19 March 2024

Midwich Group plc

("Midwich" or the "Group")

Unaudited full year results

Record financial performance and market share gains in FY23

Midwich Group (AIM: MIDW), a global specialist audio visual ("AV") distributor to the trade market, today announces its unaudited full year results for the year ended 31 December 2023.

Statutory financial highlights

	Year to 31 December 2023 £m	**Year to 31 December 2022 £m**	**Total growth %**
Revenue	1,289.1	1,204.1	7%
Gross profit	216.5	183.7	18%
Operating profit	41.6	35.1	19%
Profit before tax	36.5	24.9	47%
Profit after tax	28.9	16.9	72%
Basic EPS - pence	27.98	17.32	62%
Dividend - pence per share[1]	16.5	15.0	10%

Adjusted financial highlights[2]

	Year to 31 December 2023 £m	**Year to 31 December 2022 £m**	**Total growth %**	**Growth at constant currency %**
Revenue	1,289.1	1,204.1	7%	7%
Gross profit	216.5	183.7	18%	18%
Gross profit margin %	16.8%	15.3%		
Adjusted operating profit	59.6	51.1	17%	17%
Adjusted profit before tax	50.0	45.2	11%	11%
Adjusted profit after tax	38.5	34.1	13%	
Adjusted EPS - pence	37.46	36.08	4%	
Adjusted net debt ratio	1.1x	1.6x		

[1] Total of interim and final dividends.

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

Financial highlights

- Another record financial performance with further market share gains achieved
- Revenue increased 7.1% to £1,289.1m (2022: £1,204.1m), reflecting a good organic growth performance, against a challenging global market backdrop, and a contribution from the seven acquisitions completed in the year
- Revenue growth of 6.8% at constant exchange rates, including 0.8% organic growth
- Highest ever gross profit margins of 16.8%, substantially ahead of the prior year (2022: 15.3%) driven by stronger technical product sales
- Adjusted operating profit growth of 16.6% to £59.6m (16.8% on a constant currency basis)
- Net debt to Adjusted EBITDA at the period end reduced to c.1.1 times, well within the Board's comfort range
- Proposed final dividend of 11.0p bringing the full year dividend to 16.5p (2022: 15.0p)

Operational highlights

- The Group continued to deliver strong technical product growth, increasing specialisation particularly in the audio market, inline with the Group's stated strategy
- Entry into the Canadian pro audio market through the acquisition of S.F. Marketing Inc.

- Completion of six further acquisitions during the period, including prodyTel, with integration progressing well
- Successful equity placing of £50m in June 2023, to support the Group's acquisition strategy
- Compound annual growth in revenue and adjusted operating profit since IPO (in 2016) of 20% and 18% respectively, with attractive levels of return on capital. This is testament to the strength of the Group's long-term strategy and quality of our team
- Management continues to see a robust future acquisition pipeline across a number of key geographies and technologies

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

"The Group had another strong year, both operationally and financially, improving all key metrics in a highly challenging market. Our performance reflects the fundamental strength of the business, our customer and vendor relationships, our geographic and technical solution diversity and, most of all, the skills and dedication of our team.

"Despite lower demand for mainstream products, stronger technical product sales led to our highest ever gross margin percentage. A strong increase in adjusted operating profit of 17% helped us to achieve adjusted profit before tax in excess of £50 million for the first time.

"Although still early into the new financial year, and being mindful of the continued challenging general economic conditions, we remain confident that 2024 will see yet another year of growth in excess of the overall market."

Analyst meeting/webinar

There will be a meeting and webinar for sell-side analysts at 9.00am GMT today, 19 March 2024, 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 its 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 most 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 24,000 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

Chair's Statement

Midwich has had another very strong year and I am pleased to be able to report further strategic progress for the

Midwich has had another very strong year and I am pleased to be able to report further strategic progress for the Group in 2023, including record results, further development of our leadership team, and a new market entry in what has been our busiest year for acquisitions.

Our diversity of geographies and technical solutions enabled the Group to respond to a challenging market backdrop. The strong results are testament to our team's exceptional knowledge and commitment.

Whilst the Pro AV market has consistently grown above GDP, there were a number of unprecedented challenges in 2023. After two years of post-pandemic bounce back, the pressures of macro economic slowdowns, higher interest rates and labour market disputes impacted demand for our mainstream products. The Group responded to this well, by focusing on value-added technical solutions and, as such, achieved both significant margin improvements and further market share gains across our biggest regions.

Record results

Group revenue increased by 6.8%, at constant currency, (organic 0.8%) to £1.3bn which, combined with a record gross margin of 16.8% (2022: 15.3%), resulted in adjusted operating profit of £59.6m, up 16.5% on the prior year. Despite higher interest rates in the period, the Group achieved adjusted profit before tax of £50m for the first time.

The Group has achieved compound annual growth in revenue and adjusted operating profit since our IPO in 2016 of 20% and 18% respectively, which is testament to the strength of our long-term strategy and the quality of our teams. Whilst early into the new year, the wider economic backdrop continues to remain challenging. Nevertheless, the Board believes that the structural increase in the use of AV solutions will see robust AV demand in the years ahead.

Over the longer term, the Pro AV market is forecast to grow by an average of 5.6% (AVIXA) per annum for the next five years and the Group is well placed to benefit from this. Despite the Group's significant revenue, it represented less than 4% of our estimate of our target addressable global Pro AV market and the Group continues to have ambitious growth plans.

Acquisitions in the year

Alongside record profitability, I am pleased that the Group was also able to complete seven strategically aligned acquisitions in the year.

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 is Midwich's first physical presence in Canada, which represents 2.6% of the global AV market.

In July 2023, 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 and Ireland, 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 post production 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.

Furthermore, in the UK and Ireland, 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 and Ireland 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.

In November 2023, the Group acquired prodyTel Distribution Gmbh ("prodyTel"), a distributor of professional audio and technical solutions products based near Nuremberg, Germany. Based in Stein, on the outskirts of Nuremberg, prodyTel was founded in 2003, originally as a manufacturer of audio codecs before switching its focus to distribution in 2014. From there, it has developed a strong vendor portfolio, including premium brands Biamp, Aver and Jabra, with a particular focus on the corporate and education market.

These acquisitions bring new technologies, customers and vendor relationships, further delivering the Group's strategy to grow margins and earnings, both organically and through selective acquisitions of strong complementary businesses. They also expand our reach in the strategically important North American market.
The integration of these businesses is progressing well, and we have thoroughly enjoyed welcoming over 250 new team members to the Group.

The oversubscribed equity raise in June 2023 was fully deployed in the year to finance these acquisitions and we are highly appreciative of existing shareholders' and new investors' support.

We anticipate a continuation of our expansion strategy through both organic growth and acquisition of complementary businesses and believe that our balance sheet and bank facilities position us well to achieve this. The acquisition pipeline remains healthy, and the management team continues to review attractive opportunities.

Dividend

The Board understands the importance of dividends for many of our investors and is pleased to recommend a final dividend of 11.0p per share which, if approved, will be paid on 14 June 2024 to all shareholders on the register as on 10 May 2024. The last day to elect for dividend reinvestment ("DRIP") is 23 May 2024. With the interim dividend of 5.5p per share, this represents a total dividend for the year of 16.5p per share. The combined value of the interim and proposed final dividends is covered 2.3 times by adjusted earnings.

The Board continues to support a progressive dividend policy to reflect the Group's strong growth and cash flow.

Corporate Governance and sustainability

Membership of the Board remained stable throughout 2023, and we continue to follow a hybrid approach to our meetings, mixing in person with unified communications solutions for our meetings. The Board met ten times during the year and received regular updates from the Executive Leadership Team ("ELT").

In line with prior years, the Board completed a self-evaluation exercise during 2023, reinforcing our commitment to, and success in, establishing a strong corporate governance framework. We took the opportunity of this review to confirm our strong and effective governance and reaffirmed the role of the Board and its individual members in ensuring compliance with the QCA code.

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

In line with the Board's succession planning, and the evolving governance environment, it was determined to add a further Non-executive Director with relevant finance and governance experience. Following a search and interview process, we are delighted to welcome Alison Seekings to the Board. Alison brings a wealth of accounting, governance and technology company experience to the Group and she is expected to become the Chair of the Audit Committee after completing her onboarding.

The Group has a broad international footprint with the majority of its revenue coming from outside the UK and Ireland and the Board welcomes the cultural diversity that this brings. The Midwich culture is an open and welcoming one and

and the Board welcomes the cultural diversity that this brings. The Midwich culture is an open and welcoming one and we have been recognised for this. For example, in 2023 we won 'Audio Visual Distributor of the Year' at the Technology Reseller Awards 23 and our Tech Xpo event won Best Partner Event (Distributor) in the CRN Sales and Marketing Awards 2023. The Board understands the importance of diversity of gender and ethnicity and is committed to ensuring that diversity will be a key consideration in the appointment of future Directors and senior leaders.

The Group is committed to doing the right thing for the wider society; community engagement is embedded in our DNA. Our teams are passionate about making a difference and once again stepped up their time commitment for our nominated good causes. I'm delighted to report our Gift of AV programme raised a record amount for charity in the year.

This year we further enhanced our work on formalising our approach to environmental matters by engaging a third party to support us in adopting the Mandatory Climate-related Financial Disclosures incorporating the Task Force on Climate-related Financial Disclosure ("TCFD") aligned reporting. This includes changes to our environment-related governance, risk management, scenario analysis, carbon reporting and net zero target setting.

The Group continues to apply the QCA code as its governance framework and has assessed compliance with the newly revised QCA code (November 2023) which applies from our 2024 annual report. The Board welcomes the enhanced QCA code requirements and has chosen to adopt the majority of additional code requirements early in this year's annual report. We continue to engage with our largest shareholders through regular face to face meetings and inviting them to join us for office/showroom tours and at our AV trade shows.

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

People

The success of any company is down to the quality of its leadership and its people, and this is even more important in a challenging market. I believe that we have the best teams in the industry, and they have once again delivered exceptional service to vendors, customers and end users alike. The Board has a strong belief in rewarding success and ensuring that engagement levels are high. Share ownership by our people is a core part of our engagement strategy and I believe that our employee share plans continue to incentivise exceptional business performance.

In 2023, I was also delighted to see how our businesses responded to the market conditions. Our teams went above and beyond to support our existing customers and vendors, onboard new brand relationships and welcome the seven new businesses acquired during the year. Our culture and values are at the heart of how we do everything in the Group, and we have continued to invest resources in maintaining the spirit of Midwich. This includes tangible changes, such as a step up in staff benefits and further free share awards, to a focus on community involvement and wellbeing, and expanding opportunities to work with colleagues in other businesses. Our teams continue to address every challenge with commitment and determination, and it is this positive approach that is the main driver of our market share gains and continued profit growth.

The Board has regular interaction with the Executive Directors together with the Managing Directors of our key operating units. This year we have also spent time with the new Group Management Team ("GMT") which is an expanded leadership group responsible for both the delivery of the long-term strategic objectives of the Group and the successful execution of the operating plans. This team is working well and shows the strength and depth of the Group's leadership to support future growth.

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 a challenging year.

Andrew Herbert
Non-executive Chair

Managing Director's Review

Overview

I am delighted to report that 2023 was another record year for Midwich. After two years of exceptional growth, the market was more challenging in 2023, with macroeconomic factors impacting demand for our more mainstream products.

Despite challenging market conditions, our team responded brilliantly, delivering record revenue, our biggest ever annual improvement in gross margin to 16.8% (our highest ever gross margin) and, as a result, we reached £50m of adjusted profit before tax for the first time.

The Group continued to deliver on its strategy of growth and increasing specialisation. In particular, sales of technical products reached 59% of Group revenue in 2023, we entered the Canadian Pro AV market, total revenue reached £1.3bn, and our team has expanded to over 1,800 people.

We have built a globally diversified, agile and responsive business that can adapt quickly to changes in market conditions. Our values-based culture is focused on the needs of our vendors and customers and our partnership approach to both helped us to increase our market shares in our key markets during the year.

Business performance

Group revenue increased by 6.8%^ to £1.3bn in 2023, with gross margins reaching 16.8% (2022: 15.3%). Both were records for the Group and reflect our strong performances in each of our biggest regions. The exceptional increase in gross margin reflects the favourable mix benefit from our strategic focus on value-added technical products.

We take a measured approach to investment, investing in our teams and operational capabilities whilst targeting improvements in operating profit margins. In 2023, adjusted operating profit increased by 16.8%^ to £59.6m, which represents an adjusted operating profit margin of 4.6%, up from 4.2% in the prior year.

Disciplined working capital management contributed to strong operating cash generation, with operating cash at 114% of adjusted EBITDA ahead of our long-term average of c.80%. This helped mitigate some of the headwinds from higher interest rates and contributed to a record adjusted profit before tax of £50.0m (2022: £45.2m).

We ended the year with leverage (adjusted net debt to adjusted EBITDA) of c.1.1 times which was better than market expectations and the prior year (2022: 1.6 times). This, combined with our long-term bank facilities, provides significant capacity for the Group to continue to pursue both organic and inorganic opportunities.

Technologies and volatility in end user markets

Third party data (Futuresource Consulting) for 2023 shows double digit declines in a number of the mainstream Pro AV product categories and an overall mid-single digit decline in the Pro AV distribution market.

The Group's overall growth of 6.8%^, with organic growth of 0.8%, demonstrates further market share gains for Midwich in 2023. The Group adapted to the evolving market conditions, working closely with our customers and vendors to meet the changes in market demand.

In broad terms, we categorise our products into mainstream and specialist technical categories. Mainstream products cover displays and projectors, which comprised an aggregate of 35% of Group revenue in 2023 (2022: 40%). 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 59% of total sales compared with 54% in 2022. A core part of the Group's long-term strategic focus is to become more specialist.

Displays and projection are at the core of the majority of Pro AV projects, and we are the leading distributor of high-end displays and projection in many of our businesses. Despite a challenging market, which third party data indicates declined at double digit rates in 2023, our display and projection business reduced by only 6.6% in the year, but is still c.15% larger than it was pre-pandemic. LED solutions, which continue to gain share from displays and projection in the larger format categories, continued to experience very strong growth, up 23% in the year, and we believe we have established a strong market position in this category. These products require a higher level of expertise to distribute effectively, and hence tend to carry a higher overall gross margin.

Growing our technical product categories has been a particular focus of the business for many years, and in 2023 revenues in this category increased by 18%. This was driven by increased demand from entertainment and live events together with improved product availability. There was strong growth in both professional audio and lighting, particularly in EMEA and North America. Technical video, which includes image processing, digital signage, connectivity and control, is now the Group's largest product category and saw double digit growth in 2023. This reflects increasing complexity of Pro AV solutions in many end user environments.

Investing in the future

The global Pro AV market is in excess of $300bn (AVIXA), of which our assessment of the Group's Target Addressable Market ("TAM") is c$45bn. Whilst I believe that we are the leading global specialist Pro AV distributor, our £1.3bn revenue in 2023 represents less than 1% of the global market and 3-4% of our TAM. The opportunity for the future remains enormous and we will continue to target growth both organically and through acquisition.

In the last two years we have invested further in our M&A capabilities, which allowed us to complete seven acquisitions in 2023. This was a significant step-up from our post-IPO average of two to three deals per annum. We acquire businesses to enter new geographies or add to our product set and technical capabilities. The 2023 acquisitions brought entry into the Canadian Pro AV market and added specialist capabilities in pro audio, home cinema, technical video, broadcast and software.

Organically, we also continue to invest in our business. Over the last year we added to our commercial teams, our M&A and integration capabilities and further strengthened our finance and IT groups.

In a relatively tough market, we raised £51m of equity funding in June 2023. This over-subscribed fundraise was used in the year for our acquisition programme and I wish to thank both our long-term and new shareholders for their support.

Our values and culture

Midwich is our people, their skills, experience, relationships and attitude. We promote trust, honesty, hard work, integrity, humility and creativity, and value everyone's ideas and contribution. Team engagement is of critical importance, and we saw improvements in our engagement survey in 2023. Our approach is to reward success, and we continue to adapt to the changing work environment. In the last twelve months, we have evolved our approach to hybrid working, stepped up employee benefits and increased our engagement with our nominated charities, our communities and our environment.

The 2023 acquisitions also added over 250 people to the Midwich family and we very much look forward to working with our new colleagues to accelerate the growth in their businesses.

Outlook

The Group has a proven capability to grow ahead of its markets both organically and through acquisition. I believe that we have further enhanced the strength of our relationships with our customers and vendors alike over the last twelve months. However, our team is not complacent; we recognise that we operate in a competitive market where both vendors and customers have a choice of which partners to work with. Of our top 40 vendors in 2023, we were either exclusive or the number one distributor for the vast majority. Our focus is to ensure that we provide the best service possible and continue to develop our offering.

We also have a strong pipeline of acquisition opportunities which will enable us to continue our strategy of entering new geographical markets and expanding our range of products.

Looking to the longer-term, with the global AV market expected by AVIXA to grow at 5.6% per annum over the five years to 2028, I believe our Group is very well positioned for the future.

The challenging market conditions seen last year have continued into 2024 and we do not expect a near-term improvement in mainstream product growth whilst demand for technical products has remained strong in the first few months of 2024.

^at constant currency

Financial Review

2023 was a strong year for the Group with record revenue, gross margin and adjusted profit before tax. Midwich further consolidated its position in the market by completing seven acquisitions and entering the Canadian market. Group revenue increased to £1.3bn (2022: £1.2bn). Challenging macroeconomic conditions impacted demand for our mainstream products, but the Group's focus on technical product categories, which represents 59% of the group's revenue, resulted in a record increase in gross margin to 16.8% (2022: 15.3%).

Adjusted operating profit of £59.6m (2022: £51.1m) was a Group record and up by 16.8% at constant currency (2022: 46%). Statutory operating profit (before adjustments) was £41.6m (2022: £35.1m).

There was strong operating cash generation, with operating cash conversion at 114% (2022: 54%). Our adjusted net debt to adjusted EBITDA ratio at c.1.1x (2022: 1.6x) positions us well for future acquisitions and our revolving credit facility gives us funding capacity to support our growth strategy.

Statutory financial highlights

	Year to 31 December 2023	Year to 31 December 2022	Total growth
Revenue	**£1,289.1m**	£1,204.1m	7%
Gross profit	**£216.5m**	£183.7m	18%
Operating profit	**£41.6m**	£35.1m	19%
Profit before tax	**£36.5m**	£24.9m	47%
Profit after tax	**£28.9m**	£16.9m	72%
Basic EPS - pence	**27.98p**	17.32p	62%

Adjusted financial highlights[1]

	Year to 31 December 2023	Year to 31 December 2022	Total growth	Growth at constant currency
Revenue	**£1,289.1m**	£1,204.1m	7%	7%
Gross profit	**£216.5m**	£183.7m	18%	18%
Gross profit margin %	**16.8%**	15.3%		
Adjusted operating profit	**£59.6m**	£51.1m	17%	17%
Adjusted operating profit margin %	**4.6%**	4.2%		
Adjusted profit before tax	**£50.0m**	£45.2m	11%	11%
Adjusted profit after tax	**£38.5m**	£34.1m	13%	
Adjusted EPS - pence	**37.46p**	36.08p	4%	

1 Definitions of the alternative performance measures are set out on page 28.

Currency movements increased Group revenue and reduced adjusted operating profit in the year by 0.3% and 0.1% respectively. The currency impact in the prior year increased revenue by 2.1% and adjusted operating profit by 4.1%.

Organic growth in revenue was 0.8% (2022: 20.7%). Adjusted EPS growth in 2023 was diluted by the equity fundraise, for acquisition purposes, in June 2023.

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 2023 £m	Year to 31 December 2022 £m	Total growth %	Growth at constant currency %	Organic growth %
Revenue					
UK & Ireland	**474.7**	**492.2**	(3.6%)	(3.6%)	(8.1%)
EMEA	**589.3**	**535.0**	10.2%	8.9%	8.0%
Asia Pacific	**47.6**	**53.8**	(11.4%)	(7.3%)	(7.3%)
North America	**177.5**	**123.1**	44.2%	45.5%	8.1%
Total Global	**1,289.1**	**1,204.1**	7.1%	6.8%	0.8%
Gross profit margin					
UK & Ireland	**18.1%**	**16.1%**	2.0ppts		
EMEA	**15.7%**	**14.6%**	1.1ppts		
Asia Pacific	**16.8%**	**17.3%**	(0.5)ppts		
North America	**17.2%**	**14.0%**	3.2ppts		
Total Global	**16.8%**	**15.3%**	1.5ppts		
Adjusted operating profit[1]					
UK & Ireland	**27.1**	**26.5**	2.3%	2.1%	

UK & Ireland	**27.1**	**26.5**	2.3%	2.1%
EMEA	**28.1**	**22.7**	23.8%	23.9%
Asia Pacific	**(0.3)**	**1.4**	(118%)	(119%)
North America	**9.5**	**6.4**	46.4%	48.6%
Group costs	**(4.8)**	**(5.9)**		
Total Global	**59.6**	**51.1**	16.6%	16.8%
Adjusted finance costs	**(9.6)**	**(5.9)**	(61.0%)	(60.5%)
Adjusted profit before tax[1]	**50.0**	**45.2**	10.7%	11.1%

1 Definitions of the alternative performance measures are set out on page 28.

The financial performance of each segment during the year was:

UK & IRELAND

After two years of unprecedented growth, the UK and Ireland segment revenue reduced by 3.6% (2022: +72.1%) to £474.7m (2022: £492.2m). Technical product categories remained strong whilst demand for mainstream products was subdued due to challenging market conditions. The gross profit margin increased significantly to 18.1% (2022: 16.1%), reflecting a focus on higher margin products. This resulted in an adjusted operating profit of £27.1m (2022: £26.5m), an increase of 2.3% (2022: 108.3%).

EMEA

The EMEA segment revenue grew 10.2% (2022: 17.5%) to £589.3m (2022: £535.0m). Gross profit increased to £92.3m (2022: £78.0m) at a gross profit margin of 15.7% (2022: 14.6%), with the increase in margin attributable to a favourable change in product mix. The region produced an adjusted operating profit of £28.1m (2022: £22.7m), an increase of 23.8% (2022: 6.4%). In constant currency, revenue grew 8.9% (2022: 16.8%) and adjusted operating profit increased 23.9% (2022: 3.2%).

ASIA PACIFIC

The Asia Pacific segment, which is mainly Australia, continues to see a high level of competition in a subdued market. Revenue reduced by 11.4% to £47.6m (2022: +18.5% to £53.8m), generating gross profit of £8.0m (2022: £9.3m) at a gross profit margin of 16.8% (2022: 17.3%). Adjusted operating losses were £0.3m (2022: £1.4m profit). On a constant currency basis, revenue reduced by 7.3% (2022: 14.3%).

NORTH AMERICA

The entry into Canada in June 2023 supported further strong growth in the North America region of 44.2% (2022: 78.2%) to £177.5m (2022: £123.1m). Gross margins were 17.2% (2022: 14.0%) with the increase attributable to the positive impact from the SFM acquisition whilst adjusted operating profit grew by 46.4% (2022: 41.3%) to £9.5m (2022: £6.4m). On a constant currency basis, revenue increased by 45.5% (2022: 60.0%) and adjusted operating profit grew 48.6% (2022: 27.1%).

Group costs

Group costs for the year were £4.8m (2022: £5.9m). Group costs include central support for sales, finance, compliance, human resources, information technology and executive management.

Exceptional administration costs relate to acquisition-related expenses. These increased to £1.5m (2022: £0.4m) due to the step up in M&A activity in the year with seven transactions closed in 2023 (2022: two).

Adjusted finance costs

Adjusted finance costs at £9.6m (2022: £5.9m) mainly reflect the interest costs on borrowings for historical acquisition investments and working capital. Finance costs increased during the year mainly because of interest rate increases during the period. Reported net finance costs of £5.1m (2022: £10.1m) include interest costs on Group borrowings, the change in valuation of both deferred consideration and put and call options and the revaluation of loans and financial instruments.

Profit before tax

The Group reported a profit before taxation of £36.5m (2022: £24.9m) and adjusted profit before tax of £50.0m (2022: £45.2m); the increase using constant currency rates was 11.1% (2022: 37.5%).

Tax

The adjusted effective tax rate was 23.1% in 2023 (2022: 24.5%), which reflects the mix of tax rates in the geographies where the Group operates.

Earnings per share

Following a successful equity placing in June 2023, the average number of shares in issue increased to 95.9m (2022: 88.3m). At 31 December 2023, there were 103.3m shares in issue.

Basic earnings per share is calculated on the total profit of the Group attributable to shareholders. Basic

EPS for the year was 27.98p (2022: 17.32p). Adjusted EPS increased by 4% (2022: 41%) to 37.46p (2022: 36.08p). This was below the increase in adjusted profit after tax due to the equity issued in 2023.

Dividend

The Board has recommended a final dividend of 11.0p per share, which, together with the interim dividend of 5.5p per share, gives a total dividend for 2023 of 16.5p per share (2022: 15.0p). If approved by shareholders at the AGM, the final dividend will be paid on 14 June 2024 to shareholders on the register on 10 May 2024. The last day to elect for dividend reinvestment ("DRIP") is 23 May 2024.

Cash flow

	Year to 31 December 2023 £m	Year to 31 December 2022 £m
Adjusted operating profit	**59.6**	51.1
Add back depreciation and unadjusted amortisation	**9.9**	7.4
Adjusted EBITDA	**69.5**	58.5
Decrease/(Increase) in stocks	**10.5**	(15.7)
Decrease/(Increase) in debtors	**8.2**	(70.7)
(Decrease)/Increase in creditors[1]	**(8.7)**	59.6
Adjusted cash flow from operations	**79.6**	31.7
Adjusted EBITDA cash conversion	**114%**	54%

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 114% (2022: 54%). Strong working capital management, together with more measured revenue growth in 2023, resulted in cash conversion ahead of the long-term average for the Group. Our expectation of long-term cash conversion remains between 70% and 80%.

Gross capital spend on tangible assets was £5.6m (2022: £5.3m) and included investment in facilities together with rental asset purchases in the UK and Ireland. An investment of £10.4m (2022: £5.8m) in intangible fixed assets included £10.1m (2022: £5.3m) in relation to the Group's new ERP solution.

Net debt

Reported net debt reduced from £119.4m at 31 December 2022 to £106.2m at 31 December 2023. The Group's reported net debt continues to be impacted by the adoption of IFRS 16 in 2019, which results in approximately £23.6m of lease liabilities (2022: £23.4m) 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 2023 was £82.6m (2022: £96.0m). This reduction can be attributed to the June 2023 equity placing (£50.0m net of fees), less M&A and deferred consideration payments in the year (£52.0m, 2022: £26.5m) and supported by strong operating cash generation.

In December 2023, the Group exercised its option to extend its £175m revolving credit facility by twelve months to mid-2028. This facility is supported by six banks and has an adjusted net debt to adjusted EBITDA covenant ratio of 3x and an adjusted interest cover covenant of 4x adjusted EBITDA. The EBITDA covenant is calculated on a historical twelve month basis and includes the full benefit of the prior year's earnings of any businesses acquired.

Most of the Group's other borrowing facilities are to provide working capital financing. Whilst the use of such facilities is typically linked to trading activity in the borrowing company, these facilities provide liquidity, flexibility and headroom to support the Group's organic growth. As at 31 December 2023, the Group has access to total facilities of over £300m (2022: over £200m).

The Group has a strong balance sheet with a closing adjusted net debt/adjusted EBITDA ratio of 1.1x (2022: 1.6x). This, combined with the Group's underlying cash generation, equips it well to fund short-term movements in working capital as well as to continue to pursue accretive acquisitions. The Group targets a long-term adjusted net debt to adjusted EBITDA (including pro forma acquisition earnings) range of 1.5x-2.0x, although we may go above this in the short term following acquisition investments, before returning to our target range through cash generation.

Goodwill and intangible assets

The Group's goodwill and intangible assets of £168.5m (2022: £111.8m) arise from the various acquisitions undertaken. Each year, the Board reviews goodwill for impairment and, as at 31 December 2023, the Board believes there are no indications of impairment. The intangible assets arising from business

Board believes there are no indications of impairment. The intangible assets arising from business combinations, for exclusive supplier contracts, customer relationships and brands, are amortised over an appropriate period.

Working capital

Working capital management is a core part of the Group's performance. Growth in working capital in the year was driven by the impact of acquisitions partially offset by a reduction in organic working capital. As at 31 December 2023, the Group had working capital (trade and other receivables plus inventories less trade and other payables) of £154.6m (2022: £150.7m). This represented 12.0% of current year revenue (2022: 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. There was no change in this methodology in the year. As at 31 December 2023, the Group's inventory provision was £18.5m (10.0% of cost) (2022: £18.8m, 10.5% of cost).

Statutory measures

The Group reports alternative performance measures, which are defined on page 28. These measures reflect the key metrics used in the day-to-day management of the Group.

The alternative profit related performance measures exclude acquisition related costs, impairments, certain share-based payments and a number of non-cash related finance charges related to the re-valuation of financial instruments. Users should exercise caution in relying on alternative performance measures which should be seen as supplementary information in addition to the statutory disclosures.

Adjusted return on capital employed

Adjusted return on capital employed is an alternative performance measure.

The director's believe that this is an important measure of the investment returns of the Group

Calculation	**2023 £'000**	2022 £'000
Total equity	**196,144**	134,134
Total debt	**106,191**	119,424
Accumulated amortisation of acquired intangibles	**52,969**	42,600
Right of use assets	**(21,051)**	(21,559)
Acquisition related liabilities	**38,080**	33,407
Closing capital employed	**372,333**	308,006
Average capital employed	**340,169**	266,222
Adjusted operating profit	**59,593**	51,108
Adjusted return on capital employed	**17.5%**	19.2%

The Group continues to deliver a strong return on capital.

The Group completed an equity fundraise and seven acquisitions in 2023 (2022: Two) which significantly increased the capital employed. If in-year acquisitions were included on a proforma basis, from 1st January, the adjusted return on capital employed would have been c19% (2022: c19%).

Adjustments to reported results

	2023 £'000	2022 £'000
Operating profit	**41,583**	35,053
Acquisition costs	**1,489**	435
Share based payments	**4,738**	6,031
Employer taxes on share based payments	**603**	176
Amortisation of brands, customer and supplier relationships	**11,180**	9,413
Adjusted operating profit	**59,593**	51,108
Net finance costs	**(5,060)**	(10,137)
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**659**	(1,194)
Finance costs - deferred and contingent consideration	**(4,150)**	508
Finance costs - put option	**(1,063)**	4,866
Adjusted net finance costs	**(9,614)**	(5,957)
Profit before tax	**36,547**	24,916
Acquisition costs	**1,489**	435
Share based payments	**4,738**	6,031
Employer taxes on share based payments	**603**	176
Amortisation of brands, customer and supplier relationships	**11,180**	9,413
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**659**	(1,194)

borrowings for acquisitions	659	(1,194)
Finance costs - deferred and contingent consideration	**(4,150)**	508
Finance costs - put option	**(1,063)**	4,866
Adjusted profit before tax	**50,003**	45,151
Profit after tax	**28,926**	16,855
Acquisition costs	**1,489**	435
Share based payments	**4,738**	6,031
Employer taxes on share based payments	**603**	176
Amortisation of brands, customer and supplier relationships	**11,180**	9,413
Derivative fair value movements and foreign exchange gains and losses on borrowings for acquisitions	**659**	(1,194)
Finance costs - deferred and contingent consideration	**(4,150)**	508
Finance costs - put option	**(1,063)**	4,866
Tax impact	**(3,930)**	(3,018)
Adjusted profit after tax	**38,452**	34,072
Profit after tax	**28,926**	16,855
Non-controlling interest	**(2,109)**	(1,562)
Profit after tax attributable to owners of the Parent Company	**26,817**	15,293
Adjusted profit after tax	**38,452**	34,072
Non-controlling interest	**(2,109)**	(1,562)
Adjustments to profit after tax due to NCI	**(439)**	(650)
Adjusted profit after tax attributable to owners of the Parent Company	**35,904**	31,860
Number of shares for EPS	**95,852,306**	88,299,098
Reported EPS - pence	**27.98**	17.32
Adjusted EPS - pence	**37.46**	36.08

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

Unaudited consolidated income statement for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue		1,289,144	1,204,049
Cost of sales		(1,072,675)	(1,020,335)
Gross profit		216,469	183,714
Distribution costs		(130,873)	(109,042)
Administrative expenses		(51,029)	(45,592)
Other operating income		7,016	5,973
Operating profit		41,583	35,053
Comprising			
Adjusted operating profit		59,593	51,108
Costs of acquisitions	3	(1,489)	(435)
Share based payments		(4,738)	(6,031)
Employer taxes on share based payments		(603)	(176)
Amortisation of brands, customer relationships, and supplier relationships		(11,180)	(9,413)
		41,583	35,053
Share of profit after tax from associate		24	-
Finance income		293	95
Finance costs	4	(5,353)	(10,232)
Profit before taxation		36,547	24,916
Taxation		(7,621)	(8,061)
Profit after taxation		28,926	16,855
Profit for the financial year attributable to:			
The Company's equity shareholders		26,817	15,293
Non-controlling interest		2,109	1,562
		28,926	16,855
Basic earnings per share	5	27.98p	17.32p

Diluted earnings per share	5	27.06p	16.74p

The financial statements are also comprised of the notes on pages 20 to 44.

Unaudited consolidated statement of comprehensive income for the year ended 31 December 2023

	2023	**2022**
	£'000	**£'000**
Profit for the financial year	28,926	16,855
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Actuarial gains and (losses) on retirement benefit obligations	(172)	588
Items that will be reclassified subsequently to profit or loss:		
Foreign exchange gains and (losses) on consolidation	(5,432)	8,282
Other comprehensive income for the financial year, net of tax	(5,604)	8,870
Total comprehensive income for the year	23,322	25,725
Attributable to:		
Owners of the Parent Company	21,681	23,419
Non-controlling interests	1,641	2,306
	23,322	25,725

The financial statements are also comprised of the notes on pages 20 to 44.

Unaudited consolidated statement of financial position as at 31 December 2023

	Notes	**2023**	**2022**
Assets		**£'000**	**£'000**
Non-current assets			
Investments		299	-
Goodwill		51,216	35,765
Intangible assets		117,009	76,002
Right of use assets		21,051	21,559
Property, plant and equipment		16,640	14,961
Deferred tax assets		617	2,567
		206,832	150,854
Current assets			
Inventories		165,588	159,823
Trade and other receivables		223,826	218,612
Derivative financial instruments		2,084	4,630
Cash and cash equivalents		56,135	25,855
		447,633	408,920
Current liabilities			
Trade and other payables		(230,915)	(225,899)
Derivative financial instruments		(26)	(1,483)
Put option liabilities over non-controlling interests		(21,958)	-
Deferred and contingent considerations		(11,694)	(9,275)
Borrowings and financial liabilities	6	(49,146)	(44,955)
Current tax		(179)	(3,541)
		(313,918)	(285,153)
Net current assets		133,715	123,767
Total assets less current liabilities		340,547	274,621
Non-current liabilities			
Trade and other payables		(3,915)	(1,872)
Put option liabilities over non-controlling interests		(743)	(15,975)
Deferred and contingent considerations		(3,685)	(8,157)
Borrowings and financial liabilities	6	(113,180)	(100,324)
Deferred tax liabilities		(18,920)	(10,576)
Other provisions		(3,960)	(3,583)
		(144,403)	(140,487)
Net assets		196,144	134,134
Equity			
Share capital	8	1,033	889
Share premium		116,959	67,047
Share based payment reserve		10,843	12,025

Share based payment reserve	[illegible]	[illegible]
Investment in own shares	(616)	(5)
Retained earnings	63,093	46,023
Translation reserve	392	5,356
Put option reserve	(18,649)	(10,799)
Capital redemption reserve	50	50
Other reserve	150	150
Equity attributable to owners of the Parent Company	173,255	120,736
Non-controlling interests	22,889	13,398
Total equity	196,144	134,134

The financial statements are also comprised of the notes on pages 20 to 44. The financial statements were approved by the Board of Directors and authorised for issue on 18 March 2024 and were signed on its behalf by:

Mr S B Fenby

Director

Company registration number:

08793266

Unaudited consolidated statement of changes in equity for the year ended 31 December 2023

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2023	889	67,047	(5)	46,023	6,782	120,736	13,398	134,134
Profit for the year	-	-	-	26,817	-	26,817	2,109	28,926
Other comprehensive income	-	-	-	(172)	(4,964)	(5,136)	(468)	(5,604)
Total comprehensive income for the year	-	-	-	26,645	(4,964)	21,681	1,641	23,322
Shares issued (note 8)	144	49,912	(23)	-	-	50,033	-	50,033
Shares purchases (note 8)	-	-	(600)	-	-	(600)	-	(600)
Share based payments	-	-	-	-	4,661	4,661	-	4,661
Deferred tax on share based payments	-	-	-	-	(434)	(434)	-	(434)
Share options exercised	-	-	12	5,407	(5,409)	10	-	10
Acquisition of subsidiaries (note 12)	-	-	-	-	(7,850)	(7,850)	7,850	-
Dividends paid (note 13)	-	-	-	(14,982)	-	(14,982)	-	(14,982)
Balance at 31 December 2023	1,033	116,959	(616)	63,093	(7,214)	173,255	22,889	196,144

For the year ended 31 December 2022

	Share capital £'000 (note 8)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (Note 9)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2022	887	67,047	(5)	39,078	(1,887)	105,120	9,276	114,396
Profit for the year	-	-	-	15,293	-	15,293	1,562	16,855
Other comprehensive income	-	-	-	588	7,538	8,126	744	8,870
Total comprehensive income for the year	-	-	-	15,881	7,538	23,419	2,306	25,725
Shares issued (note 8)	2	-	(2)	-	-	-	-	-
Share based payments	-	-	-	-	6,006	6,006	-	6,006
Deferred tax on share based payments	-	-	-	-	(1,093)	(1,093)	-	(1,093)
Share options exercised	-	-	2	766	(767)	1	-	1
Acquisition of subsidiaries (note 12)	-	-	-	-	(6,933)	(6,933)	6,933	-
Dividends paid (note 13)	-	-	-	(10,901)	-	(10,901)	-	(10,901)
Acquisition of non-controlling interest (note 11)	-	-	-	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

The financial statements are also comprised of the notes on pages 20 to 44.

The financial statements are also comprised of the notes on pages 20 to 44.

Unaudited consolidated statement of cash flows for the year ended 31 December 2023

	2023 £'000	2022 £'000
Cash flows from operating activities		
Profit before tax	36,547	24,916
Depreciation	9,286	7,039
Amortisation	11,818	9,807
Loss on disposal of assets	763	141
Share based payments	4,661	6,006
Foreign exchange (gains)/losses	(2,467)	3,827
Share of profit after tax from associate	(24)	-
Finance income	(293)	(95)
Finance costs	5,353	10,232
Profit from operations before changes in working capital	65,644	61,873
(Increase)/decrease in inventories	10,524	(15,670)
(Increase)/decrease in trade and other receivables	9,637	(70,654)
Increase/(decrease) in trade and other payables	(9,429)	59,779
Cash inflow from operations	76,376	35,328
Income tax paid	(12,586)	(9,142)
Net cash inflow from operating activities	63,790	26,186
Cash flows from investing activities		
Acquisition of subsidiaries net of cash acquired	(42,359)	(22,372)
Deferred consideration paid	(9,300)	(198)
Investment in associate	(275)	-
Purchase of intangible assets	(10,364)	(5,760)
Purchase of plant and equipment	(5,605)	(5,328)
Proceeds on disposal of plant and equipment	198	140
Interest received	293	95
Net cash used in investing activities	(67,412)	(33,423)
Net cash flows from financing activities		
Proceeds on issue of shares	51,250	-
Costs associated with shares issued	(1,217)	-
Purchase of own shares	(600)	-
Proceeds on exercise of share options	10	1
Acquisition of non-controlling interest	(61)	(3,974)
Dividends paid	(14,982)	(10,901)
Invoice financing inflows/(outflows)	(3,009)	14,282
Proceeds from borrowings	39,228	31,304
Repayment of loans	(19,690)	(4,947)
Interest paid	(9,360)	(5,217)
Interest on leases	(651)	(602)
Capital element of lease payments	(5,235)	(4,126)
Net cash inflow/(outflow) from financing activities	35,683	15,820
Net increase/(decrease) in cash and cash equivalents	32,061	8,583
Cash and cash equivalents at beginning of financial year	20,938	11,639
Effects of exchange rate changes	(946)	716
Cash and cash equivalents at end of financial year	52,053	20,938
Comprising:		
Cash at bank	56,135	25,855
Bank overdrafts	(4,082)	(4,917)
	52,053	20,938

The financial statements are also comprised of the notes on pages 20 to 44.

Notes to the unaudited consolidated financial statements

1. Accounting policies

General information and nature of operations

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

Basis of preparation

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

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

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

Basis of consolidation

The Consolidated Financial Statements incorporate the results of Midwich Group plc and entities controlled by the Company (its subsidiaries). A subsidiary is a company controlled directly by the Group. Control is achieved where the Group has the power over the investee, rights to variable returns and the ability to use the power to affect the investee's returns. Income and expenses of subsidiaries acquired during the year are included in the consolidated income statement from the effective date of control. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Parent Company.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

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

Acquisition-related costs are expensed as incurred and all intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Acquisition of interests from non-controlling shareholders

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

Going concern

In considering the going concern basis for preparing the financial statements, the Board considers the Group's objectives and strategy, its principal risks and uncertainties in achieving its goals and objectives which are set out in the Strategic Report. The Board has undertaken a review of going concern under three scenarios: 1) our base plan, 2) a downside scenario and 3) a reverse stress test for the period to 31 December 2025. The sensitivity and reverse stress tests are based on a model that allows the Group to assess its liquidity, solvency and compliance with banking covenants based on inputs for future trading performance. Varying the inputs into the model allows the Group to assess the impact of potential adverse trading conditions.

The directors consider the working capital and finance facilities of the business to be adequate to fund its operations and growth strategy. The Group has a variety of finance facilities available to it including a revolving credit facility which expires in 2028 and secured invoice discounting facilities which require renewal in the forecast period. The directors are confident that they will be able to renew the secured invoice discounting facilities given the secured nature of the facility and state of the business. Notwithstanding, this represents an uncertainty and further models (base plan and reverse stress test) have been prepared to assess going concern without the use of on demand facilities. The base case continues to demonstrate the Group's ability to continue as a going concern. The reverse stress test demonstrates that the Group can withstand severe adverse trading conditions. In assessing the ability to withstand severe adverse trading conditions, the directors have also considered mitigating actions available to them.

There are no material uncertainties that cast significant doubt on the Group's ability to continue as a going concern and the Group continues to adopt the going concern basis in preparing consolidated financial statements. The Group's strategy remains unchanged, and we will continue to focus on profitable organic growth complemented by targeted acquisitions.

Revenue

Revenue arises from the sale of goods, provision of ancillary services, and the rental of products.

Revenue from the sale of goods is recognised on despatch when control of the products is transferred to the customer. All performance obligations are met on despatch when the customer obtains control to direct the goods within the sales channel and incurs the risk of obsolescence. This includes revenue recognised for bill and hold arrangements where the goods are despatched to a warehouse and held on behalf of the customer.

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

Revenue from the rental of products via an operating lease is recognised on a straight-line basis over the lease term. Changes in the price or duration of a lease that were not part of the original terms and conditions are accounted for as a lease modification and recognised as a new lease from the effective date of the modification.

Proceeds from the sale of rental assets are recognised as sales of goods. Revenue for the sale of rental assets is recognised at the point in time when the control is transferred, at which point the customer obtains the ability to direct the goods in the channel and incurs the risk of obsolescence.

Finance income and costs

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

Goodwill

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

Intangible assets other than goodwill

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

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

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

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

Right of use assets

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

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

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

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

Property, plant and equipment

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

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

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

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

Impairment of non-financial assets including goodwill

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

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

Inventory

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

Financial instruments

Financial instruments are contracts that give rise to financial assets or financial liabilities and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Derivatives are financial instruments that have a value that changes in response to a specific external factor and do not have a significant initial investment.

Financial assets

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

The Group classifies financial assets into two categories:

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

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

Financial assets measured at amortised cost are initially measured at fair value plus directly attributable transaction costs and subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial.

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

Investments in equity instruments that are not held for trading are classified as financial assets and are measured at fair value through profit and loss.

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

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

Financial liabilities

Financial liabilities include trade and other payables; deferred considerations; put option liabilities; borrowings; and derivative financial instruments with a negative market value.

The Group classifies financial liabilities into three categories:

- financial liabilities measured at amortised cost;
- financial liabilities measured at fair value through profit or loss; and
- contingent consideration recognised in a business combination.

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

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

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

Financial liabilities with embedded derivatives are recognised as hybrid contracts and are classified in their entirety and not in separate components unless:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the financial liability;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Financial liabilities are derecognised when they are extinguished, discharged, cancelled, or expire.

Cashflows in respect of deferred considerations, including contingent considerations, are reported as an investing cash flows because they are cash flows that arise from obtaining control of subsidiaries.

Trade and other receivables

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

Trade and other receivables are initially measured at transaction price plus directly attributable transaction costs. Transaction price is equivalent to fair value for trade and other receivables that do not contain a significant financing component. Where trade and other receivables do contain a significant financing component the fair value is equivalent to the transaction price adjusted for the effects of discounting. The effects of discounting are not adjusted if it is expected at the inception of the contract that there will be a period of one year or less from when the goods or services are transferred to the customer to the payment date.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method less expected credit losses. Expected credit losses are calculated based on probability weighted amounts derived from a range of possible outcomes that are based on reasonable supporting information and discounted for the time value of money. The Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses including where trade receivables contain a significant financing component. The effects of expected credit losses are omitted if immaterial.

Supplier rebates and other income

Supplier rebates include promotional income and are recognised when the conditions attached to the rebate have been satisfied and after deducting any probable liability to repay the rebate. Supplier rebates are deducted from inventory or recorded within cost of sales depending on the contractual terms of the rebate. Promotional income from suppliers does not relate to the purchase of inventory and is therefore recognised within other income.

Cash and cash equivalents

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

Borrowings

Borrowings include bank loans and overdrafts, loan notes, amounts advanced under invoice factoring arrangements, and leases. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are financial liabilities that are recognised when the Group becomes party to the contractual provisions of the instrument. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Bank loans and overdrafts, loan notes, and amounts advanced under invoice factoring arrangements are subsequently measured using the effective interest method. The effects of discounting within the effective interest method are omitted if immaterial. Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classified as financial liabilities. Cash flows from invoice discounting facilities are classified as financing cash flows. Cash flows from invoice discounting facilities are presented net because the turnover of cash receipts and payments is quick, the amounts are large, and the maturities are short. Cash inflows from receivables are classified as operating cash inflows. The business continues to recognise the receivables and the amount received from the factor is recorded as a financial liability.

Trade and other payables

Trade and other payables are financial liabilities recognised when the Group becomes party to the contractual provisions of the instrument. Trade and other payables are initially measured at fair value minus transaction costs directly attributable to the issue of the financial liability. Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

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

Put option liabilities

Put options to acquire non-controlling interests of subsidiaries are initially recognised at present value and subsequently measured at amortised cost, being the present value of future payments discounted at the original effective interest rate. Where the contractual cash flows of the put option liability are renegotiated or otherwise modified the financial liability is recalculated at the present value of the modified contractual cash flows discounted at the financial liability's original effective interest rate. Further details of the measurement of put options are given in the accounting judgements and key sources of estimation uncertainty accounting policy.

Foreign currency

The presentation currency for the Group's consolidated financial statements is Sterling. Foreign currency transactions by group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities are translated at rates in effect at the reporting date with any gain or loss on foreign exchange adjustments usually being credited or charged to the income statement within administrative expenses. The Parent Company's functional currency is Sterling. On consolidation the assets and liabilities of the subsidiaries with a functional currency other than Sterling are translated into the Group's presentational currency at the exchange rate at the reporting date and the income and expenditure account items are translated at the average rate for the period. The exchange difference arising on the translation from functional currency to presentational currency of subsidiaries is classified as other comprehensive income and is accumulated within equity as a translation reserve. The balance of the foreign currency translation reserve relating to a subsidiary that is partially or fully disposed of is recognised in the income statement at the time of disposal.

Current taxation

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

Deferred taxation

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax is recognised on initial recognition of goodwill or on investment in subsidiaries. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax liabilities are provided in full and are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity, in which case the related deferred tax is also charged or credited directly to equity. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment benefits

Provision is made in the financial statements for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the reporting date, are recognised in accruals. Contributions to defined contribution pension plans are charged to the income statement in the period to which the contributions relate. The Group operates defined benefit pension plans in the Netherlands and Switzerland, which require contributions to separately managed funds. Both defined benefit pension plans are final salary pension schemes which provide members with a guaranteed income on retirement. Defined benefit pension scheme surpluses or deficits are calculated by independent qualified actuaries using actuarial assumptions applied to actual pension contributions and salaries. The actuarial assumptions include return on assets, inflation, life expectancy, mortality rates and expected retirement ages. Actuarial assumptions are updated annually to reflect changes in market conditions and all actuarial gains and losses are recognised in other comprehensive income.

Leases

Assets and liabilities arising from a lease are initially measured at present value. The present value is comprised of fixed and variable payments discounted using the interest rate implicit in the lease unless it can't be readily determined, in which case payments are discounted using the incremental borrowing rate. Variable payments are payments that depend on a rate or index and are initially measured using the appropriate rate or index at the commencement date of the lease. Where a material variation to the initial measurement of lease payments occurs the lease liability is reassessed with a corresponding adjustment to the value of right of use asset.

Lease payments beyond a break clause or within an extension option are included in the measurement of present value provided it is reasonably certain that the lease will not be terminated before the respective break point or lease extension and there is no active plan to do so.

Finance costs are added to the lease liabilities at amounts that produce a constant periodic rate of interest on the remaining balance of the lease liabilities using the interest rates used to calculate the present value of the leases. Lease payments are deducted from the lease liability.

Short-term leases of less than 12 months or leases for low value assets are recognised on a straight-line basis as an expense in the income statement.

Government grants

Government grants are recognised when the conditions attached to the grant have been satisfied and after deducting any probable liability to repay the grant.

Government grants relating to costs incurred are offset against the cost to which the grant relates in the income statement. Government grants in relation to employment support are offset against the employee costs in the income statement. Government grants relating to the purchase of property, plant and equipment are deducted from the purchase price of the asset and credited to the income statement on a systematic basis over the expected useful life of the related asset.

Equity

Equity comprises the following:

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

Share based payments

Equity-settled share based payments are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions is recognised as an expense over the vesting period. The fair values of the equity instruments are determined at the date of the grant incorporating market based vesting conditions. The fair value of goods and services received is measured by reference to the fair value of options. The fair values of share options are measured using the Black Scholes model. The Black Scholes model is used even where market conditions exist so long as the market conditions do not prevent the Black Scholes model from calculating the fair value of the option reliably. The expected life used in the models is adjusted, based on management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award. Where an equity-settled award is forfeited during the vesting period, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

to the income statement.

Employee Benefit Trust

The assets and liabilities of the Employee Benefit Trusts (EBT) have been included in the Group and Company financial statements. Any assets held by the EBT cease to be recognised on the statement of financial position when the assets vest unconditionally in identified beneficiaries. The costs of purchasing own shares held by the EBT are shown as a deduction within shareholders' equity. The proceeds from the sale of own shares are recognised in shareholders' equity. Neither the purchase nor sale of own shares leads to a gain or loss being recognised in the income statement.

Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision Maker has been identified as the Managing Director, at which level strategic decisions are made. Details of the Group's reporting segments are provided in note 2.

New and amended International Accounting Standards adopted by the Group

The Group adopted the following standards, amendments to standards and interpretations, which are effective for the first time this year:

Amendments to IFRS 17 Insurance contracts - amendments to assist with implementing the standard;
Amendments to IAS 8 Accounting policies, changes in accounting estimates and errors - Changes to the definition of accounting estimates;
Amendments to IAS 1 Presentation of financial statements - disclosure of accounting policies; and
Amendments to IAS 12 Income taxes - Deferred tax related to assets and liabilities arising from a single transaction

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.

The amendments to IAS 12 clarify that the standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in IAS 12, so that an entity would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Group is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

International Accounting Standards in issue but not yet effective

The Group intends to adopt new and amended standards and interpretations, if applicable, when they become effective. The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are not expected to have an impact on the Group's reported financial position or performance.

Use of alternative performance measures

The Group has defined certain measures used within the business for assessing and managing performance. These measures are not defined under IAS and they may not be directly comparable with other companies' adjusted measures. The Group discloses the adjustments to IAS measures to provide transparency over the costs that are excluded from the alternative performance measures.

The alternative performance measures provide a materially different presentation of the Group's performance compared to IAS measures. The alternative performance measures are not a substitute for IAS measures and are presented with the adjustments to IAS measures to provide supplementary information for assessing performance in accordance with IAS measures.

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

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

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

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

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, impairments, changes in deferred or contingent considerations and put option liabilities over non-controlling interests, foreign exchange gains or losses on borrowings for acquisitions, fair value movements on derivatives for borrowings, and financing fair value remeasurements.

Adjusted profit after tax: This is profit after tax adjusted for acquisition related expenses, share based payments and associated employer taxes, amortisation of brand, customer relationship, and supplier relationship intangible assets, impairments, 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 lease liabilities.

Adjusted return on capital employed: Adjusted operating profit divided by adjusted capital employed.

Adjusted capital employed: Total equity, plus total debt, plus accumulated amortisation on intangible assets measured at fair value in business combinations, minus deferred considerations, minus put option liabilities over non-controlling interests, and minus right of use assets.

Accounting judgements and sources of estimation uncertainty

The preparation of financial statements in accordance with the principles of the IASs requires the directors to make judgements and use estimation techniques to provide a fair presentation of the Group's financial position and performance. Accounting judgements represent the accounting decisions made by the directors that have the most significant effect on amounts recognised in the financial statements. Sources of estimation uncertainty represent the assumptions made by management that carry significant risks of a material adjustment to the value of assets and liabilities within the next financial year. Judgements and estimates are evaluated based on historical experience, continuing developments within the Group, and reasonable expectations of future events. Judgements and estimates are subject to regular review by the directors.

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

Put options over non-controlling interests

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

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

Inventory write down

The Group is required to write inventory down to the lower of cost and net realisable value. To determine the write down of inventory the Group estimates the future sales volumes, sales prices, costs to sell inventory, and shrinkage.

The Group uses a range of different techniques to write down inventory to the lower of cost and net realisable value including a formulaic methodology based on the age of inventory. The aged inventory methodology writes down inventory by a specific percentage based on time elapsed from purchase date and these specific percentages are based on historical data.

The uncertainty associated with estimating the write down of inventory is whether the realisable value on sale or disposal of inventory approximates the value of inventory after write downs have been applied. The ultimate sale or disposal of inventory results in a reversal of the write down against the cost of inventory disposed with a potential gain or loss depending upon the accuracy of the estimation.

If each write down percentage applied to inventory were increased by ten percentage points the total write down against inventory held at the reporting date would increase by £5,734k. This increase excludes inventory on which no write down has been applied and is subject to an increase up to a maximum write down of 100%.

If each write down percentage applied to inventory were decreased by ten percentage points the total write down against inventory held at the reporting date would decrease by £5,001k. This decrease is subject to a minimum write down of 0%.

Fair value of separately identifiable intangible assets in business combinations

The Group is required to calculate the fair value of identifiable assets and liabilities acquired in business combinations. To estimate the fair value of separately identifiable assets in business combinations certain assumptions must be made about future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. The fair values of assets and liabilities acquired in business combinations are disclosed in note 12.

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. When there are modifications in the contractual cash flows during the year the put option liabilities are subsequently remeasured to present value.

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. Subsequent measurements to fair value and remeasurement to present value can result in significant increases or decreases in the value of the liability.

Enterprise Resource Planning system impairment risk

The carrying value of the enterprise resource planning system asset arising from development is £20,507k (2022: £10,432k).

The Group is required to test the enterprise resource planning system asset arising from development for impairments annually because it is an asset that is not yet available for use.

Inherent with such projects is a degree of risk that the project will not be delivered on time, will not achieve the planned functionality, or will not deliver the planned benefits. In the event of such risks crystallising there is a risk that the carrying value of the asset could be impaired or could be nil.

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.

2023	**UK & Ireland £'000**	**EMEA £'000**	**Asia Pacific £'000**	**North America £'000**	**Other £'000**	**Total £'000**
Revenue	474,722	589,270	47,643	177,509	-	1,289,144
Gross profit	**85,699**	**92,287**	**8,025**	**30,458**	**-**	**216,469**
Gross profit %	18.1%	15.7%	16.8%	17.2%	-	16.8%
Adjusted operating profit	**27,110**	**28,122**	**(245)**	**9,425**	**(4,819)**	**59,593**
Costs of acquisitions	-	-	-	-	(1,489)	(1,489)
Share based payments	(1,905)	(1,389)	(274)	(102)	(1,068)	(4,738)
Employer taxes on share based payments	(180)	(258)	(13)	(9)	(143)	(603)
Amortisation of brands, customer and supplier relationships	(5,247)	(3,614)	(267)	(2,052)	-	(11,180)
Operating profit	**19,778**	**22,861**	**(799)**	**7,262**	**(7,519)**	**41,583**
Share of profit after tax from associate						24
Interest						(5,060)
Profit before tax						**36,547**

2023	**UK & Ireland £'000**	**EMEA £'000**	**Asia Pacific £'000**	**North America £'000**	**Other £'000**	**Total £'000**
Segment assets	265,463	276,633	22,471	89,838	60	654,465
Segment liabilities	(197,062)	(182,015)	(18,575)	(59,936)	(733)	(458,321)
Segment net assets	**68,401**	**94,618**	**3,896**	**29,902**	**(673)**	**196,144**
Depreciation	3,570	3,640	642	1,434	-	9,286
Amortisation	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Amortisation	5,623	3,684	284	2,227	-	11,818

Segment country information	UK £'000	Germany £'000	USA £'000	Other £'000	Total £'000
Non-current assets	92,509	29,404	20,942	63,977	206,832
Deferred tax assets	-	310	135	172	617
Non-current assets excluding deferred tax	92,509	29,094	20,807	63,805	206,215

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

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

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

Revenue from the UK, being the domicile of the Parent Company, amounted to £455,138k (2022: £470,930k). Revenue from Germany amounted to £239,449k (2022: £249,570k) and revenue from the USA amounted to £132,934k (2022: £123,121k). There was no other revenue from a country that amounted to more than 10% of total revenue. Included within the international non-current assets excluding deferred tax is £29,094k (2022: £19,108k) for Germany and £20,807k (2022: £16,181k) for the USA. There were no other non-current assets excluding deferred tax in any country that amounted to more than 10%.

Segment revenues above are generated from external customers. The accounting policies of the reportable segments have been consistently applied. In addition to the external revenue reported by segment the UK & Ireland segment made £22,103k (2022: £17,647k) of intercompany sales. The EMEA segment made £42,012k (2022: £20,084k) of intercompany sales. The Asia Pacific segment made £653k (2022: £nil) of intercompany sales. The North America segment made £3k (2022: £nil) of intercompany sales.

Sales to the largest customer

Included in revenue is £13.7m (2022: £12.4m) that arose from sales to the Group's largest customer based in Germany. No single customer contributed 10% or more to the Group's revenue in any period presented.

3. Administrative expenses

Administrative expenses in the period include £1,489k of acquisition related costs (2022: £435k). For details of acquisitions in the year see note 12.

4. Finance costs

	2023	2022
	£'000	£'000

	£'000	£'000
Interest on overdraft and invoice discounting	3,894	2,221
Interest on leases	651	602
Interest on loans	5,214	2,470
Foreign exchange derivative costs	54	733
Other interest costs	88	26
Borrowings derivative costs	1,219	(2,888)
Foreign exchange (gains)/losses on borrowings for acquisitions	(554)	1,694
Interest, foreign exchange and other finance costs of deferred and contingent considerations	(4,150)	508
Interest, foreign exchange and other finance costs of put option liabilities	(1,063)	4,866
	5,353	10,232

5. Earnings per share

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

Profit attributable to equity holders of the Group (£'000)	26,817	15,293
Weighted average number of shares in outstanding	95,852,306	88,299,098
Potentially dilutive effect of the Group's share option schemes	3,233,327	3,064,305
Weighted average number of diluted Ordinary Shares	99,085,633	91,363,403
Basic earnings per share	27.98p	17.32p
Diluted earnings per share	27.06p	16.74p

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

6. Borrowings

	2023 £'000	2022 £'000
Secured borrowings		
- Bank overdrafts and invoice discounting	42,518	47,052
- Bank loans	96,198	74,782
- Leases	23,610	23,445
	162,326	145,279
Current	49,146	44,955
Non-current	113,180	100,324
	162,326	145,279

Summary of borrowing arrangements:

The Group has overdraft borrowings which comprised £4,082k at the end of 2023 (2022: £4,917k). The facilities are uncommitted and secured with fixed and floating charges over the assets of the Group.

At the reporting date the Group had drawn down £38,436k (2022: £42,135k) on invoice discounting and short-term borrowing facilities. The total amount drawn down on invoice discounting facilities was £33,571k (2022: £30,352k). The short-term borrowing facilities are secured with floating charges over the assets of the Group. The invoice discounting facilities comprise fully revolving receivables financing agreements which are secured on the underlying receivables. The facilities have no fixed repayment dates and receivables are automatically offset against the outstanding amounts of the facility on settlement of the receivable. The Group retains the credit risk associated with the receivables. Invoice discounting arrangements included within acquisitions completed during the year totalled £1,832k (2022: £3,968k).

At the reporting date the Group had drawn down £96,198k (2022: £74,782k) of its long-term loan facilities. The loans are secured with fixed and floating charges over the assets of the Group. The Group is subject to covenants under its Revolving Credit Facility and if the Group defaults under these covenants, it may not be able to meet its payment obligations.

The Group has lease liabilities of £23,610k at the end of 2023 (2022: £23,445k). Lease obligations included within acquisitions completed during the year totalled £1,927k (2022: £2,720k).

Borrowings

	2023	**2022**
	£'000	**£'000**
Borrowings due within 1 year	44,534	40,900
Borrowings due after 1 year	94,182	80,934
Leases	23,610	23,445
	162,326	145,279

Reconciliation of liabilities arising from financing activities

	2023	**2022**
	£'000	**£'000**
At 1 January	145,279	94,452
Cash flows:		
Invoice financing inflows/(outflows)	(3,009)	14,282
Proceeds from borrowings	39,228	32,384
Repayment of loans	(20,525)	(4,947)
Capital element of leases	(5,235)	(4,126)
Non-cash:		
Acquisitions	4,459	6,689
New liabilities arising on leases	4,939	2,783
Disposals on modification or termination of leases	(955)	(10)
Foreign exchange (gain) or loss	(1,855)	3,772
At 31 December	162,326	145,279

7. Financial instrument risk exposure and management

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

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

Credit risk

The Group's credit risk is primarily attributable to its cash balances and trade receivables. The Group does not have a significant concentration of risk, with exposure diversified over a substantial number of third parties. The risk is further mitigated by insurance of the trade receivables. Some specifically identified receivables have been provided for at 100%.

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A. The Group's total credit risk amounts to the total of the sum of the trade receivables and cash and cash equivalents. At 31 December 2023 total credit risk amounted to £256,028k (2022: £218,882k).

Interest rate risk

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

Foreign exchange risk

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

The Group holds certain borrowings in the currencies of foreign acquired operations to reduce the Group's exposure to fluctuations in the value of foreign currencies that have a negative effect on the value of foreign operations. The

Group does not adopt hedge accounting and recognises gains and losses on foreign exchange in both the income statement and translation reserve.

The total value of borrowings held in foreign currencies by companies whose functional currency is GBP relating to overseas acquired operations is as follows:

	2023	2022
	£'000	£'000
EUR	27,378	20,578
AUD	3,585	-
USD	17,063	17,600
CAD	10,441	-

At the prior year reporting date the Group was in the process of renewing its borrowing facilities and repaid the AUD borrowing facility relating to the overseas operations in the APAC segment for renewal. A 10% increase or decrease in the strength of sterling against all borrowings held in foreign currencies by companies whose functional currency is GBP would increase or decrease profit before tax by £5,847k (2022: £3,818k).

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 used in the periods reported.

	Annual average		Year end	
	2023	2022	2023	2022
EUR/GBP	1.152	1.170	1.154	1.128
AUD/GBP	1.880	1.777	1.868	1.771
NZD/GBP	2.032	1.946	2.013	1.897
USD/GBP	1.248	1.231	1.275	1.204
CHF/GBP	1.118	1.173	1.073	1.111
NOK/GBP	13.189	11.832	12.947	11.846
AED/GBP	4.582	4.525	4.678	4.435
QAR/GBP	4.541	4.485	4.637	4.396
SAR/GBP	4.638	N/A	4.769	N/A
CAD/GBP	1.666	N/A	1.682	N/A

The following tables illustrate the effect of changes in foreign exchange rates in the EUR, AUD, NZD, USD, CHF, and NOK relative to the GBP on the profit before tax and net assets. The amounts are calculated retrospectively by applying the current year exchange rates to the prior year results so that the current year exchange rates are applied consistently across both periods. Changing the comparative result illustrates the effect of changes in foreign exchange rates relative to the current year result.

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

Profit/(loss) before tax

	2022	Revised 2022	Impact	Impact
	£'000	£'000	£'000	%
EUR	24,916	24,664	(252)	(1.0)%

AUD	24,916	25,013	97	0.4%
NZD	24,916	24,919	3	0.0%
USD	24,916	24,934	18	0.1%
CHF	24,916	24,948	32	0.1%
NOK	24,916	24,983	67	0.3%
AED	24,916	25,090	174	0.7%
QAR	24,916	24,987	71	0.3%
All currencies	24,916	25,126	210	0.8%

Net assets

	2022	Revised 2022	Impact	Impact
	£'000	£'000	£'000	%
EUR	134,134	135,594	1,460	1.1%
AUD	134,134	134,316	182	0.1%
NZD	134,134	134,148	14	0.0%
USD	134,134	134,927	793	0.6%
CHF	134,134	134,172	38	0.0%
NOK	134,134	134,365	231	0.2%
AED	134,134	134,890	756	0.6%
QAR	134,134	134,291	157	0.1%
All currencies	134,134	137,765	3,631	2.7%

Liquidity risk

The main objective of the Group's liquidity risk management strategy is to ensure that the Group has sufficient liquidity to pay all liabilities as they fall due. The Group manages liquidity by monitoring working capital and maintaining sufficient cash balances to meet liabilities as they fall due using bank borrowing arrangements.

See note 6 for details of borrowing arrangements.

The tables below show the undiscounted cash flows on the Group's financial instrument liabilities as at 31 December 2023 and 2022, on the basis of their contractual maturity:

At 31 December 2023

	Total	Within 2 months	Within 2 -6 months	Between 6 - 12 months	Between 1-2 years	After than 2 years
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	177,489	165,885	11,582	5	6	11
Other payables	312	310	2	-	-	-
Deferred consideration	16,802	1,053	10,611	200	2,402	2,536
Put option liabilities	23,535	-	9,833	12,607	-	1,095
Leases	26,070	807	1,914	2,605	4,742	16,002
Accruals	36,993	29,150	2,822	1,123	1,989	1,909
Bank overdrafts, loans and invoice discounting	138,716	43,260	1,076	198	168	94,014
	419,917	240,465	37,840	16,738	9,307	115,567

At 31 December 2022

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

8. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2023 Number	£'000	2022 Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At 1 January	88,879,912	889	88,735,612	887
Shares issued	14,371,414	144	144,300	2

At 31 December	103,251,326	1,033	88,879,912	889

During the year the Company issued 2,312,476 shares to the Group's employee benefit trusts (2022: 144,300) and issued 12,058,938 shares for total proceeds less issue cost of £50,033k.

Employee benefit trust

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

	2023 Number	£'000	2022 Number	£'000
At 1 January	501,460	5	518,300	5
Share issued	2,312,476	23	144,300	2
Shares purchased	149,838	600	-	-
Shares issued on exercise of options	(1,268,822)	(12)	(161,140)	(2)
At 31 December	1,694,952	616	501,460	5

During the year the Company purchased 149,838 shares for £600k.

9. Other reserves

Movement in other reserves for the year ended 31 December 2023

	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	-	(4,964)	-	-	-	(4,964)
Total comprehensive income for the year	-	(4,964)	-	-	-	(4,964)
Share based payments	4,661	-	-	-	-	4,661
Deferred tax on share based payments	(434)	-	-	-	-	(434)
Share options exercised	(5,409)	-	-	-	-	(5,409)
Acquisition of subsidiary (note 12)	-	-	(7,850)	-	-	(7,850)
Balance at 31 December 2023	10,843	392	(18,649)	50	150	(7,214)

Movement in other reserves for the year ended 31 December 2022

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2022	7,879	(2,182)	(7,784)	50	150	(1,887)
Other comprehensive income	-	7,538	-	-	-	7,538
Total comprehensive income for the year	-	7,538	-	-	-	7,538
Share based payments	6,006	-	-	-	-	6,006
Deferred tax on share based payments	(1,093)	-	-	-	-	(1,093)
Share options exercised	(767)	-	-	-	-	(767)
Acquisition of subsidiary (note 12)	-	-	(6,933)	-	-	(6,933)
Acquisition of non-controlling interest (note 11)	-	-	3,918	-	-	3,918
Balance at 31 December 2022	12,025	5,356	(10,799)	50	150	6,782

10. 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 the LTIP and SIP during both the current and prior year.

Share Incentive Plan:

The Group operates a SIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Under the SIP, free shares granted to employees are issued and held in trust in during a conditional vesting period. The SIP shares vest 3 years after the date of grant. The SIP share are settled in equity once exercised.

Long Term Incentive Plan:

The Group also operates an LTIP to which the employees of the Group may be invited to participate by the Remuneration Committee. Options issued under the LTIP are exercisable at £0.01 per share but the Group has the option to provide an exemption for this payment. The options vest 3 years after the date of grant, subject to certain service and non-market performance conditions. The Group has the option to require an extended holding period in relation to specific options. The options are settled in equity once exercised except for options issued to employees in certain jurisdictions where settlement in equity is prohibited. For options issued to employees in jurisdictions in which settlement in equity is prohibited the options are issued on the same basis except they are settled in cash.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

LTIP options and SIP shares were valued using the Black-Scholes option-pricing model. The fair value of the 2023 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	16 Aug 2023	11 Apr 2023
Number granted	1,190,811	111,300
Share price at date of grant (£)	£4.17	£5.12
Exercise price (£)	£0.01	-
Expected volatility	13.9%	13.9%
Expected life (years)	2.67	3
Risk free rate	5.06%	3.93%
Expected dividend yield excluded from option	2.91%	0.0%
Fair value at date of grant	£3,557,234	£401,756
Earliest vesting date	31 Mar 2026	11 Apr 2026
Expiry date	16 Aug 2033	11 Apr 2033

Included within the LTIP issue in 2023 are 143,100 options issued to employees in that will be settled in cash.

LTIP options and SIP shares were valued using the Black-Scholes option-pricing model. The fair value of the 2022 Options granted and the assumptions used in the calculation are as follows:

	LTIP	SIP
Date of grant	21 Jun 2022	8 Apr 2022
Number granted	1,017,141	106,800
Share price at date of grant (£)	£5.96	£6.32
Exercise price (£)	£0.01	-
Expected volatility	18.1%	18.1%
Expected life (years)	1.5-2.75	3
Risk free rate	1.53%	1.18%
Expected dividend yield excluded from option	2.7%	0.0%
Fair value at date of grant	£4,919,088	£482,083
Earliest vesting date	1 Jan 2024	8 Apr 2025
Expiry date	21 Jun 2032	8 Apr 2032

Included within the LTIP issue in 2022 are 13,000 options issued to employees in jurisdictions where settlement in equity is prohibited and the options will be settled in cash.

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 £4,661k (2022: £6,006k) related to equity-settled share based payment transactions.

In addition to equity settled share based payment transactions the Group recognised £77k (2022: £25k) related to cash-settled share based payment transactions and £603k (2022: £176k) related to employer taxes on share options for the above schemes during the year. The total carrying amount of liabilities arising from share based payment transactions at the end of the year was £1,525k (2022: £1,531k).

A reconciliation of LTIP option movements over the current and prior year excluding any options to be settled in cash is shown below:

	As at 31 December 2023		**As at 31 December 2022**	
	Number of LTIP options	Weighted average exercise price	Number of LTIP options	Weighted average exercise price
		£		£
Outstanding at start of year	4,115,317	0.01	3,284,374	0.01
Granted	1,047,711	0.01	1,004,141	0.01
Lapsed	(177,490)	0.01	(89,458)	0.01
Exercised	(1,099,592)	0.01	(83,740)	0.01
Outstanding at end of year	3,885,946	0.01	4,115,317	0.01
Weighted average remaining contractual life	1.1 years		1.1 years	

A reconciliation of SIP movements over the current and prior year is shown below:

	As at 31 December 2023		As at 31 December 2022	
	Number of SIP shares	Weighted average exercise price	Number of SIP shares	Weighted average exercise price
		£		£
Outstanding at 1 January	280,800	-	267,900	-
Granted	111,300	-	106,800	-
Lapsed	(21,900)	-	(16,500)	-
Exercised	(93,900)	-	(77,400)	-
Outstanding at 31 December	276,300	-	280,800	-
Weighted average remaining contractual life	1.4 years		1.6 years	

As at the year end there were 1,048,911 (2022: 167,000) equity settled share options that had vested and had yet to be exercised.

11. Acquisition of non-controlling interest

During the prior year the Group acquired the remaining 12% non-controlling interest in Earpro SA and the remaining 20% non-controlling interest in Prase Engineering SpA. The non-controlling interest in Earpro SA had a value of £1,309k and was acquired for a consideration of £1,062k. The non-controlling interest in Prase Engineering SpA had a value of £3,808k and was acquired for a consideration of £2,912k paid in 2022 and a further £61k of consideration that was retained and settled in 2023. £1,033k of the put option reserve was transferred to retained earnings when the Earpro SA element of the put option was extinguished and £2,885k of the put option reserve was transferred to retained earnings when the Prase Engineering SpA element of the put option was extinguished.

12. Business combinations

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

Subsidiaries acquired:

Acquisition	Principal activity	Acquisition date	Proportion acquired (%)	Fair value of consideration £'000
ProdyTel	Distribution of professional audio products to trade customers	10 November 2023	51%	8,170
Pulse Cinemas	Distribution of specialist home cinema products to trade customers	31 July 2023	100%	1,715
Video Digital	Distribution of broadcast products to trade customers	21 July 2023	100%	1,364
HHB	Distribution of professional audio products to trade customers	12 July 2023	100%	21,078
76 Media	Distribution of broadcast products to trade customers	5 July 2023	100%	1,123
Toolfarm	Distribution of video editing software to trade customers	5 July 2023	100%	5,057
SF Marketing	Distribution of audio visual products to trade customers	31 May 2023	100%	21,369
Nimans	Distribution of audio visual products and telephone network services	7 February 2022	100%	27,271
DVS	Distribution of audio visual and security products to trade customers	7 January 2022	65%	12,877

Fair value of considerations 2023	**SF Marketing**	**HHB**	**ProdyTel**	**Others**
	£'000	**£'000**	**£'000**	**£'000**
Cash	20,215	13,087	7,406	7,706
Deferred consideration	1,154	-	-	689
Contingent consideration	-	7,991	764	864
Total	21,369	21,078	8,170	9,259

Costs of £1,489k were expensed to the income statement during the year in relation to acquisitions.

Fair value of acquisitions 2023	**SF Marketing**	**HHB**	**ProdyTel**	**Others**
	£'000	**£'000**	**£'000**	**£'000**
Non-current assets				
Goodwill	3,792	4,259	4,744	3,391
Intangible assets - patents and software	284	-	-	2
Intangible assets - brands	1,702	702	487	680
Intangible assets - customer relationships	[illegible]	[illegible]	[illegible]	[illegible]

Intangible assets - customer relationships	2,485	3,082	3,751	1,722
Intangible assets - supplier relationships	6,924	7,095	9,052	4,493
Right of use assets	972	140	297	55
Property, plant and equipment	686	36	162	239
	16,845	17,314	18,493	10,582
Current assets				
Inventories	10,792	3,836	959	702
Trade and other receivables	9,217	2,674	1,784	1,176
Derivative financial instruments	21	-	-	-
Cash and cash equivalents	118	3,794	634	1,510
	20,148	10,304	3,377	3,388
Current liabilities				
Trade and other payables	(9,690)	(3,092)	(1,093)	(2,672)
Borrowings and financial liabilities	(700)	-	-	(3)
Current tax	-	-	(129)	(146)
	(10,390)	(3,092)	(1,222)	(2,821)
Non-current liabilities				
Borrowings and financial liabilities	(2,781)	(501)	(357)	(117)
Deferred tax	(2,453)	(2,947)	(4,271)	(1,773)
	(5,234)	(3,448)	(4,628)	(1,890)
Non-controlling interests	-	-	(7,850)	-
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	21,369	21,078	8,170	9,259

Goodwill acquired in 2023 relates to the workforce, synergies, sales and purchasing knowledge and experience. Goodwill arising on the SF Marketing, Toolfarm and 76 Media acquisitions has been allocated to the North America segment. Goodwill arising on the Video Digital and ProdyTel acquisitions has been allocated to the Europe Middle East and Africa segment. Goodwill arising on the HHB and Pulse Cinemas acquisitions has been allocated to the United Kingdom and Republic of Ireland segment.

Net cash outflows of acquisitions 2023

	SF Marketing £'000	HHB £'000	ProdyTel £'000	Others £'000
Consideration paid in cash	20,215	13,087	7,406	7,706
Less: cash and cash equivalent balances acquired	(118)	(3,794)	(634)	(1,509)
Net cash outflow	20,097	9,293	6,772	6,197
Plus: borrowings acquired	3,481	501	357	120
Net debt outflow	23,578	9,794	7,129	6,317

Post-acquisition contribution 2023

Acquired subsidiaries made the following contributions to the Group's results for the year in which they were acquired:

	SF Marketing £'000	Toolfarm £'000	76 Media £'000	HHB £'000	Video Digital £'000	Pulse Cinemas £'000	ProdyTel £'000
Revenue	44,575	1,048	1,250	11,760	1,835	1,892	2,646
Profit/(loss) after tax	1,662	205	67	(180)	(63)	96	283

Proforma full year contribution 2023

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 2023:

	SF Marketing £'000	Toolfarm £'000	76 Media £'000	HHB £'000	Video Digital £'000	Pulse Cinemas £'000	ProdyTel £'000
Revenue	72,159	2,199	2,551	28,084	5,452	4,893	16,569
Profit after tax[1]	2,653	313	165	494	1	149	1,731

[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 2023, together with the consequential tax effects.

Fair value of consideration transferred 2022	**DVS £'000**	**Nimans £'000**
Cash	8,580	16,500

Cash	8,580	16,500
Deferred consideration	4,297	10,771
Total	12,877	27,271

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

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

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

Net cash outflows of acquisitions 2022

	DVS £'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

Post-acquisition contribution 2022

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

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

Proforma full year contribution 2022

Acquired subsidiaries would have made the following contributions to the Group's results for the year in which they were acquired if they were acquired on 1 January 2022:

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

As the acquisition of DVS occurred on 7 January 2022 the acquired subsidiary made a full year contribution to the Group's results for the year. The revenue and profit after tax[1] for the Group would have been no different if the DVS were acquired earlier.

[1]These amounts have been calculated using the results of subsidiaries and adjusting them for differences between the accounting policies and Generally Accepted Accounting Principles applicable to the subsidiaries and the accounting policies and IAS reporting requirements of the Group. The translation adjustments to modify the reported results of the subsidiaries have been applied as if the Group's accounting policies and IAS reporting requirements had always been applied. The translation adjustments include the additional depreciation and amortisation charges relating to the fair value adjustments to property, plant and equipment and intangible assets assuming the fair values recognised on acquisition were valid on 1 January 2022, together with the consequential tax effects.

13. Dividends

On the 16 June 2023 the Company paid a final dividend of £9,388k. Excluding the effects of waived dividends this equated to 10.50 pence per share. On 27 October 2023 the Company paid an interim dividend of £5,594k. Excluding the effects of waived dividends this equated to 5.50 pence per share. During the prior year the Company paid a final dividend of £6,910k and an interim dividend of £3,991k. Excluding the effects of waived dividends these equated to 7.80 and 4.50 pence per share respectively.

The Board is recommending a final dividend of 11.0 pence per share which, if approved, will be paid on 15 June 2024 to shareholders on the register on 5 May 2024.

14. Events after the reporting date

On 19 January 2024, the Group acquired 100% of The Farm North West LLC and The Farm Norcal LLC ("the Farm"), a business in close proximity to San Jose in the Silicon Valley, California in the United States of America. The Farm operates primarily as a sales representative to manufacturers acting as the exclusive sales agent on behalf of its vendor partners.

The initial consideration is $3,850k adjusted for cash or net debt as at the closing date with contingent consideration payable in 2025, 2026 and 2027. The maximum amount of consideration across the three years is $12,150k, of which a maximum of only $6,075k can be paid in 2025.

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.