

3 September 2024

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

Interim results for the six months ended 30 June 2024

Robust performance with record gross margins despite market challenges; full year expectations unchanged

Midwich Group (AIM: MIDW) a global specialist audio visual distributor to the trade market, today announces its Interim Results for the six months ended 30 June 2024 ("H1 2024").

Statutory financial highlights

	Six months ended		
	30 June 2024	30 June 2023	Growth
	£m	£m	%
Revenue	646.1	610.4	5.8%
Gross profit	111.8	99.6	12.2%
<i>Gross profit %</i>	<i>17.3%</i>	<i>16.3%</i>	
Operating profit	12.8	18.6	(30.9%)
Profit before tax	10.1	15.6	(34.9%)
Profit after tax	7.4	11.6	(36.1%)
Reported EPS - pence	6.50	12.14	(46.5%)
Interim dividend per share - pence	5.5	5.5	

Adjusted financial highlights

	Six months ended		Growth	Growth at constant
	30 June 2024	30 June 2023	%	currency %
	£m	£m		
Revenue	646.1	610.4	5.8%	7.5%
Gross profit	111.8	99.6	12.2%	14.1%
<i>Gross profit %</i>	<i>17.3%</i>	<i>16.3%</i>		
Adjusted operating profit¹	22.0	26.4	(16.8%)	(15.1%)
<i>Adjusted operating profit %</i>	<i>3.4%</i>	<i>4.3%</i>		
Adjusted profit before tax¹	17.2	21.8	(20.8%)	(20.1%)
Adjusted profit after tax¹	12.6	16.1	(21.9%)	
Adjusted EPS - pence ¹	11.22	16.93	(33.7%)	

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

Financial highlights

- Revenue increased 5.8% (7.5% at constant currency) to £646.1m.
- Acquired businesses contributed 8.7% growth (at constant currency) with organic revenues down 1.2% despite market share gains.
- Significant improvement in gross margins to 17.3% from 16.3% in the prior year, driven by continued shift in sales mix towards technical products, in line with the Group's strategy.
- Operating cash conversion in line with Board's expectations at 13%, which reflects typical seasonal investments in working capital (H1 2023: 27%). Full year expectations remain at 70-80%.
- Adjusted net debt of £132.2m at period end with leverage at 2.0x, to reduce to approximately 1.8-1.9x by the year end.
- Interim dividend declared of 5.5 pence per share (Interim 2023: 5.5p).

Operational highlights

- Against a backdrop of continued challenging market conditions in several key markets, the Group's diverse product and geographic portfolio resulted in revenue growth of 7.5% at constant currency, and further market share gains with many of the Group's key vendors.
- Technical product revenue grew by over 13%, reflecting a mix of both organic growth and the impact of acquisitions, with technical products now almost two thirds of the Group's revenue. This included strong performances in the technical video, audio, LED and rental categories driven by end user investments in live events and entertainment.
- Strong performance in North America, with sales up 69.0%, organic revenue up 16.8% and record gross margins of 19.7%.
- In January 2024 the Group acquired California based The Farm a sales representative to manufacturers

- In January 2024, the Group acquired Cornford based the firm, a sales representative to manufacturers acting as the exclusive value added sales agent on behalf of its vendor partners, primarily in the audio and technical video segments.

Post period trading and outlook

- A positive start to the second half, with a return to growth in July, and the Board continues to expect organic sales growth in H2 2024.
- The Group has now made substantial progress with its overhead reduction programme, which is expected to be largely complete in the current financial year and deliver estimated annualised savings of over £5m from early FY25.
- On 31 July 2024, the Group acquired the remaining 70% stake in Dry Hire Lighting Limited ("DHL"), a supplier to the UK live events market.
- Management also continues to pursue selective bolt-on acquisition opportunities across a number of regions.
- Whilst the Board expects macroeconomic conditions to remain challenging in certain markets for the remainder of this year, there have been early signs of the market stabilising, reflected in positive trading in the first two months of the second half. As a result of this, and the continued focus on the Group's long-term strategy, the Board continues to expect trading performance for the full year to be in line with its previous expectations.

For these purposes Adjusted EBITDA includes proforma EBITDA for acquisitions acquired in the last 12 months.

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

"Our performance in H1 2024 demonstrated the robustness of Midwich's offering, against a tough market backdrop, with the Group delivering revenue growth of 7.5% at constant currency and a significant improvement in our Group gross profit percentage, moving from 16.3% in H1 2023 to a new record of 17.3%.

The AV market at the end of 2023, and through the first half of 2024, was affected by a degree of oversupply of mainstream products and associated discounting. Demand in corporate and education markets remained subdued, although this was largely offset by ongoing strength in the live event and entertainment sectors. This change in mix is reflected in both a further increase in the mix of technical video and audio products sold by the Group and the higher gross margins.

Whilst it is prudent to assume macroeconomic conditions in certain markets, such as the UK & Ireland, will likely remain challenging for the remainder of 2024, we have seen some signs of the market stabilising in recent weeks, with market survey data indicating a recovery in pricing in the second half of the year. Trading since the start of July has been in line with the Board's expectations and slightly ahead of 2023.

The Group has acted to become even stronger during recent months, ahead of the anticipated market recovery, with a focus on adding new vendor opportunities, further targeted acquisitions and a tight focus on overhead efficiencies. These actions position the Group well to return to operating profit growth in H2 2024.

I would like to thank our team, customers and vendors for their unwavering support during 2024 to date."

There will be a meeting and webinar for sell-side analysts and investors at 10:45am BST today, 3 September 2024, the details of which can be obtained from FTI Consulting: midwich@fticonsulting.com.

For further information:

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About Midwich Group

Midwich Group is a specialist AV distributor, with operations in the UK and Ireland, EMEA, Asia Pacific and North America. The Group's long-standing relationships with over 800 vendors, including blue-chip organisations, support a comprehensive product portfolio across major audio visual categories such as displays, projectors, technical AV, broadcast, professional audio, lighting and unified communications. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of over 24,000 trade customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality.

Initially a UK only distributor, the Group now has almost 1,900 employees across the UK and Ireland, EMEA, North America and Asia Pacific. A core component of the Group's growth strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions.

For further information, please visit www.midwichgroupplc.com

Managing Director's Report

Overview

The Group has continued to navigate challenging trading conditions in the first half of 2024, particularly in the UK & Ireland, and has delivered a solid result despite this backdrop. In line with our long-term strategy, we achieved further sales growth in higher margin technical products, with the result that gross margins increased to record levels in the period. Technical products now represent almost two thirds of the Group's revenue compared to 21% at IPO in 2016.

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

The impact of subdued demand in corporate and education markets, driven by wider macro-economic factors, has continued beyond our, and the wider AV industry's, expectations at the beginning of the year. We believe that this resulted in some oversupply of products and associated discounting. Whilst we have largely maintained gross margins in mainstream product categories, revenue declined in this category. Demand in the live event and entertainment sectors has remained strong which resulted in a further increase in the mix of technical video and audio products sold by the Group and the higher gross margins.

We believe that we have the best team in the industry and our long-term view (supported by independent market research) remains that the AV industry will continue to grow at above GDP rates going forwards. However, the ongoing delayed market recovery resulted in some short-term pressure on adjusted operating margins. We expect these to recover through operating leverage as the market returns to normal, but the Group has also acted to deliver targeted efficiencies to improve profitability in the second half of 2024.

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

Trading performance

Revenue in H1 2024 grew by 7.5% (constant currency basis) to £646.1m. Organic revenue declined by 1.2%. Compared with H1 2023, organic revenue grew strongly in North America, but was slightly lower in other regions. Based on our customer and vendor data, combined with independent market data, we believe that the decline in these territories is significantly less than the overall market decline, with Midwich maintaining or expanding its market share in key markets.

The Group gross margin percentage of 17.3%, was a 1.0 percentage point improvement on H1 2023, and also a Group record. There were strong gross margin improvements in both North America and EMEA due to the increased mix of technical product sales, which reflected the positive impact of recent acquisitions. In a challenging market, the robust gross margin performance in the UK & Ireland was testament to the quality of our teams and the added value that they provide to our customers.

Overheads increased as expected during the period. The majority of the overhead increase was attributable to the acquisitions completed in the last twelve months, together with labour cost inflation, which is now showing signs of easing, and further investment in the Middle East. The adjusted operating profit margin reduced to 3.4% in H1 2024 from 4.3% in H1 2023.

Given the challenging market conditions, we have identified targeted cost actions to improve future profitability. These actions are expected to be largely completed in the current year with estimated annualised savings of over £5m from early 2025. The exceptional costs (approximately £3m) associated with these actions will be excluded from adjusted operating profit.

Products

Overall revenue from the two mainstream product areas (displays and projection) declined by around 10%, reflecting the wider market dynamics. These mainstream categories now account for less than a third of Group revenue as we continue to diversify into specialist areas. The gross margin on mainstream categories was broadly in line with the same period last year.

Revenue in the technical product areas grew by over 13%, through a mix of both organic growth and the impact of acquisitions. There were strong performances in the technical video, audio, LED and rental categories driven by end user investments in live events and entertainment. The overall margin on these categories also improved compared to the same period last year.

The Board continues to believe that the complexity and breadth of the AV market highlight the need for manufacturers to use a high-quality specialist distributor, such as Midwich. We continue to have significant success with the roll out of brand relationships acquired over the last few years, together with the expansion of existing relationships into new territories. The Group has a strong pipeline of new brands which will have a positive impact from the second half of 2024.

Customers

The Group's focus has always been on seeking to provide our customers with consistently high levels of service and support. Although our customer base tends to be adaptable and resilient, we are aware that

softer demand in some areas, combined with higher interest rates, have caused some challenges. We continue to use our distribution expertise and value add advice to support our customers through these challenges and to accommodate the needs of the channel.

Strategy

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

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

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

The Group has continued to deliver on this strategy in 2024, with the successful integration of the businesses acquired in 2023, the addition of two acquisitions in the year to date, and the ongoing development of our Middle East business.

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

Acquisitions

The Group completed one small acquisition during H1 2024 and exercised its put and call option to acquire the remaining 20% of its Middle Eastern business during the period.

In January 2024, the Group acquired The Farm North West LLC and The Farm Norcal LLC ("The Farm"), a west coast manufacturers' representative and technical services provider. Based in Silicon Valley, The Farm has now been integrated into the Group's U.S. operation, Starin Marketing, to expand its geographical footprint and enhance its current levels of customer and manufacturer support.

On 31 July 2024, post the period-end, the Group acquired the remaining 70% of DHL, having previously acquired a 30% stake in 2023. DHL is a provider of dry hire lighting services to trade customers primarily operating in the UK live events market.

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

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

Outlook

Whilst the Board believes it is prudent to assume macroeconomic conditions in certain markets, such as the UK & Ireland, will likely remain challenging for the remainder of 2024, market survey data indicates an expected return to growth in mainstream product demand in a number of our key geographies during H2 2024.

The Group has a strong pipeline of new vendor opportunities as well as selected bolt-on acquisition opportunities it continues to review which, when combined with a tight focus on overheads efficiencies in H2, means that the Board's expectations of adjusted operating profit for the full year remain in line with its expectations. Despite some softness in the AV market so far in 2024, according to research published by industry trade body AVIXA in July 2024, the global AV market is expected to grow at an annualised rate of 5.4% in the five years to 2029.

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

The Board believes that, despite early signs of improvement, the Group's major markets will remain challenging across the remainder of 2024. However, order books remain steady and underpin the Board's confidence in the Group's outlook for the current year and beyond.

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

Regional highlights

	Six months ended		Total growth %	Growth at constant currency %	Organic growth %
	30 June 2024 £m	30 June 2023 £m			
Revenue					
UK & Ireland	222.1	221.0	(0.5%)	(0.5%)	(0.5%)

UK & Ireland	233.1	234.0	(0.4%)	(0.3%)	(4.2%)
EMEA	274.6	281.3	(2.4%)	(0.2%)	(2.9%)
Asia Pacific	23.3	25.2	(7.7%)	(4.1%)	(4.1%)
North America	115.1	69.9	64.7%	69.0%	16.8%
Total Global	646.1	610.4	5.8%	7.5%	(1.2%)

Gross profit margin

UK & Ireland	17.0%	17.7%	(0.7) ppts	
EMEA	16.7%	15.5%	1.2 ppts	
Asia Pacific	15.8%	17.5%	(1.7) ppts	
North America	19.7%	14.5%	5.2 ppts	
Total Global	17.3%	16.3%	1.0 ppts	

Adjusted operating profit¹

UK & Ireland	8.5	13.9	(39.0%)	(38.8%)
EMEA	11.2	12.5	(10.8%)	(8.6%)
Asia Pacific	(0.5)	0.1		
North America	5.3	3.0	79.3%	84.0%
Group costs	(2.5)	(3.1)		
Total Global	22.0	26.4	(16.8%)	(15.1%)

Adjusted net finance costs (4.8) (4.6)

Adjusted profit before tax¹ 17.2 21.8 (20.8%) (20.1%)

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

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

UK & Ireland ("UK&I")

Revenue in the UK&I was in line with H1 2023, but down 4.2% on an organic basis. The Group has its highest market shares in this region and the challenging market backdrop resulted in relatively soft demand, and a degree of oversupply and associated discounting in mainstream product categories. Stronger demand in markets such as live events, entertainment and hospitality supported further growth in technical product sales. After an exceptional performance in H1 2023, gross margins held up well in the period at 17.0% (H1 2023: 17.7%). The two small acquisitions completed in H2 2023 have now been fully integrated.

Based on industry data, combined with our own analysis of customer and vendor activity, we believe that the mainstream market should begin to recover in the second half of 2024. Our long-term focus on increasing the mix of technical product sales has helped us grow or maintain market shares in the UK&I and we remain confident that the pro AV market will continue to grow faster than GDP in the medium term.

Overheads in the UK&I increased, as expected, in the period, reflecting the impact of the 2023 acquisitions and labour cost inflation. This resulted in a decline in adjusted operating profit of 38.8% to £8.5m (H1 2023: £13.9m). Stronger mainstream product demand and the impact of additional new brands, combined with targeted cost reductions, are expected to result in a stronger operating profit performance in the second half of the year.

EMEA

In EMEA, the Group's biggest region by revenue, sales fell by only 0.2% on a constant currency basis. Organic revenue declined by 2.9% reflecting a reduction in mainstream product sales largely offset by increased technical product revenue. Although the mainstream markets have been challenging in Northern Europe, we have continued to build market share across EMEA, with notable performances in Southern Europe and the Middle East, where strong demand for technical solutions, including pro audio and live event solutions, continued. The acquisitions completed in 2023 are contributing well.

Gross profit margins improved to 16.7% (H1 2023: 15.5%) because of favourable product mix and the benefit of the acquisition of prodyTel in November 2023.

Adjusted operating profit in EMEA was £11.2m (H1 2023: £12.5m), down 8.6% on the prior year due to the combined impact of lower revenue and further investment in growth areas such as the Middle East. A seasonally stronger second half, combined with cost efficiencies, is expected to result in a return to operating profit growth in H2 2024.

Asia Pacific

Revenue in Asia Pacific was down 4.1% on the prior year (H1 2023: +2.3%). New brands, added in the last twelve months, are now beginning to build momentum in the region with a return to growth in the second quarter of the year. Demand for larger projects also increased in the period.

The Asia Pacific gross profit margin of 15.8% (H1 2023: 17.5%) reflected a higher mainstream product mix. The adjusted operating loss in Asia Pacific was £0.5m (H1 2023: £0.1m profit).

North America

Revenue in North America increased by 69.0% (H1 2023: 18.7%) reflecting both a full contribution from SFM in Canada (acquired in June 2023), and further market share gains in the United States. Organic revenue growth of 16.8% (H1 2023: 5.3%) reflected demand for unified communications solutions, an increase in customer wallet share and higher project activity.

The record gross margins in the region at 19.7% (H1 2023: 14.5%) are attributable to the positive mix impact from the acquisition of SFM and The Farm (January 2024). The Farm, which enhances the region's sales capabilities, has now been fully integrated into the Starin business.

Adjusted operating profit in North America was significantly ahead of the prior year at £5.3m (H1 2023: £3.0m).

Group costs

Group costs for the half year were £2.5m (H1 2023: £3.1m) reflecting the focus on costs and lower levels of performance-related staff costs.

Operating profit

Operating profit

Adjusted operating profit for the period at £22.0m (H1 2023: £26.4m) is stated before the impact of acquisition related expenses of £0.3m (H1 2023: £0.3m), restructuring costs of £0.5m (2023: nil), share based payments and associated employer taxes of £2.6m (H1 2023: £2.8m) and amortisation of acquired intangibles of £5.8m (H1 2023: £4.8m). The reported operating profit for the period was £12.8m (H1 2023: £18.6m).

Exceptional costs

In response to the more challenging mainstream product market conditions, the Group made some targeted cost reductions in both discretionary expenditure and headcount in the period as part of a productivity programme that has continued into the second half of the year. This programme is expected to result in savings of c.£3.5m in H2 2024, with associated one-off costs of c.£3.0m (including £0.5m in H1 2024). These one-off costs are deemed to be exceptional and have been excluded from the Group's adjusted profit measures. Annualised savings from this programme are expected to be over £5m from early 2025.

Movement in foreign exchange

Compared to the prior year, Sterling strengthened in the period. These movements reduced reported revenue and adjusted operating profit in H1 by 1.7% and 1.6% respectively. Based on current exchange rates this trend is expected to continue for the remainder of the year. Note, the Group makes most of its sales and purchases in local currency; this provides a natural hedge for transactional activity.

Net finance costs

Adjusted net finance costs for the period were an expense of £4.8m (H1 2023: £4.6m) and mainly relate to the financing costs of the Group's revolving credit facility which is used to fund its acquisition investments.

Reported net finance costs were £2.7m (H1 2023: £3.0m). The adjustments to net finance costs include fair value movements in derivatives and foreign exchange movement on borrowings for acquisitions of (£0.6m) (H1 2023: (£1.5m)), valuation changes in deferred and contingent considerations of (£0.9m) (H1 2023: £0.3m), and movements in put option liabilities over non-controlling interests of (£0.6m) (H1 2023: (£0.4m)).

Taxation

The reported tax charge for the period was £2.8m (H1 2023: £4.0m). The adjusted effective tax rate was 27.1%; (H1 2023: 26.1%) calculated based on the adjusted tax charge divided by adjusted profit before tax. The increase in effective tax rate is mainly attributable to the introduction of corporation tax in the United Arab Emirates and geographic mix.

Cash flows and net debt

The Group had an adjusted net cash inflow from operations before tax of £3.6m for the period (H1 2023: £8.2m inflow). The first half is traditionally more working capital intensive when compared with the full year due to the seasonality of demand, especially in the education sector. A continued focus on cash management resulted in a reduction in total working capital, as a percentage of annualised revenue, compared to the same period in the prior year. The Board is comfortable that the Group's long-term average annual cash conversion rate (70-80%) remains sustainable.

Gross capital spend on tangible assets was £2.7m (H1 2023: £2.4m) and included investment in rental assets in UK&I. An investment of £4.9m in intangible fixed assets (H1 2023: £5.9m) was predominantly in relation to the Group's new ERP solution, which went live in its first country at the end of the period.

Adjusted net debt (excluding leases liabilities), was £132.3m at 30 June 2024 (£102.1m at 30 June 2023), equivalent to 2.0x adjusted EBITDA.

The adoption of IFRS 16 in 2019 resulted in an increase in recognised lease liabilities (predominantly for office, showroom and warehouse facilities). Lease liabilities excluded from adjusted net debt totalled £21.8m at 30 June 2024 (£22.8m 30 June 2023). Total net debt was £154.1m at 30 June 2024 (£124.9m at 30 June 2023).

The Group's has a revolving credit facility of £175m which is primarily used for acquisition investments. Approximately 63% of the facility was drawn at 30 June 2024 (54% at 31 December 2023). This facility is supported by six banks, runs to June 2028 and has an adjusted net debt to adjusted EBITDA covenant ratio of 3 times and an adjusted interest cover covenant of 4 times adjusted EBITDA. The EBITDA covenant is calculated on a historical twelve-month basis and includes the full benefit of the prior year's earnings of any businesses acquired. Other borrowing facilities are to provide working capital financing. The Group has access to total facilities of c.£300m.

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

Dividend

The Board is pleased to declare an interim dividend of 5.5 pence per share (H1 2023: 5.5p). This will be paid on 18 October 2024 to those shareholders on the Company's register as at 13 September 2024. The last day to elect for dividend reinvestment ("DRIP") is 27 September 2024.

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

Stephen Fenby
Managing Director

Unaudited consolidated income statement for the 6 months ended 30 June 2024

	Note	30 June 2024	30 June 2023	31 December 2023
		Unaudited £'000	Unaudited £'000	Audited £'000
Revenue	4	646,134	610,442	1,289,144
Cost of sales		<u>(534,369)</u>	<u>(510,868)</u>	<u>(1,072,675)</u>
Gross profit	4	111,765	99,574	216,469

Distribution costs		(74,405)	(61,126)	(130,873)
Administrative expenses		(28,012)	(23,411)	(51,029)
Other operating income		<u>3,479</u>	<u>3,514</u>	<u>7,016</u>
Operating profit	4	12,827	18,551	41,583

Adjusted operating profit	4	21,997	26,424	59,593
Costs of acquisitions		(302)	(306)	(1,489)
Restructuring costs		(503)	-	-
Share based payments		(2,419)	(2,385)	(4,738)
Employer taxes on share based payments		(131)	(370)	(603)
Amortisation of brands, customer and supplier relationships		(5,815)	(4,812)	(11,180)
		<u>12,827</u>	<u>18,551</u>	<u>41,583</u>

Share of profit after tax from associate		30	-	24
Finance income		275	63	293
Finance costs	5	<u>(2,984)</u>	<u>(3,018)</u>	<u>(5,353)</u>
Profit before taxation		10,148	15,596	36,547
Taxation		<u>(2,758)</u>	<u>(4,037)</u>	<u>(7,621)</u>
Profit after taxation		<u>7,390</u>	<u>11,559</u>	<u>28,926</u>

Profit for the financial period/year attributable to:

The Company's equity shareholders		6,620	10,959	26,817
Non-controlling interests		<u>770</u>	<u>600</u>	<u>2,109</u>
		<u>7,390</u>	<u>11,559</u>	<u>28,926</u>
Basic earnings per share	3	6.50p	12.14p	27.98p
Diluted earnings per share	3	6.33p	11.76p	27.06p

Unaudited consolidated statement of comprehensive income for 6 months ended 30 June 2024

	30 June	30 June	31
	2024	2023	December
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000
Profit for the period/financial year	7,390	11,559	28,926
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains and (losses) on retirement benefit obligations	-	-	(172)
Items that will be reclassified subsequently to profit or loss:			
Foreign exchange losses on consolidation	(2,481)	(6,307)	(5,432)
Other comprehensive income for the financial period/year, net of tax	(2,481)	(6,307)	(5,604)
Total comprehensive income for the period/financial year	<u>4,909</u>	<u>5,252</u>	<u>23,322</u>
Attributable to:			
Owners of the Parent Company	4,574	5,015	21,681
Non-controlling interests	<u>335</u>	<u>237</u>	<u>1,641</u>
	<u>4,909</u>	<u>5,252</u>	<u>23,322</u>

Unaudited consolidated statement of financial position as at 30 June 2024

Note	30 June	30 June	31
	2024	2023	December
	Unaudited	Unaudited	Audited
	£'000	£'000	£'000

Assets				
Non-current assets				
Investments	329	-	299	
Goodwill	54,285	38,443	51,216	
Intangible assets	120,679	86,095	117,009	
Right of use assets	19,032	20,955	21,051	
Property, plant and equipment	16,537	15,890	16,640	
Deferred tax assets	839	3,092	617	
	<u>211,701</u>	<u>164,475</u>	<u>206,832</u>	
Current assets				
Inventories	184,322	168,262	165,588	
Trade and other receivables	239,442	236,967	223,826	
Derivative financial instruments	2,455	4,033	2,084	
Cash and cash equivalents	31,229	20,095	56,135	
	<u>457,448</u>	<u>429,357</u>	<u>447,633</u>	
Current liabilities				
Trade and other payables	(242,089)	(220,621)	(230,915)	
Derivative financial instruments	(9)	(176)	(26)	
Put option liabilities over non-controlling interests	(16,295)	(9,301)	(21,958)	
Deferred and contingent considerations	(875)	(9,642)	(11,694)	
Borrowings and financial liabilities	(57,786)	(65,531)	(49,146)	
Current tax	(372)	(2,685)	(179)	
	<u>(317,426)</u>	<u>(307,956)</u>	<u>(313,918)</u>	
Net current assets	<u>140,022</u>	<u>121,401</u>	<u>133,715</u>	
Total assets less current liabilities	<u>351,723</u>	<u>285,876</u>	<u>340,547</u>	
Non-current liabilities				
Trade and other payables	(3,654)	(1,694)	(3,915)	
Put option liabilities over non-controlling interests	(786)	(6,231)	(743)	
Deferred and contingent considerations	(5,882)	-	(3,685)	
Borrowings and financial liabilities	(127,498)	(79,481)	(113,180)	
Deferred tax liabilities	(18,458)	(12,563)	(18,920)	
Other provisions	(3,978)	(3,635)	(3,960)	
	<u>(160,256)</u>	<u>(103,604)</u>	<u>(144,403)</u>	
Net assets	<u>191,467</u>	<u>182,272</u>	<u>196,144</u>	
Equity				
Share capital	6	1,042	1,033	1,033
Share premium		116,959	116,959	116,959
Share based payment reserve		9,039	10,404	10,843
Investment in own shares	6	(618)	(20)	(616)
Retained earnings		65,630	51,448	63,093
Translation reserve		(1,654)	(588)	392
Put option reserve		(14,783)	(10,799)	(18,649)
Capital redemption reserve		50	50	50
Other reserve		150	150	150
Equity attributable to owners of Parent Company		<u>175,815</u>	<u>168,637</u>	<u>173,255</u>
Non-controlling interests		<u>15,652</u>	<u>13,635</u>	<u>22,889</u>
Total equity		<u>191,467</u>	<u>182,272</u>	<u>196,144</u>

Unaudited consolidated statement of changes in equity for 6 months ended 30 June 2024

For the period ended 30 June 2024

	Share capital £'000	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 7)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 2024	1,033	116,959	(616)	63,093	(7,214)	173,255	22,889	196,144
Profit for the period	-	-	-	6,620	-	6,620	770	7,390
Other comprehensive income	-	-	-	-	(2,046)	(2,046)	(435)	(2,481)
Total comprehensive income for the year	-	-	-	6,620	(2,046)	4,574	335	4,909
Shares issued (note 6)	9	-	(9)	-	-	-	-	-
Share based payments	-	-	-	-	2,300	2,300	-	2,300
Deferred tax on share based payments	-	-	-	-	(425)	(425)	-	(425)
Share options exercised	-	-	7	3,678	(3,679)	6	-	6
Acquisition of non-controlling interest (note 9)	-	-	-	3,706	3,866	7,572	(7,572)	-
Dividends paid (note 14)	-	-	-	(11,467)	-	(11,467)	-	(11,467)
Balance at 30 June 2024	1,042	116,959	(618)	65,630	(7,109)	175,815	15,652	191,467

(unaudited) 1,042 110,339 (618) 63,630 (7,198) 173,813 13,632 191,407

For the period ended 30 June 2023

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

For the year ended 31 December 2023 (audited)

	Share capital £'000 (note 6)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 7)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 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 6)	144	49,912	(23)	-	-	50,033	-	50,033
Shares purchases (note 6)	-	-	(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 8)	-	-	-	-	(7,850)	(7,850)	7,850	-
Dividends paid (note 14)	-	-	-	(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

Unaudited consolidated cashflow statement for 6 months ended 30 June 2024

	30 June 2024 Unaudited £'000	30 June 2023 Unaudited £'000	31 December 2023 Audited £'000
Cash flows from operating activities			
Profit before tax	10,148	15,596	36,547
Depreciation	4,956	3,817	9,286
Amortisation	5,938	5,067	11,818
(Gain)/loss on disposal of assets	46	(65)	763
Share based payments	2,300	2,357	4,661
Foreign exchange (gains)/losses	(1,513)	(3,529)	(2,467)

Foreign exchange (gains)/losses	-	-	(2,707)
Share of profit after tax from associate	(30)	-	(24)
Finance income	(275)	(63)	(293)
Finance costs	<u>2,984</u>	<u>3,018</u>	<u>5,353</u>
Profit from operations before changes in working capital	24,554	26,198	65,644
(Increase)/decrease in inventories	(18,734)	2,353	10,524
(Increase)/decrease in trade and other receivables	(15,213)	(9,138)	9,637
Increase/(decrease) in trade and other payables	<u>10,716</u>	<u>(15,094)</u>	<u>(9,429)</u>
Cash inflow from operations	1,323	4,319	76,376
Income tax paid	<u>(5,290)</u>	<u>(6,134)</u>	<u>(12,586)</u>
Net cash inflow/(outflow) from operating activities	(3,967)	(1,815)	63,790
Cash flows from investing activities			
Acquisition of businesses net of cash acquired	(2,803)	(20,215)	(42,359)
Deferred consideration paid	(12,325)	(9,300)	(9,300)
Investment in associate	-	-	(275)
Purchase of intangible assets	(4,929)	(5,945)	(10,364)
Purchase of plant and equipment	(2,680)	(2,442)	(5,605)
Proceeds on disposal of plant and equipment	189	226	198
Interest received	<u>276</u>	<u>63</u>	<u>293</u>
Net cash outflow from investing activities	(22,272)	(37,613)	(67,412)
Cash from financing activities			
Gross proceeds on issue of shares	-	51,250	51,250
Costs associated with shares issued	-	(1,217)	(1,217)
Purchase of own shares	-	-	(600)
Proceeds on exercise of share options	6	8	10
Acquisition of non-controlling interest	(5,036)	-	(61)
Dividends paid	(11,467)	(9,388)	(14,982)
Invoice financing inflows	3,368	2,948	(3,009)
Proceeds from borrowings	17,328	1,525	39,228
Repayment of loans	(571)	(16,436)	(19,690)
Interest paid	(4,816)	(4,240)	(9,360)
Interest on leases	(443)	(419)	(651)
Capital element of lease payments	<u>(2,362)</u>	<u>(2,235)</u>	<u>(5,235)</u>
Net cash inflow from financing activities	(3,993)	21,796	35,683
Net decrease in cash and cash equivalents	(30,232)	(17,632)	32,061
Cash and cash equivalents at beginning of period/year	52,053	20,938	20,938
Effects of exchange rate changes	<u>(36)</u>	<u>(409)</u>	<u>(946)</u>
Cash and cash equivalents at end of period/year	<u>21,785</u>	<u>2,897</u>	<u>52,053</u>
Comprising:			
Cash at bank	31,229	20,095	56,135
Bank overdrafts	<u>(9,444)</u>	<u>(17,198)</u>	<u>(4,082)</u>
	<u>21,785</u>	<u>2,897</u>	<u>52,053</u>

Notes to the interim consolidated financial information

1. General information

The interim financial information for the period to 30 June 2024 is unaudited and does not constitute statutory financial statements within the meaning of Section 434 of the Companies Act 2006.

The interim consolidated financial information does not include all the information required for statutory financial statements in accordance with UK adopted International Accounting Standards ("IAS"), and should therefore be read in conjunction with the consolidated financial statements for the year ended 31 December 2023.

2. Accounting policies

Basis of preparation

The interim financial information in this report has been prepared on the basis of the accounting policies set out in the audited financial statements for the year ended 31 December 2023. The audited financial statements for the year ended 31 December 2023 were prepared in accordance with UK adopted International Accounting Standards ("IAS") in conformity with the requirements of the Companies Act 2006.

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

The statutory accounts for the year ended 31 December 2023, have been delivered to the Registrar of Companies. The auditors reported on those accounts; their report was unqualified, did not contain a statement under section 408(2) or

auditors reported on these accounts; their report was unqualified; did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006, and did not include reference to any matters to which the auditor drew attention by way of emphasis.

Use of alternative performance measures

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

Constant currency: This eliminates the impact of foreign exchange movement, which is outside of management's control.

Growth at constant currency: This measure shows the year on year change in performance at constant currency.

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

Adjusted operating profit: Adjusted operating profit is disclosed to indicate the Group's underlying profitability. It is defined as profit before acquisition related expenses, restructuring costs, share based payments and associated employer taxes and amortisation of brand, customer 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 and amortisation.

Adjusted net finance costs: These represent the net financing costs of the Group's credit facilities less interest income and excludes non-cash items relating to 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 before tax: This is adjusted operating profit less adjusted finance costs.

Adjusted taxation: This represents taxation less the tax impact of the adjusting items included within adjusted profit before tax.

Adjusted profit after tax: This is adjusted profit before profit less adjusted taxation.

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

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

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

3. Earnings per share

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

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

	June 2024	June 2023	December 2023
Profit attributable to equity holders of the Parent Company (£'000)	6,620	10,959	26,817
Weighted average number of shares outstanding	101,918,847	90,242,805	95,852,306
Dilutive (potential dilutive) effect of share options	2,688,918	2,974,694	3,233,327
Weighted average number of ordinary shares for the purposes of diluted earnings per share	104,607,765	93,217,499	99,085,633
Basic earnings per share	6.50p	12.14p	27.98p
Diluted earnings per share	6.33p	11.76p	27.06p

4. Segmental reporting

30 June 2024	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	233,123	274,608	23,301	115,102	-	646,134
Gross profit	39,633	45,804	3,673	22,655	-	111,765
Gross profit %	17.0%	16.7%	15.8%	19.7%	-	17.3%
Adjusted operating profit	8,484	11,228	(468)	5,301	(2,548)	21,997
Cost of acquisitions	-	-	-	-	(302)	(302)

Restructuring costs	(94)	(323)	(54)	(13)	(19)	(503)
Share based payments	(910)	(750)	(117)	(69)	(573)	(2,419)
Employer taxes on share based payments	(35)	(54)	2	(3)	(41)	(131)
Amortisation of brand, customer and supplier relationships	(2,191)	(2,026)	(126)	(1,472)	-	(5,815)

Operating profit	5,254	8,075	(763)	3,744	(3,483)	12,827
Share of profit after tax from associate						30
Net interest expense					(2,709)	
Profit before tax					10,148	

Other segmental information

June 2024	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	284,049	252,758	24,679	107,585	78	669,149
Segment liabilities	(222,984)	(156,462)	(21,536)	(76,082)	(618)	(477,682)
Segment net assets	61,065	96,296	3,143	31,503	(540)	191,467
Depreciation	2,181	1,622	334	819	-	4,956
Amortisation	2,214	2,050	132	1,542	-	5,938

Segment country information	UK £'000	Germany £'000	USA £'000	Other £'000	Total £'000
Non-current assets	94,226	27,554	28,751	61,170	211,701
Deferred tax assets	-	-	-	839	839
Non-current assets excluding deferred tax	94,226	27,554	28,751	60,331	210,862

30 June 2023	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Revenue	234,022	281,284	25,252	69,884	-	610,442
Gross profit	41,450	43,580	4,427	10,117	-	99,574
Gross profit %	17.7%	15.5%	17.5%	14.5%	-	16.3%
Adjusted operating profit	13,909	12,583	101	2,957	(3,126)	26,424
Cost of acquisitions	-	-	-	-	(306)	(306)
Share based payments	(947)	(733)	(158)	(48)	(499)	(2,385)
Employer taxes on share based payments	(112)	(167)	(12)	(5)	(74)	(370)
Amortisation of brand, customer and supplier relationships	(2,142)	(1,781)	(136)	(753)	-	(4,812)
Operating profit	10,708	9,902	(205)	2,151	(4,005)	18,551
Share of profit after tax from associate						-
Net interest expense					(2,955)	
Profit before tax					15,596	
Other segmental information						
June 2023	UK & Ireland £'000	EMEA £'000	Asia Pacific £'000	North America £'000	Other £'000	Total £'000
Segment assets	246,154	241,682	23,532	81,069	1,395	593,832
Segment liabilities	(187,844)	(170,034)	(19,600)	(32,691)	(1,391)	(411,560)
Segment net assets	58,310	71,648	3,932	48,378	4	182,272
Depreciation	1,501	1,666	275	375	-	3,817
Amortisation	2,248	1,812	144	863	-	5,067
Other segmental information						

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

31 December 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
December 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	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

5. Finance costs

	June 2024 £'000	June 2023 £'000	December 2023 £'000
Interest on overdraft and invoice discounting	1,061	1,413	3,894
Interest on leases	451	419	651
Interest on loans	3,460	2,756	5,214
Fair value movements on foreign exchange derivatives	87	141	54
Other interest costs	4	2	88
Fair value movements on derivatives for borrowings	(192)	(763)	1,219
Foreign exchange gains on borrowings for acquisitions	(430)	(751)	(554)
Interest, foreign exchange and other finance costs of deferred and contingent considerations	(873)	243	(4,150)
Interest, foreign exchange and other finance costs of put option liabilities	(584)	(442)	(1,063)
	<u>2,984</u>	<u>3,018</u>	<u>5,353</u>

6. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

Classed as equity:	June 2024		June 2023		December 2023	
	Number	£'000	Number	£'000	Number	£'000
Issued and fully paid ordinary shares of £0.01 each						
Opening balance	103,251,326	1,033	88,879,912	889	88,879,912	889
Shares issued	993,800	9	14,371,414	144	14,371,414	144
Closing balance	104,245,126	1,042	103,251,326	1,033	103,251,326	1,033

During the period Midwich Group plc issued 993,800 shares (2023: 2,312,476) into an employee benefit trust. During the prior period the Group also issued 12,058,938 shares for total proceeds less issue cost of £50,033k.

Own shares held in employee benefit trusts

	June 2024		June 2023		December 2023	
	Number	£'000	Number	£'000	Number	£'000
Issued and fully paid ordinary shares of £0.01 each						
Opening balance	1,770,282	616	501,460	5	501,460	5
Shares issued	993,800	9	2,312,476	23	2,312,476	23
Shares purchased	-	-	-	-	149,838	600
Exercise of share options	(830,958)	(7)	(833,092)	(8)	(1,193,492)	(12)
Closing balance	1,933,124	618	1,980,844	20	1,770,282	616

A reconciliation of LTIP option movements during the current and comparative period, and the year to 31 December 2023 is as follows:

	Six months to June 2024	Six months to June 2023	Twelve months to December 2023
Outstanding at 1 January	3,885,946	4,115,317	4,115,317
Granted	-	-	1,047,711
Lapsed	7,000	(10,200)	(177,490)
Exercised	(746,058)	(827,992)	(1,099,592)
Outstanding at period end	3,146,888	3,277,125	3,885,946
Weighted average remaining contractual life	0.9 years	1.0 years	1.1 years

A reconciliation of SIP option movements during the current and comparative period, and the year to 31 December 2023 is as follows:

	Six months to June 2024	Six months to June 2023	Twelve months to December 2023
Outstanding at 1 January	276,300	280,800	280,800
Granted	186,600	111,300	111,300
Lapsed	(11,400)	(3,300)	(21,900)
Exercised	(84,900)	(5,100)	(93,900)
Outstanding at period end	366,600	383,700	276,300
Weighted average remaining contractual life	2.0 years	1.6 years	1.4 years

7. Other reserves

Movement in other reserves for the year ended 30 June 2024 (Unaudited)

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2024	10,843	392	(18,649)	50	150	(7,214)
Other comprehensive income	-	(2,046)	-	-	-	(2,046)
Total comprehensive income for the period	-	(2,046)	-	-	-	(2,046)
Share based payments	2,300	-	-	-	-	2,300
Deferred tax on share based payments	(425)	-	-	-	-	(425)
Share options exercised	(3,679)	-	-	-	-	(3,679)
Acquisition of non-controlling interest (note 9)	-	-	3,866	-	-	3,866
Balance at 30 June 2024	9,039	(1,654)	(14,783)	50	150	(7,198)

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

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

Movement in other reserves for the year ended 31 December 2023 (Audited)

	Share based payment reserve £'000	Translation reserve £'000	Put option reserve £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 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 8)	-	-	(7,850)	-	-	(7,850)
Balance at 31 December 2023	<u>10,843</u>	<u>392</u>	<u>(18,649)</u>	<u>50</u>	<u>150</u>	<u>(7,214)</u>

8. Business combinations

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

Subsidiaries acquired

Acquisition	Principal activity	Date of acquisition	Proportion acquired (%)	Fair value of consideration £'000
The Farm	Distribution of audio visual products to trade customers	19 January 2024	100%	7,613
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

2024 acquisitions

Fair value of consideration transferred 2024

	The Farm £'000
Cash	2,948
Deferred consideration	292
Contingent consideration	4,373
Total	<u>7,613</u>

Acquisition costs of £302k in relation to the acquisitions of The Farm and other acquisitions not completed by the period end were expensed to the income statement during the period ended 30 June 2024.

Fair value of acquisitions 2024

	The Farm £'000
Non-current assets	
Goodwill	3,512
Intangible assets - brands	352
Intangible assets - customer relationships	1,135
Intangible assets - supplier relationships	3,895
Right of use assets	236
Property, plant and equipment	3
	<u>9,133</u>
Current assets	
Trade and other receivables	403
Cash and cash equivalents	145
	<u>548</u>
Current liabilities	
Trade and other payables	(218)
Borrowings and financial liabilities	(32)
	<u>(250)</u>
Non-current liabilities	
Borrowings and financial liabilities	(205)
Deferred tax	(1,613)
	<u>(1,818)</u>
Non-controlling interests	<u>-</u>
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	<u>7,613</u>

Goodwill acquired in 2024 relates to the workforce, synergies and sales know how. Goodwill arising on the The Farm acquisition has been allocated to the North America segment.

Net cash outflow on acquisition of subsidiaries 2024

	The Farm £'000
Consideration paid in cash	2,948
Less: cash and cash equivalent balances acquired	<u>(145)</u>
Net cash outflow	<u>2,803</u>
Plus: borrowings acquired	<u>237</u>
Net debt outflow	<u>3,040</u>

Fair value of considerations 2023

	SF Marketing £'000	HHB £'000	prodyTel £'000	Others £'000
Cash	20,215	13,087	7,406	7,706
Deferred consideration	1,154	-	-	689
Contingent consideration	-	7,991	764	864
Total	<u>21,369</u>	<u>21,078</u>	<u>8,170</u>	<u>9,259</u>

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

Fair value of acquisitions 2023

	SF Marketing £'000	HHB £'000	prodyTel £'000	Others £'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	2,485	5,082	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
	<u>16,845</u>	<u>17,314</u>	<u>18,493</u>	<u>10,582</u>
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
	<u>20,148</u>	<u>10,304</u>	<u>3,377</u>	<u>3,388</u>
Current liabilities				
Trade and other payables	(9,690)	(3,092)	(1,093)	(2,672)
Borrowings and financial liabilities	(700)	-	-	(3)
Current tax	-	-	(129)	(146)
	<u>(10,390)</u>	<u>(3,092)</u>	<u>(1,222)</u>	<u>(2,821)</u>
Non-current liabilities				
Borrowings and financial liabilities	<u>(2,781)</u>	<u>(501)</u>	<u>(357)</u>	<u>(117)</u>

Deferred tax	<u>(2,453)</u>	<u>(2,947)</u>	<u>(4,271)</u>	<u>(1,773)</u>
	(5,234)	(3,448)	(4,628)	(1,890)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>(7,850)</u>	<u>-</u>
Fair value of net assets acquired attributable to equity shareholders of the Parent Company	<u>21,369</u>	<u>21,078</u>	<u>8,170</u>	<u>9,259</u>

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	<u>(118)</u>	<u>(3,794)</u>	<u>(634)</u>	<u>(1,509)</u>
Net cash outflow	<u>20,097</u>	<u>9,293</u>	<u>6,772</u>	<u>6,197</u>
Plus: borrowings acquired	<u>3,481</u>	<u>501</u>	<u>357</u>	<u>120</u>
Net debt outflow	<u>23,578</u>	<u>9,794</u>	<u>7,129</u>	<u>6,317</u>

9. Acquisition of non-controlling interest

During the period to 30 June 2024 the Group exercised a call option to acquire the remaining 20% non-controlling interest in Midwich International Limited, which had a value of £7,572k. The present value of the option exercised was £9,627k, of which £5,036k was paid during the period. The remaining liability is due to be paid in 2025. £3,866k of the put option reserve was transferred to retained earnings when this call option was exercised and the put option was extinguished.

10. Currency impact

The Group reports in Pounds Sterling (GBP) but has significant revenues and costs as well as assets and liabilities that are denominated in other currencies including Euros (EUR), Dollars (USD) Canadian Dollars (CAD) and Australian Dollars (AUD). The table below sets out the exchange rates in the current and prior periods.

	Six months to 30 June 2024	Six months to 30 June 2023	At 30 June 2024	At 30 June 2023	At 31 December 2023
	Average	Average			
EUR/GBP	1.170	1.144	1.180	1.165	1.154
AUD/GBP	1.915	1.841	1.893	1.910	1.868
NZD/GBP	2.076	1.987	2.074	2.075	2.013
USD/GBP	1.267	1.236	1.264	1.271	1.275
CHF/GBP	1.121	1.128	1.136	1.137	1.073
NOK/GBP	13.437	12.925	13.461	13.619	12.947
AED/GBP	4.650	4.540	4.641	4.667	4.678
QAR/GBP	4.608	4.500	4.600	4.626	4.637
SAR/GBP	4.750	4.583	4.743	4.769	4.769
CAD/GBP	1.713	1.648	1.730	1.682	1.682

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

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

Profit before tax

Profit before tax

	Revised 2023 £'000	2023 £'000	Impact £'000	Impact %
EUR	15,387	15,596	(209)	(1.3%)
AUD	15,602	15,596	6	-%
NZD	15,597	15,596	1	-%
USD	15,569	15,596	(27)	(0.2%)
CHF	15,593	15,596	(3)	-%
NOK	15,590	15,596	(6)	-%
AED	15,514	15,596	(82)	(0.5%)
QAR	15,585	15,596	(11)	(0.1%)
SAR	15,602	15,596	6	-%
CAD	15,587	15,596	(9)	(0.1%)
All currencies	15,262	15,596	(334)	(2.1%)

Net assets

	Revised 2023 £'000	2023 £'000	Impact £'000	Impact %
EUR	181,474	182,272	(798)	(0.4%)
AUD	182,304	182,272	32	-%
NZD	182,274	182,272	2	-%
USD	182,355	182,272	83	-%
CHF	182,274	182,272	2	-%
NOK	182,300	182,272	28	-%
AED	182,371	182,272	99	0.1%
QAR	182,290	182,272	18	-%
SAR	182,274	182,272	2	-%
CAD	181,684	182,272	(588)	(0.3%)
All currencies	181,152	182,272	(1,120)	(0.6%)

11. Events after the reporting date

On 31 July 2024, the Group acquired the remaining 70% of the share capital of Dry Hire Lighting Limited, a Company based in High Wycombe, United Kingdom. The business specialises in the rental of lighting products to the trade market. The consideration is comprised of an initial payment of £3.0m, a deferred consideration of £0.5m due later in 2024, and a contingent consideration of up to £0.8m payable in 2026.

12. Copies of interim report

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

13. Adjustments to reported results

	Six months ended	
	30 June 2024 £000	30 June 2023 £000
Operating profit	12,827	18,551
Cost of acquisitions	302	306
Restructuring costs	503	-
Share based payments	2,419	2,385
Employer taxes on share based payments	131	370
Amortisation of brands, customer and supplier relationships	5,815	4,812
Adjusted operating profit	21,997	26,424
Depreciation	4,956	3,817
Amortisation of patents and software	123	255
Adjusted EBITDA	27,076	30,496
(Increase)/decrease in inventories	(18,734)	2,353
(Increase) in trade and other receivables	(15,213)	(9,138)
Increase/(decrease) in adjusted ¹ trade and other payables	10,466	(15,492)
Adjusted cash flow from operations	3,595	8,219
Adjusted EBITDA cash flow conversion	13.3%	27.0%
Profit before tax	10,148	15,596
Cost of acquisitions	302	306
Restructuring costs	503	-
Share based payments	2,419	2,385
Employer taxes on share based payments	131	370
Amortisation of brands, customer and supplier relationships	5,815	4,812
Derivative fair value and foreign exchange gains and losses on acquisition borrowings	(622)	(1,514)
Finance costs - deferred and contingent considerations	(873)	243
Finance costs - put option liabilities over non-controlling interests	(584)	(443)
Adjusted profit before tax	17,239	21,755
Profit after tax	7,390	11,559
Cost of acquisitions	302	306
Restructuring costs	503	-
Share based payments	2,419	2,385
Employer taxes on share based payments	131	370
Amortisation of brands, customer and supplier relationships	5,815	4,812
Derivative fair value and foreign exchange gains and losses on acquisition borrowings	(622)	(1,514)
Finance costs - deferred and contingent considerations	(873)	243

Finance costs - put option liabilities over non-controlling interests	(584)	(443)
Tax impact	(1,917)	(1,636)
Adjusted profit after tax	12,564	16,082

Profit after tax	7,390	11,559
Non-controlling interest (NCI)	(770)	(600)
Profit after tax attributable to equity holders of the Parent Company	6,620	10,959
 Adjusted profit after tax	 12,564	 16,082
Non-controlling interest	(770)	(600)
Share based payments attributable to NCI	(9)	(7)
Employer taxes on share based payments attributable to NCI	-	-
Amortisation of brands, customer and supplier relationships attributable to NCI	(472)	(243)
Tax impact attributable to NCI	119	45
Adjusted profit after tax attributable to equity holders of the Parent Company	11,432	15,277
 Weighted average number of ordinary shares	 101,918,847	 90,242,805
Diluted weighted average number of ordinary shares	104,607,765	93,217,499
 Adjusted basic earnings per share	 11.22p	 16.93p
Adjusted diluted earnings per share	10.93p	16.39p

¹ Excludes the movement in cash settled share based payments

14. Dividends

During the period the Group declared a final dividend of 11.00 pence per share. (30 June 2023: 10.50 pence per share).

After the period end the Group declared an interim dividend for the six months to 30 June 2024 of 5.50 pence (30 June 2023: 5.50 pence per share) that relates to profits earned over the period.

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