5 September 2023

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

Interim results for the six months ended 30 June 2023

Strong performance despite market challenges; full year expectations unchanged

Midwich Group (AIM: MIDW), a global specialist audio visual distributor to the trade market, today announces its Interim Results for the six months ended 30 June 2023 ("H1 2023").

Statutory financial highlights

	Six months ended		
	30 June 2023	**30 June 2022**	Growth
	£m	**£m**	%
Revenue	**610.4**	**568.6**	7.4%
Gross profit	**99.6**	**84.7**	17.5%
Gross profit %	*16.3%*	*14.9%*	
Operating profit	**18.6**	**12.7**	46.5%
Profit/(loss) before tax	**15.6**	**10.4**	50.5%
Profit/(loss) after tax	**11.6**	**7.6**	52.9%
Reported EPS - pence	12.14	7.93	53.1%

Adjusted financial highlights

	Six months ended			
	30 June 2023	**30 June 2022**	Growth	Growth at
	£m	**£m**	%	constant currency %
Revenue	**610.4**	**568.6**	7.4%	5.1%
Gross profit	**99.6**	**84.7**	17.5%	15.2%
Gross profit %	*16.3%*	*14.9%*		
Adjusted operating profit[1]	**26.4**	**20.2**	30.9%	27.9%
Adjusted operating profit %	*4.3%*	*3.6%*		
Adjusted profit before tax[1]	**21.8**	**19.2**	13.4%	10.5%
Adjusted profit after tax[1]	**16.1**	**14.4**	11.6%	
Adjusted EPS - pence[1]	16.93	15.42	9.8%	
Interim dividend per share - pence	5.5	4.5	22.2%	

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

Financial highlights

- Revenue increased 7.4% (5.1% at constant currency) to £610.4m with organic growth of 2.3%.
- Significant improvement in gross margins to 16.3% from 14.9% in the prior year.
- Adjusted operating profit growth of 30.9% to £26.4m (H1 2022: £20.2m).
- Operating cash conversion at 27% inflow; ahead of Board expectations and reflecting typical seasonal investments in working capital (H1 2022: 32% outflow).
- Successful equity placing in June 2023 raised over £50m to support the Group's M&A strategy.
- Adjusted net debt of £102.1m at period end with leverage^ at 1.5x following the fundraise and the acquisition of S.F. Marketing, Inc. ("SFM") in Canada.
- Interim dividend declared of 5.5 pence per share, an increase of 22% (Interim 2022: 4.5p).

Operational highlights

- Against a backdrop of continued challenging market conditions in a number of key markets, the Group's diverse product and geographic portfolio resulted in revenue growth of 7.4% and further market share gains with many of the Group's key vendors.
- Favourable product mix resulted in significant improvements in gross margins.
- In June 2023, the Group acquired SFM, a specialist value-add AV distributor in Canada, adding 1,500 new customers and strengthening relationships with key tier-1 vendors in the audio and visual markets.
- Management continues to see a strong acquisition pipeline, across a number of regions.

Post period trading and outlook

- Post the period end, and in line with the stated use of proceeds of the equity issue in June 2023, the Group has completed five acquisitions: Toolfarm.com, Inc and Digital Media Promos, Inc (trading as 76 Media) in the US, HHB Communications Holdings Limited and Pulse Cinemas Holdings Limited in the UK, and Video Digital Soluciones S.L. in Spain. The aggregate cash spent (net of cash acquired) on these transactions was £18m.
- With order books remaining healthy despite the broader challenging market conditions, the Board expects the momentum seen in H1 2023 to continue throughout the remainder of the year. As a result, the Board continues to expect trading performance for the full year to be in line with its previous expectations.

^RCF covenant is 3x Adjusted net debt/adjusted EBITDA. For these purposes Adjusted EBITDA includes proforma EBITDA for acquisitions acquired in the last 12 months.

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

"Our performance in H1 2023 was strong, with the Group delivering revenue growth of 7.4% and adjusted operating profit improving by 30.9% compared with H1 2022, despite continued challenging market conditions in a number of key markets. Particularly notable was the significant improvement in our gross profit percentage, moving from 14.9% in H1 2022 to 16.3% in H1 2023 and our adjusted operating profit percentage which increased from 3.6% to 4.3%. Higher interest charges impacted our adjusted profit before tax, which nonetheless still increased by 13.4% to £21.8 million in the period.

Slower than expected corporate and education markets were more than compensated for by strength in the live event and entertainment sectors. The change in mix attributable to the significant growth of technical video and audio products resulted in a favourable product margin mix.

The EMEA region performed particularly well, with strong improvements in organic revenue, gross margin and adjusted operating profit. Although general macro-economic conditions are widely expected to remain challenging over the coming months, the Group continues to be well placed to identify and benefit from organic and inorganic business development opportunities. I believe our demonstrable track record of performing well despite challenging broader economic conditions is a testament to the quality of our business and our ability to grow market share profitably. Furthermore, our order books remain strong and as a result the Board's expectations for the full year remain unchanged."

There will be a meeting and webinar for sell-side analysts and investors at 9:30am today, 5 September 2023, the details of which can be obtained from FTI Consulting: midwich@fticonsulting.com.

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About Midwich Group

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

The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of over 20,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality. Although the Group does not sell directly to end users, it believes that the majority of its products are used by commercial and educational establishments rather than consumers.

Initially a UK only distributor, the Group now has around 1,800 employees across the UK and Ireland, EMEA, Asia Pacific and North America. A core component of the Group's growth strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions.

For further information, please visit www.midwichgroupplc.com

Managing Director's Report

Overview

The Group continued to make progress in H1 2023, despite continued challenging market and macro-economic conditions in a number of key markets leading to some softness in mainstream product demand. In line with our long-term strategy, we achieved strong sales growth in higher margin technical products, with the result that both gross and operating margins increased significantly and adjusted operating profit increased by 30.9% in the period compared with H1 2022.

Maintaining a consistent high service level to our customers and vendors remains a key focus for the Group, so we remain a long-term trusted partner. We continue to work hard to provide exceptional service and have also increased our market share with many of the Group's key vendors in the period. Our focus on developing our offering in the AV market continues to be beneficial for our customers and vendors alike.

Working capital management continues to be a key focus for the Group with a positive operating cash flow in the period despite the normal seasonal investment in working capital. We expect operating cash generation for the full year to be in line with our long-term trend of 70-80% of adjusted EBITDA.

Trading performance

Revenue in H1 2023 grew by 7.4% (5.1% on a constant currency basis) to reach £610.4 million. Organic growth was 2.3%. Compared with H1 2022, revenue growth was strong in EMEA (+13.5%) and North America (+23.9%), but declined by 2.2% in the UK & Ireland. Based on independent market data, we believe that the decline in our UK & Ireland revenue is significantly less than the overall market decline in that territory.

The gross margin percentage was 1.4 percentage points higher than in H1 2022, with improvements seen in all territories except North America. The increase was a combination of stronger sales of higher margin product areas - particularly in pro audio where improved availability of product led to increased sales. With product being more readily available, inventory levels have been more stable, and we saw a relatively small change in the aged inventory provision in the period.

Investments in headcount, made primarily in 2022, led to an increase in overheads, although this was more than covered by the improvement in gross profit. As a result, the adjusted operating profit margin improved from 3.6% in H1 2022 to 4.3% in H1 2023.

Products

Overall revenue from the two mainstream product areas (displays and projection) declined by around 4%, with a decrease in display sales being partially offset by an increase in projection revenue. These mainstream categories now account for an aggregate of 38% of Group revenue as we continue to diversify into specialist areas. The gross margin on mainstream categories increased slightly.

Revenue in the specialist product areas of technical video, audio and lighting grew strongly, with pro audio recording the largest at 52% growth on the prior year. The overall margin on these categories also improved strongly.

As expected, revenues in the broadcast segment fell as the strong demand for home broadcast equipment seen through lockdowns returned to normal levels.

The Board believes that the current market conditions, highlight more than ever, the need for manufacturers to use a high-quality specialist distributor, such as Midwich. We continue to have significant success with the roll out of brand relationships acquired over the last few years, together with the expansion of existing relationships into new territories in EMEA.

Customers

The Group's focus has always been on seeking to provide our customers with consistently high levels of service and support. Although our customer base tends to be adaptable and resilient, we are aware that softer demand in some areas, combined with higher interest rates, have caused some challenges. We continue to use our distribution expertise and value add advice to support our customers through these challenges and to accommodate the needs of the channel.

Strategy

The Group's strategy remains clearly focused on markets and product areas where it can leverage its value-add services, technical expertise, and sales and marketing skills. Services, expertise and geographies are developed either in-house or through acquisitions.

Using its market knowledge and skills, the Group provides its vendors with support to build and execute plans to grow market share. The Group supports its customers to win and then deliver successful projects.

Historically, the Group has successfully used acquisitions to enter new geographical markets and to add both expertise and new product areas. Once acquired and integrated, businesses are supported to grow organically and increase profitable market share. The Group continues to pursue a strong pipeline of opportunities, either self-sourced or, increasingly, through approaches by business owners who wish to join a strong AV focused group.

The Group has continued to deliver successfully on this strategy, completing six strategically aligned acquisitions to date in 2023 with a strong pipeline of further opportunities.

The Board continues to focus on strengthening the Group's product offering, technical expertise and geographical reach.

Acquisitions

The Group completed one acquisition during H1 2023.

In June 2023, the Group completed the acquisition of S.F. Marketing, Inc. ("SFM"), a specialist value-add AV distributor based in Canada.

Founded in 1978 and based in Montreal, SFM is a leading value-add distributor of professional AV, with heritage in the professional audio market. It has 146 employees and over 1,500 customers. The business has grown through long standing relationships with tier-1 brands and developing a reputation for offering exceptional levels of service, which remains a key focus of the business's strategy.

SFM is the Group's second investment in the strategically important North American region, following the acquisition of Starin in 2020. SFM also represents Midwich's first physical presence in Canada, which represents 2.6% of the global AV market, with the Canadian market expected to grow at a CAGR of 5.4% over the next 5 years to $11.9bn in 2027. The initial consideration, plus acquired net debt, for SFM was £24.1m.

In July 2023, post the period-end, the Group made five further acquisitions, each of which add expertise and new product areas to existing territories.

Starin, the US arm of the Group, expanded its broadcast technology offering with the acquisitions of Toolfarm.com, Inc and Digital Media Promos, Inc (trading as 76 Media).

Toolfarm.com, distributes video software products and plugins, with a particular focus on 3D and motion graphics, whilst 76 Media is a value-add distributor of high-end video storage and media asset management hardware to the US market.

In the UK&I, the Group completed the acquisition of HHB Communications Holdings Limited ("HHB"), a leading supplier of specialist professional audio equipment, content creation products, and music technology. Founded in 1976 and with 55 employees, HHB has built a name for itself in the broadcasting, media and entertainment market and has supported many notable postproduction facilities, film, gaming, recording studios, and broadcasters with its products used by the likes of Warner Brothers, BBC, Sky and Pinewood Studios.

Representing manufacturers such as RØDE, Genelec, and AVID from its three London locations, HHB joining the Group further develops Midwich's offering in these strategically important markets.

Also in the UK&I, the Group acquired Pulse Cinemas Holdings Limited trading as Pulse Cinemas. Founded in 2003, Pulse Cinemas is a home cinema distributor with an established reputation for delivering beautiful cinema spaces with class-leading luxury brands. Pulse Cinemas enhances the UK&I business' custom installation offering and also brings state-of-the-art home cinema demonstration facilities.

In Spain, Midwich Iberia acquired Video Digital Soluciones S.L. trading as Video Digital. Video Digital is a Barcelona-based distributor of pro AV equipment in Spain and Portugal with a strong position in the broadcast market, working with a range of leading manufacturers, including Blackmagic Design.

These acquisitions bring new technologies, customers and vendor relationships, further delivering on the Group's strategy to grow earnings both organically and through selective acquisitions of strong, complementary businesses.

The acquisition pipeline remains healthy, and the management team continue to review attractive opportunities in a number of markets and regions.

Outlook

Despite some softness in the AV market so far in 2023, according to research published by industry trade body AVIXA in July 2023, the global AV market is expected to grow at an annualised rate of 5.8% in the five years to 2028.

The Board concurs that the wider AV industry is well positioned for long-term growth and believes that the Group is very well placed to take advantage of growth opportunities. In particular, the Group's ongoing focus on more specialist areas of the market should help to sustain higher gross margins and drive incremental profit opportunities.

The Board believes that the Group's major markets will remain challenging across the remainder of 2023. However, order books remain steady and underpin the Board's confidence in the Group's outlook for the current year and beyond.

Trading since the end of H1 has been in line with the Board's expectations for the full year.

Regional highlights

	Six months ended 30 June 2023 £m	30 June 2022 £m	Total growth %	Growth at constant currency %	Organic growth %
Revenue					
UK & Ireland	234.0	239.3	(2.2%)	(2.3%)	(6.0%)
EMEA	281.3	247.9	13.5%	9.5%	9.5%
Asia Pacific	25.2	25.0	0.9%	2.3%	2.3%
North America	69.9	56.4	23.9%	18.7%	5.4%
Total Global	**610.4**	**568.6**	**7.4%**	**5.1%**	**2.3%**
Gross profit margin					
UK & Ireland	17.7%	15.7%	2.0 ppts		
EMEA	15.5%	14.1%	1.4 ppts		
Asia Pacific	17.5%	15.7%	1.8 ppts		
North America	14.5%	14.7%	(0.2) ppts		
Total Global	**16.3%**	**14.9%**	**1.4 ppts**		
Adjusted operating profit[1]					
UK & Ireland	13.9	10.8	29.0%	28.6%	
EMEA	12.5	8.7	44.3%	39.0%	
Asia Pacific	0.1	0.2	(33.1%)	(21.9%)	
North America	3.0	3.1	(4.9%)	(8.7%)	
Group costs	(3.1)	(2.6)			
Total Global	**26.4**	**20.2**	**30.9%**	**27.9%**	
Adjusted finance costs	(4.6)	(1.0)			
Adjusted profit before tax[1]	**21.8**	**19.2**	**13.4%**	**10.5%**	

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

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

UK & Ireland

After an exceptionally strong H1 2022, which saw some post Covid-19 expenditure catch up and associated revenue growth of 86.3%, revenue in the UK & Ireland (UK&I) was marginally below the prior year. This reflected a slower market for mainstream products, which is attributed to delayed expenditure by corporate and education end users. Both have been affected by additional cost pressures, whilst the education sector has also been impacted by labour disputes and uncertainty over future wage bills. There was small contribution from the full year effect of acquisitions completed at the start of 2022.

Based on industry data, combined with our own analysis of customer and vendor activity, we believe that we have increased or maintained market share in the UK&I and we remain confident that the pro AV market will continue to grow faster than GDP in the medium term.

The UK&I achieved an exceptional increase in gross profit margin percentage to 17.7% (H1 2022: 15.7%) reflecting positive product mix with further growth in technical products and the continued recovery in higher margin markets such as live events, entertainment and hospitality.

Adjusted operating profit increased by 28.6% (H1 2022: 119.7%) in the UK&I to £13.9m (H1 2022: £10.8m).

EMEA

EMEA achieved further market share gains in the period with growth of 9.5% (H1 2022: 20.4%) to £281.3m (H1 2022: £247.9m). Whilst Germany, EMEA's largest market, experienced similar market softness to that seen in the UK, there was good growth in all other territories with very strong demand for technical solutions, including pro audio and live event solutions, resulting in exceptional growth in Southern Europe and the Middle East.

Gross profit margins improved to 15.5% (H1 2022: 14.1%) as a result of favourable product mix and the benefit of product supply issues now being largely overcome.

Adjusted operating profit in EMEA at £12.5m (H1 2022: £8.7m) was up 39.0% on the prior year due to the combined benefit of revenue growth, the increase in gross margin and operating leverage in our technical businesses.

Asia Pacific

Revenue in Asia Pacific was up 2.3% on the prior year (H1 2022: 12.2%). There was good growth in mainstream product demand, whilst broadcast sales returned to normal after a period of strong demand during the pandemic. Whilst we continue to see a higher level of enquiries for larger projects, this part of the market has yet to return to pre-pandemic levels.

The Asia Pacific gross profit margin of 17.5% was 1.8 percentage points above H1 2022, reflecting increased technical product mix.

Adjusted operating profit in Asia Pacific was £0.1m (H1 2022: £0.2m).

North America

Organic revenue at Starin increased by 5.4% reflecting continue demand for unified communications solutions. Starin continues to deliver gross margins which we understand are ahead of the wider North American market at 14.5% (H1 2022: 14.7%).

Total revenue growth in US dollars was 18.7% (H1 2022: 81.5%) reflecting the initial contribution from the SFM acquisition at the beginning of June 2023, whilst exchange rate benefits increased reported growth to 23.9% (H1 2022: 94.0%). This currency trend is expected to reverse in the second half of the year.

Adjusted operating profit in North America was slighly below the prior year at £3.0m (H1 2022: £3.1m) reflecting further investment in sales and business management staff in order to support future growth.

Group costs

Group costs for the half year were £3.1m (H1 2022: £2.6m). The increase reflects investment in Group support staff and inflation.

Operating profit

Adjusted operating profit for the period at £26.4m (H1 2022 £20.2m) is stated before the impact of acquisition related expenses of £0.3m (H1 2022: £0.4m), share based payments and associated employer taxes of £2.8m (H1 2022: £2.8m) and amortisation of acquired intangibles of £4.8m (H1 2022: £4.3m). The reported operating profit for the period was £18.6m (H1 2022: £12.7m).

Movement in foreign exchange

Compared to the prior year, Sterling weakened against the Euro and the US Dollar. These movements increased our reported revenue and adjusted operating profit in H1 by 2.3% and 3.1% respectively. Following a significant devaluation in Sterling in H2 2022 market expectations are for GBP to be stronger in the second half, when compared to the prior year. Based on these expectations the reported current gains in the first half are expected to fully reverse in H2 2023. Note, the Group makes most of its sales and purchases in local currency; this provides a natural hedge for transactional activity.

Finance costs

Adjusted finance costs for the period were an expense of £4.6m (H1 2022: £1.0m) with the increase reflecting the higher interest rate environment whilst the prior year benefitted from a credit of £0.6m for fair value movements on foreign exchange derivatives.

Reported finance costs were £3.0m (H1 2022: £2.3m). The adjustments to finance costs include fair value movements in derivatives and foreign exchange movement on borrowings for acquisitions of (£1.5m) (H1 2022: (£0.2m)), valuation changes in deferred and contingent considerations of £0.3m (H1 2022: £0.4m), and movements in put option liabilities over non-controlling interests of (£0.4m) (H1 2022: £1.1m).

Taxation

The reported tax charge for the period was £4.0m (H1 2022: £2.8m). The adjusted effective tax rate was 26.1%; (H1 2022: 24.9%) calculated based on the adjusted tax charge divided by adjusted profit before tax. The increase in effective tax rate is attributable to higher tax rates in the UK and the change in geographic mix.

Cash flows and net debt

The Group had an adjusted net cash inflow from operations before tax of £8.2m for the period (H1 2022: £7.6m outflow). The first half is traditionally more working capital intensive when compared with the full year due to the seasonality of demand, especially in the education sector. Overall working capital levels, as a percentage of annualised revenue, were consistent with the same period in the prior year. The Board is comfortable that the Group's long-term average annual cash conversion rate (70-80%) remains sustainable.

Gross capital spend on tangible assets was £2.4m (H1 2022: £3.4m) and included investment in rental assets in UK&I. An investment of £5.9m in intangible fixed assets (H1 2022: £2.0m) was predominantly in relation to the Group's new ERP solution.

Adjusted net debt (excluding leases liabilities), was £102.1m at 30 June 2023 (£112.5m at 30 June 2022), equivalent to 1.5x adjusted EBITDA.

The adoption of IFRS 16 in 2019 resulted in an increase in recognised lease liabilities (predominantly for office, showroom and warehouse facilities). Lease liabilities excluded from adjusted net debt totalled £22.8m at 30 June 2023 (£23.0m 30 June 2022). Total net debt was £124.9m at 30 June 2023 (£135.5m at 30 June 2022).

On the 8th June 2023 the Group successfully completed an equity placing of 11,764,705 shares, together with the completion of a retail offer of 294,233 shares, at a price per share of 425p. The total net proceeds of £50m were used to finance the acquisition of SF Marketing and to repay Group borrowings to provide further headroom to fund other pipeline acquisitions. In the first half, adjusted net debt was impacted by net payments totalling £29.5m (H1 2022: £23.5m) in respect of acquisitions, deferred consideration and the purchase of minority shareholdings in the period.

In January 2023, the Group increased its revolving credit facility to £175m (£80m at 31 December 2022) to finance future acquisitions. This facility is supported by six banks, is for a 4½ year term, and has an adjusted net debt to adjusted EBITDA covenant ratio of 3 times and an adjusted interest cover covenant of 4 times adjusted EBITDA. The EBITDA covenant is calculated on a historical twelve-month basis and includes the full benefit of the prior year's earnings of any businesses acquired. Other borrowing facilities are to provide working capital financing. The Group has access to total facilities of c.£300m.

The Group has various instruments to hedge certain exchange rate and interest rate exposures. These include borrowing in local currency to finance acquisitions and financial instruments to fix part of the Group's interest charges. These instruments are marked to market at the end of each reporting period, with the change in valuation recognised in the income statement. Given any amounts recognised generally arise from market movements, and accordingly bear no direct relation to the Group's underlying performance, any gains or losses have been excluded from adjusted profit measures.

Dividend
The Board is pleased to declare an interim dividend of 5.5 pence per share (H1 2022: 4.5p), an increase of 22%. This will be paid on 27th October 2023 to those shareholders on the Company's register as at 22nd September 2023. The last day to elect for dividend reinvestment ("DRIP") is 6th October 2023.

The Board believes in a progressive dividend policy to reflect the Group's strong earnings and cash flow while maintaining an appropriate level of dividend cover to allow for investment in longer-term growth.

Stephen Fenby
Managing Director

Midwich Group plc

Unaudited consolidated income statement for the 6 months ended 30 June 2023

	Note	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Revenue		610,442	568,566	1,204,049
Cost of sales		(510,868)	(483,829)	(1,020,335)
Gross profit		99,574	84,737	183,714
Distribution costs		(61,126)	(52,327)	(109,042)
Administrative expenses		(23,411)	(22,535)	(45,592)
Other operating income		3,514	2,784	5,973
Operating profit		18,551	12,659	35,053
Adjusted operating profit		26,424	20,187	51,108
Costs of acquisitions		(306)	(377)	(435)
Share based payments		(2,385)	(2,548)	(6,031)
Employer taxes on share based payments		(370)	(252)	(176)
Amortisation of brands, customer and supplier relationships		(4,812)	(4,351)	(9,413)
		18,551	12,659	35,053
Finance income		63	91	95
Finance costs	5	(3,018)	(2,386)	(10,232)
Profit before taxation		15,596	10,364	24,916
Taxation		(4,037)	(2,802)	(8,061)
Profit after taxation		11,559	7,562	16,855
Profit for the financial period/year attributable to:				
The Company's equity shareholders		10,959	6,996	15,293
Non-controlling interests		600	566	1,562
		11,559	7,562	16,855
Basic earnings per share	3	12.14p	7.93p	17.32p
Diluted earnings per share	3	11.76p	7.69p	16.74p

Unaudited consolidated statement of comprehensive income for 6 months ended 30 June 2023

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Profit for the period/financial year	11,559	7,562	16,855
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and (losses) on retirement benefit obligations	-	-	588
Items that will be reclassified subsequently to profit or loss:			
Foreign exchange gains/(losses) on consolidation	(6,307)	5,895	8,282
Other comprehensive income for the financial period/year, net of tax	(6,307)	5,895	8,870
Total comprehensive income for the period/financial year	5,252	13,457	25,725
Attributable to:			
Owners of the Parent Company	5,015	12,259	23,419
Non-controlling interests	237	1,198	2,306
	5,252	13,457	25,725

Unaudited consolidated statement of financial position as at 30 June 2023

	Note	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Assets				
Non-current assets				
Goodwill		38,443	35,430	35,765
Intangible assets		86,095	76,877	76,002
Right of use assets		20,955	20,993	21,559
Property, plant and equipment		15,890	14,636	14,961
Deferred tax assets		3,092	3,571	2,567
		164,475	151,507	150,854
Current assets				
Inventories		168,262	171,446	159,823
Trade and other receivables		236,967	216,792	218,612
Derivative financial instruments		4,033	2,956	4,630
Cash and cash equivalents		20,095	17,380	25,855
		429,357	408,574	408,920
Current liabilities				
Trade and other payables		(220,621)	(231,718)	(225,899)
Derivative financial instruments		(176)	-	(1,483)
Put option liabilities over non-controlling interests		(9,301)	(3,042)	-
Deferred and contingent considerations		(9,642)	(527)	(9,275)
Borrowings and financial liabilities		(65,531)	(61,145)	(44,955)
Current tax		(2,685)	(3,651)	(3,541)
		(307,956)	(300,083)	(285,153)
Net current assets		121,401	108,491	123,767
Total assets less current liabilities		285,876	259,998	274,621
Non-current liabilities				
Trade and other payables		(1,694)	(1,694)	(1,872)
Put option liabilities over non-controlling interests		(6,231)	(12,113)	(15,975)
Deferred and contingent considerations		-	(16,922)	(8,157)
Borrowings and financial liabilities		(79,481)	(91,731)	(100,324)
Deferred tax liabilities		(12,563)	(10,510)	(10,576)
Other provisions		(3,635)	(3,770)	(3,583)
		(103,604)	(136,740)	(140,487)
Net assets		182,272	123,258	134,134
Equity				
Share capital	6	1,033	889	889
Share premium		116,959	67,047	67,047
Share based payment reserve		10,404	10,118	12,025
Investment in own shares	6	(20)	(7)	(5)
Retained earnings		51,448	39,516	46,023
Translation reserve		(588)	3,081	5,356
Put option reserve		(10,799)	(13,684)	(10,799)
Capital redemption reserve		50	50	50
Other reserve		150	150	150
Equity attributable to owners of Parent Company		168,637	107,160	120,736
Non-controlling interests		13,635	16,098	13,398
Total equity		182,272	123,258	134,134

Midwich Group plc

Unaudited consolidated statement of changes in equity for 6 months ended 30 June 2023

For the period ended 30 June 2023

	Share capital £’000 (note 6)	Share premium £’000	Investment in own shares £’000	Retained earnings £’000	Other reserves £’000 (note 7)	Equity attributable to owners of the Parent £'000	Non-controlling interests £’000	Total £’000
Balance at 1 January 2023	889	67,047	(5)	46,023	6,782	120,736	13,398	134,134
Profit for the period	-	-	-	10,959	-	10,959	600	11,559
Other comprehensive income	-	-	-	-	(5,944)	(5,944)	(363)	(6,307)
Total comprehensive income for the year	-	-	-	10,959	(5,944)	5,015	237	5,252
Shares issued (note 6)	144	49,912	(23)	-	-	50,033	-	50,033
Share based payments	-	-	-	-	2,357	2,357	-	2,357
Deferred tax on share based payments	-	-	-	-	(124)	(124)	-	(124)
Share options exercised	-	-	8	3,854	(3,854)	8	-	8
Dividends paid (note 14)	-	-	-	(9,388)	-	(9,388)	-	(9,388)
Balance at 30 June 2023 (unaudited)	1,033	116,959	(20)	51,448	(783)	168,637	13,635	182,272

For the period ended 30 June 2022

	Share capital £’000 (note 6)	Share premium £’000	Investment in own shares £’000	Retained earnings £’000	Other reserves £’000 (note 7)	Equity attributable to owners of the Parent £'000	Non-controlling interests £’000	Total £’000
Balance at 1 January 2022	887	67,047	(5)	39,078	(1,887)	105,120	9,276	114,396
Profit for the period	-	-	-	6,996	-	6,996	566	7,562
Other comprehensive income	-	-	-	-	5,263	5,263	632	5,895
Total comprehensive income for the year	-	-	-	6,996	5,263	12,259	1,198	13,457
Shares issued (note 6)	2	-	(2)	-	-	-	-	-
Share based payments	-	-	-	-	2,535	2,535	-	2,535
Deferred tax on share based payments	-	-	-	-	(220)	(220)	-	(220)
Share options exercised	-	-	-	76	(76)	-	-	-
Acquisition of subsidiaries (note 8)	-	-	-	-	(6,933)	(6,933)	6,933	-
Dividends paid (note 14)	-	-	-	(6,910)	-	(6,910)	-	(6,910)
Acquisition of non-controlling interest (note 9)	-	-	-	276	1,033	1,309	(1,309)	-
Balance at 30 June 2022 (unaudited)	889	67,047	(7)	39,516	(285)	107,160	16,098	123,258

For the year ended 31 December 2022 (audited)

	Share capital £'000 (note 6)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 7)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2022	887	67,047	(5)	39,078	(1,887)	105,120	9,276	114,396
Profit for the year	-	-	-	15,293	-	15,293	1,562	16,855
Other comprehensive income	-	-	-	588	7,538	8,126	744	8,870
Total comprehensive income for the year	-	-	-	15,881	7,538	23,419	2,306	25,725
Shares issued (note 6)	2	-	(2)	-	-	-	-	-
Share based payments	-	-	-	-	6,006	6,006	-	6,006
Deferred tax on share based payments	-	-	-	-	(1,093)	(1,093)	-	(1,093)
Share options exercised	-	-	2	766	(767)	1	-	1
Acquisition of subsidiaries (note 8)	-	-	-	-	(6,933)	(6,933)	6,933	-
Dividends paid (note 14)	-	-	-	(10,901)	-	(10,901)	-	(10,901)
Acquisition of non-controlling interest (note 9)	-	-	-	1,199	3,918	5,117	(5,117)	-
Balance at 31 December 2022	889	67,047	(5)	46,023	6,782	120,736	13,398	134,134

Midwich Group plc

Unaudited consolidated cashflow statement for 6 months ended 30 June 2023

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Cash flows from operating activities			
Profit before tax	15,596	10,364	24,916
Depreciation	3,817	3,429	7,039
Amortisation	5,067	4,530	9,807
(Gain)/loss on disposal of assets	(65)	3	141
Share based payments	2,357	2,535	6,006
Foreign exchange (gains)/losses	(3,529)	1,405	3,827
Finance income	(63)	(91)	(95)
Finance costs	3,018	2,386	10,232
Profit from operations before changes in working capital	26,198	24,561	61,873
(Increase)/decrease in inventories	2,353	(27,293)	(15,670)
Increase in trade and other receivables	(9,138)	(68,834)	(70,654)
Increase/(decrease) in trade and other payables	(15,094)	65,019	59,779
Cash inflow/(outflow) from operations	4,319	(6,547)	35,328
Income tax paid	(6,134)	(3,714)	(9,142)
Net cash inflow/(outflow) from operating activities	(1,814)	(10,261)	26,186
Cash flows from investing activities			
Acquisition of businesses net of cash acquired	(20,215)	(22,372)	(22,372)
Purchase of intangible assets	(5,945)	(2,018)	(5,760)
Purchase of plant and equipment	(2,442)	(3,434)	(5,328)
Proceeds on disposal of plant and equipment	226	27	140
Interest received	63	91	95
Net cash outflow from investing activities	(28,313)	(27,706)	(33,225)
Cash from financing activities			
Gross proceeds on issue of shares	51,250	-	-
Costs associated with shares issued	(1,217)	-	-
Proceeds on exercise of share options	8	-	1
Deferred and contingent considerations paid	(9,300)	-	(198)
Acquisition of non-controlling interest	-	(1,063)	(3,974)
Dividends paid	(9,388)	(6,910)	(10,901)
Invoice financing inflows	2,948	11,714	14,282
Proceeds from borrowings	1,525	32,685	31,304
Repayment of loans	(16,436)	(2,866)	(4,947)
Interest paid	(4,240)	(1,713)	(5,217)
Interest on leases	(419)	(230)	(602)
Capital element of lease payments	(2,235)	(3,848)	(4,126)
Net cash inflow from financing activities	12,496	27,769	15,622
Net decrease in cash and cash equivalents	(17,632)	(10,198)	8,583
Cash and cash equivalents at beginning of period/year	20,938	11,639	11,639
Effects of exchange rate changes	(409)	491	716
Cash and cash equivalents at end of period/year	2,897	1,932	20,938
Comprising:			
Cash at bank	20,095	17,380	25,855
Bank overdrafts	(17,198)	(15,448)	(4,917)
	2,897	1,932	20,938

1. General information

The interim financial information for the period to 30 June 2023 is unaudited and does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006.

The interim consolidated financial information does not include all the information required for statutory financial statements in accordance with UK adopted International Accounting Standards (“IAS”), and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2022.

2. Accounting policies

Basis of preparation

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the year ended 31 December 2022. The audited financial statements for the year ended 31 December 2022 were prepared in accordance with UK adopted International Accounting Standards (“IAS”) in conformity with the requirements of the Companies Act 2006.

The directors have adopted the going concern basis in preparing the financial information. In assessing whether the going concern assumption is appropriate, the directors have taken into account all relevant available information about the foreseeable future.

The statutory accounts for the year ended 31 December 2022, have been delivered to the Registrar of Companies. The auditors reported on these accounts; their report was unqualified; did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, and did not include reference to any matters to which the auditor drew attention by way of emphasis.

Use of alternative performance measures

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

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

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

Adjusted operating profit: Adjusted operating profit is disclosed to indicate the Group’s underlying profitability. It is defined as profit before acquisition related expenses, share based payments and associated employer taxes and amortisation of brand, customer and supplier relationship intangible assets. Share based payments are adjusted to the provide transparency over the costs.

Adjusted EBITDA: This represents operating profit before acquisition related expenses, share based payments and associated employer taxes, depreciation and amortisation.

Adjusted profit before tax: This is profit before tax adjusted for acquisition related expenses, share based payments and associated employer taxes, amortisation of brand, customer and supplier relationship intangible assets, changes in deferred or contingent considerations and put option liabilities over non-controlling interests, foreign exchange gains or losses on borrowings for acquisitions, fair value movements on derivatives for borrowings, and financing fair value remeasurements.

Adjusted profit after tax: This is profit after tax adjusted for acquisition related expenses, share based payments and associated employer taxes, amortisation of brand, customer and supplier relationship intangible assets, changes in deferred or contingent considerations and put option liabilities over non-controlling interests, foreign exchange gains or losses on borrowings for acquisitions, fair value movements on derivatives for borrowings, and financing fair value remeasurements and the tax thereon.

Adjusted EPS: Adjusted EPS is EPS calculated using the basis of adjusted profit after tax instead of profit after tax after deducting adjustments to profit after tax due to non-controlling interests.

Adjusted net debt: Net debt is borrowings less cash and cash equivalents. Adjusted net debt excludes leases.

Adjusted net debt: Adjusted EBITDA: This is calculated as per the Group's RCF debt facility covenant and includes the benefit of proforma annualised earnings for acquisitions completed in the last 12 months.

3. Earnings per share

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

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

	June 2023	**June 2022**	**December 2022**
Profit attributable to equity holders of the Parent Company (£'000)	10,959	6,996	15,293
Weighted average number of shares outstanding	90,242,805	88,224,914	88,299,098
Dilutive (potential dilutive) effect of share options	2,974,694	2,701,810	3,064,305
Weighted average number of ordinary shares for the purposes of diluted earnings per share	93,217,499	90,926,724	91,363,403
Basic earnings per share	12.14p	7.93p	17.32p
Diluted earnings per share	11.76p	7.69p	16.74p

4. Segmental reporting

30 June 2023	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	234,022	281,284	25,252	69,884	-	610,442
Gross profit	**41,450**	**43,580**	**4,427**	**10,117**	**-**	**99,574**
Gross profit %	17.7%	15.5%	17.5%	14.5%	-	16.3%
Adjusted operating profit	**13,909**	**12,583**	**101**	**2,957**	**(3,126)**	**26,424**
Cost of acquisitions	-	-	-	-	(306)	(306)
Share based payments	(947)	(733)	(158)	(48)	(499)	(2,385)
Employer taxes on share based payments	(112)	(168)	(12)	(5)	(74)	(371)
Amortisation of brand, customer and supplier relationships	(2,142)	(1,780)	(136)	(753)	-	(4,812)
Operating profit	**10,708**	**9,902**	**(205)**	**2,151**	**(4,005)**	**18,550**
Net interest expense						(2,955)
Profit before tax						**15,595**

Other segmental information

June 2023	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	246,154	241,682	23,532	81,069	1,395	593,832
Segment liabilities	(187,844)	(170,034)	(19,600)	(32,691)	(1,391)	(411,560)
Segment net assets	**58,310**	**71,648**	**3,932**	**48,378**	**4**	**182,272**
Depreciation	1,501	1,665	275	375	-	3,817
Amortisation	2,248	1,812	144	863	-	5,067

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	73,239	91,236	164,475
Deferred tax assets	1,806	1,286	3,092
Non-current assets excluding deferred tax	71,433	89,950	161,383

30 June 2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	239,270	247,882	25,017	56,396	-	568,565
Gross profit	**37,635**	**34,864**	**3,932**	**8,307**	**-**	**84,738**
Gross profit %	15.7%	14.1%	15.7%	14.7%	-	14.9%
Adjusted operating profit	**10,781**	**8,723**	**151**	**3,109**	**(2,578)**	**20,186**
Cost of acquisitions	-	-	-	-	(377)	(377)
Share based payments	(993)	(811)	(201)	(34)	(508)	(2,548)
Employer taxes on share based payments	(83)	(91)	(5)	(2)	(72)	(252)
Amortisation of brand, customer and supplier relationships	(1,899)	(1,664)	(139)	(650)	-	(4,351)
Operating profit	**7,806**	**6,158**	**(193)**	**2,423**	**(3,534)**	**12,658**
Net interest expense						(2,295)
Profit before tax						**10,363**

Other segmental information

June 2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	244,504	234,593	23,714	55,930	1,340	560,081
Segment liabilities	(211,363)	(177,710)	(19,351)	(27,561)	(838)	(436,823)
Segment net assets	**33,141**	**56,883**	**4,363**	**28,369**	**502**	**123,528**
Depreciation	1,313	1,625	256	235	-	3,429
Amortisation	1,941	1,695	146	747	-	4,530

Other segmental information	UK £'000	International £'000	Total £'000
Non-current assets	67,310	84,197	151,507
Deferred tax assets	2,244	1,327	3,571
Non-current assets excluding deferred tax	65,066	82,870	147,936

31 December 2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	492,203	534,962	53,763	123,121	-	1,204,049
Gross profit	**79,104**	**78,014**	**9,312**	**17,284**	**-**	**183,714**
Gross profit %	16.1%	14.6%	17.3%	14.0%	-	15.3%
Adjusted operating profit	**26,500**	**22,718**	**1,378**	**6,437**	**(5,925)**	**51,108**
Costs of acquisitions	-	-	-	-	(435)	(435)
Share based payments	(2,260)	(1,911)	(469)	(96)	(1,295)	(6,031)
Employer taxes on share based payments	(56)	(57)	3	(4)	(62)	(176)
Amortisation of brands, customer and supplier relationships	(4,201)	(3,566)	(282)	(1,364)	-	(9,413)
Operating profit	**19,983**	**17,184**	**630**	**4,973**	**(7,717)**	**35,053**
Interest						(10,137)
Profit before tax						**24,916**

December 2022	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	235,716	245,321	27,024	51,002	711	559,774
Segment liabilities	(196,934)	(187,802)	(19,013)	(20,985)	(906)	(425,640)
Segment net assets	**38,782**	**57,519**	**8,011**	**30,017**	**(195)**	**134,134**
Depreciation	2,731	3,294	443	571	-	7,039
Amortisation	4,290	3,652	297	1,568	-	9,807

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

5. Finance costs

	June 2023 £'000	June 2022 £'000	December 2022 £'000
Interest on overdraft and invoice discounting	1,413	765	2,221
Interest on leases	419	230	602
Interest on loans	2,756	740	2,470
Fair value movements on foreign exchange derivatives	141	(644)	733
Other interest costs	2	2	26
Fair value movements on derivatives for borrowings	(763)	(1,613)	(2,888)
Foreign exchange (gains)/losses on borrowings for acquisitions	(751)	1,390	1,694
Interest, foreign exchange and other finance costs of deferred and contingent considerations	243	382	508
Interest, foreign exchange and other finance costs of put option liabilities	(442)	1,134	4,866
	3,018	2,386	10,232

6. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	June 2023		June 2022		December 2022	
Classed as equity:	**Number**	**£'000**	**Number**	**£'000**	**Number**	**£'000**
Issued and fully paid ordinary shares of £0.01 each						
Opening balance	88,879,912	889	88,735,612	887	88,735,612	887
Shares issued	14,371,414	144	144,300	2	144,300	2
Closing balance	103,251,326	1,033	88,879,912	889	88,879,912	889

During the period Midwich Group plc issued 2,312,476 shares (2022: 144,300) into an employee benefit trust and 12,058,938 shares for total proceeds less issue cost of £50,033k.

Own shares held in employee benefit trusts

	June 2023		June 2022		December 2022	
	Number	**£'000**	**Number**	**£'000**	**Number**	**£'000**
Issued and fully paid ordinary shares of £0.01 each						
Opening balance	501,460	5	518,300	5	518,300	5
Shares issued	2,312,476	23	144,300	2	144,300	2
Exercise of share options	(833,092)	(8)	(18,140)	-	(161,140)	(2)
Closing balance	1,980,844	20	644,460	7	501,460	5

A reconciliation of LTIP option movements during the current and comparative period, and the year to 31 December 2022 is as follows:

	Six months to June 2023	Six months to June 2022	Twelve months to December 2022
Outstanding at 1 January	4,115,317	3,284,374	3,284,374
Granted	-	1,004,141	1,004,141
Lapsed	(10,200)	(43,058)	(89,458)
Exercised	(827,992)	(14,240)	(83,740)
Outstanding at period end	3,277,125	4,231,217	4,115,317

A reconciliation of SIP option movements during the current and comparative period, and the year to 31 December 2022 is as follows:

	Six months to June 2023	Six months to June 2022	Twelve months to December 2022
Outstanding at 1 January	280,800	267,900	267,900
Granted	111,300	106,800	106,800
Lapsed	(3,300)	(8,700)	(16,500)
Exercised	(5,100)	(3,900)	(77,400)
Outstanding at period end	383,700	362,100	280,800

7. Other reserves

Movement in other reserves for the year ended 30 June 2023 (Unaudited)

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2023	12,025	5,356	(10,799)	50	150	6,782
Other comprehensive income	-	(5,944)	-	-	-	(5,944)
Total comprehensive income for the period	-	(5,944)	-	-	-	(5,944)
Share based payments	2,357	-	-	-	-	2,357
Deferred tax on share based payments	(124)	-	-	-	-	(124)
Share options exercised	(3,854)	-	-	-	-	(3,854)
Balance at 30 June 2023	10,404	(588)	(10,799)	50	150	(783)

Movement in other reserves for the year ended 30 June 2022 (Unaudited)

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2022	7,879	(2,182)	(7,784)	50	150	(1,887)
Other comprehensive income	-	5,263	-	-	-	5,263
Total comprehensive income for the period	-	5,263	-	-	-	5,263
Share based payments	2,535	-	-	-	-	2,535
Deferred tax on share based payments	(220)	-	-	-	-	(220)
Share options exercised	(76)	-	-	-	-	(76)
Acquisition of subsidiaries (note 8)	-	-	(6,933)	-	-	(6,933)
Acquisition of non-controlling interest (note 9)	-	-	1,033	-	-	1,033
Balance at 30 June 2022	10,118	3,081	(13,684)	50	150	(285)

Movement in other reserves for the year ended 31 December 2022 (Audited)

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2022	7,879	(2,182)	(7,784)	50	150	(1,887)
Other comprehensive income	-	7,538	-	-	-	7,538
Total comprehensive income for the year	-	7,538	-	-	-	7,538
Share based payments	6,006	-	-	-	-	6,006
Deferred tax on share based payments	(1,093)	-	-	-	-	(1,093)
Share options exercised	(767)	-	-	-	-	(767)
Acquisition of subsidiary (note 8)	-	-	(6,933)	-	-	(6,933)
Acquisition of non-controlling interest (note 9)	-	-	3,918	-	-	3,918
Balance at 31 December 2022	12,025	5,356	(10,799)	50	150	6,782

8. Business combinations

Acquisitions were completed by the Group during the current and comparative periods to increase scale, broaden its addressable market and widen the product offering.

Subsidiaries acquired

Acquisition	**Principal activity**	**Date of acquisition**	**Proportion acquired (%)**	**Fair value of consideration £'000**
SF Marketing Inc (SFM)	Distribution of audio visual products to trade customers	7 June 2023	100%	20,983
Cooper Projects Limited (DVS)	Distribution of audio visual products to trade customers	7 January 2022	65%	12,877
Nimans Limited (Nimans)	Distribution of audio visual products to trade customers	7 February 2022	100%	27,271

2023 acquisitions

Fair value of consideration transferred 2023

	SFM £'000
Cash	19,633
Deferred consideration	1,350
Total	20,983

Acquisition costs of £306k in relation to the acquisitions of SFM and other acquisitions not completed by the period end were expensed to the income statement during the period ended 30 June 2023.

Fair value of acquisitions 2023

	SFM £'000
Non-current assets	
Goodwill	3,569
Intangible assets - brands	1,686
Intangible assets - customer relationships	2,486
Intangible assets - supplier relationships	6,901
Intangible assets - patents and software	284
Right of use assets	972
Plant and equipment	686
Deferred tax	411
	16,995
Current assets	
Inventories	10,792
Trade and other receivables	9,217
Derivative financial instruments	21
Cash and cash equivalents	118
	20,148
Current liabilities	
Trade and other payables	(9,690)
Borrowings and financial liabilities	(700)
	(10,390)
Non-current liabilities	
Borrowings and financial liabilities	(2,781)
Deferred tax	(2,989)
	(5,770)
Non-controlling interests	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	20,983

Goodwill acquired in 2023 relates to the workforce, synergies and sales know how. Goodwill arising on the SFM acquisition has been allocated to the North America segment.

Net cash outflow on acquisition of subsidiaries 2023

	SFM
	£'000
Consideration paid in cash	19,633
Plus: cash and cash equivalent overdraft balances acquired	582
Net cash outflow	20,215
Plus: borrowings acquired	3,841
Net debt outflow	24,056

2022 acquisitions

Fair value of consideration transferred 2022

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

Acquisition costs of £377k in relation to the acquisitions of DVS and Niman were expensed to the income statement during the period ended 30 June 2022.

Fair value of acquisitions 2022

	DVS £'000	Nimans £'000
Non-current assets		
Goodwill	5,055	8,388
Intangible assets - brands	1,288	2,950
Intangible assets - customer relationships	799	4,809
Intangible assets - supplier relationships	5,948	8,591
Intangible assets - patents and software	103	-
Right of use assets	314	1,610
Property, plant and equipment	242	510
	13,749	26,858
Current assets		
Inventories	6,513	11,815
Trade and other receivables	7,842	15,861
Current tax	-	18
Cash and cash equivalents	643	2,065
	14,998	29,759
Current liabilities		
Trade and other payables	(2,298)	(22,308)
Borrowings and financial liabilities	(4,147)	(255)
Current tax	(142)	-
	(6,587)	(22,563)
Non-current liabilities		
Borrowings and financial liabilities	(228)	(2,059)
Provisions	(65)	(832)
Deferred tax	(2,057)	(3,892)
	(2,350)	(6,783)
Non-controlling interests	(6,933)	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	12,877	27,271

Goodwill acquired in 2022 relates to the workforce, synergies and sales know how. Goodwill arising on both acquisitions has been allocated to the United Kingdom and Ireland segment.

Net cash outflow on acquisition of subsidiaries 2022

	DVS £'000	Nimans £'000
Consideration paid in cash	8,580	16,500
Less: cash and cash equivalent balances acquired	(643)	(2,065)
Net cash outflow	7,937	14,435
Plus: borrowings acquired	4,375	2,314
Net debt outflow	12,312	16,749

9. Acquisition of non-controlling interest

During the period to 30 June 2022 the Group acquired the remaining 11.5% non-controlling interest in Earpro SA, which had a value of £1,309k, for a consideration of £1,063k. £1,033k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished. During the remainder of 2022 the Group acquired the remaining 20.0% non-controlling interest in Prase Engineering SpA, which had a value of £3,808k, for a consideration of £2,912k. £2,885k of the put option reserve was transferred to retained earnings when this element of the put option was extinguished.

10. Currency impact

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 current and prior periods.

	Six months to 30 June 2023 Average	Six months to 30 June 2022 Average	At 30 June 2023	At 30 June 2022	At 31 December 2022
EUR/GBP	1.144	1.185	1.165	1.162	1.128
AUD/GBP	1.841	1.808	1.910	1.766	1.771
NZD/GBP	1.987	1.959	2.075	1.953	1.897
USD/GBP	1.236	1.297	1.271	1.214	1.204
CHF/GBP	1.128	1.216	1.137	1.163	1.111
NOK/GBP	12.925	11.815	13.619	12.000	11.846
AED/GBP	4.540	4.769	4.667	4.466	4.435
QAR/GBP	4.500	4.726	4.626	4.426	4.396

The following tables illustrate the effect of changes in foreign exchange rates in the EUR, AUD, NZD, USD, CHF, NOK, AED, and QAR relative to the GBP on the profit before tax and net assets. The amounts are calculated retrospectively by applying the current period exchange rates to the prior period results so that the current period 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 period result.

Applying the current period exchange rates to the results of the prior period has the following effect on the translation of profit before tax and net assets of foreign entities:

Profit before tax

	Revised 2022 £'000	2022 £'000	Impact £'000	Impact %
EUR	10,628	10,364	264	2.5%
AUD	10,366	10,364	2	-%
NZD	10,366	10,364	2	-%
USD	10,463	10,364	99	1.0%
CHF	10,353	10,364	(11)	(0.1%)
NOK	10,356	10,364	(8)	(0.1%)
AED	10,464	10,364	100	1.0%
QAR	10,358	10,364	(6)	(0.1%)
All currencies	10,806	10,364	442	4.3%

Net assets

	Revised 2022 £'000	2022 £'000	Impact £'000	Impact %
EUR	123,061	123,258	(197)	(0.2%)
AUD	123,066	123,258	(192)	(0.2%)
NZD	123,249	123,258	(9)	-%
USD	122,684	123,258	(574)	(0.5%)
CHF	123,249	123,258	(9)	-
NOK	122,989	123,258	(269)	(0.2%)
AED	122,825	123,258	(433)	(0.4%)
QAR	123,170	123,258	(88)	(0.1%)
All currencies	121,487	123,258	(1,771)	(1.4%)

11. Events after the reporting date

On 5 July 2023 the Group acquired 100% of Toolfarm.com Inc based in the United States of America. The business specialises in the distribution of video editing software. The consideration is comprised of an initial payment of $6,430k.

In addition to the acquisition of Toolfarm Inc the Group also acquired 100% of Digital Media Promos Inc on 5 July 2023. The Company is also based in the United States of America. The business specialises in the distribution of broadcast products. The initial consideration is $968k with a contingent consideration of up to a maximum of $1,500k based on performance payable in 2026.

On 12 July 2023 the Group acquired 100% of the HHB Communications Holdings Limited group of companies based in the United Kingdom. The business specialises in the distribution of professional audio products. The initial consideration is £13.1m with a contingent consideration based on performance of up to £10.5m payable in instalments due in 2024 and 2025.

On 21 July 2023 the Group acquired 100% of Video Soluciones SL and Video Digital Import SL, companies based in Spain. The business specialises in the distribution of broadcast products. The initial consideration is €700k with deferred consideration of €500k payable in 2024 and contingent considerations of up to a maximum of €600k based on performance payable in 2026.

On 21 July 2023 the Group made an investment of £275k to acquire 30% of Dry Hire Lighting Limited. The Group holds a put option to sell the investment to other private investors of Dry Hire Lighting Limited and the investors hold a call option to purchase the investment from the Group.

On 31 July 2023 the Group acquired 100% of the Pulse Cinemas Holdings Limited group of companies based in the United Kingdom. The business specialises in the distribution of home cinema products. The initial consideration is £1,282k with deferred consideration of £200k payable in 2024 and contingent considerations of up to a maximum of £1,000k based on performance payable in 2026.

12. Copies of interim report

Copies of the interim report are available to the public free of charge from the Company at Vinces Road, Diss, IP22 4YT.

13. Adjustments to reported results

	Six months ended 30 June 2023 £000	Six months ended 30 June 2022 £000
Operating profit	**18,551**	**12,659**
Cost of acquisitions	306	377
Share based payments	2,385	2,548
Employer taxes on share based payments	370	252
Amortisation of brands, customer and supplier relationships	4,812	4,351
Adjusted operating profit	**26,424**	**20,187**
Depreciation	3,817	3,429
Amortisation of patents and software	255	179
Adjusted EBITDA	**30,496**	**23,795**
(Increase)/decrease in adjusted inventories	2,353	(27,293)
(Increase)/decrease in adjusted trade and other receivables	(9,138)	(68,834)
Increase/(decrease) in adjusted trade and other payables	(15,492)	64,754
Adjusted cash flow from operations	**8,219**	**(7,577)**
Adjusted EBITDA cash flow conversion	27.0%	(31.8%)
Profit before tax	**15,596**	**10,364**
Cost of acquisitions	306	377
Share based payments	2,385	2,548
Employer taxes on share based payments	370	252
Amortisation of brands, customer and supplier relationships	4,812	4,351
Derivative fair value and foreign exchange gains and losses on acquisition borrowings	(1,514)	(223)
Finance costs – deferred and contingent considerations	243	382
Finance costs – put option liabilities over non-controlling interests	(443)	1,134
Adjusted profit before tax	**21,755**	**19,185**
Profit after tax	**11,559**	**7,562**
Cost of acquisitions	306	377
Share based payments	2,385	2,548
Employer taxes on share based payments	370	252
Amortisation of brands, customer and supplier relationships	4,812	4,351
Derivative fair value and foreign exchange gains and losses on acquisition borrowings	(1,514)	(223)
Finance costs – deferred and contingent considerations	243	382
Finance costs – put option liabilities over non-controlling interests	(443)	1,134
Tax impact	(1,636)	(1,979)
Adjusted profit after tax	**16,082**	**14,404**
Profit after tax	**11,559**	**7,562**
Non-controlling interest (NCI)	(600)	(566)
Profit after tax attributable to equity holders of the Parent Company	**10,959**	**6,996**
Adjusted profit after tax	**16,082**	**14,404**
Non-controlling interest	(600)	(566)
Share based payments attributable to NCI	(7)	(7)
Employer taxes on share based payments attributable to NCI	-	(1)
Amortisation of brands, customer and supplier relationships attributable to NCI	(243)	(278)
Tax impact attributable to NCI	45	48
Adjusted profit after tax attributable to equity holders of the Parent Company	**15,277**	**13,600**
Weighted average number of ordinary shares	90,242,805	88,224,914
Diluted weighted average number of ordinary shares	93,217,499	90,926,724
Adjusted basic earnings per share	**16.93p**	**15.42p**
Adjusted diluted earnings per share	**16.39p**	**14.96p**

14. Dividends

During the period the Group declared a final dividend of 10.50 pence per share. (30 June 2022: 7.80 pence per share). After the period end the Group declared an interim dividend for the six months to 30 June 2023 of 5.50 pence (30 June 2022: 4.50 pence per share) that relates to profits earned over the period.