority will expire no later than 15 months after the passing of the Resolution. It is the Board's current intention to seek renewal of such authority at each future Annual General Meeting of the Company.

As at 6 April 2021, the Company does not hold any shares in the Company in treasury.

Disapplication of pre-emption rights (Resolutions 10 and 11)

Under section 561(1) of the CA 2006, if the Directors wish to allot equity securities (as defined in section 560 of the CA 2006) they must in the first instance offer them to existing shareholders in proportion to their holdings. In addition, there may be occasions, when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing shareholders. This cannot be done under the CA 2006 unless the shareholders have first waived their pre-emption rights.

In accordance with institutional guidelines, under Resolution 10, to be proposed as a special resolution, authority is sought to allot shares:

i. in relation to a pre-emptive rights issue only, up to an aggregate nominal amount of £590,698 (being the nominal value of approximately two thirds of the issued share capital of the Company); and

ii. in any other case, up to an aggregate nominal amount of £44,302 (representing 5% of the issued share capital of the Company).

The Directors do not currently have an intention to exercise the authority.

In addition, Resolution 11, again in accordance with institutional guidelines and which is also to be proposed as a special resolution, asks the shareholders to waive their pre-emption rights in relation to the allotment of equity securities or sale of treasury shares up to a further aggregate nominal amount of £44,302 (representing 5% of the issued share capital of the Company), but where such authority may only be used for the purpose of financing (or refinancing, if the authority is to be used in the six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Pre-emption Group's Statement of Principles on Disapplying Pre-Emption Rights.

The Directors will also have regard to the guidance in the Statement of Principles concerning cumulative usage of authorities within a three-year period. Accordingly, the Board confirms that it does not intend to issue shares for cash representing more than 7.5 per cent of the Company's issued ordinary share capital in any rolling three-year period other than to existing shareholders, save as permitted in connection with an acquisition or specified capital investment as described above, without prior consultation with shareholders.

If Resolutions 10 and 11 are passed, the authorities will expire at the conclusion of the next Annual General Meeting of the Company, or, if earlier, the date which is 15 months after the date of passing of the Resolutions. It is the Board's current intention to seek renewal of such authorities at each future Annual General Meeting of the Company.

CASE STUDY

The Leadenhall Building reception in London was transformed with a 32m² fine pitch LED canvas. Providing creative opportunities and impact, the choice to upgrade was an easy one.

The transformation entailed a three-month design and build project to upgrade their 24 screen videowall to a spectacular 32m² fine pitch LED canvas.

The journey started when PSCo met with the end client and 444 digital and showcased a range of solutions from a variety of manufacturers. Each offering was reviewed on a range of aspects including product quality, capabilities, reliability, and support, alongside their suitability for the space and overall value and benefit they would bring to the building.

PSCo teamed with the capabilities of 444 Digital's signage platform and a client who has world-class expectations, to deliver the resulting smart content that goes far, far beyond simply displaying pictures. LED displays and content should work in harmony to drive the thinking and investment behind projects in the corporate space.

> "Digital signage is often spoken about in terms of content possibilities – The Leadenhall Building is leveraging the full potential of these possibilities today."

Inigo Melis, Managing Director

Our Financials

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MIDWICH GROUP PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Midwich Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2020, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Financial Position, Company Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards ("IFRSs") in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the, Key audit matters, section of our report. In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the Parent Company's business model including effects arising from Brexit and COVID-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the Group's and the Parent Company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

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

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

Our approach to the audit

Overview of our audit approach

Overall materiality: £1.2m

Group: £1.2m, which represents 5% of normalised profit before taxation taking into account the average profitability of the Group for the last few years.

Parent Company: £709k, which represents 2% of draft total assets.

Key audit matters were identified as:

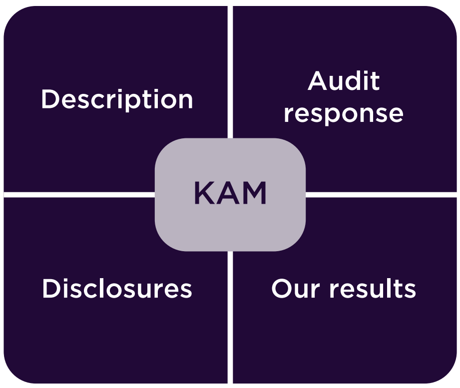
- The risk of improper recognition of revenue due to fraud
- The risk of intangible assets being incorrectly accounted for on acquisition of Group companies
- Going concern (new key audit matter for this year)
- Change in estimate for the inventory provision (new key audit matter for this year)

Our auditor's report for the year ended 31 December 2019 did not include any key audit matters that have not been reported as key audit matters in our current year's report.

We performed an audit of the financial information of the component using component materiality (full-scope audit) for the Parent Company Midwich Group plc, Midwich Limited, Kern & Stelly Medientechnik GmbH, and Starin Marketing Inc.; an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) was performed for Sidev SAS, Midwich Australia Pty Limited, Gerbroeders van Domburg B.V, Bauer and Trummer GmbH and Prase Engineering S.p.A.; analytical procedures were performed for all other components of the Group.

Key audit matters

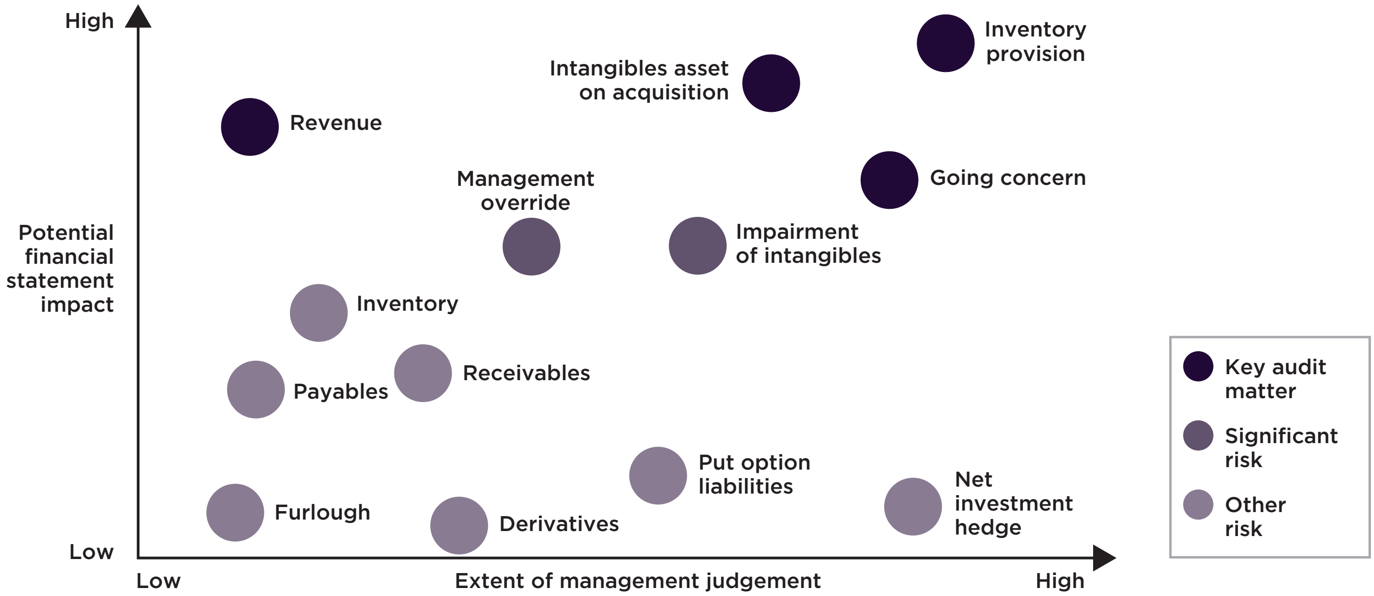
We performed an audit of the financial information of the component using component materiality (full-scope audit) for the Parent Company Midwich Group plc, Midwich Limited, Kern & Stelly Medientechnik GmbH, and Starin Marketing Inc.; an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) was performed for Sidev SAS, Midwich Australia Pty Limited, Gerbroeders van Domburg B.V, Bauer and Trummer GmbH and Prase Engineering S.p.A.; analytical procedures were performed for all other components of the group.



INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MIDWICH GROUP PLC CONTINUED

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



Key audit matter – Group	How our scope addressed the matter – Group
The risk of improper recognition of revenue due to fraud We identified the risk of improper recognition of revenue as one of the most significant assessed risks of material misstatement due to fraud. Under International Standard on Auditing (UK) 240 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements', there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue due to fraud. The Group has reported revenues of £712m (2019: £686m) arising from the sale of goods and ancillary services and equipment rentals. The Group has other operational income of £2m (2019: £3m), which relates to promotional activities. The nature of the Group's revenue involves the processing of numerous transactions with each stream possessing different revenue recognition criteria. The Group's revenue is material to the financial statements. The audit team's assessment is that the vast majority of revenue transactions are non-complex, with no judgement applied over the amount recorded as revenue recognised equates to the value of the goods despatched. We have therefore focused our significant risk assessment on open revenue transactions where the sales process is not yet fully complete (generally in the final two months of the year) and also on the manual adjustments that are made to revenue (i.e. manual journal postings).	In responding to the key audit matter, we performed the following audit procedures: • Reading the revenue recognition policies to ensure they are consistent with the prior year and in accordance with appropriate accounting standards; • Testing the design effectiveness of relevant controls in the sales order process through reperformance by walkthrough; • Performing substantive testing on a sample of revenue transactions, with a higher focus on sales in the final two months of the year, by tracing to proof of delivery to verify the occurrence of the sale; • Substantive tests of detail were performed on a sample of revenue transactions agreeing to supporting documentation to gain assurance over the occurrence of revenue; and • Testing manual adjustments (journal postings) made to revenue to identify whether there were any indicators of manipulation of revenue.

Key audit matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: note 1, Accounting policies and note 3, Revenue.	**Our results** Based on our audit work, we did not identify any material misstatement of revenue or any instances where revenue was not recognised in accordance with the stated accounting policies.
The risk of intangible assets being incorrectly accounted for on acquisition of Group companies We identified the risk of intangible assets being incorrectly accounted for on acquisition as one of the most significant assessed risks of material misstatement due to fraud or error. In accordance with IFRS 3, management are required to fair value separately identifiable assets and liabilities on acquisition. This involves identifying and valuing intangible assets distinct from goodwill. The Group engages with third parties to assist in the performance of these assessments for material acquisitions to ensure they are free from bias. Due to the high level of judgement and assumptions necessary to perform valuations of separately identifiable intangible assets arising on acquisitions, and due to the materiality of the assets recognised by the Group, we have identified the risk of intangible assets being incorrectly accounted for on acquisition of Group companies as a significant risk, which was one of the most significant assessed risks of material misstatement.	In responding to the key audit matter, we performed the following audit procedures: • Assessing the valuation models prepared by management's experts in respect of the acquisition of Starin Marketing Inc., including the basis and methodology adopted for identifying and valuing separate intangible assets distinct from goodwill; • Using our own auditor's expert to critique the valuation models prepared by management's expert; • Agreeing significant inputs used in the models to underlying purchase agreements and other supporting documentation; • Critically assessing and challenging the key judgements and assumptions, such as revenue growth rates and discount rates, used by management in the valuation models and comparing to historic performance data; and • Agreeing the fair value of identified intangible assets from the valuation models prepared by management's experts to the amounts recorded in the financial statements.
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: note 1, Accounting policies and note 35, Business combinations.	**Our results** Our audit work did not identify any material misstatements in the accounting for intangible assets.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MIDWICH GROUP PLC CONTINUED

Key audit matter – Group	How our scope addressed the matter – Group
Going concern We have identified a key audit matter related to going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. As stated in the 'Conclusions relating to going concern' section of our report, COVID-19 is one of the most significant economic events currently faced by the global economy, and at the date of this report its effects are subject to unprecedented levels of uncertainty. In undertaking their assessment of going concern for the Group, the directors considered the impact of the following COVID-19-related events in their forecast future performance of the Group and anticipated cash flows: • The current financing available to the Group and associated debt covenants; • The Group's ability to obtain covenant waivers should the forecast indicate that a breach was likely; and • Cost saving actions that the Group could take as a result of the COVID-19 pandemic. The directors have applied a sensitivity to the forecast and performed a reverse stress test of the Group's liquidity. Under the sensitivity analysis, the Group remains in compliance with all debt covenants. The results of these analyses have been considered by the directors in forming their conclusion. As a result of the current macro economic environment, there is significantly more judgment applied in developing cash flow forecasts. The assumptions subject to the most judgment include: • The anticipated recovery of customer demand and in the wider AV industry; • The potential impact on currency movements; • The gross margin achieved on goods; and • The replacement of current financing that is due for renewal in the assessment period. The directors have concluded, based on the various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due and have concluded that there are no material uncertainties around the going concern assumptions.	In responding to the key audit matter, we performed the following audit procedures and made the following significant judgements: • Obtaining an understanding of key controls over management's going concern models, including those over the inputs and assumptions used in the models; • Obtaining management's cash flow and covenant compliance forecasts covering the period to 31 December 2022, which included a base case, reasonably possible downside scenario and an extreme stress test scenario; • Obtaining and comparing analyst reports, industry data and other external information with management's estimates; • Applying professional judgment to determine if the external reports, data and other information provided corroborative or contradictory evidence in relation to management's assumptions; • Comparing historic forecasting recent historical financial information to evaluate the accuracy of forecasting; • Understanding management's proposed mitigating actions to reduce costs and manage cash flows and assessing whether the mitigating actions were within the Group's control; • Challenging the expected impact of those actions based on available supporting evidence; • Testing the underlying data used to prepare the forecast scenarios and applying professional judgment to determine whether there was adequate support for the assumptions underlying the forecast; • Using our internal specialist to assess the appropriateness of the forecast, through: – evaluating the results of the reverse stress tests performed by management; – corroborating the key terms of the debt facilities replied upon in the forecast; – understanding the impact on the covenants compliance and headroom if the Group failed to replace facilities due for renewal in the assessment period, with no breach of covenants is expected; – evaluating the foreign exchange exposure of the Group; and – evaluating the integrity of the model; • Evaluating the results of the procedures performed by our internal specialists; and • Evaluating the Group's disclosures on going concern for compliance the requirements of IAS 1 'Presentation of financial statements.

Key audit matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: note 1, Accounting policies	**Our results** Based on our audit work, we are satisfied that the assumptions made in management's assessment of the use of the going concern assumption in preparation of financial statements were appropriate. We consider that the Group's disclosure to be in accordance with IAS 1.
Change in estimate for the inventory provision We identified the risk around the Group's change in the inventory provisioning policy to be one of the most significant assessed risks of material misstatement due to error. 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. As disclosed on page 102, during the year the Group reviewed and revised these percentages to reflect both the delays to market demand from COVID-19 and management's view that, as the product mix has moved towards more specialist value-added products, the average period for which inventory can be sold at above cost has increased. At 31 December 2020, the Group's inventory provision was £23,850k (22% of cost) (2019: £13,305k; 13% of cost). Had the Group maintained the previous percentages, the inventory write down would have been £6.5m higher as at 31 December 2020. Due to the high level of judgement and assumptions in determining the write down of inventory at period end, and due to the materiality of the income statement impact arising from the change in accounting policy recognised by the Group, we have identified the risk around the Group's change in the inventory provisioning policy as a significant risk, which was one of the most significant assessed risks of material misstatement.	In responding to the key audit matter, we performed the following audit procedures and made the following significant judgements: • Obtained an understanding of key controls relating to management's estimates adopted in their Group-wide inventory provision through a design effectiveness assessment; • Challenged management on the basis for the accounting policy change and corroborating management's responses regarding the forecasts for future product demand to sales forecasts and associated inventory requirements by looking at post year-end sales; • Compared management's analysis of the inventory product mix at 31 December 2020 to the product mix at the prior balance sheet date to corroborate management's assertions regarding the change in product mix to year end inventory listings in significant components across the Group; • Tested a sample of post year-end inventory sales made and considered whether the sales trends recorded supported or contradicted management's assessment of the average provision required; and • Challenged management on the sufficiency and extent of disclosures to be made in the financial statements regards the sensitivity of the provision to changes in write down percentages.
Relevant disclosures in the Annual Report and Accounts 2020 • Financial statements: note 1, Accounting judgements and sources of estimation uncertainty.	**Our results** Based on our audit work, we are satisfied that the assumptions made in management's estimate of the inventory provision were appropriate and that the associated disclosures in the financial statements appropriately explain the judgements made and estimation uncertainty present.

There are no key audit matters identified in the Parent Company.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MIDWICH GROUP PLC CONTINUED

Our application of materiality

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

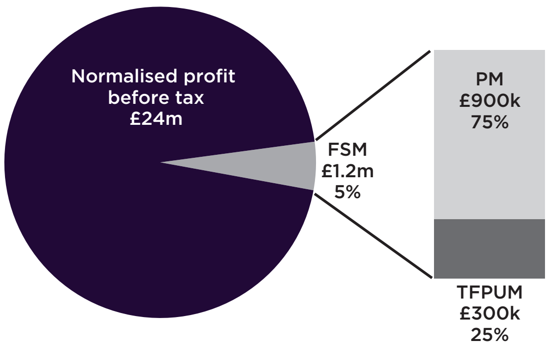
Materiality was determined as follows:

Materiality measure	Group	Parent Company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1.2m, which represents 5% of normalised profit before taxation, taking into account the average profitability of the Group for the last few years.	£709k, which represents 2% of draft total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following judgments: • The 5% benchmark was based on normalised profit before taxation, taking into account the average profitability of the Group for the last few years. A normalised figure was used because the 2020 results were significantly impacted by the COVID-19 pandemic but the Group continues to grow and has purchased a significant new subsidiary in the US (Starin). • Materiality for the current year is higher than the level that we determined for the year ended 31 December 2019 to reflect the acquisition in the year as well as organic growth in certain subsidiaries.	In determining Parent Company materiality, we used the benchmark of 2% of draft total assets. Materiality for the current year is higher than for the year ended 31 December 2019, due to an increase in total assets.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£900k, which is 75% of financial statement materiality.	£532k, which is 75% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the significant judgement of setting it at 75% based on the fact that there were no material adjustments identified in the 2019 audit, and management are suitable qualified and experienced.	In determining performance materiality, we made the significant judgement of setting it at 75% based on the fact that there were no material adjustments identified in the 2019 audit, and management are suitable qualified and experienced.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality threshold	We determined a lower level of specific materiality of £10k for directors' remuneration and related party transactions.	We determined a lower level of specific materiality of £10k for directors' remuneration and related party transactions.

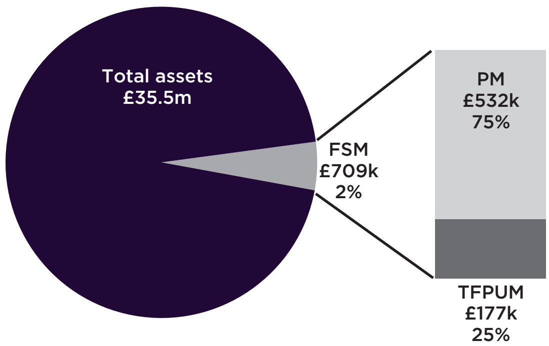
Materiality measure	Group	Parent Company
Communication of misstatements to the Audit Committee	We determine a threshold for reporting unadjusted differences to the Audit Committee.	
Threshold for communication	£60k was the threshold used for reporting misstatements, and any items below that threshold that, in our view, warrant reporting on qualitative grounds.	£35k was the threshold used for reporting misstatements, and any items below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent Company



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

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the Parent Company's business and in particular matters related to:

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

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

Identifying significant components

- Significant components were identified through assessing their relative share of key financial metrics including revenue, profit before taxation, fixed assets, current assets and current liabilities. If any of the individual metrics above were >20% of the Group total, then that component was classified as 'individually financially significant to the Group' and an audit of the financial information of the component using component materiality (full-scope audit) was performed.
- Components were selected as 'likely to include Group significant risks' if any of the individual metrics above were >6% of the Group total, and an audit of one or more account balances, classes of transactions or disclosures of the component (specific-scope audit) was performed.
- Performance of full-scope audits of the financial information of the Parent Company Midwich Group plc, Midwich Limited, Starin Marketing Inc., and Kern & Stelly Medientechnik GmbH.
- Specific-scope audit procedures were performed for Sidev SAS, Midwich Australia Pty Limited, Gerbroeders van Domburg B.V, Bauer and Trummer GmbH group and Prase Engineering S.p.A. Component auditors were used to complete these procedures.
- Analytical procedures were performed for all other components.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MIDWICH GROUP PLC CONTINUED

Testing has been performed over 81% of total Group revenues, either through full-scope or specific-scope audit procedures and 81% of total Group assets, either through full-scope or specific-scope audit procedures.

Audit approach	No. of components	% coverage of total assets	% coverage of revenue	% coverage of PBT
Full-scope audit	4	58	55	46
Specific-scope audit	5	22	25	33
Analytical procedures	13	19	19	20

The Group audit team communicated with all component auditors performing full-scope audits and specific-scope audit procedures throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures. There were no changes in approach from the prior period, other than the Group team reviews being performed remotely due to travel restrictions in the COVID-19 pandemic.

Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- The Parent Company financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We understood how Midwich Group plc is complying with legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of Board minutes and papers provided to the Audit Committee.
- We enquired of management and the Audit Committee about the Group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations and the detection and response to the risks of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management, internal audit and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. No instances were identified.
- We enquired of component auditors whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. No instances were identified.
- We identified that there is a culture of honesty and ethical behaviour and that there is a strong emphasis of prevention and deterrence of fraud.
- The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, specifically share based payments, put and call options, acquisition accounting and the impairment of intangible assets, all of which could be impacted by management bias, as well as the risk of fraud through the use of journal entries that increase revenues.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
10 March 2021

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Revenue	3	**711,754**	686,240
Cost of sales		**(609,961)**	(573,133)
Gross profit		**101,793**	113,107
Distribution costs		**(68,488)**	(68,624)
Total administrative expenses		**(28,225)**	(23,132)
Other operating income	4	**2,010**	3,583
Operating profit	5	**7,090**	24,934
Comprising			
Adjusted operating profit		**16,532**	33,462
Costs of acquisitions	6	**(526)**	(356)
Share based payments	32	**(2,562)**	(2,874)
Employer taxes on share based payments		**(130)**	(427)
Amortisation and impairments of brands, customer and supplier relationships	13	**(6,224)**	(4,871)
		7,090	24,934
Finance income		**172**	66
Finance costs	8	**(8,257)**	(1,219)
(Loss)/profit before taxation		**(995)**	23,781
Taxation	9	**(2,392)**	(5,581)
(Loss)/profit after taxation		**(3,387)**	18,200
(Loss)/profit for the financial year attributable to:			
The Company's equity shareholders		**(3,751)**	17,182
Non-controlling interest		**364**	1,018
		(3,387)	18,200
Basic earnings per share	10	**(4.32)p**	21.67p
Diluted earnings per share	10	**(4.32)p**	21.31p

The financial statements are also comprised of the notes on pages 93 to 138.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
(Loss)/profit for the financial year	**(3,387)**	18,200
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	**(4)**	(386)
Items that will be reclassified subsequently to profit or loss:		
Net (loss)/gain on net investment hedge	**(194)**	194
Foreign exchange gains and (losses) on consolidation	**3,542**	(3,115)
Other comprehensive income for the financial year, net of tax	**3,344**	(3,307)
Total comprehensive income for the year	**(43)**	14,893
Attributable to:		
Owners of the Parent Company	**(878)**	14,171
Non-controlling interests	**835**	722
	(43)	14,893

The financial statements are also comprised of the notes on pages 93 to 138.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Goodwill	12	**15,350**	13,326
Intangible assets	13	**43,631**	31,974
Right-of-use assets	14	**17,102**	15,949
Property, plant and equipment	15	**11,206**	12,086
Deferred tax assets	9	**2,386**	2,169
		89,675	75,504
Current assets			
Inventories	16	**83,995**	88,691
Trade and other receivables	17	**107,082**	104,100
Derivative financial instruments	21	**24**	–
Cash and cash equivalents	18	**25,485**	13,015
		216,586	205,806
Current liabilities			
Trade and other payables	19	**(110,136)**	(106,342)
Derivative financial instruments	21	**(1,094)**	(132)
Put option liabilities over non-controlling interests	22	**(1,306)**	(3,490)
Deferred and contingent considerations	23	**(7,012)**	(4,133)
Borrowings and financial liabilities	24	**(30,045)**	(46,529)
Current tax		**(638)**	(2,331)
		(150,231)	(162,957)
Net current assets		**66,355**	42,849
Total assets less current liabilities		**156,030**	118,353
Non-current liabilities			
Trade and other payables	19	**(1,708)**	(665)
Put option liabilities over non-controlling interests	22	**(3,337)**	(3,799)
Deferred and contingent considerations	23	**(465)**	(2,796)
Borrowings and financial liabilities	24	**(34,719)**	(36,466)
Deferred tax liabilities	9	**(7,011)**	(6,850)
Other provisions	20	**(2,303)**	(2,484)
		(49,543)	(53,060)
Net assets		**106,487**	65,293
Equity			
Share capital	31	**886**	799
Share premium		**67,047**	28,225
Share based payment reserve		**4,472**	3,998
Investment in own shares		**(6)**	(5)
Retained earnings		**30,436**	31,867
Translation reserve		**2,117**	(954)
Hedging reserve		**–**	194
Put option reserve		**(4,813)**	(6,329)
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Equity attributable to owners of the Parent Company		**100,339**	57,995
Non-controlling interests		**6,148**	7,298
Total equity		**106,487**	65,293

The financial statements are also comprised of the notes on pages 93 to 138. The financial statements were approved by the Board of directors and authorised for issue on 9 March 2021 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 2020

	Share capital £'000 (note 31)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 32)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2020	**799**	**28,225**	**(5)**	**31,867**	**(2,891)**	**57,995**	**7,298**	**65,293**
(Loss)/profit for the year	–	–	–	(3,751)	–	(3,751)	364	(3,387)
Other comprehensive income	–	–	–	(4)	2,877	2,873	471	3,344
Total comprehensive income for the year	–	–	–	(3,755)	2,877	(878)	835	(43)
Shares issued (note 31)	87	38,822	(7)	–	–	38,902	–	38,902
Share based payments	–	–	–	–	2,562	2,562	–	2,562
Deferred tax on share based payments	–	–	–	–	(232)	(232)	–	(232)
Share options exercised	–	–	6	1,855	(1,856)	–	–	5
Acquisition of non-controlling interest (note 34)	–	–	–	469	1,516	1,985	(1,985)	–
Balance at 31 December 2020	**886**	**67,047**	**(6)**	**30,436**	**1,976**	**100,339**	**6,148**	**106,487**

	Share capital £'000 (note 31)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 32)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2019	794	25,855	(5)	27,535	(630)	53,549	4,570	58,119
Profit for the year	–	–	–	17,182	–	17,182	1,018	18,200
Other comprehensive income	–	–	–	(386)	(2,625)	(3,011)	(296)	(3,307)
Total comprehensive income for the year	–	–	–	16,796	(2,625)	14,171	722	14,893
Shares issued (note 31)	2	–	(2)	–	–	–	–	–
Share based payments	–	–	–	–	2,874	2,874	–	2,874
Deferred tax on share based payments	–	–	–	–	(128)	(128)	–	(128)
Share options exercised	–	497	2	86	(585)	–	–	–
Acquisition of subsidiary (note 35)	–	–	–	–	(2,886)	(2,886)	2,884	(2)
Acquisition of non-controlling interest (note 34)	3	1,873	–	(245)	1,089	2,720	(843)	1,877
Dividends paid	–	–	–	(12,305)	–	(12,305)	(35)	(12,340)
Balance at 31 December 2019	799	28,225	(5)	31,867	(2,891)	57,995	7,298	65,293

The financial statements are also comprised of the notes on pages 93 to 138.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'000	2019 £'000
Cash flows from operating activities		
(Loss)/profit before tax	**(995)**	23,781
Depreciation	**5,991**	5,425
Amortisation	**6,429**	5,023
Loss on disposal of assets	**1,122**	50
Share based payments	**2,562**	2,874
Foreign exchange losses	**(295)**	(583)
Finance income	**(172)**	(66)
Finance costs	**8,257**	1,219
Profit from operations before changes in working capital	**22,899**	37,723
Decrease/(increase) in inventories	**34,939**	(5,110)
Decrease/(increase) in trade and other receivables	**18,097**	(7,686)
(Decrease)/increase in trade and other payables	**(31,442)**	1,293
Cash inflow from operations	**44,493**	26,220
Income tax paid	**(4,372)**	(8,844)
Net cash inflow from operating activities	**40,121**	17,376
Cash flows from investing activities		
Acquisition of businesses net of cash acquired	**(18,393)**	(10,091)
Purchase of intangible assets	**(1,730)**	(1,977)
Purchase of plant and equipment	**(1,860)**	(5,793)
Proceeds on disposal of plant and equipment	**306**	417
Interest received	**172**	66
Net cash used in investing activities	**(21,505)**	(17,378)
Net cash flows from financing activities		
Gross proceeds on issue of shares	**39,724**	–
Costs associated with shares issued	**(822)**	–
Proceeds on exercise of share options	**5**	–
Deferred consideration paid	**(5,238)**	(5,517)
Acquisition of non-controlling interest	**(2,875)**	–
Dividends paid	**–**	(12,340)
Invoice financing (outflows)/inflows	**(32,191)**	6,785
Proceeds from borrowings	**4,796**	13,099
Repayment of loans	**(4,445)**	(1,053)
Interest paid	**(2,438)**	(1,679)
Interest on leases	**(362)**	(379)
Capital element of lease payments	**(4,226)**	(2,627)
Net cash outflow from financing activities	**(8,072)**	(3,711)
Net increase/(decrease) in cash and cash equivalents	**10,544**	(3,713)
Cash and cash equivalents at beginning of financial year	**11,497**	16,357
Effects of exchange rate changes	**1,754**	(1,147)
Cash and cash equivalents at end of financial year	**23,795**	11,497
Comprising:		
Cash at bank	**25,485**	13,015
Bank overdrafts	**(1,690)**	(1,518)
	23,795	11,497

The financial statements are also comprised of the notes on pages 93 to 138.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

General information and nature of operations

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

Basis of preparation

The consolidated financial statements of Midwich Group plc (the "Group") have been prepared in accordance with International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006.

These accounting policies comply with each IAS that is mandatory for accounting periods ending on 31 December 2020.

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 (the "Company") and entities controlled by the Company ("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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Going concern

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity to continue in operational existence for the foreseeable future. There are no material uncertainties that cast significant doubt on the Group's ability to continue as a going concern. During 2020, the Group increased its revolving credit facility (RCF) and issued shares to support the Group's acquisitive growth strategy. At the start of the COVID-19 pandemic, the Board took early and decisive action to address the emerging risks and to preserve cash and liquidity. These actions resulted in a significant reduction in Group net debt during 2020. At end of 2020, the directors considered the working capital of the business to be adequate for its needs, and the Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

Revenue

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

To determine whether to recognise revenue, the Group follows a five-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations; and
- Recognising revenue when or as performance obligations are satisfied.

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

Revenue is recognised either at a point in time or over time, when or as, the Group satisfies performance obligations by transferring the promised goods or services to customers. The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. If the Group satisfies a performance obligation before it receives the consideration, the Group recognises a receivable in its statement of financial position.

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

Supplier income and vendor rebates

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

Finance income and costs

Interest income and expense is recognised using the effective interest method that calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability. Other finance costs include the changes in fair value of derivatives and other financial instruments measured at fair value through profit or loss.

Goodwill
Goodwill represents the future economic benefits arising from business combinations which are not individually identified and separately recognised. Goodwill is carried at cost as established at the date of acquisition of the business less any accumulated impairment losses.

Intangible assets other than goodwill
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful lives of other intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in administrative expenses.

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

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

- Patents and licences 3–10 years
- Software 3–10 years
- Brands 5–15 years
- Customer relationships 5–15 years
- Supplier relationships 5–15 years

Right-of-use assets
Right-of-use assets are recognised at the commencement date of the lease when the asset is available for use. Right-of-use assets are initially measured at cost including initial direct costs incurred and the initial value of the lease liability. Right-of-use assets are subsequently measured at cost less any accumulated depreciation, impairment losses, and adjustments arising from lease modifications that are not a termination of the lease.

Depreciation is calculated on a straight-line basis on all right-of-use assets as follows:

- Land and buildings Over the period of the lease up to a maximum of 50 years
- Rental assets Over the period of the lease up to a maximum of 10 years
- Plant and equipment Over the period of the lease up to a maximum of 10 years

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Depreciation is provided on cost less residual value. The residual value, depreciation methods and useful lives are annually reassessed. Each asset's estimated useful life has been assessed for limitations in its physical life and for possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all machinery and equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively. The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

Impairment of non-financial assets including goodwill

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

At each reporting date, the Group reviews the carrying amounts of non-current assets excluding goodwill to determine whether there is any indication that they have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of any impairment loss. Where the asset does not generate cash flows that are independent from other assets, the estimate is the recoverable amount of the cash-generating unit to which the asset belongs. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than the carrying amount, then the carrying amount of the asset or cash-generating unit is reduced to the recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. An impairment loss is recognised as an expense immediately. An impairment loss recognised for goodwill is not reversed in subsequent periods. Where an impairment loss on other non-financial assets subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the income statement immediately.

Inventory

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

Financial instruments

Financial instruments are comprised of financial assets and financial liabilities, which are recognised when the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when extinguished.

Financial assets

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

The Group classifies financial assets into three categories:

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

The classification of a financial asset depends on the Group's business model for managing the asset and the contractual cash flow characteristics associated with the asset. Financial assets with embedded derivatives are recognised as hybrid contracts. Hybrid contracts are classified in their entirety and not in separate components. Investments in equity instruments that are not held for trading are classified as financial assets measured at fair value through profit and loss unless the Group makes an irrevocable election on initial recognition to classify the asset as measured at fair value through other comprehensive income. Trade receivables that do not contain a significant financing component are initially measured at transaction price. All other financial assets classified as either financial assets measured at amortised cost, or financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Financial assets measured at fair value through profit and loss are initially measured at fair value and any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss. Financial assets measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial asset are renegotiated or otherwise modified the financial asset is recalculated at the present value of the modified contractual cash flows discounted at the financial asset's original effective interest rate. Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss are subsequently measured at fair value. Expected credit loss impairments are recognised in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income immediately on initial recognition of the respective financial asset. Expected credit losses are measured using an expected credit loss model. The expected credit loss model reflects a probability weighted amount derived from a range of possible outcomes that are discounted for the time value of money and based on reasonable and supportable information. Where trade receivables contain a significant financing component the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

Financial liabilities

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

The Group classifies financial liabilities into six categories:

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

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and any transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are initially measured at the amount of the consideration received in respect of the financial asset. All other financial liabilities are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Financial liabilities measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate. Financial liabilities measured at fair value through profit and loss are subsequently measured at fair value. The subsequent measurement of financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies depends upon whether the transferred asset is measured at amortised cost or fair value. If the transferred asset is measured at amortised cost then associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained by the entity. However, if the transferred asset is measured at fair value the associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is equal to the fair value of the rights and obligations retained by the entity when measured on a standalone basis. Financial guarantee contracts are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount of the initially recognised. Commitments to provide loans at below market interest rates are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount initially recognised. Contingent consideration recognised in a business combination is subsequently measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Trade and other receivables

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

Cash and cash equivalents

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

Borrowings

Borrowings include bank loans and overdrafts, loan notes, amounts advanced under invoice factoring arrangements, and leases. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are financial liabilities that are recognised when the Group becomes party to the contractual provisions of the instrument. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities.

Trade and other payables

Trade and other payables are financial liabilities recognised when the Group becomes party to the contractual provisions of the instrument. Trade and other payables are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

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

Put option liabilities

Put options to acquire non-controlling interests of subsidiaries are initially recognised at present value and subsequently measured at amortised cost, being the present value of future payments discounted at the original effective interest rate. Where the contractual cash flows of the put option liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate. Further details of the measurement of put options are given in the accounting judgements and key sources of estimation uncertainty accounting policy.

Foreign currency

The presentation currency for the Group's consolidated financial statements is Sterling. Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at rates in effect at the reporting date with any gain or loss on foreign exchange adjustments usually being credited or charged to the income statement within administrative expenses. The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate at the reporting date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve. The balance of the foreign currency translation reserve relating to a subsidiary that is partially or fully disposed of is recognised in the income statement at the time of disposal.

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

Deferred taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax liabilities are provided in full and are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment benefits
Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the reporting date, are recognised in accruals. Contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate. The Group operates defined benefit pension plans in the Netherlands and Switzerland, which require contributions to a separately managed funds. Both defined benefit pension plans are final salary pension schemes, which provide members with a guaranteed income on retirement. Defined benefit pension scheme surpluses or deficits are calculated by independent qualified actuaries using actuarial assumptions applied to actual pension contributions and salaries. The actuarial assumptions include return on assets, inflation, life expectancy, mortality rates and expected retirement ages. Actuarial assumptions are updated annually to reflect changes in market conditions and all actuarial gains and losses are recognised in other comprehensive income.

Leases
Assets and liabilities arising from a lease are initially measured at present value. The present value is comprised of fixed and variable payments discounted using the interest rate implicit in the lease unless it can't be readily determined, in which case payments are discounted using the incremental borrowing rate. Variable payments are payments that depend on a rate or index and are initially measured using the appropriate rate or index at the commencement date of the lease. Where a material variation to the initial measurement of lease payments occurs the lease liability is reassessed with a corresponding adjustment to the value of right of use asset.

Lease payments beyond a break clause or within an extension option are included in the measurement of present value provided it is reasonably certain that the lease will be not be terminated before the respective break point or lease extension and there is no active plan to do so.

Finance costs are added to the lease liabilities at amounts that produce a constant periodic rate of interest on the remaining balance of the lease liabilities using the interest rates used to calculate the present value of the leases. Lease payments are deducted from the lease liability.

Short-term leases of less than 12 months or leases for low value assets are recognised on a straight-line basis as an expense in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Government grants

Government grants are recognised when the conditions attached to the grant have been satisfied and after deducting any probable liability to repay the grant.

Government grants relating to costs incurred are offset against the cost to which the grant relates in the income statement. Government grants in relation to employment support are offset against the employee costs in the income statement.

Government grants relating to the purchase of property, plant and equipment are deducted from the purchase price of the asset and credited to the income statement on a systematic basis over the expected useful life of the related asset.

Equity

Equity comprises the following:

- “Share capital” represents the nominal value of equity shares issued.
- “Share premium” represents the amounts subscribed for share capital, net of issue costs, above the nominal value.
- “Investment in own shares” represents amounts of the Parent Company’s own shares held within an Employee Benefit Trust.
- “Share based payment reserve” represents the accumulated value of share based payments expensed in the income statement, along with any accumulated deferred tax credits or charges recognised in other comprehensive income in respect of options that have yet to exercise.
- “Retained earnings” represents the accumulated profits and losses attributable to equity shareholders.
- “Translation reserve” represents the exchange differences arising from the translation of the financial statements of subsidiaries into the Group’s presentational currency.
- “Put option reserve” represents the initial present value of put options over shares in a subsidiary held by non-controlling interest shareholders that have not been exercised.
- “Capital redemption reserve” represents the nominal value of shares repurchased by the Parent Company.
- “Other reserve” relates to the Employee Benefit Trust.
- “Non-controlling interest” represents the share of a subsidiary’s profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the Parent and the non-controlling interests based on their respective ownership interests.

Share based payments

Equity-settled share based payments are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of grant incorporating market based vesting conditions. The fair value of goods and services received is measured by reference to the fair value of options. The fair values of share options are measured using the Black–Scholes model. The expected life used in the models is adjusted, based on management’s best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. Where an equity-settled award is forfeited during the vesting period, the cumulative charge expensed up to the date of forfeiture and is credited to the income statement.

Employee Benefit Trust
The assets and liabilities of the Employee Benefit Trusts (EBT) have been included in the Group financial statements. Any assets held by the EBT cease to be recognised on the Group statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

Segment reporting
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Managing Director, at which level strategic decisions are made. Details of the Group's reporting segments are provided in note 2.

New and amended International Accounting Standards adopted by the Group
The Group adopted the following standards, amendments to standards and interpretations, which are effective for the first time this year:

- IBOR reform phase 1 amendments;
- IFRS 3 amendment;
- IFRS 16 amendment;
- New definition of materiality; and
- Updated references to the conceptual framework.

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

IFRS 17 'Insurance contracts'
The Group does not issue insurance contacts and there will be no impact of the adoption of IFRS 17.

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

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

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

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

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1. Accounting policies continued

Adjusted profit after tax: This is profit after tax adjusted for acquisition related expenses, share based payments and associated employer taxes, amortisation of brand, customer and supplier relationship intangible assets, changes in deferred or contingent considerations and put option liabilities over non-controlling interests, foreign exchange gains or losses on borrowings for acquisitions, fair value movements on derivatives for borrowings, and financing fair value remeasurements and the tax thereon.

Adjusted EPS: This is adjusted profit after tax attributable to equity shareholders of the Company divided by the weighted number of shares outstanding.

Adjusted net debt: This is net debt excluding leases.

Accounting judgements and sources of estimation uncertainty

The preparation of financial statements in accordance with the principles of the IASs requires the directors to make judgements and use estimation techniques to provide a fair presentation of the Group's financial position and performance. Accounting judgements represent the accounting decisions made by the directors that have the most significant effect on amounts recognised in the financial statements. Sources of estimation uncertainty represent the assumptions made by management that carry significant risks of a material adjustment to the value of assets and liabilities within the next financial year. Judgements and estimates are evaluated based on historic experience, ongoing developments within the Group, and reasonable expectations of future events. Judgements and estimates are subject to regular review by the directors.

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

Put options over non-controlling interests

As a result of a some of the acquisitions, the Group has issued several put options over non-controlling interests. The liability is recorded at the present value of the redemption amount and is accounted for as a separate component in equity on the basis that the directors have judged that the Group does not currently hold the risks and rewards associated with ownership of these shares. The key judgements in determining whether the risks and rewards regarding control have passed were the proportionate right to dividends and determining if there is exposure to changes in value of shares.

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

Inventory write down

Inventory is written down to the lower of cost and net realisable value. To determine inventory write downs the Group is required to estimate the future sales volumes, sales prices, costs to sell inventory, and shrinkage. The gross value and write down of inventories, as well as cost of inventory write downs in the period are disclosed in note 16.

The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from purchase date. In 2020, the Group reviewed and revised these percentages to reflect both the delays to market demand from COVID-19 and the Board's view that, as the Group mix has moved towards more specialist value-added products, the average period for which inventory can be sold at above cost has increased. At 31 December 2020, the Group's inventory provision was £23,850k (22% of cost) (2019: £13,305k; 13% of cost). Had the Group maintained the previous percentages the inventory write down would have been £6.5m higher as at 31 December 2020. If the write down percentages applied to inventory between 180 and 365 days old were 5% higher or 5% lower, the effect would be a decrease or increase of £705k respectively in profit before tax for the year. If the write down percentages applied to inventory over 365 days old, but not fully provided for, were 5% higher or 5% lower, the effect would be a decrease or increase of £545k respectively in profit before tax for the year.

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 35 and the carrying values of separately identifiable intangible assets initially measured at fair value are disclosed in note 13.

Contingent considerations and put option liabilities

The Group is required to record contingent considerations at fair value. The Group initially measures put option liabilities at present value and subsequently measures put option liabilities at amortised cost using the effective interest rate method. The Group use a range of present valuation techniques including both the discount rate adjustment technique and the expected present value technique to determine the fair values of contingent considerations and the present values of put option liabilities. The fair value of contingent consideration is disclosed in note 23 and the amortised cost of put option liabilities is disclosed in note 22.

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.

2020	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	224,386	331,115	44,476	111,777	–	711,754
Gross profit	31,321	45,635	6,821	18,016	–	101,793
Gross profit %	14.0%	13.8%	15.3%	16.1%	–	14.3%
Adjusted operating profit	3,916	9,393	820	4,909	(2,506)	16,532
Costs of acquisitions	–	–	–	–	(526)	(526)
Share based payments	(1,141)	(799)	(218)	(3)	(401)	(2,562)
Employer taxes on share based payments	(46)	(31)	(7)	–	(46)	(130)
Amortisation of brands, customer and supplier relationships	(2,490)	(2,285)	(270)	(1,179)	–	(6,224)
Operating profit	239	6,278	325	3,727	(3,479)	7,090
Interest						(8,085)
(Loss)/profit before tax						(995)

2020	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	94,627	150,167	21,039	40,130	298	306,261
Segment liabilities	(60,545)	(103,078)	(17,614)	(17,851)	(686)	(199,774)
Segment net assets	34,082	47,089	3,425	22,279	(388)	106,487
Depreciation	2,540	2,603	480	368	–	5,991
Amortisation	2,519	2,356	286	1,268	–	6,429

Other segmental information

	UK £'000	International £'000	Total £'000
Non-current assets	25,959	63,716	89,675

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. Segmental reporting continued

2019	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	Other £'000	Total £'000
Revenue	314,627	320,990	50,623	–	686,240
Gross profit	55,328	48,805	8,974	–	113,107
Gross profit %	17.6%	15.2%	17.7%	–	16.5%
Adjusted operating profit	19,850	14,108	2,716	(3,212)	33,462
Costs of acquisitions	–	–	–	(356)	(356)
Share based payments	(1,230)	(948)	(235)	(461)	(2,874)
Employer taxes on share based payments	(136)	(201)	(17)	(73)	(427)
Amortisation of brands, customer and supplier relationships	(2,558)	(2,039)	(274)	–	(4,871)
Operating profit	15,926	10,920	2,190	(4,102)	24,934
Interest					(1,153)
Profit before tax					23,781

2019	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	Other £'000	Total £'000
Segment assets	113,690	143,859	23,633	128	281,310
Segment liabilities	(86,535)	(109,427)	(19,644)	(411)	(216,017)
Segment net assets	27,155	34,432	3,989	(283)	65,293
Depreciation	2,562	2,412	451	–	5,425
Amortisation	2,637	2,095	291	–	5,023

Other segmental information

	UK £'000	International £'000	Total £'000
Non-current assets	29,112	46,392	75,504

Revenue from the UK, being the domicile of the Parent Company amounted to £208,601k (2019: £291,576k).

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

In addition to the external revenue reported by segment, the UK & Ireland segment made £3,660k of intercompany sales, the EMEA segment made £1,278k of intercompany sales, and the North America segment made £652k of intercompany sales. There were no intersegment sales during the prior year.

Sales to the largest customer

Included in revenues arising in 2020 are revenues of £17.3m (2019: £12.8m) that arose from sales to the Group's largest customer, which is based in the United States of America (2019: Germany). No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Revenue

Revenue is all derived from continuing operations. The analysis of revenue by category:

	2020 £'000	2019 £'000
Sale of goods and ancillary services	**710,838**	682,657
Rental of goods	**908**	3,583
Operating lease income	**8**	–
	711,754	686,240

4. Other operating income

	2020 £'000	2019 £'000
Promotional receipts	**1,914**	3,230
Other income	**96**	353
	2,010	3,583

5. Operating profit

Operating profit is stated after charging:	2020 £'000	2019 £'000
Auditor's remuneration		
– audit service in relation to the Company	**66**	87
– audit services in relation to the subsidiaries	**337**	119
– audit related assurance services	**18**	18
– tax compliance services	**3**	14
– all other taxation advisory services	**–**	4
– all non-audit services not covered above	**10**	9
Net (gain)/loss on foreign exchange	**(295)**	(583)
Short-term lease cost	**487**	155

6. Administrative expenses

Administrative expenses in the period include £526k of acquisition related costs (2019: £356k). For details of acquisitions in the year, see note 35.

7. Directors and employees

The aggregate payroll costs of the employees were as follows:

	2020 £'000	2019 £'000
Staff costs		
Wages and salaries	**42,552**	41,538
Social security costs	**5,213**	5,602
Pension costs	**1,510**	1,308
	49,275	48,448

Average monthly number of persons, including directors, employed by the Group during the year was as follows:

	2020 Number	2019 Number
By activity		
Administration	**198**	194
Sales and distribution	**825**	736
	1,023	930

	2020 £'000	2019 £'000
Remuneration of directors		
Remuneration	**575**	898
Employer contribution to defined contribution schemes	**–**	–
	575	898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. Directors and employees continued

	2020 £'000	2019 £'000
Emoluments of highest paid director		
Remuneration	275	401
Employer contribution to defined contribution scheme	–	–
	275	401

No retirement benefits were accruing to directors (2019: nil) under a money purchase pension scheme. During the year, the 197,116 (2019: 50,000) share options were granted to directors under the Long Term Incentive Plan and 100,000 share options previously awarded were modified with revised performance or vesting conditions.

Details of key management personnel and their remuneration is disclosed within note 36. The directors' remuneration report on page 62 of this annual report forms part of these financial statements.

The Group received £4.0m from government schemes towards enhanced furlough payments and offer flexible working to its team members. These actions allowed it to limit headcount reductions to a relatively small number and ensure that the business is well positioned for the anticipated recovery.

8. Finance costs

	2020 £'000	2019 £'000
Interest on overdraft and invoice discounting	1,194	1,176
Interest on leases	362	379
Interest on loans	830	517
Fair value movements on foreign exchange derivatives	156	246
Other interest costs	4	2
Fair value movements on derivatives for borrowings	1,194	42
Foreign exchange gains on borrowings for acquisitions	1,088	(146)
Interest, foreign exchange and other finance costs of deferred and contingent considerations	3,275	(949)
Interest, foreign exchange and other finance costs of put option liabilities	154	(48)
	8,257	1,219

9. Taxation on ordinary activities
Analysis of charge

	2020 £'000	2019 £'000
Current tax		
UK corporation tax for the current year	(494)	2,450
Adjustment in respect of prior years	(429)	(154)
Total UK current tax	(923)	2,296
Overseas tax for the current year	3,760	5,392
Adjustment in respect of prior years	(70)	(84)
Total overseas current tax	3,690	5,308
Total current tax	2,767	7,604
Deferred tax		
Deferred tax for the current year	(530)	(1,797)
Adjustment in respect of prior years	155	(226)
Total deferred tax	(375)	(2,023)
Tax on profit on ordinary activities	2,392	5,581

The reasons for the differences between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits/(losses) for the year are as follows:

Reconciliation of the effective tax charge:

	2020 £'000	2019 £'000
(Loss)/profit on ordinary activities before taxation	**(995)**	23,781
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**(189)**	4,518
Factors affecting tax expense for the year:		
Adjustment in respect of prior years	**(344)**	(464)
Overseas tax losses with no available relief	**112**	–
Expenses not deductible for tax purposes	**1,066**	178
Effects of different tax rates in foreign jurisdictions	**1,352**	1,001
Differences in tax rates	**199**	141
Effects of changes in tax rates	**196**	207
Total amount of tax	**2,392**	5,581

The main UK corporation tax rate for the current and prior year has remained at 19%. No changes in the UK rate of tax were substantially enacted by the period end.

Deferred tax

	Losses available for relief £'000	Accelerated capital allowances £'000	Company share schemes £'000	Total £'000
At 1 January 2019	–	4,418	(327)	4,091
Acquired in business combinations	–	2,653	–	2,653
Credited to income statement	–	(1,718)	(305)	(2,023)
Credited to equity	–	–	128	128
Other movement	–	(168)	–	(168)
At 31 December 2019	–	5,185	(504)	4,681
Acquired in business combinations	**–**	**(3)**	**–**	**(3)**
Credited to income statement	**(96)**	**(2)**	**(277)**	**(375)**
Credited to equity	**–**	**–**	**232**	**232**
Other movement	**–**	**90**	**–**	**90**
At 31 December 2020	**(96)**	**5,270**	**(549)**	**4,625**

Presentation of deferred tax in the statement of financial position:

	2020 £'000	2019 £'000
Deferred tax asset	**2,386**	2,169
Deferred tax liability	**(7,011)**	(6,850)
Net deferred liability	**(4,625)**	(4,681)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. Earnings per share

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

	2020	2019
(Loss)/profit attributable to equity holders of the Group (£'000)	(3,751)	17,182
Weighted average number of shares in issue	86,893,508	79,275,480
Potentially dilutive effect of the Group's share option schemes	1,242,399	1,334,953
Weighted average number of diluted Ordinary Shares	88,135,907	80,610,433
Basic earnings per share	(4.32)p	21.67p
Diluted earnings per share	(4.32)p	21.31p

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

11. Subsidiaries

The following principal subsidiary undertakings have been included within the consolidated financial statements and are all held indirectly unless otherwise stated:

Name	Principal activity	Country of incorporation	% ownership held by the Group 2020	2019
Midwich Limited[1]	Distribution of audio visual products to trade customers	England and Wales	100%	100%
Midwich Employees' Trustees Limited	Dormant	England and Wales	100%	100%
True Colours Distribution Limited	Dormant	England and Wales	100%	100%
Invision UK Ltd	Distribution of audio visual products to trade customers	England and Wales	100%	100%
Square One Distribution Limited	Distribution of audio visual products to trade customers	Republic of Ireland	100%	100%
Sidev SAS	Distribution of audio visual products to trade customers	France	100%	100%
Midwich Australia Pty Limited	Distribution of audio visual products to trade customers	Australia	100%	100%
Midwich Limited	Distribution of audio visual products to trade customers	New Zealand	100%	100%
Kern Und Stelly Medientechnik GmbH	Distribution of audio visual products to trade customers	Germany	100%	100%
Holdan Limited	Distribution of professional broadcast equipment to trade customers	England and Wales	100%	100%
Earpro S.A.	Distribution of audio visual and lighting products to trade customers	Spain	88%	88%
Gebroeders van Domburg B.V.2	Holding company	Netherlands	100%	70%
van Domburg Partners B.V.[2]	Distribution of audio visual products to trade customers	Netherlands	100%	70%
Transport en Opslagbedrijf van Domburg B.V.[2]	Provision of logistics services to trade customers	Netherlands	100%	70%

Name	Principal activity	Country of incorporation	% ownership held by the Group 2020	2019
van Domburg Services B.V.[2]	Provision of administration and support to other Group companies in the Netherlands	Netherlands	**100%**	70%
Dutch Light Pro B.V.[2]	Distribution of lighting products to trade customers	Netherlands	**100%**	70%
Sound Technology Limited	Distribution of professional audio, musical and lighting products to trade customers	England and Wales	**100%**	100%
Bauer Und Trummer GmbH	Distribution of professional broadcast equipment to trade customers	Germany	**100%**	100%
Holdan Benelux B.V.	Dormant	Netherlands	**100%**	100%
Blonde Robot Pty Limited	Distribution of audio visual products to trade customers	Australia	**65%**	65%
Blonde Robot Limited[3]	Dormant	Hong Kong	**65%**	65%
Blonde Robot Pte Limited	Distribution of audio visual products to trade customers	Singapore	**65%**	65%
Blonde Robot Sdn Bhd[4]	Dormant	Malaysia	**65%**	65%
MobilePro AG[5]	Distribution of audio visual products to trade customers	Switzerland	**100%**	100%
Midwich Asia Pte Limited[6]	Distribution of audio visual products to trade customers	Singapore	**100%**	100%
Prase Engineering SpA[7]	Distribution of audio visual products to trade customers	Italy	**80%**	80%
AV Partner AS[8]	Distribution of audio visual products to trade customers	Norway	**100%**	100%
Entertainment Equipment Supplies SL[9]	Distribution of lighting products to trade customers	Spain	**88%**	88%
New Tension Inc[10]	Holding company	USA	**100%**	n/a
Starin Marketing Inc[11]	Distribution of lighting products to trade customers	USA	**100%**	n/a
Think Fast Holdings LLC[11]	Distribution of audio visual products to trade customers	USA	**100%**	n/a
Midwich International Limited[12]	Dormant	England and Wales	**80%**	n/a

1 Investments held directly by Midwich Group plc.
2 Acquired remaining shares on 18 September 2020. See note 34.
3 Company dissolution began on 30 November 2020.
4 Company dissolution began on 2 December 2020.
5 Acquired 17 January 2019. See "MobilePro" acquisition in note 35.
6 Incorporated on 30 January 2019.
7 Acquired 31 January 2019. See "Prase" acquisition in note 35.
8 Acquired 3 May 2019. See "AV Partner" acquisition in note 35.
9 Acquired 1 July 2019. See "EES" acquisition in note 35.
10 Incorporated 14 January 2020.
11 Acquired 6 February 2020. See "Starin" acquisition in note 35.
12 Incorporated 15 November 2020.

Invision UK Ltd is exempt from the requirements of the Companies Act 2006 (the "Act") relating to the audit of individual financial statements by virtue of section 479A of the Act. Midwich Group plc guarantee any contingent and prospective liabilities that Invision UK Ltd is subject to in accordance with Section 479C of the Act.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. Goodwill

	Total £'000
Cost	
At 1 January 2019	11,568
On acquisition of MobilePro	451
On acquisition of Prase	371
On acquisition of AV Partner	1,195
On acquisition of EES	131
Foreign exchange gain/(loss)	(390)
At 31 December 2019	13,326
On acquisition of Starin	520
On acquisition of Vantage	960
Foreign exchange gain/(loss)	544
At 31 December 2020	**15,350**

Allocation of goodwill to cash generating units

Goodwill is not amortised but tested for impairment annually with the recoverable amount being determined, from value in use calculations. Goodwill has been allocated for impairment testing to groups of Cash Generating Units (CGUs) for each operating segment, as follows:

Allocation of goodwill to groups of CGUs	2020 £'000	2019 £'000
United Kingdom & Ireland	**4,899**	4,878
EMEA	**7,846**	7,479
Asia Pacific	**2,112**	969
North America	**493**	–
Other	**–**	–
	15,350	13,326

The value in use calculation is based on cash flow projections from a formally approved 12-month forecast, which has been extrapolated using an individual growth rate expected for each group of CGUs over a five-year period from the reporting date and cash flows beyond this period exclude growth. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

Other major assumptions are as follows:

Forecast profitability assumptions

Management's key assumptions are the achievement of the forecast profits for the 12-month period after the reporting date and stable long-term profit margins. The 12-month forecast data is based on the most recent annual financial statements adjusted for management's best estimates of reasonable growth.

Growth rates

The annual growth rates used to extrapolate the approved forecast for years two to five within the value in use calculation are between 0% – 2.0% (2019: 0% – 2.5%). The growth rates are based on economic data for the wider economy and represent a prudent expectation of growth.

Discount rates

Discount rates are based on management's assessment of the specific risks relating to the groups of CGUs within each operating segment. Discount rates used in the value in use calculation for assessing the recoverable amount of goodwill for each operating segment are as follows:

Operating segment	2020	2019
United Kingdom & Ireland	**13.5%**	9.1–9.4%
EMEA	**12.9%**	8.7–11.2%
Asia Pacific	**12.3%**	9.1–9.2%
North America	**11.9%**	n/a
Other	**n/a**	n/a

The recoverable amounts for each operating segment's group of CGUs exceed the carrying amounts by the following amounts in each year assessed:

Amount by which recoverable amount exceeds carrying amount:

	2020 £'000	2019 £'000
United Kingdom & Ireland	**105,452**	223,795
EMEA	**60,962**	191,355
Asia Pacific	**13,929**	39,938
North America	**13,400**	–
Other	**–**	–
Total	**193,743**	455,088

The directors believe that any reasonable change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount for any of the groups of cash generating units.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13. Intangible assets

	Assets in the course of construction £'000	Patents and software £'000	Brands £'000	Customer relationships £'000	Supplier relationships £'000	Total £'000
Cost						
At 1 January 2019	598	654	4,675	26,679	6,746	39,352
On acquisition	–	–	1,140	3,429	6,532	11,101
Additions	1,829	103	–	–	–	1,932
Disposals	–	(148)	–	–	–	(148)
Foreign exchange differences	–	(33)	(100)	(646)	(340)	(1,119)
At 31 December 2019	2,427	576	5,715	29,462	12,938	51,118
On acquisition	–	82	4,065	2,884	9,189	16,220
Additions	1,272	458	–	–	–	1,730
Disposals	–	(150)	–	–	–	(150)
Foreign exchange differences	3	4	(58)	607	(40)	516
At 31 December 2020	**3,702**	**970**	**9,722**	**32,953**	**22,087**	**69,434**
Amortisation						
At 1 January 2019	–	375	1,927	10,841	1,443	14,586
Charge for year	–	152	576	3,035	1,260	5,023
Disposals	–	(148)	–	–	–	(148)
Foreign exchange differences	–	(25)	(33)	(212)	(47)	(317)
At 31 December 2019	–	354	2,470	13,664	2,656	19,144
Charge for year	–	205	940	3,348	1,936	6,429
Disposals	–	(146)	–	–	–	(146)
Foreign exchange differences	–	14	29	273	60	376
At 31 December 2020	**–**	**427**	**3,439**	**17,285**	**4,652**	**25,803**
Net book value						
At 31 December 2019	2,427	222	3,245	15,798	10,282	31,974
At 31 December 2020	**3,702**	**543**	**6,283**	**15,668**	**17,435**	**43,631**

Included within intangible assets are £39,386k of separately identifiable intangible assets that were measured at fair value on acquisition in business combinations. These assets have subsequently been measured at amortised cost. The fair value of separately identifiable intangible assets is calculated based on the estimation of future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. If the estimated fair values of intangible assets on acquisition were 10% higher or 10% lower the effect would be a decrease or increase of £622k respectively in profit after tax for the year.

Assets in the course of construction includes £3,486k (2019: £2,427) relating to the development of an Enterprise Resource Planning system. The costs for the asset will transfer to patents and software and amortise over a period of 10 years or less as the asset is brought into use from 2021.

Assets in the course of construction are tested for impairment annually with the recoverable amount being determined from value in use calculations. The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using 2% growth rate over a ten year period from the reporting date. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of assets in the course of construction to exceed the value in use. The value in use exceeded recoverable amount by £793k using a discount rate of 14.8%.

14. Right-of-use assets

	Land and buildings £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2019	13,093	–	1,628	14,721
On acquisition	3,116	–	80	3,196
Additions	4,515	–	1,244	5,759
Disposals	(474)	–	(688)	(1,162)
Foreign exchange differences	(550)	–	(83)	(633)
At 31 December 2019	19,700	–	2,181	21,881
On acquisition	743	–	–	743
Additions	3,280	87	426	3,793
Disposals	(3,797)	–	(334)	(4,131)
Foreign exchange differences	588	(5)	251	834
At 31 December 2020	**20,514**	**82**	**2,524**	**23,120**
Depreciation				
At 1 January 2019	3,572	–	1,008	4,580
Charge for year	2,002	–	594	2,596
Disposals	(372)	–	(688)	(1,060)
Foreign exchange differences	(146)	–	(38)	(184)
At 31 December 2019	5,056	–	876	5,932
Charge for year	2,209	7	559	2,775
Disposals	(2,675)	–	(334)	(3,009)
Foreign exchange differences	133	–	187	320
At 31 December 2020	**4,723**	**7**	**1,288**	**6,018**
Net book value				
At 31 December 2019	14,644	–	1,305	15,949
At 31 December 2020	**15,791**	**75**	**1,236**	**17,102**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost					
At 1 January 2019	2,837	497	2,817	4,017	10,168
On acquisition	2,153	–	–	482	2,635
Additions	5	2,251	1,764	1,773	5,793
Disposals	–	(160)	(1,071)	(388)	(1,619)
Foreign exchange differences	(60)	(16)	–	(370)	(446)
At 31 December 2019	4,935	2,572	3,510	5,514	16,531
On acquisition	–	100	–	420	520
Additions	–	9	617	1,234	1,860
Disposals	–	(101)	(752)	(493)	(1,346)
Foreign exchange differences	123	17	–	475	615
At 31 December 2020	**5,058**	**2,597**	**3,375**	**7,150**	**18,180**
Depreciation					
At 1 January 2019	185	97	1,243	1,615	3,140
Charge for year	87	201	1,218	1,323	2,829
Disposals	–	(160)	(783)	(311)	(1,254)
Foreign exchange differences	(1)	(7)	–	(262)	(270)
At 31 December 2019	271	131	1,678	2,365	4,445
Charge for year	90	441	1,160	1,525	3,216
Disposals	–	(41)	(543)	(462)	(1,046)
Foreign exchange differences	2	14	–	343	359
At 31 December 2020	**363**	**545**	**2,295**	**3,771**	**6,974**
Net book value					
At 31 December 2019	4,664	2,441	1,832	3,149	12,086
At 31 December 2020	**4,695**	**2,052**	**1,080**	**3,379**	**11,206**

Included in land and buildings is land at £607k (2019: £607k) that is not depreciated.

16. Inventories

	2020 £'000	2019 £'000
Finished goods for resale		
Gross inventory	107,845	101,996
Impairment provision	(23,850)	(13,305)
	83,995	88,691

	2020 £'000	2019 £'000
Amounts of inventories recognised as an expense during the period as cost of sales (gross of vendor rebates)	620,234	590,739

	2020 £'000	2019 £'000
Total inventory impairment charge/(credit) for the period	239	(132)

17. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	92,126	94,844
Other receivables	2,110	1,736
Prepayments and accrued income	12,846	7,520
	107,082	104,100

Trade receivables includes a total of £51,938k (2019: £53,305k) subject to a receivables financing agreement.

The directors consider the carrying value of trade and other receivables is approximate to its fair value.

The Group incurs a small incidence of credit losses and as a result the receivables are impaired for expected credit losses. Where management views that there is a significant risk of non-payment, an additional specific provision for impairment is made and recognised as a deduction from receivables.

	2020 £'000	2019 £'000
Impairment provision at 1 January	1,656	1,550
Impairments arising on acquisitions	897	59
New impairment provision in the year	1,079	182
Release of impairment provision against written off receivables	(733)	(77)
Foreign exchange variance	7	(58)
Impairment provision at 31 December	2,906	1,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank (GBP)	**598**	382
Cash at bank (EUR)	**20,069**	10,809
Cash at bank (USD)	**4,242**	277
Cash at bank (AUD)	**28**	529
Cash at bank (NZD)	**169**	317
Cash at bank (CHF)	**–**	535
Cash at bank (NOK)	**379**	166
	25,485	13,015

All significant cash and cash equivalents were deposited with major clearing banks with at least an 'A' rating.

19. Trade and other payables

Amounts falling due within one year:

	2020 £'000	2019 £'000
Trade payables	**82,323**	81,647
Other taxation and social security	**12,263**	12,029
Other payables	**125**	184
Accruals and deferred income	**15,425**	12,482
	110,136	106,342

Amounts falling due after one year:

	2020 £'000	2019 £'000
Trade payables	**–**	114
Accruals and deferred income	**1,708**	551
	1,708	665

20. Provisions

	2020 £'000	2019 £'000
Dilapidations provision	**587**	597
Defined benefit obligations (see note 30)	**1,545**	1,343
Agency contract severance provisions	**171**	544
	2,303	2,484

Dilapidations provision	2020 £'000	2019 £'000
Provision at 1 January	**597**	56
Increase in provision	**–**	538
Amortised interest cost	**4**	2
Release of provision	**(17)**	–
Foreign exchange variance	**3**	1
Provision at 31 December	**587**	597

Dilapidations provision comprises liabilities in respect of future expected repair and restoration costs that the Group has obligations for under the terms of lease contracts.

Agency contract severance provision	2020 £'000	2019 £'000
Provision at 1 January	**544**	–
Arising on acquisitions	**–**	637
Decrease in provision	**(399)**	(221)
Foreign exchange variance	**26**	128
Provision at 31 December	**171**	544

Agency contract severance provision ("FISC") comprises liabilities in respect of future expected agency costs that the Group is required to settle on conclusion of the agent's contract in accordance with the terms and conditions of the contract and as required by statutory obligations for engaging agency workers in Italy.

21. Derivative financial instruments

	2020 £'000	2019 £'000
Derivative financial assets		
Foreign currency call options (see note 25)	**24**	–
Derivative financial liabilities		
Interest rate swaps (see note 25)	**(1,094)**	(132)
Net derivative financial instruments	**(1,070)**	(132)

During the year the Group entered into foreign currency call options and forward exchange contracts in relation to foreign currencies. Details of the Group's management of foreign exchange risk are included in note 26.

22. Put option liabilities

	2020 £'000	2019 £'000
Current:		
Put option liabilities (see note 25)	**1,306**	3,490
Non-current:		
Put option liabilities (see note 25)	**3,337**	3,799
Total put option liabilities	**4,643**	7,289

During the prior year, the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the Prase acquisition (see note 35). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2022.

During 2018, the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the acquisition of Blonde Robot Pty Limited. The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2021.

During 2017, the Group entered into symmetrical put and call option contracts to acquire the non-controlling interests that were created during the acquisitions of Earpro SA and Gebroeders van Domburg BV. The put and call option to acquire the non-controlling interests in Gebroeders van Domburg BV were exercised during the year and further detail is provided in note 34. The put and call option is over the remaining non-controlling interest in Earpro SA is timed to exercise in 2022.

The classification between current and non-current liabilities is based on management's best estimates of when the options will be exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. Deferred consideration

	2020 £'000	2019 £'000
Current:		
– Deferred consideration at amortised cost	**3,189**	4,133
– Contingent consideration	**3,823**	–
Total current deferred and contingent considerations	**7,012**	4,133
Non-current:		
– Deferred consideration at amortised cost	**–**	2,248
– Contingent consideration	**465**	548
Total non-current deferred and contingent considerations	**465**	2,796
Total deferred consideration at amortised cost	**3,189**	6,381
Total contingent consideration	**4,288**	548
Total deferred and contingent considerations	**7,477**	6,929

During the year, the Group recognised deferred consideration in respect of the Starin acquisition and contingent consideration in respect of the Vantage acquisition (see note 35). Deferred consideration in relation to the Starin acquisition is due to be settled in 2021. Contingent consideration in relation to Vantage acquisition is due to be settled in 2022.

During the prior year, the Group recognised deferred and contingent consideration in relation to the Prase and AV Partner acquisitions (see note 35). Deferred consideration in relation to the Prase acquisition was partially settled during the year and the remaining contingent consideration is due to be settled in 2021. Deferred considerations in relation to AV Partner acquisition were settled in instalments in 2020 and the remaining contingent consideration will be settled in 2021.

During 2018, the Group recognised deferred and contingent consideration in relation to the acquisition of Bauer Und Trummer GmbH and Sound Directions France SAS. Contingent consideration in relation to the Bauer Und Trummer GmbH acquisition is due to be settled in 2021. Contingent consideration in relation to Sound Directions France SAS is due to be settled in instalments in 2021 and 2022.

During the prior year, the Group settled contingent consideration in relation to the 2017 acquisition of Gebroders van Domburg BV.

The total fair value of contingent consideration has been valued at £4,288k at 31 December 2020 (2019: £548k). The final payments depend upon the future profitability of the subsidiaries acquired.

The fair value of contingent consideration is based on estimations of future trading performance and discount factors. If the estimated future trading performance were 10% higher or 10% lower the effect would be an a £202k increase or £404k decrease respectively in the fair value of the deferred contingent consideration liability. If the estimated discount factors were one percentage point higher or lower the effect would be a decrease or increase respectively of £7k in the fair value of the deferred contingent consideration liability.

24. Borrowings

	2020 £'000	2019 £'000
Bank overdrafts and invoice discounting	**22,448**	41,134
Bank loans	**24,042**	24,805
Leases (see note 28)	**18,274**	16,708
	64,764	82,647
Unsecured – at amortised cost		
Unsecured loan notes	**–**	348
Total secured and unsecured borrowings	**64,764**	82,995
Current	**30,045**	46,529
Non-current	**34,719**	36,466
	64,764	82,995

Summary of borrowing arrangements

The Group has overdraft borrowings which comprised £1,690k at the end of 2020 (2019: £1,519k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group.

The Group has invoice discounting borrowings that comprised £20,758k at the end of 2020 (2019: £39,615k). The facilities comprise fully revolving receivables financing agreements, which are secured on the underlying receivables. The facility has no fixed repayment dates and receivables are automatically offset against the outstanding amounts of the facility on settlement of the receivable. The Group retains the credit risk associated with the receivables. Included within invoice discount borrowings as at 31 December 2020 is £1,032k that relate to facilities acquired as part of the Starin acquisition.

The Group has loans of £24,042k at the end of 2020 (2019: £25,153k). The loans are secured with fixed and floating charges over the assets of the Group. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has leases of £18,274k at the end of 2020 (2019: £16,708k). Included within leases, as at 31 December 2020, is £1,690k that relates to operations acquired as part of the Starin acquisition.

For details of leases please refer to note 28.

Borrowings

	2020 £'000	2019 £'000
Short-term borrowings	**27,292**	43,897
Long-term borrowings	**19,198**	22,390
Leases (see note 28)	**18,274**	16,708
	64,764	82,995

Reconciliation of liabilities arising from financing activities

	2020 £'000	2019 £'000
At 1 January	**82,995**	52,946
Cash flows:		
Invoice financing (outflows)/inflows	**(32,191)**	6,785
Proceeds from borrowings	**4,968**	14,285
Repayment of loans	**(4,445)**	(1,053)
Capital element of leases	**(4,226)**	(2,627)
Non-cash:		
Acquisitions	**13,334**	7,362
New liabilities arising on leases	**3,792**	5,759
Foreign exchange gain or loss	**537**	(462)
At 31 December	**64,764**	82,995

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Financial instruments

Classification of financial instruments

The fair value hierarchy allocates financial assets and liabilities to groups according to three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year (2019: none). Financial instruments measured at fair value through profit or loss comprise forward contracts and contingent consideration.

As at 31 December 2020, the Group had interest rate swaps and foreign exchange options, which were measured at fair value. The valuation of the interest rate swap and foreign exchange options contracts is based on observable inputs other than quoted prices and hence is a level 2 valuation.

The contingent considerations in relation to the acquisitions of EES, AV Partner, Sound Directions France SAS, and Bauer Und Trummer GmbH (see note 23) have been measured at fair value. The valuation of the contingent consideration is based on unobservable inputs and hence is a level 3 valuation. The fair value has been calculated using the expected present value technique using a discount factor based on the risk-free rate that has been adjusted to include systematic risk. Discount factors of 6.0%, 6.2%, 6.4%, and 6.6% respectively have been applied to probability weighted cash flows that are not certainty equivalent because they have not been adjusted to exclude systematic risk.

The contingent consideration in relation to the acquisitions of Vantage (see note 23) have been measured at fair value. The present value was calculated using the discount rate adjustment technique using a discount rate derived from market data for comparable assets. The discount rate of 15.5% was applied to the most likely cash flows.

The put option liabilities held by the Group to acquire the remaining non-controlling interests that arose in the Prase and Blonde Robot acquisitions (see note 35) along with acquisition of Gebroeders van Domburg BV and Earpro SA in 2017 were initially measured at present value. The valuations of the put option liabilities were based on unobservable inputs and hence were level 3 valuations.

A discount factor of 2.5% was applied to certainty equivalent cash flows that were adjusted to exclude systematic risk to discount the put option liability over the non-controlling interest for the Prase acquisition. Discount factors of 5.9% and 7.7% respectively were applied to probability weighted cash flows that are not certainty-equivalent because they were not adjusted to exclude systematic risk to calculate the put option liabilities over the non-controlling interest for the Blonde Robot and of Gebroeders van Domburg BV acquisitions. A discount rate of 9.4% was applied to the most likely cash flows to calculate the put option liability over the non-controlling interest of Earpro SA.

Put option liabilities over non-controlling interests are subsequently measured at amortised cost using the effective interest method. However, when contractual cash flows relating to the put option are modified the put option liability is remeasured at present value using the original effective interest rate. Due to modifications in the contractual cash flows the put option liabilities were subsequently remeasured to present value at the year end.

During the year, the Group exercised the put option in relation to Gebroeders van Domburg BV and acquired the remaining non-controlling interest (see note 34).

During the prior year, the Group exercised the put option in relation to Holdan Limited and acquired the remaining non-controlling interest (see note 34).

The expected cash flows in relation to the put option liabilities are provided in note 26. The maximum amount payable under all put option liabilities over non-controlling interests is £12,287k (2019: £18,017k).

The reconciliation of the carrying amounts of the put options is as follows:

	2020 £'000	2019 £'000
Brought forward	**7,289**	6,400
Recognition of new put option on acquisitions	**–**	2,885
Subsequent remeasurement to present value	**(523)**	(343)
Interest cost amortised	**263**	529
Loss/(gain) on foreign exchange[1]	**488**	(307)
Extinguished on acquisition of non-controlling interest[2]	**(2,874)**	(1,875)
At 31 December	**4,643**	7,289
Current	**1,306**	3,490
Non-current	**3,337**	3,799
	4,643	7,289

[1] A £73k credit was recognised in the income statement as part of the unwinding of a net investment hedge relationship recognised in the prior year.

[2] See note 34 for details of the acquisitions of non-controlling interest.

The contract for put options over non-controlling interest state they are to be settled in cash and the amounts vary depending upon the results of the acquired subsidiary.

The tables below set out the Group's accounting classification of each class of its financial assets and liabilities.

Financial assets

Financial assets at amortised cost

	2020 £'000	2019 £'000
Trade and other receivables (note 17)	**94,236**	96,580
Cash and cash equivalents (note 18)	**25,485**	13,015
	119,721	109,595

All of the above financial assets' carrying values are approximate to their fair values, as at each reporting date disclosed.

Financial assets at fair value through profit or loss

	2020 £'000	2019 £'000
Derivative financial instruments (note 21)	**24**	–

Financial liabilities at amortised cost

	2020 £'000	2019 £'000
Trade and other payables (note 19)	**82,448**	81,944
Accruals (note 19)	**17,133**	13,034
Lease payables (note 28)	**18,274**	16,708
Put option liabilities (note 22)	**4,643**	7,289
Bank loans, overdrafts and invoice discounting (note 24)	**46,490**	65,939
Deferred consideration (note 23)	**3,189**	6,381
Unsecured loan notes (note 24)	**–**	348
	172,177	191,643

All of the above financial liabilities' carrying values are considered by management to be approximate to their fair values, as at each reporting date disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. Financial instruments continued

Financial liabilities at fair value through profit or loss

	2020 £'000	2019 £'000
Derivative financial instruments (note 21)	**1,094**	132

Contingent consideration

	2020 £'000	2019 £'000
Contingent consideration (note 23)	**4,288**	548

Carrying value of hedging instruments

	2020 £'000	2019 £'000
Borrowings and financial liabilities	**–**	(7,522)
Put option liabilities over non-controlling instruments	**–**	(2,758)
Deferred and contingent considerations	**–**	(3,817)
	–	(14,097)

Initial value of hedging instruments recognised during the year

	2020 £'000	2019 £'000
Borrowings and financial liabilities	**(7,522)**	(6,108)
Put option liabilities over non-controlling instruments	**(2,758)**	(2,886)
Deferred and contingent considerations	**(3,817)**	(5,426)
	(14,097)	(14,420)

All hedging instruments are subsequently measured at amortised costs and there is no change in fair value associated with any of the hedging instruments in the current or prior year.

Amounts recognised in hedging reserve in respect of hedging instruments

	2020 £'000	2019 £'000
At 1 January	**(194)**	–
Charge/(credit) recognised in hedging reserve	**194**	(194)
At 31 December	**–**	(194)

Change in value of hedged item

	2020 £'000	2019 £'000
Carrying value of hedged item at 1 January	**15,505**	–
Initial value of hedged item	**–**	14,418
Change in value of hedged item	**(15,505)**	1,087
Carrying value of hedged item at 31 December	**–**	15,505

Amounts recognised in translation reserve in respect of hedged items

	2020 £'000	2019 £'000
At 1 January	**(428)**	–
Charge recognised in translation reserve	**428**	(428)
At 31 December	**–**	(428)

26. Financial instrument risk exposure and management

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

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 17 to 25.

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 Group has a general provision of 0.5%.

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 2020, total credit risk amounted to £117,611k (2019: £107,859k).

Interest rate risk

The interest on the Group's overdrafts, invoice discounting facilities and RCF borrowings are variable. During the prior year, the Group entered into an interest rate swap contract in respect of the Group's variable interest rates in order to achieve a fixed rate of interest.

Based on year end balances, a 1% increase in interest rates would impact profit and equity by £465k (2019: £663k).

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 does not consider the foreign exchange risk arising from the financial assets and liabilities at year end to be material.

The Group does hold material non-domestic balances on occasions and currently does not take any action to mitigate this risk. Inter-company balances between trading entities tend to be short term and repaid within the month. The Group is able to manage its exchange rate risk through the natural matching of payments and receipts denominated in the same currencies. The Group paid and entered into financial instruments in the currency of the acquired entity for the Prase acquisition as part of a net investment hedge strategy to reduce the exposure to fluctuations in foreign currencies and any potential negative effects on the value of equity acquired.

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	
	2020	2019	**2020**	2019
EUR/GBP	**1.127**	1.135	**1.112**	1.177
AUD/GBP	**1.858**	1.828	**1.763**	1.883
NZD/GBP	**1.969**	1.929	**1.885**	1.960
USD/GBP	**1.287**	1.272	**1.365**	1.321
CHF/GBP	**1.207**	1.267	**1.220**	1.277
NOK/GBP	**12.086**	11.204	**11.627**	11.607

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. Financial instrument risk exposure and management continued

Applying the current year exchange rates to the results of the prior year has the following effect on profit before tax and net assets:

(Loss)/profit before tax

	2019 £'000	Revised 2019 £'000	Impact £'000	Impact %
EUR	**23,781**	23,922	141	0.6%
AUD	**23,781**	23,755	(26)	(0.1)%
NZD	**23,781**	23,778	(3)	–
USD	**23,781**	23,780	(1)	–
CHF	**23,781**	23,800	19	0.1%
NOK	**23,781**	23,743	(38)	(0.2)%
All currencies	**23,781**	23,873	92	0.4%

Net assets

	2019 £'000	Revised 2019 £'000	Impact £'000	Impact %
EUR	**65,293**	67,944	2,651	3.9%
AUD	**65,293**	65,512	219	0.3%
NZD	**65,293**	65,311	18	–
USD	**65,293**	65,294	1	–
CHF	**65,293**	65,262	(31)	–
NOK	**65,293**	65,290	(3)	–
All currencies	**65,293**	68,148	2,855	4.2%

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 24 for details of borrowing arrangements.

The tables below show the undiscounted cash flows on the Group's financial liabilities as at 31 December 2020 and 2019, on the basis of their earliest possible contractual maturity:

At 31 December 2020

	Total £'000	Within 2 months £'000	Within 2–6 months £'000	Between 6–12 months £'000	Between 1–2 years £'000	After than 2 years £'000
Trade payables	**82,323**	**78,393**	**3,930**	**–**	**–**	**–**
Other payables	**125**	**39**	**–**	**86**	**–**	**–**
Deferred consideration	**7,625**	**7,015**	**–**	**–**	**–**	**610**
Put option liabilities	**4,892**	**–**	**–**	**1,363**	**3,529**	**–**
Leases	**19,732**	**487**	**1,062**	**1,512**	**2,786**	**13,885**
Accruals	**17,133**	**12,083**	**2,127**	**1,215**	**632**	**1,076**
Bank overdrafts, loans and invoice discounting	**46,490**	**24,988**	**1,093**	**1,211**	**1,291**	**17,907**
	178,320	**123,005**	**8,212**	**5,387**	**8,238**	**33,478**

At 31 December 2019

	Total £'000	Within 2 months £'000	Within 2–6 months £'000	Between 6–12 months £'000	Between 1–2 years £'000	After than 2 years £'000
Trade payables	81,761	76,031	5,226	390	114	–
Other payables	184	184	–	–	–	–
Deferred consideration	7,042	1,572	1,564	2,171	1,735	–
Put option liabilities	7,625	–	3,559	–	1,150	2,916
Leases	18,336	476	1,055	1,446	2,424	12,935
Accruals	13,033	11,275	743	464	63	488
Bank overdrafts, loans and invoice discounting	66,287	40,486	554	2,857	20,132	2,258
	194,268	130,024	12,701	7,328	25,618	18,597

27. Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern; and
- to provide long-term returns to shareholders.

The Group defines and monitors capital based on the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the statement of financial position and as follows:

	2020 £'000	2019 £'000
Equity	**100,339**	57,952
Borrowings	**64,764**	82,995
Cash and cash equivalents	**(25,485)**	(13,015)
	139,618	127,932

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

28. Leases

Lease liabilities minimum lease payments:

	2020 £'000	2019 £'000
Not later than one year	**3,061**	2,977
Later than one year and not later than five years	**16,671**	15,359
	19,732	18,336
Less: future finance charges	**(1,458)**	(1,628)
Present value of minimum lease payments	**18,274**	16,708

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. Leases continued

Lease liabilities are included in liabilities:

	2020 £'000	2019 £'000
Current	**2,753**	2,632
Non-current	**15,521**	14,076
	18,274	16,708

The Group classifies its right-of-use assets associated with lease liabilities consistently with its classification of property, plant, and equipment. The Group has leases in respect of land and buildings, plant and machinery, and rental assets. Leases in respect of land and buildings relate to sales offices and warehouses and leases in respect and plant and machinery relate to motor vehicles. Leases in respect of rental assets relate to products that are held for use by the Group to generate rental income.

29. Guarantees and other financial commitments

The Group has provided a cross guarantee to HSBC Bank plc in respect of borrowings due by companies within the Group headed by Midwich Group plc. The liabilities covered by these guarantees at the year end were £41,655k (2019: £60,321k).

30. Retirement benefit plans

The Group contributes to several retirement benefit pension schemes according to service contracts of employees working in the various countries in which the Group operates. The retirement benefit pension schemes include both defined contribution and defined benefit pension schemes.

Defined contribution retirement benefit pension schemes

Most of the Group's retirement benefits are provided in the form of defined contribution pension schemes. The Group contributions to these schemes are charged as an expense to the consolidated income statement as they fall due. The assets of these schemes are held separately from those of the Group in independently administered funds.

Expenses for retirement benefit pension schemes recognised as defined contribution schemes are as follows:

	2020 £'000	2019 £'000
Defined contribution pension schemes expense	**1,375**	1,223

Defined benefit retirement obligations

The Group participates in the "Pensioenfonds Vervoer", an industry-wide pension fund in the Netherlands, "Swiss life" a defined benefit pension scheme in Switzerland, and has statutory obligations to pay employee severance in Italy, which is recognised as a defined benefit obligation.

Pensioenfonds Vervoer is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The investment risk is shared collectively among the members of the scheme and the employers. The employer is only required to make a fixed contribution for current employees. Fixed contributions could be increased or decreased in future but it is legally prohibited for the pension fund to require any additional contribution in excess of the fixed contributions. Equally, the Group has no claim to any excess pension scheme assets. The Group has accounted for the pension scheme as a defined contribution pension scheme because the records of the industry-wide pension fund are not designed to provide the sufficient information to enable reporting a defined benefit pension scheme.

Swiss Life is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The scheme is funded by payments to an independently managed fund. Contributions calculated by qualified actuaries using projected unit credit method valuations and are charged to the income statement. The liabilities of the scheme are measured by discounting the future cash flows to participants estimated by actuaries using the projected unit credit method. Changes in the value of assets and liabilities in the scheme excluding contributions charged to income statement are recognised in other comprehensive income.

The employee severance ("TFR") is payable to employees in Italy. In addition to TFR, there are also amounts payable to directors ("TFM"). Both the TFR and TFM obligations are recognised as defined benefit obligations in accordance with IAS 19.

	2020 £'000	2019 £'000
Present value of defined benefit pension obligations	**(3,083)**	(2,571)
Fair value of plan assets	**1,538**	1,228
Net defined benefit pension liability	**(1,545)**	(1,343)

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2019	(2,571)	1,228	(1,343)
Service cost			
Current service cost	(238)	–	(238)
Past service cost	17	–	17
	(221)	–	(221)
Net interest			
Interest income on plan assets	–	2	2
Interest cost on defined benefit obligation	(9)	–	(9)
	(9)	2	(7)
Total defined benefit cost recognised in income statement	(230)	2	(228)
Cash flows			
Plan participants contributions	(249)	249	–
Employer contributions	–	75	75
Benefits paid	103	(103)	–
Unfunded benefits paid	36	–	36
Expected closing position	(2,911)	1,451	(1,460)
Remeasurements			
Changes in financial assumptions	(2)	–	(2)
Other experience	(11)	9	(2)
Foreign exchange gain/(loss) recognised in translation reserve	(159)	78	(81)
Total remeasurements recognised in other comprehensive income	(172)	87	(85)
At 31 December 2020	**(3,083)**	**1,538**	**(1,545)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. Retirement benefit plans continued

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2018	–	–	–
On acquisition	(1,393)	521	(872)
Service cost			
Current service cost	(182)	–	(182)
Net interest			
Interest income on plan assets	–	4	4
Interest cost on defined benefit obligation	(10)	–	(10)
	(10)	4	(6)
Total defined benefit cost recognised in income statement	(192)	4	(188)
Cash flows			
Plan participants contributions	(881)	881	–
Employer contributions	–	63	63
Benefits paid	235	(235)	–
Unfunded benefits paid	13	–	13
Expected closing position	(2,218)	1,234	(984)
Remeasurements			
Changes in financial assumptions	(116)	–	(116)
Other experience	(283)	13	(270)
Foreign exchange gain/(loss) recognised in translation reserve	46	(19)	27
Total remeasurements recognised in other comprehensive income	(353)	(6)	(359)
At 31 December 2019	(2,571)	1,228	(1,343)

Plan assets

	2020 £'000	2019 £'000
Cash and cash equivalents	–	–
Insurance contracts with a quoted market price	1,538	1,228
	1,538	1,228

Actuarial assumptions

	2020	2019
Salary increase rate	2.0–2.5%	2.5%
Discount rate	0.2–0.4%	0.2–1.0%
Inflation rate	0.3–1.2%	1.2%
Life expectancy	BVG 2015	BVG 2015

Sensitivity analysis
The defined benefit obligation would increase/(decrease) by the following amounts due to the respective changes in the following actuarial assumptions:

	2020 £'000	2019 £'000
0.5% increase in discount rate	**(257)**	(224)
0.5% decrease in discount rate	**295**	256
0.5% increase in salary increase rate	**28**	25
0.5% decrease in salary increase rate	**(27)**	(24)
One year increase in life expectancy	**53**	44
One year decrease in life expectancy	**(53)**	(46)

Funding
The total amount of contributions expected to be paid during the financial year ending 31 December 2021 is £297k.

31. Share capital
The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2020 Number	2020 £'000	2019 Number	2019 £'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	**79,973,412**	**799**	79,448,200	794
Shares issued	**8,631,300**	**87**	525,212	5
At 31 December	**88,604,712**	**886**	79,973,412	799

During the year, the Company issued 7,944,800 shares for total proceeds less issue cost of £38,902k and 686,500 shares to the Group's employee benefit trusts. During the prior year, the Company issued 300,212 in settlement of the put option liability over the remaining non-controlling interest in Holdan Limited and 225,000 shares to the Group's employee benefit trusts.

Employee benefit trust
The Group's employee benefit trusts were allocated 480,700 Ordinary Shares in 2016, a further 225,000 shares in 2019 and 686,500 in 2020. During the year, 569,600 (2019: 229,000) of these shares were distributed employees on the exercise of share options leaving 593,600 Ordinary Shares held in the Group's employee benefit trusts as at 31 December 2020 (2019: 476,700).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. Other reserves

Movement in other reserves for the year ended 31 December 2020

	Share based payment reserve £'000	Translation reserve £'000	Hedging reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2020	**3,998**	**(954)**	**194**	**(6,329)**	**50**	**150**	**(2,891)**
Other comprehensive income	–	3,071	(194)	–	–	–	2,877
Total comprehensive income for the year	–	3,071	(194)	–	–	–	2,877
Share based payments	2,562	–	–	–	–	–	2,562
Deferred tax on share based payments	(232)	–	–	–	–	–	(232)
Share options exercised	(1,856)	–	–	–	–	–	(1,856)
Acquisition of non-controlling interest (note 34)	–	–	–	1,516	–	–	1,516
Balance at 31 December 2020	**4,472**	**2,117**	**–**	**(4,813)**	**50**	**150**	**1,976**

Movement in other reserves for the year ended 31 December 2019

	Share based payment reserve £'000	Translation reserve £'000	Hedging reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2019	1,837	1,865	–	(4,532)	50	150	(630)
Other comprehensive income	–	(2,819)	194	–	–	–	(2,625)
Total comprehensive income for the year	–	(2,819)	194	–	–	–	(2,625)
Share based payments	2,874	–	–	–	–	–	2,874
Deferred tax on share based payments	(128)	–	–	–	–	–	(128)
Share options exercised	(585)	–	–	–	–	–	(585)
Acquisition of subsidiary (note 35)	–	–	–	(2,886)	–	–	(2,886)
Acquisition of non-controlling interest (note 34)	–	–	–	1,089	–	–	1,089
Balance at 31 December 2019	3,998	(954)	194	(6,329)	50	150	(2,891)

33. Share based payments

The Group operates two share option plans, the Long-Term Incentive Plan ("LTIP") and the Share Incentive Plan ("SIP"). The Group has made a grant under each plan during the year and made three awards under the LTIP and one award under the SIP in the prior year.

Share Incentive Plan

The Group operates a SIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Under the SIP, free shares granted to employees are issued and held in trust in during a conditional vesting period. The SIP shares vest three years after the date of grant. The SIP share are settled in equity once exercised.

Long-Term Incentive Plan

The Group also operates an LTIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Options issued under the LTIP are exercisable at £0.01 per share but the Group has the option to provide an exemption for this payment. The options vest between three years after the date of grant, subject to certain service and non-market performance conditions. The Group has the option to require an extended holding period in relation to specific options. The options are settled in equity once exercised.

If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

During the year, the Group cancelled 522,500 LTIP shares options issued in 2018 and 576,000 LTIP share options issued in 2019. The cancelled options were replaced with the same number of LTIP options with revised performance conditions and a vesting date of 31 January 2023. The replacement options are accounted for as a modification of the original grant. The incremental fair value of the options granted, measured immediately before and after the modification, has been recognised in addition to the fair value of the options at the original grant date. The total incremental fair value of share options modified during the year is £52,242.

LTIP options and SIP shares were valued using the Black–Scholes option-pricing model. The fair value of the 2020 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	25 Nov 2020	25 Nov 2020
Number granted	1,222,676	105,900
Share price at date of grant (£)	£4.55	£4.55
Exercise price (£)	£0.01	–
Expected volatility	17.5%	17.5%
Expected life (years)	3–5	3
Risk free rate	(0.03%)	(0.03%)
Expected dividend yield excluded from option	3.05%	0.0%
Fair value at date of grant	£4,628,300	£339,667
Earliest vesting date	31 Jan 2023	7 Dec 2023
Expiry date	25 Nov 2030	25 Nov 2030

LTIP options and SIP shares were valued using the Black–Scholes option-pricing model. The fair value of the 2019 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	1 Jul 2019	1 Jul 2019
Number granted	655,050	107,400
Share price at date of grant (£)	£5.56	£5.56
Exercise price (£)	£0.01	–
Expected volatility	9.0%	9.0%
Expected life (years)	3–5	3
Risk free rate	0.67%	0.67%
Expected dividend yield excluded from option	2.8%	0.0%
Fair value at date of grant	£2,801,999	£420,936
Earliest vesting date	1 Jul 2022	1 Jul 2022
Expiry date	1 Jul 2029	1 Jul 2029

The expected volatility is based on the volatility of similar companies in the industry. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK Government bonds of a term consistent with the assumed option life.

The Group recognised total expenses of £2,562k (2019: £2,874k) related to equity-settled share based payment transactions for the above schemes during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

33. Share based payments continued

A reconciliation of LTIP option movements over the year to 31 December 2020 is shown below:

	As at 31 December 2020		As at 31 December 2019	
	Number of LTIP options	Weighted average exercise price £	Number of LTIP options	Weighted average exercise price £
Outstanding at start of year	**1,976,250**	**0.01**	1,410,900	0.01
Granted	**1,222,676**	**0.01**	705,050	0.01
Lapsed	**(39,750)**	**0.01**	(16,200)	0.01
Exercised	**(467,500)**	**0.01**	(123,500)	0.01
Outstanding at end of year	**2,691,676**	**0.01**	1,976,250	0.01
Weighted average remaining contractual life	**2.0 years**		2.0 years	

A reconciliation of SIP movements over the year to 31 December 2020 is shown below:

	As at 31 December 2020		As at 31 December 2019	
	Number of SIP shares	Weighted average exercise price £	Number of SIP shares	Weighted average exercise price £
Outstanding at 1 January	**265,100**	**–**	284,300	–
Granted	**105,900**	**–**	107,400	–
Lapsed	**(14,200)**	**–**	(21,100)	–
Exercised	**(102,100)**	**–**	(105,500)	–
Outstanding at 31 December	**254,700**	**–**	265,100	–
Weighted average remaining contractual life	**1.8 years**		1.5 years	

As at the year end, there were 296,000 (2019: 78,500) share options that had vested and had yet to be exercised.

34. Acquisition of non-controlling interest

During the year, the Group acquired the remaining 30.0% non-controlling interest in Gebroeders van Domburg BV, which had a value of £1,985k, for a consideration of £2,874k. £1,516k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

During the prior year, the Group acquired the remaining 10.5% non-controlling interest in Holdan Limited, which had a value of £843k, for a consideration of £1,876k. £1,089k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

35. Business combinations

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

Subsidiaries acquired:

Acquisition[1]	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
Starin	Distribution of audio visual products to trade customers	6 February 2020	100	20,961
EES	Distribution of lighting products to trade customers	1 July 2019	100	3,245
AV Partner	Distribution of audio visual products to trade customers	3 May 2019	100	5,467
Prase	Distribution of audio visual products to trade customers	31 January 2019	80	11,534
MobilePro	Distribution of audio visual products to trade customers	17 January 2019	100	882

1 See note 11 for details of companies acquired during the current and prior year.

In addition to the acquisition of subsidiaries listed above, the Group also acquired trade and assets from Vantage Systems Pty Limited ("Vantage"), a company registered in Australia.

Fair value of consideration transferred 2020

	Starin £'000	Vantage £'000
Cash	18,872	506
Deferred contingent consideration	2,089	379
Total	20,961	885

Acquisition costs of £506k in relation to the acquisition of Starin and £20k in relation to the Vantage acquisition of trade and assets were expensed to the income statement during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. Business combinations continued

Fair value of acquisitions 2020

	Starin £'000	Vantage £'000
Non-current assets		
Goodwill	520	960
Intangible assets – brands	4,065	–
Intangible assets – customer relationships	2,884	–
Intangible assets – supplier relationships	9,189	–
Intangible assets – software	82	–
Right-of-use assets	743	–
Property, plant and equipment	515	5
Deferred tax	3	–
	18,001	965
Current assets		
Inventories	30,243	–
Trade and other receivables	20,951	129
Cash and cash equivalents	985	–
	52,179	129
Current liabilities		
Trade and other payables	(35,885)	(209)
Borrowings and financial liabilities	(12,728)	–
	(48,613)	(209)
Non-current liabilities		
Borrowings and financial liabilities	(606)	–
	(606)	–
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	20,961	885

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

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

Net cash outflow on acquisition of subsidiaries 2020

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

Post-acquisition contribution 2020

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

	Starin £'000
Date acquired	6 Feb
Post-acquisition contribution to Group revenue	111,777
Post-acquisition contribution to Group profit after tax	2,540

Proforma full year contribution 2020

Acquired subsidiaries would have made the following contributions to the Group's results for the year in which they were acquired, if they were acquired on 1 January 2020:

	Starin £'000
Full year revenue[1]	130,502
Full accounting period profit after tax[1]	1,921

1 These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IAS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IAS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets, assuming the fair values recognised on acquisition were valid on 1 January 2020, together with the consequential tax effects.

If the acquisitions had occurred on 1 January 2020, revenue of the Group for the year would have been £730,479k and loss after tax for the year would have been £4,006k.

Fair value of consideration transferred 2019

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Cash	882	6,108	3,225	2,189
Deferred contingent consideration	–	5,426	2,242	1,056
Total	882	11,534	5,467	3,245

Acquisition costs of £116k in relation to the acquisition of Prase, £115k in relation to the acquisition of AV Partner, £78k in relation to the acquisition of EES and £47k in relation to other acquisitions not completed during the year were expensed to the income statement during the year ended 31 December 2019.

On acquisition of Prase, the Group recognised £2,886k in relation to the initial present value of the put option liabilities to acquire the remaining non-controlling interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

35. Business combinations continued

Fair value of acquisitions 2019

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Non-current assets				
Goodwill	451	371	1,195	131
Intangible assets – brands	535	382	142	81
Intangible assets – customer relationships	165	1,504	1,193	567
Intangible assets – supplier relationships	326	3,110	2,241	810
Right-of-use assets	1,548	69	1,370	209
Plant and equipment	59	2,497	8	71
Deferred tax	3	143	–	1
	3,087	8,076	6,149	1,870
Current assets				
Inventories	3,742	3,604	1,285	569
Trade and other receivables	2,162	8,830	983	1,301
Current tax	–	–	33	–
Cash and cash equivalents	42	1,439	12	820
	5,946	13,873	2,313	2,690
Current liabilities				
Trade and other payables	(1,970)	(4,370)	(838)	(601)
Borrowings and financial liabilities	(3,526)	(90)	(132)	(34)
Current tax	(1)	(404)	–	(137)
	(5,497)	(4,864)	(970)	(772)
Non-current liabilities				
Borrowings and financial liabilities	(2,094)	(69)	(1,238)	(179)
Deferred tax	(220)	(1,429)	(787)	(364)
Other provisions	(340)	(1,169)	–	–
	(2,654)	(2,667)	(2,025)	(543)
Non-controlling interests	–	(2,884)	–	–
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	882	11,534	5,467	3,245

In addition to the above, the Group paid £45k to secure an exclusive supplier arrangement in a trade and assets acquisition.

Goodwill acquired in 2019 relates to the workforce, synergies and sales know how. Goodwill arising on all acquisitions in the period have been allocated to the EMEA segment.

Gross contractual amounts of trade and other receivables acquired in 2019 were £13,276k, with bad debt provisions of £59k.

Net cash outflow on acquisition of subsidiaries 2019

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Consideration paid in cash	882	6,108	3,225	2,189
Less: cash and cash equivalent balances acquired	(42)	(1,439)	(12)	(820)
Net cash outflow	840	4,669	3,213	1,369
Plus: borrowings acquired	5,620	159	1,370	213
Net debt outflow	6,460	4,828	4,583	1,582

Post-acquisition contribution 2019

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

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Date acquired	17 Jan	31 Jan	3 May	1 July
Post-acquisition contribution to Group revenue	22,670	22,550	6,535	2,516
Post-acquisition contribution to Group profit after tax	230	1,471	349	201

Proforma full year contribution 2019

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 2019:

	MobilePro £'000	Prase £'000	AV Partner £'000	EES £'000
Full year revenue[1]	23,624	24,219	9,021	6,196
Full accounting period profit after tax[1]	187	1,495	415	511

[1] These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IAS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IAS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets, assuming the fair values recognised on acquisition were valid on 1 January 2019, together with the consequential tax effects.

If the acquisitions had occurred on 1 January 2019, revenue of the Group for the year would have been £695,029k and profit after tax for the year would have been £18,557k.

36. Related party transactions

Transactions and outstanding balances between the Group companies have been eliminated on consolidation. For transactions between the Company and subsidiaries, see note 9 of the separate company financial statements.

Key management personnel are identified as the executive and non-executive directors and other members of the senior management team, and their remuneration is disclosed as follows:

	2020 £'000	2019 £'000
Remuneration of key management		
Remuneration cost	1,095	1,412
Share based payment cost	488	761
Employer taxes	207	299
Company pension contributions to defined contributions scheme	25	28
	1,815	2,500

The definition of key management personnel includes the Board of Directors and a representative from the UK & Ireland, EMEA and Asia Pacific segments admitted to the senior management team.

During the year, Mr S Lamb was granted 197,116 (2019: 50,000) share options under the LTIP scheme and the performance conditions and vesting dates of 100,000 share options previously issued to Mr S Lamb were modified.

A further 309,788 (2019: 105,000) of share options were awarded to other members of the senior management team and the performance conditions and vesting dates of 205,000 share options previously issued to other members of the senior management team were modified.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

37. Dividends
The Company did not pay any dividends during the year. During the prior year, the Company paid dividends of £12,305k, excluding the effects of waived dividends this equated to 15.45 pence per share.

38. Events after the reporting date
On 1 January 2021, the Group acquired the trade and assets of Nicolas M. Kvernitis Electronics ENT, a business based in Dubai in the United Arab Emirates, NMK Middle East FZE, a company based in Dubai in the United Arab Emirates, and Edge Electronics Trading LLC, a company based in Doha, Qatar. The businesses specialise in the distribution of professional audio products to the trade market.

The acquisition of the three enterprises was made through Midwich International Limited an 80% owned subsidiary that was incorporated with the sellers of the acquired businesses as a non-controlling interest for the purpose of the acquisition.

The initial consideration was AED 49,750k with a deferred consideration of AED 21,000k payable in June 2021. Put and call options were granted over the non-controlling interest in Midwich International Limited to the holders of the non-controlling interest and Group respectively. The put and call options will have an exercisable value in March 2024 of between AED 26,500k and AED 46,000k depending on the average performance of the enterprises during the 2021–2023 financial years.

Due to the proximity of the date of the announcement to the date these financial statements were authorised for issue, the Group considers it impracticable to produce disclosures required under IFRS 3 regarding the acquisition fair value of assets and liabilities to be acquired under the acquisition.

39. Ultimate controlling party
As at 31 December 2020, Midwich Group plc had no ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Investments	3	**36,421**	34,258
Deferred tax	4	**292**	119
		36,713	34,377
Current assets			
Receivables	5	**39,130**	3,123
		39,130	3,123
Current liabilities			
Payables	6	**(545)**	(316)
Net current assets		**38,585**	2,807
Total assets less current liabilities		**75,298**	37,184
Non-current liabilities	6	**(141)**	(95)
Net assets		**75,157**	37,089
Share capital	7	**886**	799
Share premium		**67,047**	28,225
Share based payment reserve		**4,716**	3,997
Investment in own shares		**(6)**	(5)
Retained earnings:			
Opening retained earnings		**3,873**	7,833
(Loss)/profit for the year		**(3,408)**	8,409
Dividends paid		**–**	(12,305)
Transfers into retained earnings		**1,849**	(64)
Total retained earnings		**2,314**	3,873
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Shareholders' funds		**75,157**	37,089

The financial statements are also comprised of the notes on pages 141 to 146. The financial statements were approved by the Board of directors and authorised for issue on 9 March 2021 and were signed on its behalf by:

Mr S B Fenby
Director

Company registration number: 08793266

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2020	**799**	**28,225**	**3,997**	**(5)**	**3,873**	**50**	**150**	**37,089**
Loss for the year	**–**	**–**	**–**	**–**	**(3,408)**	**–**	**–**	**(3,408)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(3,408)**	**–**	**–**	**(3,408)**
Shares issued	**87**	**38,822**	**–**	**(7)**	**–**	**–**	**–**	**38,902**
Share based payments	**–**	**–**	**2,562**	**–**	**–**	**–**	**–**	**2,562**
Deferred tax on share based payments	**–**	**–**	**7**	**–**	**–**	**–**	**–**	**7**
Share options exercised	**–**	**–**	**(1,850)**	**6**	**1,849**	**–**	**–**	**5**
Balance at 31 December 2020	**886**	**67,047**	**4,716**	**(6)**	**2,314**	**50**	**150**	**75,157**

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2019	794	25,855	1,837	(5)	7,833	50	150	36,514
Profit for the year	–	–	–	–	8,409	–	–	8,409
Total comprehensive income for the year	–	–	–	–	8,409	–	–	8,409
Shares issued	5	1,873	–	(2)	–	–	–	1,876
Share based payments	–	–	2,875	–	–	–	–	2,875
Deferred tax on share based payments	–	–	(280)	–	–	–	–	(280)
Share options exercised	–	497	(435)	2	(64)	–	–	–
Dividends paid	–	–	–	–	(12,305)	–	–	(12,305)
Balance at 31 December 2019	799	28,225	3,997	(5)	3,873	50	150	37,089

The financial statements are also comprised of the notes on pages 141 to 146.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Accounting policies

Basis of Preparation

The annual financial statements of Midwich Group plc (the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements, the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by IAS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

As permitted by Section 408 of Companies Act 2006, a separate income statement for the Company has not been included in these financial statements.

The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

Finance income and costs

Interest income and expense is recognised using the effective interest method, which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability. Other finance costs include the changes in fair value of financial derivatives and financial instruments at fair value through profit or loss.

Investments

Investments are valued at cost less provision for any permanent impairment.

Financial instruments

Financial instruments are comprised of financial assets and financial liabilities, which are recognised when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or substantially all the risks and rewards of ownership of the financial asset are transferred. Financial liabilities are derecognised when extinguished.

Financial assets

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

The Group classifies financial assets into three categories:

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

1. Accounting policies continued
The classification of a financial asset depends on the Group's business model for managing the asset and the contractual cash flow characteristics associated with the asset. Financial assets with embedded derivatives are recognised as hybrid contracts. Hybrid contracts are classified in their entirety and not in separate components. Investments in equity instruments that are not held for trading are classified as financial assets measured at fair value through profit and loss unless the Group makes an irrevocable election on initial recognition to classify the asset as measured at fair value through other comprehensive income. Trade receivables that do not contain a significant financing component are initially measured at transaction price. All other financial assets classified as either financial assets measured at amortised cost, or financial assets measured at fair value through other comprehensive income are initially measured at fair value plus transaction costs directly attributable to the acquisition of the financial asset. Financial assets measured at fair value through profit and loss are initially measured at fair value and any transaction costs directly attributable to the acquisition of the financial asset are recognised in the profit and loss. Financial assets measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial asset are renegotiated or otherwise modified the financial asset is recalculated at the present value of the modified contractual cash flows discounted at the financial asset's original effective interest rate. Financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit and loss are subsequently measured at fair value. Expected credit loss impairments are recognised in respect of financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income immediately on initial recognition of the respective financial asset. Expected credit losses are measured using an expected credit loss model. The expected credit loss model reflects a probability weighted amount derived from a range of possible outcomes that are discounted for the time value of money and based on reasonable and supportable information. Where trade receivables contain a significant financing component, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

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

The Group classifies financial liabilities into six categories:

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

Financial liabilities measured at fair value through profit or loss are initially measured at fair value and any transaction costs directly attributable to the issue of the financial liability are recognised in the profit and loss. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies are initially measured at the amount of the consideration received in respect of the financial asset. All other financial liabilities are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Financial liabilities measured at amortised cost are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual cash flows of the financial liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate. Financial liabilities measured at fair value through profit and loss are subsequently measured at fair value. The subsequent measurement of financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies depends upon whether the transferred asset is measured at amortised cost or fair value. If the transferred asset is measured at amortised cost then associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is the amortised cost of the rights and obligations retained by the entity. However, if the transferred asset is measured at fair value the associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is equal to the fair value of the rights and obligations retained by the entity when measured on a standalone basis. Financial guarantee contracts are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount of the initially recognised. Commitments to provide loans at below market interest rates are subsequently measured at the higher of the amount of the loss allowance calculated in accordance with the expected credit loss model and the amount initially recognised. Contingent consideration recognised in a business combination is subsequently measured at fair value.

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

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.

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

Current taxation
Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax liabilities are provided in full and are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis.

Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares issued.
- "Share premium" represents the amounts subscribed for share capital, net of issue costs, above the nominal value.
- "Share based payment reserve" represents the accumulated value of share based payments expensed in the income statement.
- "Investment in own shares" represents amounts of the Parent Company's own shares held within an Employee Benefit Trust.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Capital redemption reserve" represents the nominal value of shares repurchased by the Parent Company.
- "Other reserve" relate to the Employee Benefit Trust.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

Employee benefit trust
The assets and liabilities of the Employee Benefit Trust (EBT) have been included in the Company financial statements. Any assets held by the EBT cease to be recognised when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

Share based payments
Equity-settled share based payments to employees and directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and directors is recognised as an expense over the vesting period. The fair value of the equity instruments are determined at the date of grant, taking into account market-based vesting conditions. The fair value of goods and services received are measured by reference to the fair value of options. The fair values of share options are measured using the Black–Scholes model. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the 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 and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

2. Directors and employees
The directors' remuneration is as stated in the directors' remuneration disclosure in the Directors' Report and in note 7 to the consolidated financial statements.

Average monthly number of persons, including directors, employed by the Company during the year was as follows:

	2020 Number	2019 Number
By activity:		
Administration	**23**	23

3. Investments

	2020 £'000	2019 £'000
At 1 January	34,258	31,845
Additions	2,163	2,413
At 31 December	36,421	34,258

The Company holds 100% of the share capital of Midwich Limited, a company incorporated in England and Wales. Indirect share interests in the Midwich Group of companies are disclosed in note 11 of the consolidated financial statements. Additions in the year represent the capital contributions to subsidiaries in respect of share option schemes; see note 32 of the consolidated financial statements for details of share options.

4. Deferred tax

	2020 £'000	2019 £'000
Deferred tax on losses	96	–
Deferred tax asset on temporary differences	196	119
	292	119

5. Receivables

	2020 £'000	2019 £'000
Prepayments	6	9
Amounts due from Group undertakings	39,124	3,114
	39,130	3,123

6. Payables

Amounts falling due within one year:

	2020 £'000	2019 £'000
Accruals	545	316

Amounts falling due after one year:

	2020 £'000	2019 £'000
Accruals	141	95

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

7. Share capital
The total allotted share capital of the Company is:

Allotted, issued and fully paid

	2020 Number	2020 £'000	2019 Number	2019 £'000
Issued and fully paid Ordinary Shares of £0.01 each				
At start of year	**79,973,412**	**799**	79,448,200	794
Shares issued	**8,631,300**	**87**	525,212	5
At end of year	**88,604,712**	**886**	79,973,412	799

During the year, the Company issued 7,944,800 shares for total proceeds less issue cost of £38,902k and 686,500 shares to the Company's employee benefit trusts. During the prior year, the Company issued 300,212 in settlement of the put option liability over the remaining non-controlling interest in Holdan Limited and 225,000 shares to the Company's employee benefit trusts.

8. Dividends
The Company did not pay any dividends during the year. During the prior year, the Company paid dividends of £12,305k, excluding the effects of waived dividends this equated to 15.45 pence per share.

9. Related parties and transactions with directors
There were no related party transactions or transactions with the directors during the current or prior year. The directors are remunerated by subsidiary entities and recharged to the Company.

Other related party transactions
Included within other debtors are the following transactions and outstanding amounts with Midwich Limited, a wholly owned subsidiary:

	2020 £'000	2019 £'000
Outstanding at 1 January	**3,115**	4,683
Amounts advanced	**38,902**	12,305
Management charges	**204**	204
Amounts repaid	**(3,097)**	(14,077)
Outstanding at 31 December	**39,124**	3,115

Audit fees for the entity are borne by subsidiary entities and recharged to the Company.

10. Ultimate controlling party
As at 31 December 2020, Midwich Group plc had no ultimate controlling party.

NOTICE OF AGM

COVID-19 statement

In the lead up to the Annual General Meeting (notice of which is set out below), the directors are closely monitoring the impact of the COVID-19 virus in the United Kingdom. Due to ongoing limitations on public gatherings and associated social distancing measures in response to COVID-19, external shareholders (i.e. shareholders who do not also hold office as a director of the Company) are prohibited from attending the Annual General Meeting in person. Accordingly, so as to ensure their vote is counted at the Annual General Meeting, all shareholders are asked to submit a proxy form, instructing the Chairman on how they wish to vote on the proposed resolutions. Further, the Company will be providing a conference call link to enable shareholders to follow proceedings of the meeting and potentially to ask questions remotely. All shareholders are encouraged to use these facilities should they wish to follow the progress of the meeting. Any shareholders who wish to listen to the meeting by such means, should contact the Company Secretary prior to the day of the meeting at Stephen.Lamb@midwich.com in order to request conference dial-in details.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (the "**Meeting**") of Midwich Group plc (the "**Company**") will be held at the offices of the Company at Vinces Road, Diss, Norfolk, IP22 4YT on Monday 10 May 2021 at 10.00 a.m. You will be asked to consider and vote on the resolutions below. Resolutions 1 to 9 will be proposed as ordinary resolutions and resolutions 10 and 11 will be proposed as special resolutions.

Ordinary business

Report and accounts

1. THAT the Company's annual accounts for the financial year ended 31 December 2020, together with the directors' report and auditor's report on those accounts, be received and adopted.

Re-election of directors

2. THAT Stephen Fenby be re-elected as a director of the Company.
3. THAT Andrew Herbert be re-elected as a director of the Company.
4. THAT Mike Ashley be re-elected as a director of the Company.
5. THAT Stephen Lamb be re-elected as a director of the Company.
6. THAT Hilary Wright be re-elected as a director of the Company.

Reappointment and remuneration of auditors

7. THAT Grant Thornton UK LLP be reappointed as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next meeting at which accounts are laid before the Company and that the directors be authorised to agree the remuneration of the auditors.

Directors' remuneration report

8. THAT the directors' remuneration report (excluding the directors' remuneration policy, set out on pages 62 to 69 of the directors' remuneration report), as set out in the Company's annual report and accounts for the financial year ended 31 December 2020 be approved.

Special business

Issue of Ordinary Shares

9. THAT the directors of the Company be hereby generally and unconditionally authorised and empowered pursuant to and in accordance with Section 551 of the Companies Act 2006 (the "**CA 2006**"), to exercise all the powers of the Company to allot shares and or grant rights to subscribe for or to convert any security into shares ("**Rights**"):

   i. up to an aggregate nominal value of £295,349 (being the nominal value of approximately one third of the issued share capital of the Company); and

   ii. up to an aggregate nominal value of £590,698 (being the nominal value of approximately two thirds of the issued share capital of the Company) (such amount to be reduced by the nominal amount of any shares allotted or Rights granted under paragraph (i)) in connection with an offer by way of a rights issue or other pre-emptive offer to:

      a. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and

      b. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

   and so that, in each case, the directors of the Company may impose any limits or restrictions or exclusions or other arrangements that they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter,

such authorities to expire on the earlier of the next Annual General Meeting of the Company held after the date on which this resolution becomes unconditional and the date 15 months after the passing of this resolution, save that the Company may at any time before such expiry make any offer(s) or enter into any agreement(s) which would or might require shares to be allotted or Rights to be granted after such expiry and the directors may allot shares or grant Rights in pursuance of any such offer(s) or agreement(s) as if the authority conferred hereby had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors to allot shares or grant Rights but without prejudice to any allotment of shares or grant of Rights already made, offered or agreed to be made pursuant to such authorities.

NOTICE OF AGM
CONTINUED

10. THAT, subject to the passing of resolution 9, the directors of the Company be authorised to allot equity securities (as defined in Section 560 of the CA 2006) for cash under the authority conferred by that resolution and/or to sell Ordinary Shares held by the Company as treasury shares as if Section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be limited to:

    i. the allotment of equity securities in connection with an offer of equity securities (but, in the case of the authority granted under paragraph (ii) of resolution 9, by way of a rights issue or other pre-emptive offer only) to::

        a. the holders of Ordinary Shares in proportion (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them; and

        b. holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,

    but subject to such limits or restrictions or exclusions or other arrangements, which the directors of the Company may consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or the requirements of any regulatory body or stock exchange or any other matter; and

    ii. the allotment of equity securities or sale of treasury shares (otherwise than pursuant to paragraph (i) of this resolution) to any person up to an aggregate nominal amount of £44,302,

such authorities granted by this resolution to expire at the conclusion of the Company's next Annual General Meeting after the passing of this resolution or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

11. THAT, subject to the passing of resolution 9, the directors of the Company be authorised in addition to any authority granted under resolution 10 to allot equity securities (as defined in Section 560 of the CA 2006) for cash under the authority conferred by resolution 10 and/or to sell Ordinary Shares held by the Company as treasury shares as if Section 561 of the CA 2006 did not apply to any such allotment or sale, provided that such authority shall be:

    i. limited to the allotment of equity securities or sale of treasury shares up to an aggregate nominal amount of £44,302; and

    ii. used only for the purpose of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,

    such authority granted by this resolution to expire at the conclusion of the Company's next Annual General Meeting after this resolution is passed or, if earlier, at the close of business on the date 15 months after the passing of this resolution, save that the Company may, before such expiry make offers or agreements that would or might require equity securities to be allotted (or treasury shares to be sold) after the authority expires and the directors of the Company may allot equity securities (or sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

Dated 6 April 2021
By order of the Board

Stephen Lamb
Company Secretary
Registered Office
Vinces Road
Diss
Norfolk
IP22 4YT

NOTES OF THE AGM

Notes:

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members:

   - At the time which is 48 hours prior to the Meeting; or
   - If this Meeting is adjourned, at the time which is 48 hours prior to the adjourned meeting,

   shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section.
4. Due to ongoing limitations on public gatherings and associated social distancing measures in response to COVID-19, the Company is required to restrict the proxy appointment right to the appointment of the Chairman of the Meeting only. Details of how to appoint the Chairman of the Meeting as your proxy using the proxy form are set out in the notes to the proxy form. The Company intends to provide a conference call link to enable shareholders to follow proceedings of the meeting and potentially to ask questions remotely. Details can be obtained from the Company Secretary (stephen.lamb@midwich.com).
5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy (the Chairman of the Meeting) will vote or abstain from voting at their discretion. Your proxy (the Chairman of the Meeting) will vote (or abstain from voting) as they think fit in relation to any other matter which is put before the Meeting.

Appointment of proxies using hard copy form

6. The notes to the proxy form explain how to direct your proxy (the Chairman of the Meeting) how to vote on each resolution or withhold their vote.

   To appoint the Chairman of the Meeting as your proxy using the proxy form, the form must be:

   - completed and signed;
   - sent or delivered to the offices of the Company's registrars, Link Group, in accordance with the reply paid details or by hand or by courier only to Link Group PXS1 , 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL; and
   - received by the Company's registrars no later than 48 hours prior to the time set for the start of the Meeting.

   CREST members should use the CREST electronic proxy appointment service and refer to note 9 below in relation to the submission of a proxy appointment via CREST.

   In the case of a member that is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

   Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

   In each case, the proxy appointment must be received not less than 48 hours before the time for the holding of the Meeting or adjourned meeting together (except in the case of appointments made electronically) with any authority (or notarially certified copy of such authority) under which it is signed.

Appointment of proxies via the web

7. As an alternative shareholders may, and are encouraged to, cast their vote online via the registrars website at www.signalshares.com.

Appointment of Proxies via Proxymity

8. If you are an institutional investor, you may be able to appoint a proxy electronically via the Proxymity platform. For further information regarding Proxymity, please go to www.proxymity.io. Your proxy must be lodged 48 hours prior to the time appointed for the Meeting in order to be considered valid. Before you can appoint a proxy via this process, you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy.

Appointment of proxies through CREST

9. As an alternative to completing the hard copy proxy form, CREST members who wish to appoint the Chairman of the Meeting as their proxy by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) of it by using the procedures described in the CREST Manual (with such procedures, as applicable, being read in conjunction with the appointment restrictions detailed in these Notes). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of the Chairman of the Meeting as proxy or an amendment to the instruction

NOTES OF THE AGM

CONTINUED

given to a the Chairman of the Meeting as proxy previously, must, in order to be valid, be transmitted so as to be received by the Company's agent (ID: RA10) by not later than 48 hours prior to the time appointed for the Meeting or adjourned meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers, should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers, are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

10. In the case of joint holders, where more than one of the joint holders purports to appoint the Chairman of the Meeting as proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first named being the most senior).

Changing proxy instructions

11. To change your proxy instructions, simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy forms (see above) also apply in relation to amended instructions; any amended proxy form received after the relevant cut-off time will be disregarded.

Where you have appointed the Chairman of the Meeting as your proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

12. In order to revoke a proxy instruction, you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrars, Link Group, PXS1, 10th Floor, Central Square, 29 Wellington Street, Leeds LS1 4DL. In the case of a member that is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company's registrars not less than 48 hours before the time for holding the Meeting or adjourned meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

Corporate representatives

13. A corporation that is a member should appoint the Chairman of the Meeting as its proxy in the manner detailed above and in the notes to the proxy form.

Issued shares and total voting rights

14. As at 5.00 p.m. on 6 April 2021, the Company's issued share capital comprised 88,604,712 Ordinary Shares of £0.01 each. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the 6 April 2021 is 88,604,712.

Communication

15. Except as provided above, members who have general queries about the Meeting should use the following means of communication:

- calling the Company Secretary on +44 (0) 1379 774 661; or
- calling our shareholder helpline provided by the Company's registrars, Link Group, on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider) or +44 (0) 371 664 0300 from outside the UK. Lines are open Monday to Friday, 9.00 a.m. to 5.30 p.m.; or
- emailing the Company Secretary at stephen.lamb@midwich.com.

You may not use any electronic address provided either:

- in this Notice of Annual General Meeting; or
- any related documents (including the proxy form),

to communicate with the Company for any purposes other than those expressly stated.

DIRECTORS, OFFICERS AND ADVISERS

Directors
Mr S B Fenby
Mr S Lamb
Mr M Ashley
Mr A C Herbert
Mrs H Wright

Company Secretary
Mr S Lamb

Independent auditor
Grant Thornton UK LLP
Chartered Accountants
Statutory Auditor
101 Cambridge Science Park
Milton Road
Cambridge
CB4 0FY

Registered office
Vinces Road
Diss
Norfolk
IP22 4YT

Bankers
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19 Midsummer Place
Milton Keynes
Buckinghamshire
MK9 3GB

Solicitors
Mills and Reeve LLP
Botanic House
100 Hills Road
Cambridge
CB2 1PH

Nominated advisers and brokers
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London
EC2V 7QP

Berenberg
60 Threadneedle Street
London
EC2R 8HP

Company registration number
08793266

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