Midwich
Group Plc

EXPANDING OUR

Global reach

ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

Midwich Group is a leading, global specialist AV distributor to the trade market.

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

FINANCIAL HIGHLIGHTS

Statutory measures	Adjusted performance measures
Revenue £1,289m 2022: £1,204m	**Adjusted operating profit** £59.6m 2022: £51.1m
Operating profit £41.6m 2022: £35.1m	**Adjusted EBITDA cash conversion** 114% 2022: 54%
Gross margin 16.8% 2022: 15.3%	**Adjusted profit before tax** £50.0m 2022: £45.2m
Basic EPS 27.98p 2022: 17.32p	**Adjusted net debt** £82.6m 2022: £96.0m

OPERATIONAL HIGHLIGHTS

— Further delivery of the Group's strategic goals with a record financial performance and strong margin improvements

— Revenue growth of 6.8% at constant exchange rates, including 0.8% organic growth despite wider market challenges

— Highest ever gross profit margins of 16.8%, substantially ahead of the prior year (2022: 15.3%)

— Adjusted operating profits increased by 16.8% at constant exchange rates to £59.6m, demonstrating strong operational leverage

— Entry into the Canadian pro audio market through the acquisition of S.F. Marketing Inc.

— Six further in-year acquisitions with integration progressing well

— Compound annual growth in revenue and adjusted operating profit since IPO in 2016 of 20% and 18% respectively, with a strong return on capital. Testament to the strength of our long-term strategy and the quality of our teams

— Management continues to see a strong future acquisition pipeline across a number of regions and technologies

— Successful equity placing to support acquisition investments

See page 112 of the Group financial statements for definitions of non-GAAP measures, and note 25 of the financial statements for the actual and constant currency exchange rates.

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WHAT WE DO

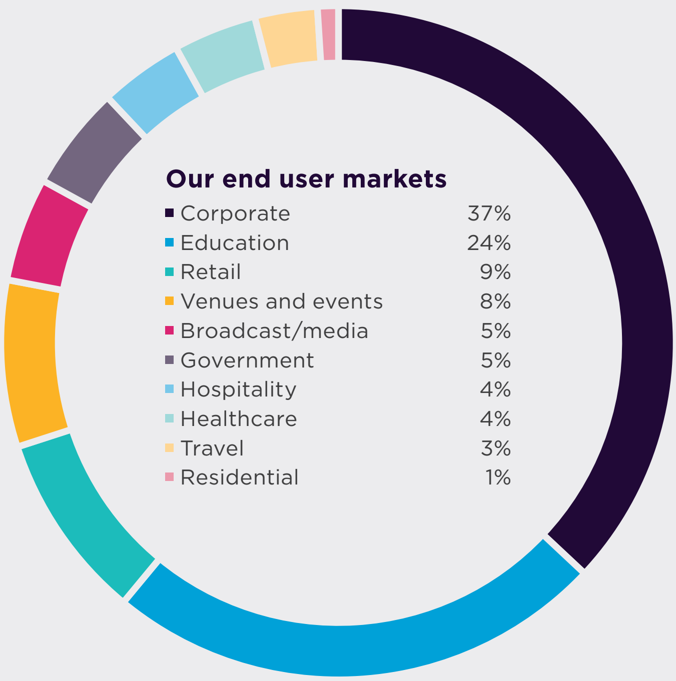
We support a comprehensive product portfolio which enables us to be a world-class distributor of AV products and services.

WHO WE SERVE

Our customers are primarily installers and resellers of AV equipment into the Pro AV market. This market addresses a number of segments covering a very broad range of end user markets.

Staff members
1,800+

Offices/showrooms
43



Vendor relationships
800+

Customers served
24,000

The above segments represent proportions of our business.

> The performance of the Group in 2023 was outstanding with record revenue, gross profit and operating profit and further execution of the Group's strategic objectives."

Stephen Fenby
Group Managing Director

> Strong balance sheet, combined with the Group's underlying cash generation, equips it well to fund organic growth and continue to pursue accretive acquisition opportunities."

Stephen Lamb
Group Finance Director

OUR VALUES

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

Honesty

Trust

Hard work

Humility

Creativity

OUR PURPOSE

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

STRATEGIC PILLARS

Specialisation

Geographical coverage

Scale

▶ **Read more** about our strategy on P.26

COMPETITIVE ADVANTAGES

Industry expertise

Global footprint

Acquisitions

▶ **Read more** about our business model on P.24

SUSTAINABILITY

Our people

The environment

Our solutions

The AV channel

▶ **Read more** about sustainability on P.46

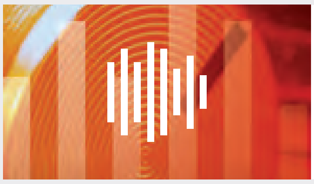
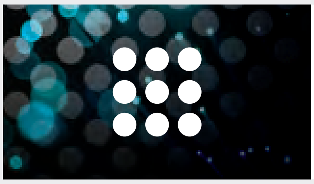
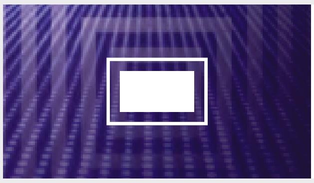
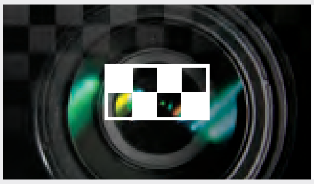
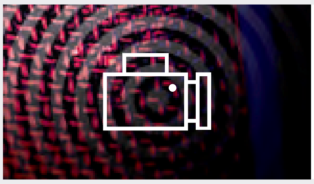
OUR CULTURE

Our people are passionate, collaborative, supportive, ambitious and service-minded; AV solutions help people to communicate, collaborate and work more efficiently. They also provide experiences and entertainment.

▶ **Read more** about our strategy on P.26

TECHNOLOGY COVERAGE

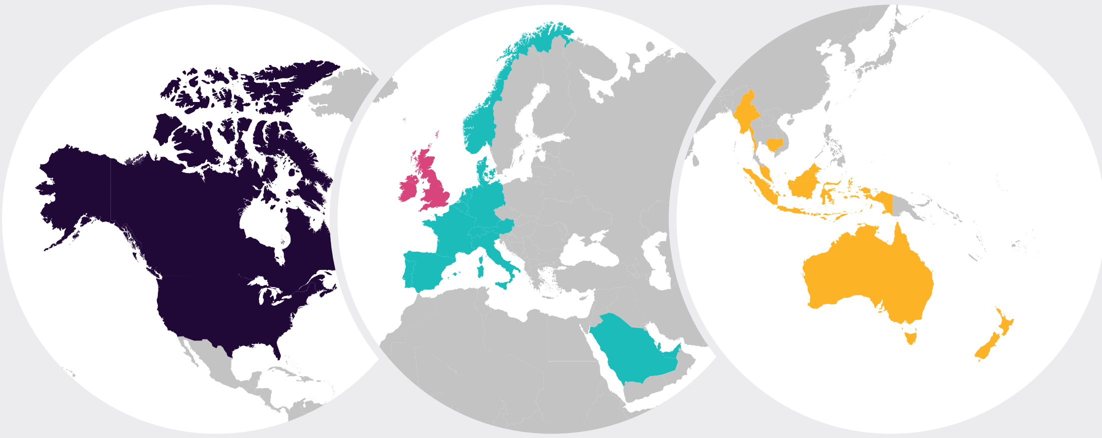
■ Strong offering ■ Modest offering ■ No offering

	Technology	USA	Canada	UK & Ireland	Germany	Austria	France	Iberia	Italy	Norway	Switzerland	Benelux	Middle East	APAC
	**TECHNICAL** From IPTV to digital signage and image processing systems, there is ever-increasing complexity in connectivity, content and control.	Modest	Modest	Strong	Strong	Strong	Strong	Modest	Modest	Modest	Modest	Modest	Modest	Modest
	**PROFESSIONAL AUDIO** Provision of class-leading audio for the installed audio, concert sound and studio broadcast industries.	Modest	Strong	Strong	Modest	No	Strong	Strong	Strong	No	No	Modest	Strong	Modest
	**LED** LED displays deliver across a wide range of applications without compromise: seamless, high brightness, scalable to any shape or size and versatile in set-up.	No	No	Strong	Strong	Modest	Strong	Strong	Strong	Modest	Modest	Strong	No	No
	**PROJECTION** Offering a selection of projectors and projection screens to suit all needs and budgets. The key market driver is the introduction of projectors that are laser light sourced.	Modest	Modest	Strong	Strong	Strong	Strong	Modest	Modest	Strong	Modest	Modest	Modest	Strong
	**DISPLAY** Businesses in almost every market you can think of are deploying increasing numbers of screens. Commercially, displays have become ever more prevalent with the increase in touch enabled apps.	Modest	Modest	Strong	Strong	Strong	Strong	Modest	Modest	Strong	Strong	Strong	Modest	Strong
	**SECURITY** The rise of digital capability and image quality, along with remote access and a requirement to secure homes and businesses, has led to an ever evolving demand.	No	No	Strong	No	No	No	No	No	No	No	No	No	No
	**UNIFIED COMMUNICATIONS ("UC")** The rise of the so-called "huddle room" means a new generation of video and audio meeting room technology has become available.	Strong	Modest	Strong	Strong	Modest	Modest	Modest	Modest	Modest	Modest	Modest	No	Modest
	**LIGHTING** Distribution of spectacular, professional lighting and accessories for theatres, concerts and live productions.	No	No	Modest	No	No	No	Strong	Modest	No	No	No	Modest	No
	**BROADCAST** Providing professional equipment and solutions enabling live and recorded TV and video production along with supporting post-production, encoding and streaming.	Modest	Modest	Strong	Strong	No	No	Strong	No	No	No	Modest	No	Strong

WHERE WE OPERATE

With operations in the UK and Ireland, EMEA, Asia Pacific and North America, the Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

OUR REACH IN 2023



NORTH AMERICA

sfm
STARIN a Midwich Group company
THE FARM Enterprise AV
TOOLFARM

UK & IRELAND

dvs
HHB
holdan
invision a division of Midwich Ltd
midwich
nimans a Midwich Group company
PSCo
pulse CINEMAS
sound TECHNOLOGY
squareone a Midwich Group company

EMEA

avpartner a Midwich Group company
EarPro & EES a Midwich Group company
holdan
KERN & STELLY
mobilePRO
newmediaAV
nmk a Midwich Group company
EDGE ELECTRONICS TRADING
PRASE MEDIA TECHNOLOGIES
prodyTel Professional Solutions for AV / IT
sidev a Midwich Group company
van Domburg Partners a Midwich Group company
videodigital a Midwich Group company
midwich

ASIA PACIFIC

blonde ROBOT
midwich

INVESTMENT CASE

Our experienced team has achieved over fifteen years of unbroken revenue growth, with strong gross margin expansion.

Expertise, focus, strong customer and supplier relationships, and scale in a $300bn market expected to grow at an average of 5.6% per annum for the next five years (AVIXA).

SPECIALIST AV OFFERING

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

Vendor relationships

800+

▶ **Read more** about our specialisation on P.28

GEOGRAPHICAL FOOTPRINT

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

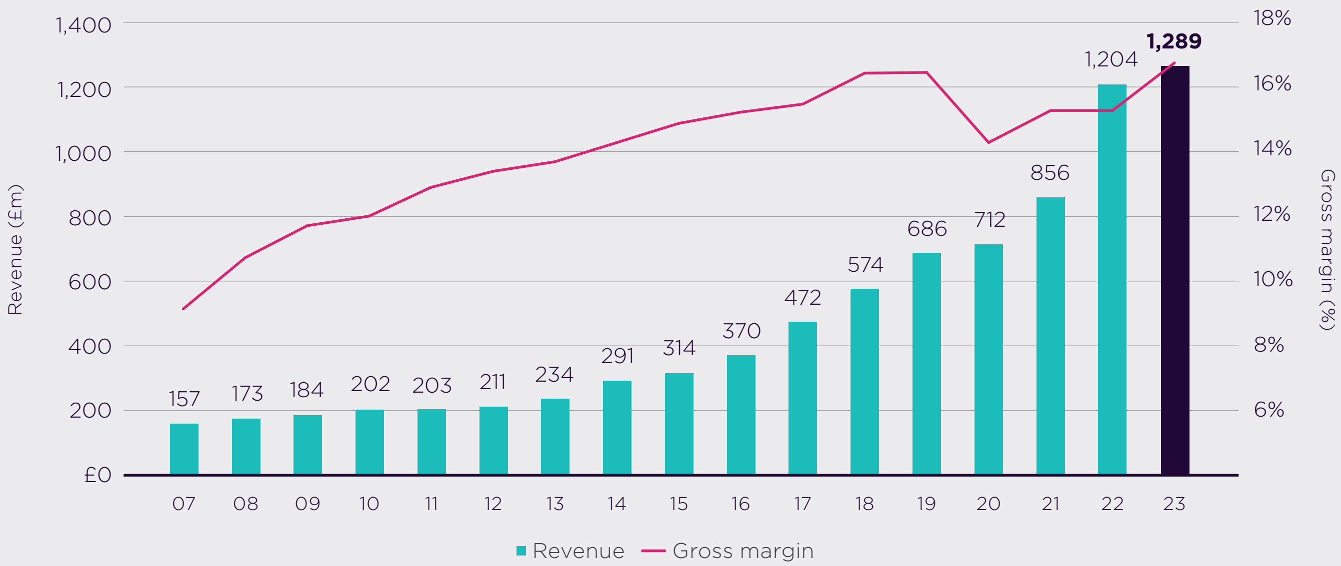
Countries of operation

22

▶ **Read more** about our geographies on P.30

Track record of growth through economic cycles with sustained market share gains and gross margin improvement

Revenue



PROVEN ACQUISITION CAPABILITY

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

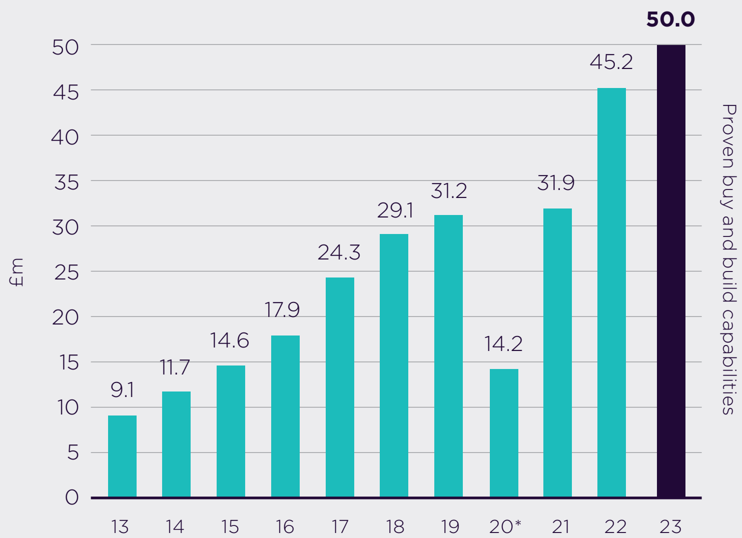
Acquisitions since IPO

26

▶ **Read more** about acquisitions on P.32

Consistent profit growth supported by strong operating cash flows

Adjusted PBT



* Global pandemic

26 ACQUISITIONS SINCE IPO

2016	**Holdan** UK **Wired** New Zealand
2017	**Earpro** Spain and Portugal **Van Domburg Partners** Netherlands **Sound Technology** UK
2018	**New Media** Germany, Austria and Switzerland **Perfect Sound** France, Switzerland **Blonde Robot** Asia Pacific region
2019	**Mobile Pro** Switzerland **Prase** Italy **AV Partner** Norway **EES** Spain
2020	**Starin Marketing** USA **Vantage Systems** Australia
2021	**NMK Group** UAE, Qatar **eLink Distribution AG** Germany **Intro 2020** UK
2022	**Cooper Projects Limited (“DVS”)** UK **Nimans Limited** UK
2023	**S.F. Marketing Inc.** Canada **HHB Communications Holdings Limited** UK **Pulse Cinemas Holdings Limited** UK **Toolfarm.com, Inc** US **Digital Media Promos, Inc (“76 Media”)** US **Video Digital Soluciones S.L.** Spain **prodyTel Distribution GmbH** Germany

Strategic Report

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GIFT OF AV: EMPOWERING CHARITABLE CAUSES

At Midwich, we believe in giving back to the communities we serve and making a positive impact on society. Our commitment to social responsibility is embedded in our values, and we are proud to share the following highlights.

In 2022, the "Gift of AV" fund was launched as the cornerstone of Midwich's charitable endeavours. A year on, this fund represents our dedication to supporting 15 national and local charitable organisations and community groups across the UK and Ireland. Since its inception, the "Gift of AV" fund has collectively raised more than £90,000 in donations.

Over the past decade, Midwich has donated a total of £310,000 to various charities, demonstrating the ongoing commitment of its people to making a meaningful difference to the lives of others.

PRODUCT AND TECHNOLOGY DONATIONS

As well as donating much needed funds, Midwich provides selected charitable organisations or community groups with donations of products and technologies.

CHAMPIONING COMMUNITY ENGAGEMENT: AV CHALLENGES

Throughout 2023, Midwich organised a series of engaging challenges designed to foster camaraderie and promote charitable giving within the AV industry. These challenges included:

— London Marathon: AV professionals participated in this iconic event, raising both awareness and funds for deserving causes.

— AV Footy Fest: A football tournament that brought together individuals from across the industry to support charitable initiatives.

— Tough Mudder: Participants tackled challenging obstacles while fundraising, showcasing resilience and teamwork.

— Three Peaks Challenge: A test of endurance and determination, participants conquered three peaks while raising vital funds for charity.

— Tour de AV: In its second year, this cycling event united 21 cyclists from the AV industry, covering 135 miles over two days and supporting 17 chosen charities.

These challenges not only raised significant funds but also fostered a sense of community and collaboration; throughout the year we celebrated the spirit of giving, whilst having fun and building camaraderie, making a difference where it matters.

Read more about the Three Peaks Challenge
Use the QR code

Our global expansion and specialist Pro AV focus delivered strong margin improvement.

"I am pleased to be able to report further strategic progress for the Group in 2023, including record results, new market entry, our busiest year for acquisitions ever and further development of our leadership team."

Andrew Herbert
Non-executive Chair

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, new market entry, our busiest year for acquisitions ever and further development of our leadership team.

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.

At constant currency, Group revenue increased by 6.8% (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 16.8% 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.

Revenue
£1.3bn

Gross margin
16.8%

Operating profit
£59.6m

Over the longer term, the Pro AV market is forecast to grow by an average of 5.6%^ 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.

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.

Also 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.

^ Source: AVIXA

"These acquisitions bring new technologies, customers and vendor relationships, further delivering on the Group's strategy to grow margins and earnings."

Andrew Herbert
Non-executive Chair

In November, 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 on 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 oversubscribed equity raise in June 2023 was fully deployed in the year and we are highly appreciative of existing shareholders' and new investors' support.

The acquisition pipeline remains healthy, and the management team continues to review attractive opportunities.

The integration of these businesses is progressing well and we have thoroughly enjoyed welcoming over 250 new team members to the Group.

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 2.2 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.

> 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."
>
> **Andrew Herbert**
> Non-executive Chair

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 we have been recognised for this. For example, in 2023 we won "Audio Visual Distributor of the Year" in 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

Record performance in a challenging world.

I am delighted to report that 2023 was another record year for Midwich."

Stephen Fenby
Group Managing Director

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 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 c80%. 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 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* 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.

^ Constant currency
* Futuresource Consulting

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.

AV Channel customer presentation at Innovation House, Experience Centre

Investing in the future

The global Pro AV market is in excess of $300bn,^^ 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.

* Futuresource Consulting

^^ Source: AVIXA

CAPITAL ALLOCATION

Capital allocation framework to deliver sustainable compounding growth as well as growing returns to shareholders.

1. Organic investment in working capital, infrastructure and our teams to develop and grow the core business.

2. Organic investment in new technologies or brands to support above market growth.

3. Acquisitions to add new product capabilities and/or new geographies.

4. Progressive dividend policy and/or share buyback to recognise our shareholders' support.

Disciplined approach to investment, returns and capital efficiency.

Investing in the future *continued*

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 £50m 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 acquisition 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.

STRATEGY IN ACTION

Van Domburg, a Midwich Group company, lights up late-night TV in Antwerp

LED installation project at Belgian TV studio

Absen's K Plus was chosen as the videowall backdrop for a late-night panel discussion on Belgian mainstream television. The 3.2 million pixel display delivers relevant content to complement the lively on-screen debates. The screen was supplied by Van Domburg Partners, a leading LED distributor in the Benelux region.

The situation

De Tafel Van Vier is a popular late-night chat show on Play4, a Belgian-Flemish commercial television channel which is filmed at Pay Zuid, a live entertainment venue and TV studio in Antwerp. The show is hosted by Gert Verhulst, a well-known media personality in the region and covers current affairs that can provoke lively debate amongst the host and panellists.

The live entertainment venue and TV studio upgraded to the cutting-edge Absen LED wall to amplify the show's talking points. The installation required a 10x2m LED wall to display still images, animated graphics and video playback, curating an interesting background to set the scene for various topics of discussion, all in 4K definition for televised programming.

Van Domburg Partners ultimately specified Absen's K Plus series to meet the challenge of providing a high-quality display to both an in-studio and remote broadcast audience, all within a tight budget set by the station.

The outcome

Laurens De Baere, Account Manager at Van Domburg Partners commented "We faced the challenge of needing to provide a high-quality product that met the studio's budget and was immediately available. Our long-standing relationship with Absen meant familiarity with the products and knowing they can achieve incredible on and off-camera performance at a competitive price point, achievable for a wide range of clients."

Christian Czimny, Industry Product Development Director at Absen, concludes "We are proud to produce cutting-edge technology which provides flexibility for a variety of projects as well as finding the right balance of great quality and competitive pricing. We are delighted to be involved with such a successful installation where the studio set-up enhances the live production.

Q&A

Unlocking Growth: A conversation with Stephen Fenby

Q. After two exceptional years, the market was more challenging in 2023. How do you think the Pro AV market adapts to economic conditions and how do you think it will behave in a recession?

A. AV technologies touch every part of our lives – from education to offices to transportation and retail. Our products and solutions have applications into many different end user segments. Typically, a recession does not impact on every end user segment in the same way, and I am constantly impressed by how we, our customers and vendors can steer our businesses towards stronger markets. I believe AV solutions fill a number of needs – from efficiency and cost effectiveness, to experience and entertainment. When money is tight, AV solutions continue to be relevant by helping users to run their lives more cost effectively. In addition, the widespread adoption of our technology means there is a large base of product which will need to be renewed on a regular basis.

Q. Midwich has achieved average annual growth of 20% since 2016, how much more can the Group grow?

A. We believe that, conservatively, Midwich currently represents around 3% to 4% of our target addressable market and under 1% of the total market. That gives us plenty to go for. We have the expertise and resources to continue growing at a significant rate. We are constantly looking at new ways to grow the business – whether it is new products, technologies or geographical markets. Our core AV market gives us significant growth opportunity for the foreseeable future. However, it may also be that in time we identify new markets where we can use our extensive skill set.

Q. What are the long-term growth prospects for the Pro AV industry?

A. AVIXA predicts a five-year average growth rate for the global Pro AV market of 5.6%. This is not out of line with long-term average growth rates – with periods of slower and faster growth along the way. I expect the demand for AV solutions will continue to grow as our vendors continue to develop new technologies.

Q. How does Midwich consistently grow at above the market rates?

A. I believe the secrets to our growth are focus and consistency. Our business is entirely audio visual, which means that we have developed significant expertise and reputation in this market. It also means that we are not distracted by other product categories. Having developed a level of expertise, delivering it consistently is critical. Consistency means that our customers, vendors and other partners know what to expect from us every time – and therefore can trust us and rely on us. We aren't perfect of course, but when we do make mistakes, we try to sort them as quickly as possible.

Q. What have you got planned for 2024?

A. Although we expect the market to remain tough in 2024, we have lots of interesting plans for the year. To give two examples, we recently launched Midwich Ignite, which is a corporate venture vehicle for investing in early-stage AV technologies. This should help us not only gain early insight into new developments, but also be able to contribute even more to the development of our industry. We are also going through a large-scale rebranding exercise – ensuring that how we present ourselves to the outside world is consistent with the way the business developed in recent years.

Q. Midwich has completed 26 acquisitions since its IPO. Do you expect to continue to do M&A?

A. Although our primary focus has to be on delivering strong organic growth, M&A has proven to be an invaluable way of helping us to enter new geographical or product markets. We have a very large database of potential targets within the industry, and plan to continue making acquisitions at a steady rate.

Q. How much of the Group's revenue is recurring?

A. We have very little by way of long-term supply contracts per se, but what we do have is something more valuable – long-term customer and supplier relationships. When I look down our customer list, for example, I see many names of customers we have been trading with for decades. This tells me that we have given a consistently great service to these customers over many years. We are very grateful that they continue to trust us to support them to be more successful. Shortly after I joined Midwich, some 20 years ago, I went to a dinner celebrating a 25-year trading relationship with one of our suppliers. We still trade with this supplier, and I am looking forward to celebrating our 50-year working relationship.

Q. You achieved a record gross margin in 2023. Can it go any higher?

A. This is a question I'm often asked by investors. The answer is that it will continue to depend on the development of our product portfolio. Specialist technical products need more skilled support, experience centres and intensive pre and post-sales effort. This input from us requires a higher gross margin and explains why our margins have increased as the business has become more technically focused. Long-term gross margin enhancement continues to be a focus for the business – but of course this is mainly in order to drive long-term operating margin growth.

Q. How would you describe the working culture at Midwich – what makes it a place people want to work?

A. I would say that our people are respectful of others, confident without being arrogant and ambitious without being aggressive. We want to do a great job and see the business be more successful. It's an exciting place to work.

OUR MARKETS

Our addressable market in Pro AV solutions covers areas such as sound, video and lighting.

These solutions are prevalent and relied upon in many areas of daily life – at home, in transit, at the workplace, in education and in a wide range of retail, leisure and recreational uses.

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

Industry data indicates that the global Pro AV market was $300bn in 2023. The market is forecast to grow at 5.6% over the five years to 2028 (Source: AVIXA 2023).

We believe that Midwich is the largest specialist AV distributor in the world, and that we have consistently gained market share and are well positioned to continue to further grow our share of this large and fragmented global market.

Despite revenue of £1.3bn in 2023, the Group represents less than 1% of the global market and less than 4% of our target addressable market (Source: Midwich assessment).

Key trends in the AV market

GROWING USE OF AV PRODUCTS AND TECHNOLOGY

Midwich Group stand at Integrated Systems Europe industry event

Link to strategy

- Specialisation
- Geographical coverage
- Scale

The global Pro AV market has grown and evolved significantly over the last 25 years with both cultural and technological changes increasing the demand for AV solutions. There are multiple demand drivers in the AV industry, including:

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

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

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

Fundamentally, we believe that the multiple demand drivers for Pro AV solutions have an appeal in periods of economic growth and more challenging times. During both the financial crisis and the unprecedented disruption from COVID-19, AV market demand remained robust and we believe that the industry will continue to grow at above GDP levels in the coming years.

How we're responding

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

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

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

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

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

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

Key trends in the AV market *continued*

INCREASED USE OF DISTRIBUTORS AS INTERMEDIARIES IN THE AV SUPPLY CHAIN BY LARGE MANUFACTURERS


Own the Pixel event, held at Innovation House, UK

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

In addition, the distribution model helps AV integrators develop the right solutions for their customers, which are often made up of products from multiple vendors. This enhances the growth of the overall AV industry and increases customer satisfaction. It also allows the distributor to share broad market feedback with the manufacturers which helps inform long-term product development.

How we're responding

The Group's long-standing relationships with over 800 vendors, including blue-chip organisations such as Samsung, LG, Epson and SMART, support a comprehensive product portfolio across major AV categories such as large format displays, projectors, technical and professional video, audio and digital signage. The Group operates as the sole or largest in-country distributor for many of its vendors in their respective product sets. We attribute this position to the Group's technical expertise, extensive product knowledge, focused sales capability and strong customer service offering built up over many years.

The Group offers a range of support to our customers, including demonstrating products, training their staff and providing technical advice, logistics and post-sales support. We have a large and diverse base of 24,000 customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality.

5.6%

Annual expected AV market growth to 2028

Source: AVIXA 2023

Link to strategy

- Specialisation
- Geographical coverage
- Scale

FURTHER DETAILS IN RESPECT OF OUR TWO MAIN SEGMENTS ARE AS FOLLOWS:

Corporate

The corporate market covers principally offices, including meeting rooms, huddle spaces, conference rooms and reception areas. The use of technology within the corporate market is widespread, and AV technology has been used increasingly to aid the efficiency and effectiveness of operations.

Global trends towards both remote/hybrid working and reducing the environmental impact of travel have resulted in further investment in the corporate market as end users contemplate their future office strategy.

Our belief is that as offices continue to adapt to changing working styles, there will be greater adoption of video and audio conferencing technology, which enables staff in offices and working remotely to communicate effectively. We're also seeing corporate end users adopt wider AV technology in the day-to-day lives from broadcast solutions for marketing and communication to virtual production for content creation.

The Midwich Group product portfolio is ideally suited to these corporate requirements, particularly the strength of our unified communications offering and our ability to demonstrate solutions in our experience centres.

Education

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

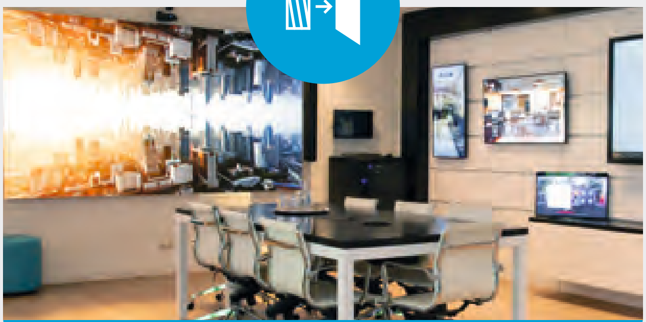
The majority of the education market is funded by government as part of its investment in developing the skill sets of its population. Historically, government education spend has tended to be relatively stable, with the occasional addition of significant additional investment programmes.

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

Other end user market segments are individually smaller and tend to have other own product and support needs, which the Group addresses through its range of specialist businesses and staff. In 2023, these areas have performed particularly well as entertainment, live events, retail and hospitality are increasingly investing in AV solutions to enhance their customers' experiences. Supply chain pressures have also eased in the vast majority of these markets. Our flexible business model allows us to quickly adapt to changes in end user market demand.

THE AV EQUIPMENT VALUE CHAIN

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



AV MANUFACTURERS

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

Value exchange

Value that AV manufacturers get from Midwich:

— Market intelligence and strategic and tactical input into planning

— Market access through highly experienced and effective AV sales, marketing and technical teams

— Ability to reach broad, profiled AV customer base

— Industry-leading events and experience centres enable greater interaction with customers and end users

— Efficient logistics and specialist product support

— Global reach gives ability to support multinational projects

— Midwich's scale means fewer points of contact, improving operating efficiency for manufacturers

MIDWICH GROUP

Midwich Group is a network of businesses that distribute AV products to the trade market.

Value exchange

Value that Midwich gets from AV manufacturers:

— Access to high quality products to distribute to its customers, often on an exclusive or number one basis

— Ability to influence product development and early access to new technology

— AV product training, informing users of the value proposition

Value that Midwich gets from the trade market:

— Customers for AV products

— Opportunities to support multinational end users' projects across geographies

— Market knowledge and end user feedback

TRADE MARKET

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

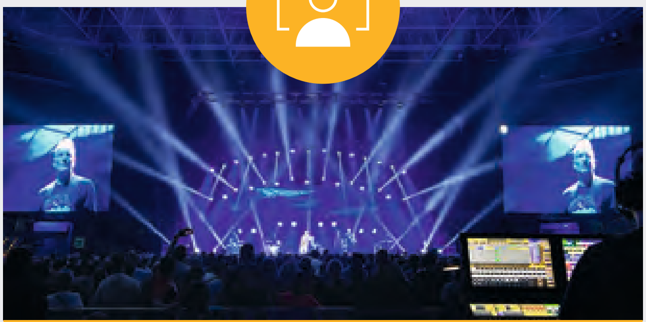
Value exchange

Value that the trade market gets from Midwich:

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

Value that the trade market gets from end users:

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



END USERS

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

Value exchange

Value that end users get from the trade market:

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

MARKET-LEADING SPECIALIST VALUE-ADDED AV DISTRIBUTION

A model for success.

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

Whilst the vast majority of the Group's revenue is generated through the sale of products it is the Group's specialist value-added approach that underpins its growth and return on investment.

WHAT MAKES US DIFFERENT?

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

▶ **Read more** about our strategy on P.26

KEY RESOURCES AND CAPABILITIES

Market-leading AV vendor portfolio

The Group operates as the sole or largest in-country distributor for many of its 800+ vendors.

We believe this is the largest global vendor portfolio in the AV market, a position that has been built over many years through our technical expertise, extensive product knowledge, focused sales capability and strong customer service offering.

Strong relationships with a broad range of focused AV customers

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

Proven ability to successfully acquire, integrate and grow businesses

More than 15 years' acquisition experience and a strong internal team of M&A, integration and business development specialists have facilitated a steady stream of successful acquisitions.

The Group's reputation as a trustworthy potential partner makes it an attractive prospect for business owners looking to join a larger, focused AV group and often allows us to partner with the best businesses in the market.

Depth of up-to-date market knowledge

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

Up-to-date market insight gives a competitive advantage in terms of stock profiling and customer and vendor strategies.

Financial strength

The Group has a strong balance sheet, with substantial bank facilities and supportive shareholders. Our financial strength and capabilities mean the Group is capable of exploiting new opportunities – whether acquisitions, investment in infrastructure or the financing of working capital. Expertise in inventory and receivables management ensures the Group's risks from obsolescence or default are minimised.

▶ **Read more** about our performance in 2023 on P.34

Link to strategy

Specialisation | Geographical coverage | Scale

VALUE GENERATED

Trade customers

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

We partner with our customers to support their growth ambitions, including helping them operate across multiple geographies.

24,000

Customers worldwide

AV manufacturers

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

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

800+

Number of vendor relationships

Employees

We ensure that our employees develop the technical expertise and product knowledge required to service our customers.

Our merit-based approach recognises value contributed and we actively encourage employee share ownership.

1,800+

Employees worldwide

Shareholders

The Group has generated above AIM market returns since IPO and continues to invest to deliver future growth.

Our strategy is focused on both organic and inorganic growth. Industry data indicates average growth in the AV sector will exceed global GDP growth for the next five years.

17.5%

Adjusted return on capital employed

▶ **Read more** about adjusted return on capital employed on P.40

OUR VALUE CHAIN

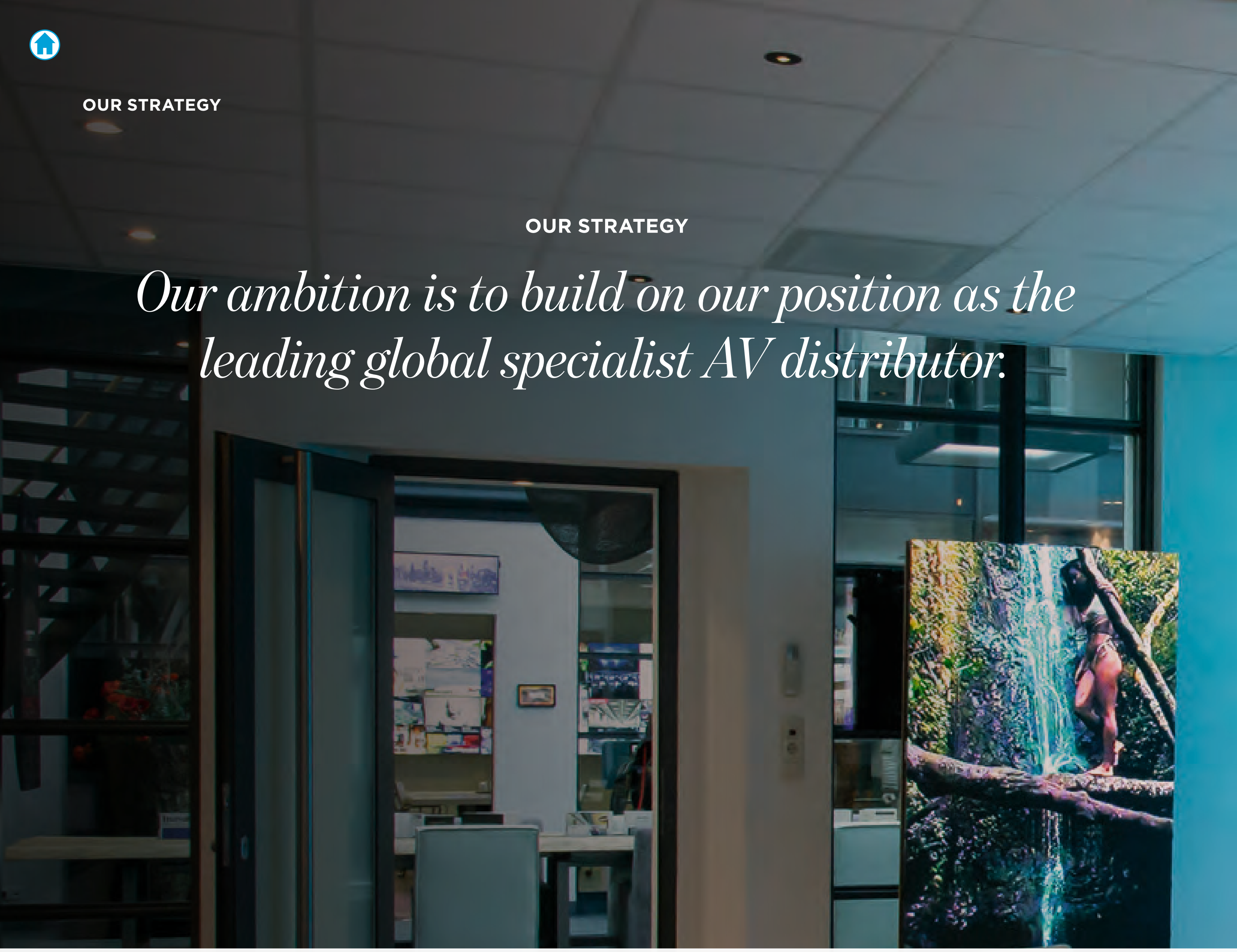
AV MANUFACTURERS

MIDWICH GROUP

TRADE MARKET

END USERS

▶ **Read more** about our strategy on P.26



OUR STRATEGY

Our ambition is to build on our position as the leading global specialist AV distributor.

Our strategy is to take advantage of the significant opportunities in our sector, to increase our market share and deliver long-term profitable growth.

Market dynamics and the opportunity

The global Pro AV market was estimated to be worth \$307bn^ in 2023 and is forecast to grow to \$402bn^ by 2028. This represents a forecast growth rate of 5.6% per annum, well ahead of the global GDP projections.

At £1.3bn revenue in 2023, the Group revenue represents less than 1% share of the global AV market, which presents us with a significant opportunity for further growth. In context, since the Group's IPO in 2016, global GDP has grown by an average of 2.8% per annum, whilst the global Pro AV market has grown by over 6% and Midwich Group annual revenue has grown by 20%, demonstrating our ability to sustainably increase market share.

To achieve our strategic growth objectives, we aim to expand our addressable market and we look to do this by increasing our technology coverage. The Group entered the seventh biggest global AV market (Canada) in June 2023 and, at the end of the year, Midwich has a presence in approximately 55% of the global AV territories. This presence ranges from broad product solutions (e.g. UK and Ireland) to narrower current offerings (e.g. North America).

Our approach to growth

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

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

^ Source: AVIXA

Our strategic decisions are based on achieving three core objectives: **specialisation, geographical coverage** and **scale**. We believe that a focus on this combination of factors provides the right framework to achieve our long-term profitable growth objectives.

Specialisation

Why?
- Relevance
- Profitability
- Defensibility

How?
- Portfolio management
- Acquisition
- Values and services

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

2024 focus
- Organic growth by adding further specialist brands
- Targeted acquisition

Links to KPIs

1 2 3 4

Links to risks

A B C D E F G

- The increasing complexity of Pro AV solutions highlights more than ever the need for both customers and manufacturers to use a high-quality specialist distributor such as Midwich.
- Our specialisation strategy includes both launching new vendor relationships and rolling out existing relationships into new technology areas and geographical markets; this expands our technical product offering, adding both breadth and flexibility to our solutions.
- Greater specialisation allows us to invest in technical expertise and develop experience centres. By doing this we can offer industry-leading advice to our customers and end users. It also allows us to share deep market knowledge with our vendor partners.
- The Group has acquired 26 specialist AV businesses since 2016. These investments have accelerated our development of specialist capabilities and we have a strong pipeline of similar opportunities.

Increase in technical product sales mix over time demonstrates increased specialisation.

- Displays 43%
- Projection 22%
- Technical 21%
- Other 14%

- Displays 40%
- Projection 17%
- Technical 36%
- Other 7%

- Displays 26%
- Projection 9%
- Technical 59%
- Other 6%

IN FOCUS

A clear win for fans at Twickenham.

The challenge

Working with vendor HARMAN, integrator Pro Media Audio Video, and consultants Vanguardia, Midwich Group's Sound Technology Ltd has supplied a new state-of-the-art sound system for Twickenham Stadium, the 82,000 capacity England national rugby stadium.

How we helped

The sound system consists of 16 arrays flown from the stadium roof, each comprising of twelve JBL VLA-C2100 cabinets and three JBL VLA-C125 sub-bass loudspeakers.

For more information
Use the QR code

To view the video case study on YouTube
Use the QR code

Geographical coverage

Why?
- Support
- Projects
- Share of wallet

How?
- Acquisition
- Investment

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

2024 focus
- US expansion
- Market share gains in existing markets
- Expansion in Saudi Arabia

Links to KPIs

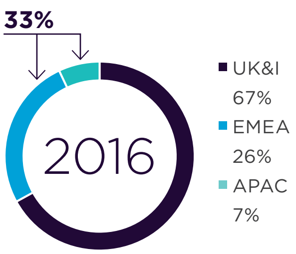
1 2 3 4

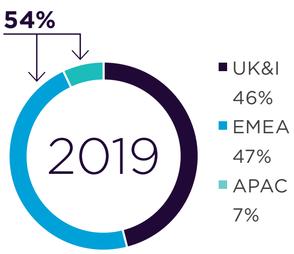
Links to risks

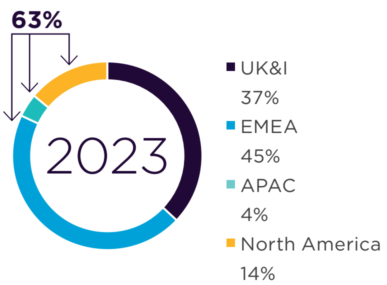
A B C D E F G

- Pro AV is a $300bn global industry with an increasing need from larger end users for consistent solutions across multiple territories. The switch to hybrid working and the expansion of unified communications, which typically rely on global software platforms, accelerated demand from multinational organisations for common solutions. Similarly, in a connected world, retailers want consistent brand strategies and customer experiences across their markets.
- Many of the Group's largest customers are becoming increasingly global in their approach and Midwich is able to support them, to create solutions, demonstrate options to end users and meet their product requirements across the world.
- There is also an increasing desire from vendors to work with partners who can provide a consistent, high-quality service across the globe. Working closely with our vendor partners, we have accelerated the roll-out of existing vendor relationships into new markets over the last few years. This is one of the key drivers of the Group's increase in market share.

Increasing scale from greater geographical coverage, whilst increasing non UK and Ireland revenue from 33% in 2016 to 63% in 2023.







2016
- Countries of operation: 6
- Number of vendors: 300+
- Number of customers: c.10,000

2019
- Countries of operation: 17
- Number of vendors: 500+
- Number of customers: c.16,000

2023
- Countries of operation: 22
- Number of vendors: 800+
- Number of customers: 24,000+

Scale

Why?
- Efficiency
- Profitability
- Cross-selling

How?
- Focus
- Sharing expertise
- Referral
- Acquisition

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

2024 focus
- Further invest in our teams to support growth
- Launch the new ERP system

Links to KPIs

1 2 3 4

Links to risks

A B C D E F G

- The Group has a track record of gaining market share; for example, the wider Pro AV market has typically grown by 6-8%^ per annum whilst the Group has grown by a compound annual growth rate of 20% since its IPO in 2016.
- Scale brings significant benefits such as a greater degree of importance and influence in the AV market with both customers and manufacturers. The benefits of scale allow the Group to make investments in experience centres, technical expertise and also support capabilities to help our businesses grow.
- Scale also helps with our acquisition model, from attracting target companies, to developing in-house acquisition capabilities, to integration and support for future growth and having the balance sheet to do multiple deals each year.
- At the heart of our strategy is leveraging the scale of the Group to help each of our local businesses grow and punch above their weight.

ADDING VALUE TO GROUP COMPANIES

Enabling local companies to grow

Central support
- Specialist departmental/ functional knowledge
- Industry expertise and relationships
- Vendor and customer strategic relationships

Local expertise/ a peer group approach
- Departmental knowledge transfer
- Market knowledge
- Vendor and customer relationships

Vendor access
- Significant vendor access for new and existing businesses
- Group reputation is the key factor

Digital infrastructure
- Focus area for enhancement
- Efficiency and commercial opportunities
- Increase upside as we scale

^ Source: AVIXA

OUR GROWING TEAM

A demonstrable track record of executing accretive deals.

Acquisitions are a core part of the Group's growth strategy. Midwich acquires businesses to either enter new markets or to enhance our product portfolio.

The Group has a successful track record of completing 36 acquisitions in the last 20 years, including entry into 19 new geographies. Midwich has completed 26 acquisitions since IPO with approximately two-thirds of the Group's revenue growth attributable to the impact of acquisitions in that period; 2023 was the busiest year yet with seven deals in the period.

Our approach to acquisitions

The vast majority of the Group's acquisitions are sourced internally and we maintain a long-list of acquisition targets. These are filtered and prioritised based on strategic and cultural fit.

All M&A transactions are managed by our in-house dedicated acquisition team from initial negotiation and contracting to due diligence and integration planning. We use external support where specialist technical knowledge is required, such as tax or legal advice.

The Midwich culture is welcoming and positive, and we enjoy learning from, and sharing ideas with, the teams that join the Group through acquisition.

Our goal is to support these businesses to grow and develop and we do this by offering them access to the Group's expertise which spans from building new customer and brand relationships to working capital and cash management.

In a highly fragmented market, there remain substantial acquisition opportunities for the years ahead.

Company	Country	Annual revenue (approx)	Primary product set	Primary end user market	Key vendors
sfm	Canada	$100m+	Audio	Pro audio, live events, corporate	Shure, QSC, Avid, Blackmagic design
HHB	UK	£25m	Audio	Media and entertainment	RØDE, Avid, Genelec, Arturia
pulse cinemas	UK	£5m	Home cinema	Residential	Paradigm, Lutron, Anthem, kaleidescape
TOOLFARM	US	$15m	Video editing software	Media and entertainment	Maxon, Boris FX
76 Media Systems	US	<$5m	Video storage	Broadcast	EditShare
videodigital	Iberia	€5m	Pro video	Broadcast	Blackmagic design
prodyTel	Germany	€22m	Audio	Pro audio	biamp, AVer, Jabra GN

IN FOCUS

The Midwich Group adds SF Marketing to its global network of successful companies.

Profile

Founded in 1978 by Sol Fleising, SF Marketing ("SFM") began as a sales agency for pro audio brands and grew into a top distributor of AV technologies in Canada. SFM's culture emphasises collaboration and technical expertise, serving diverse markets like retail, systems integration, and live events.

Trusted partner

To expand its North American presence, the Midwich Group sought strategic partnerships and value-added services. Recognising SFM's success and industry relationships, Midwich Group acquired SFM to bolster its position in Canada.

Looking to the future

The acquisition aligns with SFM's commitment to growth and innovation. SFM's technical support enhances Midwich's offerings, promising unmatched customer value and loyalty. SFM aims to expand services and embrace digital transformation while prioritising talent acquisition and retention.

Randal Tucker, SFM's president, highlights Midwich Group's understanding of SFM's service-oriented approach. The acquisition signifies the Group's dedication to customer success and long-term partnerships, leveraging SFM's expertise to shape the AV industry's future.

In closing

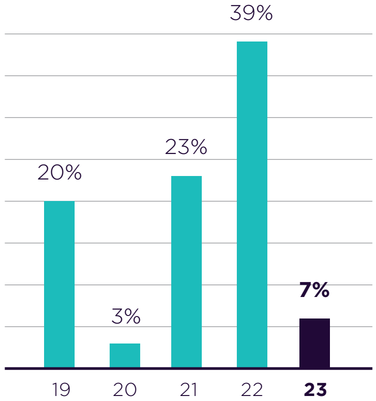
Midwich Group's acquisition of SFM represents a testament to its dedication to delivering unparalleled value to customers and partners alike.

By harnessing SFM's local expertise, market insights, and technical prowess, Midwich Group strengthens its position as a leading provider of AV solutions and services, shaping the future of the AV industry landscape with innovation, excellence, and unparalleled value.

HOW WE PERFORMED IN 2023

Record gross margin reflects our strategic focus on value-add.

1



Change in total revenue vs prior year at constant currency

Revenue growth

7%

Why we use this measure

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

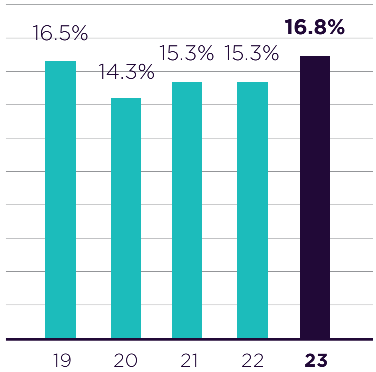
Performance

The Group achieved further revenue growth in 2023 against a challenging market backdrop and, we believe, further increased its market share with total growth of 7% (at constant currency).

Target

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

2



Gross profit as a percentage of revenue

Gross margin

16.8%

Why we use this measure

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

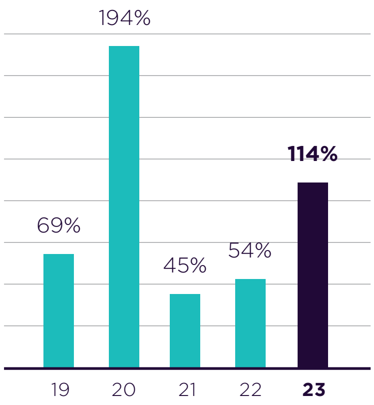
Performance

In 2023, the Group delivered a record gross margin which improved by 1.5 percentage points, the biggest year-on-year increase in the Group's history.

Target

Maintain or increase gross margin each year.

3



Adjusted operating cash flow as a percentage of adjusted EBITDA

Cash flow conversion

114%

Why we use this measure

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

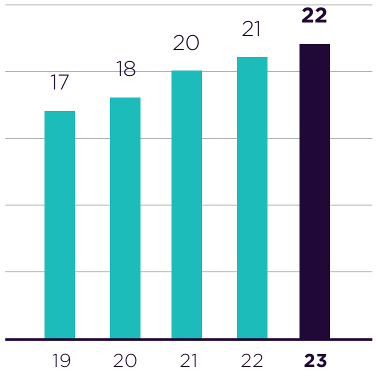
Performance

The Group's disciplined working capital management in 2023 resulted in cash conversion in excess of adjusted EBITDA. Whilst the pandemic disrupted individual periods, cash conversion over five years to 2023 was 87%.

Target

70%-80% of adjusted EBITDA.

4



The number of countries in which the Group has operations

Countries with a presence

22

Why we use this measure

Geographic footprint is an indicator of our ability to support customers, end users and vendors with global project roll-outs, in addition to scale and the opportunity to further grow revenue.

Performance

In June 2023, the Group entered the Canadian market (the seventh largest AV market globally) through the acquisition of SFM. This Group has a presence in all the major global AV regions and increased the number of countries where we operate to 22.

Target

Entry into at least one new geographical market per annum.

“2023 saw the Group achieve a record gross margin of 16.8%.”

Andrew Herbert
Non-executive Chair

Our balance sheet and bank facilities position us well for future growth.

Disciplined working capital management resulted in operating cash conversion of 114% of adjusted EBITDA."

Stephen Lamb
Group Finance Director

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 represent 59% of the Group's revenues, 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 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 112.

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%	
EMEA	**28.1**	**22.7**	23.8%	23.9%	
Asia Pacific	**(0.3)**	**1.4**	(117.8%)	(118.8%)	
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 in note 1 to the consolidated financial statements.

The financial performance of each segment during the year was:

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%).

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%).

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, 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]	**(8.6)**	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 12-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 material impairments. 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).

Innovation House, Experience Centre, Bracknell, UK

Statutory measures

The Group reports alternative performance measures, which are defined on page 119. 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 (see page 119 for the definition).

The Directors believe that this is an important measure of the investment returns of the Group.

Calculation	Reference to the financial statements	**2023 £'000**	2022 £'000
Total equity	Group balance sheet	**196,144**	134,134
Total debt	Group balance sheet	**106,191**	119,424
Accumulated amortisation of acquired intangibles	Note 14	**52,969**	42,600
Right of use assets	Group balance sheet	**(21,051)**	(21,559)
Acquisition related liabilities	Group balance sheet	**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)
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 on page 119.

OUR STAKEHOLDER ENGAGEMENT

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

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

The Company has a clearly defined strategy (as summarised on pages 26 to 31) and the Board takes into account the long-term consequences of its decisions in the context of this. When making decisions, the Board considers a number of factors, including:

— The macroeconomic environment, including anticipated GDP growth, market disruptions and investment activity;

— The AV marketplace (see pages 18 to 21) – specifically ensuring that the Group continues to build on its reputation for high standards as a value-add AV specialist;

— The translation of the strategy into both longer-term goals and annual plans with regular updates reviewed by the Board throughout the year;

— How the Group's objectives influence its employees, customers, suppliers and shareholders together with the Group's wider impact on the environment and the communities where it operates. Further details on stakeholder engagement are set out below and in the sustainability section on pages 46 to 61; and

— Our Risk Management Framework which, as a distributor, places our relationships with wider stakeholders at the centre of our decision making (see pages 63 to 64).

During the year, specific significant decisions made by the Board included the approval of acquisitions and new market entry, the approval of the strategic plan and budget, approval of the Group's sustainability plans, approval of additional debt facilities and the allocation of share awards to our employees. The Board members also received feedback from our customers, vendors, employees and shareholders.

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

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

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

The Board has identified six principal stakeholder groups:

CUSTOMERS

Why it is important to engage

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

Ways we engage

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

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

VENDORS

Why it is important to engage

Midwich is a value-added distributor of AV products, representing over 800 high-end manufacturers. Vendor relationships are critical to the long-term success of our business.

Ways we engage

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

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

EMPLOYEES

Why it is important to engage

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

Ways we engage

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

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

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

Stakeholders' key interests

- Alignment with Group strategy
- Understanding our purpose, culture and values
- Belief in our approach to sustainability
- Feeling part of the Company through share ownership
- Feeling informed and understanding why we do things
- Having meaningful and enjoyable roles
- Training and career development
- Responding to employee feedback

Actions taken on the back of engagement

- Targeted actions to improve staff benefits, such as increased holiday allowances
- A step up in our engagement programmes including community and charity activity
- Increased involvement in our sustainability activities
- Group-wide and local communication programmes
- Broad participation in share ownership
- Further refinement of hybrid working

SHAREHOLDERS

Why it is important to engage

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

Ways we engage

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

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

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

Stakeholders' key interests

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

Actions taken on the back of engagement

- Payment of dividends
- Meaningful content made available to stakeholders on the Group website
- Invitations to our UK trade show and experience centres
- Access to "Midwich Live" videos
- Regular shareholder meetings and dialogue with Directors

ENVIRONMENT

Why it is important to engage

As part of the wider AV industry, we want to promote the use of AV technology for environmentally sound purposes while minimising any adverse effects. We want to ensure the long-term sustainability of our industry.

Ways we engage

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

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

We are increasingly engaging with the wider supply chain to identify and enable more sustainable approaches.

Stakeholders' key interests

— Alignment of Company values with environmental concerns

— Actions to reduce environmental impact

— Group long-term sustainability strategy

Actions taken on the back of engagement

— Partnering with a third party to determine the Group's carbon emissions

— Board sponsorship of sustainability activity

— ESG risk management refinement

— Conducting TCFD aligned risk assessment and scenario analysis

— Setting carbon reduction targets

— Participation in AV industry sustainability programmes and surveys

— New offices must meet stretching environmental impact targets

COMMUNITIES

Why it is important to engage

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

Ways we engage

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

Under the "The Gift of AV" brand, we support our chosen charities and community activities. We provide our staff with time and support to volunteer for good causes.

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

We frequently act as a focal point for community and charitable activities for the wider AV channel.

For example, the Tour de AV 2023 took place in association with the leading industry publication AV magazine. The ride event saw twenty one AV industry participants cycle 217km from the Midwich Group office in Norfolk to our UK trade show at Royal Ascot over two days, raising over £24,000 for 17 chosen charities.

Stakeholders' key interests

— Impact of Group activities on the wider community

— Support for the local economy

— Supporting the AV channel to do the right thing

— Staff time and engagement with good causes

Actions taken on the back of engagement

— Established charity programmes across the Group

— Support for local charities selected by our teams

— Enabling our team members to support community action

— Numerous team events to raise a record amount of money for charity

Formalising our approach to sustainability.

Our strategy harnesses the collective power of our culture and is underpinned by strong governance and responsible behaviours."

Hilary Wright
Non-executive Director

I am delighted to report on Midwich's sustainability progress and actions in 2023.

Our approach to sustainability is about doing the right thing within our business and for our team members, our many stakeholders, and wider society. The Board takes ultimate responsibility for Midwich's sustainability actions, seeking a wide range of stakeholder feedback and monitoring progress.

There is a common thread of openness, trust and creativity across all of our businesses. We value autonomy in our local teams and their passion for supporting their local communities and environment means that we have many different examples of giving back around the world.

Our Group-level approach to sustainability is framed by our Midwich Sustainability Strategy. This was informed by a comprehensive stakeholder survey and business impact assessment. It was approved by the Board in 2022 and has continued to shape our approach over the last year.

Our sustainability strategy

Midwich is a value-add Pro AV distributor and we do not manufacture the products we sell. We sit at the centre of the AV channel with over 800 vendor relationships, approximately 24,000 direct customers and a large number of indirect end users.

The Midwich Sustainability Strategy recognises that there are critical areas where we have more direct control – supporting the growth and development of our people and reducing our environmental impacts. In the near-term, this is where we have determined to focus most of our resources.

We are also engaged in areas where we have less control but can influence and leverage our position in the value chain to influence and support the sustainability agenda in the communities in which we operate and across the AV sector. This is likely to have a bigger impact in the long term and we are well positioned at the heart of the AV channel to punch above our weight in championing sustainability.

Our strategy harnesses the collective power of our culture and is underpinned by strong governance and responsible behaviours. Our Midwich Sustainability Strategy incorporates the following four areas:

OUR PEOPLE AND GIVING BACK

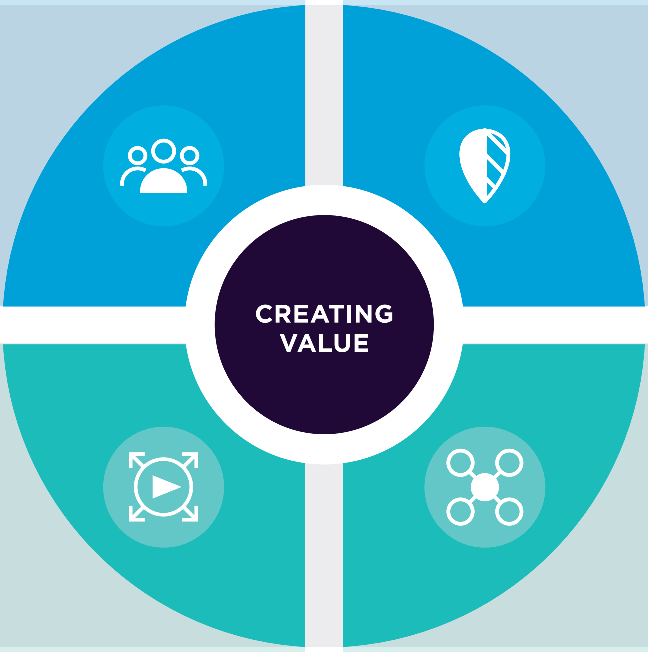
To care about our team and local community. Developing skills and diverse talent that will support our business and sector, now and in the future. Be a resource to the local community, benefiting all involved.

OUR ENVIRONMENTAL PERFORMANCE

To manage and reduce emissions and energy consumption in our own business and influence key impacts in our supply chain.

AREAS WE CAN MANAGE

Harnessing our culture: passionate, collaborative, supportive, ambitious and service-minded.



AREAS WE CAN INFLUENCE

Enabled by strong governance and responsible behaviours.

OUR SOLUTIONS

To promote AV solutions that help people to communicate, collaborate and work more efficiently.

INFLUENCING OUR CHANNEL

To support a sustainable value chain to ensure its long-term success and maximise collective benefit.

Progress in 2023

Our sustainability strategy was promoted throughout the Group in 2023, with a dedicated champion in each of our four regions sharing our aims and goals for the year ahead. For each segment we set ourselves a key focus, with KPI measures to ensure the new strategy was embedded and that our teams could clearly see the direction of travel. Setting out clear, measurable goals has helped us to adopt the right approach at a local level, fully engage our teams and ultimately achieve the overall goals of the wider business.

For our people and giving back, we focused on employee engagement, development, charity and community in 2023. Our recent UK and Ireland engagement survey results showed improvements on the previous survey and a high level of overall engagement whilst the Group leaver rate remained low. We also raised record funds for charity and contributed our highest ever number of volunteering hours across the business.

Our approach to the environmental matters, particularly carbon reduction, was further enhanced. On the governance side, we completed our work to allow us to adopt Mandatory Climate-related Financial Disclosures for the first time this year, including establishing net zero targets. On the operational side, we further invested in making our facilities and working practices more sustainable, joined the EcoVadis rating scheme in Germany and engaged with a reforestation charity in Europe.

We continue to partner on sustainability initiatives across the AV channel and have set out further details on the following pages.

Included throughout this report are examples demonstrating how sustainability and community are embedded within our DNA. Of course, like all businesses there is a way to go and still more work that can be done, however, every year we are able to see a difference in what and how we are moving forward.

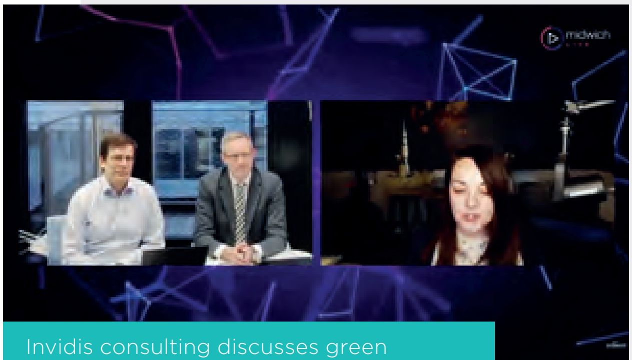
Goals for 2024

Looking to the year ahead, we are targeting further progress against our strategic goals including a globally aligned approach to measuring team engagement, further support for our nominated charities and our communities. On the environmental side, we are dedicating more resources to improvements in our Scope 1 and 2 metrics whilst we will also be piloting some operational changes that improve the sustainability of the wider AV sector.

By combining local and regional-wide initiatives, we have a huge opportunity to continue supporting a variety of campaigns, social groups, and projects, building on the significant increases in positive engagement that 2023 and the new sustainability strategy delivered. We want to thank everyone for all their support this year as we have enjoyed taking a look back at some of the things we have achieved through 2023 and sharing them here with you.

IN FOCUS

Midwich TV programme dedicated to AV and sustainability as a focus topic.



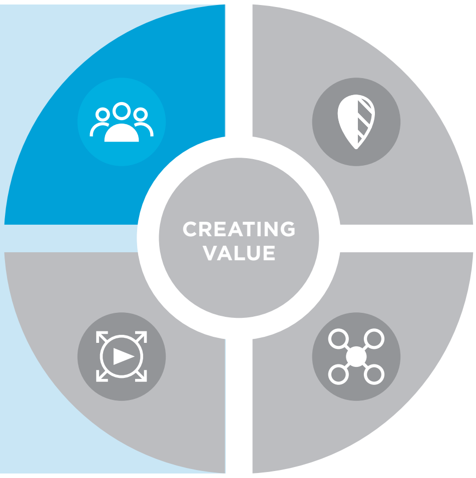
Invidis consulting discusses green signage with Jenny Hicks on Midwich TV

A YouTube live-stream programme aimed at the AV channel resellers, where our own team of industry experts discussed topics such as fully turning off displays, AV sustainability reports, global service concepts and other ways to save and be more efficient with AV.

To watch the full programme
Use the QR code

MIDWICH SUSTAINABILITY STRATEGY
AREAS WE CAN MANAGE

Our people and giving back



Three Peaks Challenge, UK&I, raising £32,000 for Gift of AV charities

Strategic priority

Our employees are core to everything we do, and we want them to be fully engaged with the Group and feel a strong sense of belonging and ownership. Supporting our team through an environment that helps them flourish is part of our purpose, and it is critical to our long-term success as a business. This is delivered through continued involvement in our communities and to develop the skills of our people, providing a broader talent pool to meet the needs of our business and sector, now and in the future.

2023 commitments

— Champion engagement and encourage behaviours that align with our values.

— Promote training and development to help people feel secure in their roles and operate with autonomy.

— Value inclusivity and recognise performance through reward and career development programmes.

— Continue to encourage wide share ownership.

— Prioritise wellbeing and support the communities in areas where we operate.

To read more about the Three Peaks Challenge
Use the QR code

Progress in 2023

Engagement, inclusivity, training and development

The Midwich culture is embedded in the way we work in each of our businesses around the world and one of the ways we learn and adapt is to measure feedback through our staff engagement surveys. Already well established in many businesses, we widened their reach in 2023. The engagement survey outcomes are reviewed and we adapt our business practices to address the feedback, with examples in 2023 including increased Group-wide communication and investment in our development programmes. Throughout 2023, we further invested in our learning and development programmes across the Group. Successfully launching the Leadership Apprenticeship scheme with over 150 people engaging in the UK and Ireland on training programmes. Our Business Management Academy and Sales Academy programmes bring together colleagues from around the world to learn and share best practice in a fun environment with the goal of adopting best-in-class commercial behaviours in all of our businesses.

At the end of 2023, we launched a new Learning and Management Programme which supports a flexible approach to training and development, allowing team members to embark on training that best suits their roles and career goals.

We also welcomed seven new businesses to the Group in 2023. Our structured integration model has been refined over many years to share our core values and best practices whilst ensuring that we retain the culture and ethos of the businesses we acquire.

Recognition and career development

Midwich is a people business; approximately three-quarters of our team members are in our sales and business management areas. These are highly commercial customer and vendor facing roles and we aim for each interaction with us to be a welcoming and positive one.

We look to fill the majority of our senior roles with internal candidates and in 2023 we saw further examples of internal promotions in the vast majority of our leadership appointments, including a number to our Group Management Team.

Volunteering at Frost Folly Countryside Park, Bracknell, helping to restore pond areas

Progress in 2023 *continued*

Recognition and career development *continued*

We want people to build their careers with the Group; we promote on merit and have stretching but achievable reward structures that align individual performance to the Group's goals. We focus on retention and continue to see a low level of employee turnover. We also further enhanced our staff benefits programmes in 2023, such as increased holiday allowances in the UK.

We want our team members to feel ownership of the Group and in 2023 awarded 300 free shares or cash equivalents to the majority of people across the Group. Over 60% of our employees had an interest in Midwich shares at the end of 2023.

Wellbeing and community support

Through a mix of dedicated resources in our bigger businesses and leadership sponsorship in our smaller businesses, wellness and community engagement remain a big focus area across the Group. We continue to facilitate and encourage participation in numerous engagement initiatives worldwide. Examples include themed luncheon clubs, walking groups, online programmes and webinars linked to our "Keep well, Keep active, Keep connected" message.

We have once again worked hard with our local communities, raising funds for charities from sponsored bike rides through to charity challenges like Tough Mudder. There was a significant step up in fundraising in 2023. For example, in the UK and Ireland, the Gift of AV raised over £90k of charitable contributions, an 81% increase from 2022. This increase is attributable to our "Engagement Lead" approach with a dedicated community role motivating everyone and keeping community front of minds across the business. We also saw further increases in our volunteering hours across the Group.

Volunteering not only helps the local community but is proven to support team wellbeing, allowing everyone to get involved in something they enjoy, having time out with colleagues while supporting the world around them.

Our 2024 commitments

For 2024, we have committed to build on our work over recent years by:

- Expanding our engagement surveys and programmes into our recently acquired businesses.
- Continuing to enhance our training and development programmes.
- Continuing to encourage employee share ownership.
- Prioritising wellbeing and supporting the communities where we operate.

IN FOCUS

Together, let's make every step count in the fight for a better future.

Prase, a Midwich Group company based in Venice, Italy, supported this run for children, being the key sponsor to this noble cause, celebrating the spirit of giving and community at Run4children Treviso. The team of 29 enthusiastic participants came together for a day of camaraderie, laughter, and a dash of friendly competition, all for the benefit of the Giocare in Corsica project (volunteers that animate within the pediatric departments of the Treviso hospital).

At Run4children Treviso, they walked, talked, and yes, even ran a little, all while raising funds to aid in the recovery of children undergoing surgery. This project holds a special place in the hearts of the Prase team as it brings joy and hope to these young superheroes on their journey to wellness. If you want to find out more then visit Giocare.

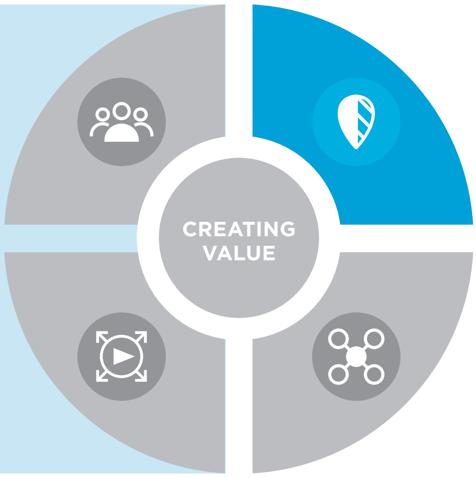
Prase team taking part in Run4Children, Treviso, Italy, raising funds for Giocare in Corsica

PRASE MEDIA TECHNOLOGIES

For more information
Use the QR code

MIDWICH SUSTAINABILITY STRATEGY
AREAS WE CAN MANAGE

Our environmental performance



Strategic priority

Our primary goal is to manage and reduce our carbon emissions and energy consumption in our own business. We want to do the right thing for the long-term sustainability of the environment, and we will do this through a focus on improving our facilities, travel and logistics activities. We will also make time to improve the wider environment.

2023 commitments

- Incorporate Mandatory Climate-related Financial Disclosures (TCFD aligned) in the 2023 annual report.
- Establish a baseline for our carbon emission and set carbon reduction targets.
- Continue to improve our working environment.
- Commit time to local conservation projects.

Progress in 2023

Climate change disclosure

Over the past year, we have engaged a mix of internal and expert third party resources to further develop our governance, reporting and goal setting with respect to our environmental impact and carbon reduction.

We have made good progress in recent years with respect to areas such as energy use and packaging and this year we will report under the Mandatory Climate-related Financial Disclosures for the first time, including establishing our net zero targets. These disclosures, which are aligned to the Task Force on Climate-related Financial Disclosures ("TCFD") framework, are set out on pages 56 to 57.

Midwich Australia clean up team volunteering – part of the total 235 hours donated

> We have engaged a mix of expert third party resources to further develop our governance, reporting and goal setting with respect to our environmental impact and carbon reduction."

Silke Wehling
Management Assistant

Progress in 2023 *continued*

Our approach to carbon reduction

Over the past 18 months, we have worked hard to compile our "controllable" carbon emissions. We have defined this as all Scope 1 and Scope 2 emissions together with Scope 3 emissions relating to business travel, commuting and outbound logistics. The chart below shows the Group's mix for these emissions for 2023.

Midwich Group "controllable" emissions 2023

- Scope 1 emissions 1,704
- Scope 2 emissions 1,219
- Scope 3 upstream fuel and energy 899
- Scope 3 business travel 1,655
- Scope 3 home office and commuting 2,489
- Scope 3 outbound logistics 2,377

(tonnes CO_2e)

From 2024, we are dedicating internal resources to addressing each of these areas including: developing a plan to move away from all oil and gas heating across the Group; a managed shift to renewable electricity; and further promotion of low emission transport solutions. We are striving to reduce our emissions, but will consider carbon offset where this cannot be managed, e.g. air travel.

We have also set an objective to map the carbon reduction strategies for each of our vendors, starting with our biggest ones by revenue in 2024. The majority of our vendors are market leaders and more often than not global, multinational corporations who understand their net zero obligations. We have set an initial net zero target for our "controllable" emissions of 2035, although as we make progress, we will look to bring forward this date if possible. We are targeting 2050 at the latest for full Scope 3 net zero. Further details on our net zero targets are set out on page 61.

We are also working towards recognition of our approach to carbon reduction and started to engage with selected environmental ratings for certain businesses in 2023.

Improving our working environment

During 2023, we continued to take practical measures to reduce our environmental impact, including improved waste management within our facilities and increasing the use of motion sensors for lighting and heating/aircon systems. Simple things like using QR codes and NFC business card technology reduces the necessity to print and proactively communicates a clear sustainable approach to some of the smaller elements within our everyday operations.

Many of our businesses are fortunate enough to have their own garden/green spaces with some joining up with local nature projects to further improve the biodiversity of their space and contributing to both the working and wider environment.

IN FOCUS

Kern & Stelly - Klimapatenschaft GmbH - We plant drinking water!

Kern & Stelly volunteers planting trees to secure drinking water – Nov 2023

Our K&S team members are committed sustainability campaigners and have undertaken numerous events in 2023. For example, in November a team from K&S planted trees in the local area to help secure drinking water with Klimapatenschaft.

The tree planting campaign "Hamburg and Schleswig-Holstein plant drinking water" is the largest and most successful environmental protection event of Klimapatenschaft GmbH and is rapidly increasing in popularity.

Every year, together with companies and employees, they plant thousands of deciduous trees in the Klövensteen and Groß Offenseth-Aspern forests near Elmshorn, one of the most important local recreation areas in the region.

The task of the Klövensteen District Forestry Office is to continue to promote the forest as a recreational and natural forest and to permanently restore it to its original state as a mixed deciduous forest.

Alongside improving our own working environment, we continue to promote awareness of the environment when delivering events and attending industry shows. We look to select local partners that have clear sustainability guidelines and are making our exhibition stands more reusable or recyclable.

Engaging with conservation projects

For many years, our teams have ensured that part of our charitable and community activities is focused on the environment and we continued this approach in 2023. For example, our EMEA team selected Reforest'Action, a charity dedicated to preserving, restoring and planting forests around the world, as its nominated charity.

Our 2024 commitments

For 2024, we are aiming to make good progress towards our carbon reduction targets, including:

— Setting an end date for the use of gas and oil in all of our facilities.

— Shifting a material percentage of our purchased electricity to renewable energy.

— Developing a green transport policy for our EMEA businesses.

— Assessing the carbon reduction plans for our biggest vendors.

Sidev

NMK

Kern & Stelly

EarproEES

IN FOCUS

EMEA Active Week Initiative - a focus on staff pledging trees to Reforest'Action.

An initiative created and launched in 2023 by the EMEA businesses was the first Active Week launched in June 2023, where the business challenged all our teams to utilise their local environments to get fitter and then pledge trees to the Belorado project.

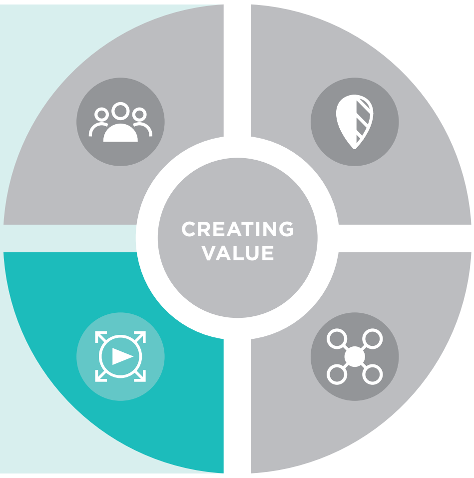
Midwich Group, Prase, Kern & Stelly, Van Domburg Partners, Sidev, Midwich Iberia, NMK, MobilePro, Holdan, EdgeElectronics and New Media, joined forces to celebrate Active Week part of our recent collaboration with Reforest'Action – a fantastic initiative devoted to mitigating the impacts of deforestation.

The teams contributed by running, walking, cycling, swimming, hiking and playing sports, transforming our sweat and determination into a greener future for our planet. The journey doesn't end, we will be continuing "Active Week" into 2024 to maintain momentum as, together, we are the change we wish to see in the world.

For more information
Use the QR code

MIDWICH SUSTAINABILITY STRATEGY
AREAS WE CAN INFLUENCE

Our solutions



Strategic priorities

Our goal is to champion the use of AV technology and solutions to deliver positive benefits to both our customers and wider society. As the AV industry evolves, more creative uses of technology are emerging. We believe that our teams, working as part of the wider AV ecosystem, can leverage technology to enhance people's lives, through the quality of communication, and substitute high emission travel for lower emission remote experiences that support inclusion.

A legacy of the global pandemic has been the shift to remote and hybrid working. AV technology, combined with software solutions, makes it possible for remote workers to fully participate in office-based meetings. Not only does this reduce emissions, with a three-hour video conference call producing a similar carbon output to a car driving just one mile, but it also allows virtual teams to be based almost anywhere in the world. We believe that AV brings flexibility and innovation to companies and allows employees greater choice in how and where they live and work.

2023 commitments

— Continue to invest in specialist team and experience centres to demonstrate creative solutions AV can deliver.

— Continue to work with brands and champion AV channel sustainability.

AVIXA panel, featuring SAVE AV discussing sustainability of ProAV at Integrated Systems Europe

Progress in 2023

Over the last year, our Head of Technology has shared insight and industry sustainability updates at our events, together with a number of separate discussions with our customers and end users to support and educate on the topic of improving sustainability of AV technology in use. Topics covered have ranged from specific subjects, such as the importance of energy-saving features and the increase in the use of recycled and recyclable materials, to sharing broader industry intelligence on sustainability trends.

For example, our "Own the Pixel" event was held at our UK Experience Centre. This featured technology energy usage at the forefront. The event was held in May 2023, focusing on trends in both the hardware and the content being shown, demonstrating how different uses and the advancements of AV technology can support improvements in sustainability. We have also added further energy management solutions to our product portfolio.

We continue to engage closely with many of our vendors on their sustainability activities, notably sharing customer and end user feedback on expectations to provide input into future product design.

Our 2024 commitments

For 2024, we are aiming to make good progress towards helping the AV channel becoming more sustainable, including:

— Continuing to work with our top brands on how we can support them in taking their sustainability messages to market.

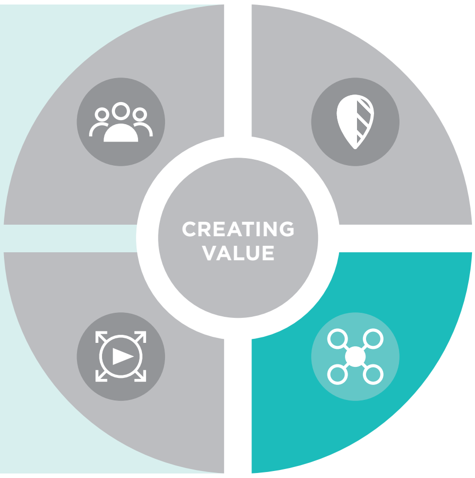
— Continuing to champion AV sustainability through dedicated content featured in our digital channels across the businesses.

“

AV brings flexibility and innovation to companies and allows employees greater choice in how and where they live and work.”

MIDWICH SUSTAINABILITY STRATEGY
AREAS WE CAN INFLUENCE

Influencing our channel



Strategic priorities

Our goal is to support a sustainable value chain to ensure the long-term success of our business and, by working with our vendors, customers and end users, influence and support their environmental goals. Many of our global vendors are large corporations which have their own ambitious plans to reduce their environmental impact. We believe that in time, the AV industry will converge on a set of principles to reduce carbon emissions and other environmental impacts.

Whilst this area of our sustainability strategy is not as well advanced, we are committed to learning and growing to understand how we can use our position in the value chain to leverage technology towards a more circular economy.

2023 commitments

— Work with industry bodies and leading experts on channel sustainability.

— Continue to involve ourselves with long-standing partners.

— Continue to support the WEEE regulations and other environmental programmes in other geographies.

2023 progress

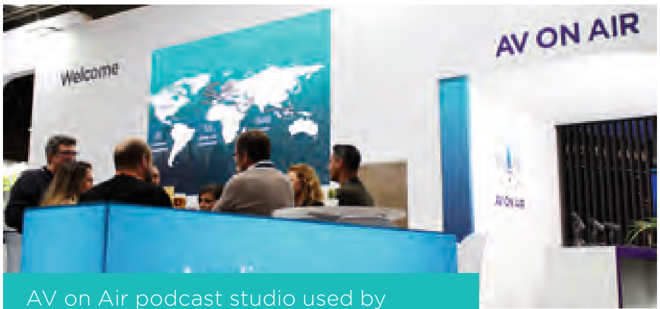
Aligned with our strategy, our approach to sustainability extends beyond our products and services - it is underpinned by our collaborations, engagements, and industry leadership initiatives.

Influencing the channel through industry collaboration

Throughout the past year, we have actively engaged with the wider AV channel, helping to influence sustainability and environmental awareness with industry bodies and our partners. Supporting the education of the channel, with shared knowledge and expertise across a number of different approaches; from events to YouTube livestream programmes. Examples include:

1. **Collaboration with AVIXA Sustainability Task Force:** Working with the industry body AVIXA and its board led to the establishment of a Sustainability Advisory Board to research and present ideas on industry trends and expectations regarding sustainability. Our Head of Technology co-chairs a sub-Committee of their Sustainability Task Force, highlighting our ongoing commitment and expertise in sustainability.

> Actively participating in industry forums, sharing insights and driving meaningful conversations, we continue to influence the channel towards more sustainable practices."



AV on Air podcast studio used by industry influencers at ISE

2. **Impact and Recognition:** As a company we have engaged with industry leaders like Sysco Productions, providing informative sessions on sustainability practices for AV. The session received positive feedback and expressions of interest in continued collaboration and knowledge-sharing was a welcome outcome.

By actively participating in industry forums, sharing insights, and driving meaningful conversations, we continue to influence the channel towards more sustainable practices. We look forward to further collaborations and opportunities to make a positive impact in the years ahead.

Our 2024 commitments

We will continue to engage with the AV industry and look to be a clear influencer with respect to sustainability. With representatives from the Group on both the AVIXA Sustainability working group and Sustainability in AV ("SAVE"), we are well placed to continue to be at the forefront of AV channel change, bringing customer feedback and end user recommendations to our vendors and the wider value chain.

CLIMATE-RELATED DISCLOSURES

Our sustainability strategy commitments included the incorporation of climate-related reporting into our 2023 annual report.

This is therefore the first time Midwich Group plc is reporting under the Mandatory Climate-related Financial Disclosures requirements which align with the Task Force on Climate-related Financial Disclosures ("TCFD") environmental reporting framework.

The TCFD developed a climate-related financial risk disclosure framework for companies to provide information to investors, lenders, insurers and other stakeholders. Our climate-related disclosures are reported consistent with the TCFD recommendations and disclosures. The index table below provides a reference to where these disclosures can be found throughout our annual report, together with a summary of our assessment of our level of compliance.

Our response to the TCFD framework

Topic	Cross reference to further disclosure	Recommended disclosure	Status
Governance	**Page 57**	Describe the Board's oversight of climate-related risks and opportunities.	New sustainability governance structure established and progress monitored by the Board.
	Page 57	Describe management's role in assessing and managing climate-related risks and opportunities.	
Strategy	**Page 47**	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Midwich Sustainability Strategy climate strategy developed in 2022 and refined in 2023.
	Page 59	Describe the impact of climate-related risks and opportunities on businesses, strategy and financial planning.	Following our materiality assessment and risk analysis, four key transitional risks were identified as the most significant areas.
	Page 60	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario.	Structured scenario analysis conducted in 2023.
Risk management	**Page 60**	Describe the organisation's process for identifying climate-related risks and opportunities.	Additional climate-related risk processes added to our existing risk management framework and supported by a third party specialist.
	Page 60	Describe the organisation's process for managing climate-related risks.	
	Page 58	Describe how the process for identifying, assessing and managing climate-relate risks are integrated into the organisation's overall risk management.	
Metrics and targets	**Page 61**	Describe the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Emissions measured both in absolute terms and as an intensity ratio linked to revenue. Risk and opportunities assessed using our risk management framework.
	Page 61	Disclose Scope 1, Scope 2, and if appropriate Scope 3 greenhouse gas ("GHG") emissions, and the related risks.	Scope 1, Scope 2 and "controllable" Scope 3 now measured.
	Page 61	Describe the targets used by the organisation to manage climate-related risks and opportunities, and the performance against targets.	Initial targets set this year. Progress will be reported going forwards.

Sustainability governance

The Board has ultimate responsibility for and oversees our sustainability and climate strategy (including climate-related risks and opportunities, along with progress against our carbon reduction targets and our net zero commitments) and is responsible for the approval of the Group's actions and disclosures. Hilary Wright is the Non-executive Director with responsibility for sustainability matters with climate-related topics scheduled for review at least bi-annually by the Board.

To support the Board, we have established the Midwich Sustainability Leadership Group ("MSLG") to oversee Group-wide sustainability actions. The purpose of this Group is:

— To oversee the implementation of the Midwich Sustainability Strategy and report progress to the Board.

— To understand the wider sustainability backdrop and provide recommendations to the Board on our approach to sustainability.

— To understand climate related risk and opportunities and impact assessment.

— To establish and review sustainability goals and targets and monitor progress.

— To represent the Group and support the AV channel in its sustainability goals.

Membership of the MSLG consists of senior business leaders from across the Group, representing governance, finance, human resources, technology and commercial relationships.

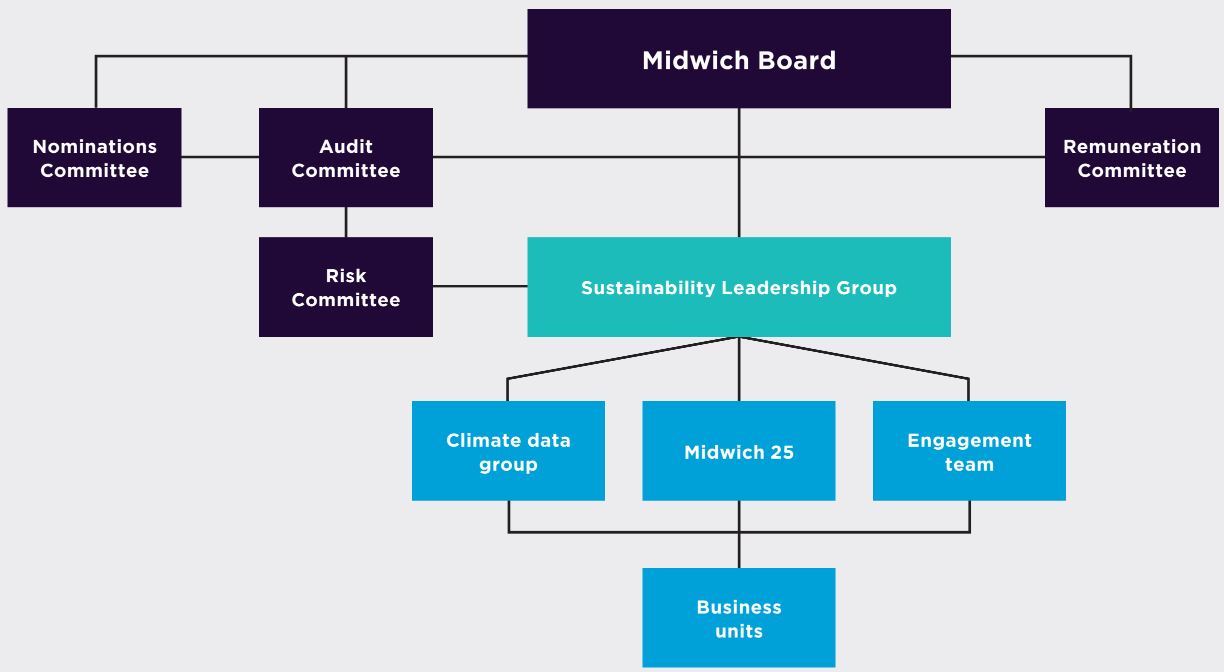
In addition, the Group Management Team receives regular updates on our climate action plan and the Audit Committee reviews climate-related risks and opportunities within the wider Group risk management process.

At an operational level, each of our businesses are responsible for implementing the Midwich Sustainability Strategy with nominated staff members forming and attending the Midwich 25 sustainability group. The purpose of this group is to generate practical ideas, prioritise actions and monitor progress with respect to our sustainability goals. Many of our businesses have dedicated resources focused on the day-to-day elements of our sustainability actions, such as community engagement.

We have also established a virtual team responsible for the collection of our global emissions data across the Group This team is supported by a third party which standardises our carbon metrics and provides advice on emission reduction.

Note, a new Board Sustainability sub-Committee was established in February 2024 to further increase our focus on this area.

Sustainability governance framework



MATERIALITY ASSESSMENT AND OUR SUSTAINABILITY STRATEGY

We conducted a full environmental, social and governance ("ESG") materiality assessment; engaging external consultants to ensure that the results were impartial and truly reflective of the key sustainability-related challenges that our business and the wider AV industry face.

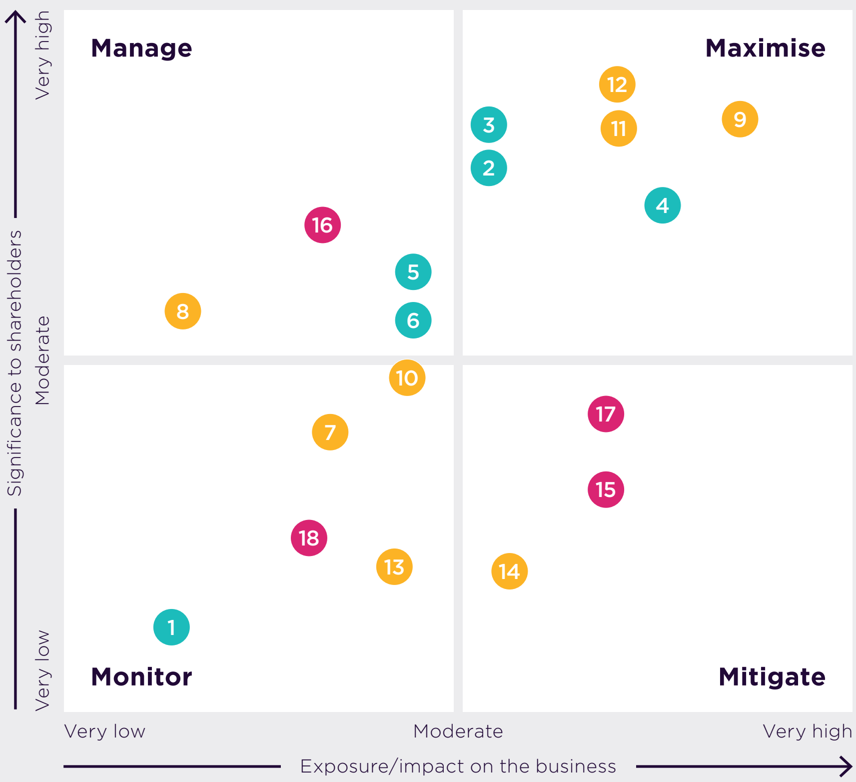
Comprehensive stakeholder engagement, combined with a detailed analytical review involving academic research and industry intelligence gathering, helped us identify a long list of 20 material topics across each of the environmental, social and governance areas.

We then conducted risk and opportunity analysis against each topic to establish its potential to impact the business and significance based on stakeholder views and the wider global sustainability agenda. The result, our materiality matrix, is shown below:

Risk heatmap

Current risk assessments taking account of current mitigations

■ Environmental ■ Social ■ Governance



Maximise

- 2 Energy management
- 3 Greenhouse gas reduction
- 4 Logistics and transport
- 9 Employee inclusivity
- 11 Employee training
- 12 Employee wellbeing

Manage

- 5 Packaging
- 6 Product lifecycle management
- 8 Community involvement
- 16 Fair operating practices

Mitigate

- 14 Product security
- 15 Executive remuneration
- 17 Responsible procurement

Monitor

- 1 Biodiversity loss
- 7 Child labour and human trafficking
- 10 Employee health and safety
- 13 Product accessibility
- 18 Responsible tax

The topics that are most significant to our stakeholders and have the highest potential to impact our business are those within the top right-hand quadrant.

This process to define and identify our highest priority sustainability-related issues identified four key areas that we believe will ensure the long-term sustainable success of our business. These have been summarised into our Midwich Sustainability Strategy (page 47) and will inform our approach going forward. We review the materiality matrix annually and will refine it as the wider social backdrop evolves.

In 2023, we prioritised the areas where we have more direct control over our environmental impact.

The Pro AV industry is embedded in multiple facets of day-to-day life, from education to business and communication to retail, entertainment and live events. The flexibility of AV solutions mean that our products are increasingly being used to substitute single-use products or solutions, such as unified communications replacing travel or digital signage replacing printed media. The industry has proved resilient over time and is backed by some of the largest global technology companies. The Board expects the Pro AV industry to continue to be relevant and expects it to respond and adapt to emerging climate-related risk and opportunities.

Our exposure to climate-related risks and opportunities are linked to our ability to source the right products and use our value-added approach to provide relevant solutions to our customers and end users. The Board has determined that we should build on our long established engagement model with our communities to bring the same level of focus on our direct carbon emissions.

In 2023, we formalised our approach to climate-related risk and opportunities, supported by third party specialists we enhanced our approach to governance and reporting together with conducting a detailed climate-related risk and opportunity assessment, including scenario analysis. In addition, we have analysed our global carbon emission for 2022 and 2023. Taken together, we have used this work to define our carbon emission metrics and set net zero targets for our controllable emissions.

For 2024, we are stepping up our work on reducing our direct carbon emissions, including allocation of resources to green transport, moving to renewable energy and setting a timeline to end the use of oil and gas heating.

Given our role as a distributor, our direct emissions (Scope 1, Scope 2 and controllable Scope 3) represent a small portion of our overall value chain emissions. At this stage, we have prioritised working with our AV channel partners to do the right thing, such as influencing the industry to switch towards recyclable materials for products and packaging and to reduce the energy use of the products we sell, rather than estimating the wider Scope 3 emissions data. In the year ahead we will begin to catalogue our vendor partners' sustainability plans with a view to establishing our broader Scope 3 net zero roadmap.

Climate-related scenario analysis

We engaged a third-party specialist to support us in conducting TCFD aligned climate scenario analysis in 2023. We formed a climate-related risk and opportunity project group to evaluate the most suitable scenarios with respect to physical and transition risk, multiple time horizons and the global nature of our business and industry.

We conducted an evaluation of the top risks and opportunities in the context of the NGFS Climate Scenarios framework. Given that our assessment was weighted towards transitional risks, we applied the NGFS "Disorderly" scenario. This assumes that climate policies are delayed or divergent across countries and sectors. These scenarios are associated with subdued physical but high transition risks, as, for instance, carbon prices might need to rise sharply and abruptly. In this scenario, Delayed Transition assumes annual emissions do not decrease until 2030. Strong policies are needed to limit warming to below 2°C. Negative emissions are limited.

For this initial assessment we weighted our scenario planning towards the short (before 2028) and medium-term (2028 - 2033) time horizons. We plan to incorporate more long-term (beyond 2033) analysis as we expand our wider Scope 3 work.

Climate-related risks and opportunities

We also developed a long list of risks and opportunities, using a mix of internal analysis and an external review of industry and climate risk benchmarks and our global facility locations. These risks were evaluated in the context of our chosen scenario analysis and using our existing risk management framework which scores the likelihood (from remote to almost certain) and consequences (from insignificant to catastrophic) of each.

Our analysis of the short-term risks (to 2030) did not identify any catastrophic risks to our business model, nor did we identify any indicators of such for the longer-term time horizons (to 2040). The Board will continue to monitor climate-related risks over the longer term and develop actions to mitigate these risks as appropriate.

The AV industry is an enabler for many industries to work more efficiently and reduce carbon emissions through the substitution of higher emission activities. We believe that our industry and our business will see opportunities develop as the world adapts to climate-related risks in the coming years.

Overall, the key outcomes from our initial climate-related risks and opportunities assessment were:

- No catastrophic risks were identified.
- The key risks identified were all related to transition risks.
- AV solutions will continue to be relevant and meaningful as the world moves towards net zero.
- The AV industry is increasingly adopting climate-related thinking into product design and manufacturing, but, as with other electronics industries, it will need to continue to innovate and adapt.

MATERIALITY ASSESSMENT AND OUR SUSTAINABILITY STRATEGY *CONTINUED*

Climate-related risks and opportunities *continued*

— Midwich's flexible business model and proven agility positions it well to adjust to the changing market conditions. Our assessment of climate risks leads us to believe in the resilience of our business in the future and has identified a number of opportunities.

In response to the risk assessment and our review of the mitigating actions, the Group does not expect a material change in our business model, strategy or capital allocation. Our financial plans for 2024 include an increase in resources dedicated to managing climate-related risks and responding to some of the opportunities identified.

Overview of climate-related risks and opportunities

Set out below are the key risks and opportunities that were identified through our climate-related risk assessment process. These are all categorised as transition risks.

Risk/opportunity area	Risks and opportunities	Control measure
Increased stakeholder concern or negative stakeholder feedback	**Risk** Midwich's reputation as a reliable and trustworthy partner is fundamental to its ongoing success. A failure to align our climate-related ambitions and subsequent actions could lead to reputational damage and a loss of revenue. **Opportunities** The Group's position at the heart of the AV industry and its value-added model position it well to adapt to emerging market requirements, such as offering repair, recycling and reuse solutions.	We have developed a Group climate strategy and approach with oversight from the Board. Our approach will continue to adapt as the AV industry evolves to achieve net zero targets. We are working closely with our AV industry partners to adapt the supply chain.
Shifts in customer/end user preferences	**Risk** An unexpectedly rapid change in product demand towards more sustainable products or demand fluctuations due to climate change could impact revenue. **Opportunities** Midwich has deep value-add relationships with its substantial customer base, servicing a diverse range of end-user markets. This positions the Group well to identify emerging customer preferences, whilst its broad base of the leading and innovative AV industry vendors allows the industry to respond to these trends and launch products to the market.	We have longstanding and deep relationships with many of the leading AV industry manufacturers and integrators. We will work together to adapt to market changes. We believe that the Pro AV industry offers numerous solutions to address climate change challenges and that these will further develop in time.
Enhanced emissions-reporting obligations	**Risk** A material change in legislation with respect to reporting obligations for either products or our businesses could result in a significant step up in operating costs. **Opportunities** The Group works with many of the leading AV industry vendors and integrators. Its scale and reach can support the development and deployment of enhanced sustainability reporting.	The Board regularly reviews the impact of changes in legislation to ensure compliance. We plan to enhance our governance in 2024 through the creation of a new Sustainability sub-Committee of the Board.
Mandates on and regulation of existing products and services	**Risks** New legislation with respect to areas including product durability, reusability, upgradability, reparability and energy and resource efficiency could impact the cost of products, the product renewal cycle and place additional requirements on the AV channel, all of which could increase operating costs. **Opportunities** Midwich can support the wider industry develop sustainable products and services. Midwich can partner with its 800+ vendors to develop and implement improved industry standards and support the rollout on more sustainable products and solutions.	Management is engaged with the wider AV industry to understand emerging regulation and proactively respond to the climate change challenges. Midwich is well placed in the supply chain to support the introduction of new solutions and services.

Metrics and targets

This year we have measured our global carbon data and set climate-related targets for the first time. These targets have been informed by our TCFD assessment combined with a detailed review of our 2022 and 2023 global carbon emissions and approved by the Board.

A summary of our carbon emissions and intensity ratios for 2022 and 2023 are set out below. Note, at this stage we have focused on our Scope 1, Scope 2 and controllable Scope 3 emissions. We will prioritise our efforts on reducing our directly controllable emissions with a view to annual reductions in our intensity ratios from 2025 and achieving net zero for these categories by 2035.

As a value-added distributor, and like the many businesses, we recognise that the wider Scope 3 emissions will be substantially greater than our direct emissions. We are committed to helping our AV channel partners transition to net zero over time. This work will include actively working with the AV industry to reduce climate-related emissions, reviewing and increasingly prioritising vendors who have a defined net zero strategy and developing a reasonable measure of our wider Scope 3 emissions.

Greenhouse gas emissions data

Data for the period ending 31 December	2023 Mix		2022 Mix	
Scope 1				
Total emissions (tonnes of CO_2e)	**1,704**	**16%**	2,078	20%
Emissions intensity ratio (tonnes of CO_2e per £m revenue)	**1.4**		1.7	
Scope 2				
Total emissions (tonnes of CO_2e) - location-based	**1,219**	**12%**	1,196	12%
Emissions intensity ratio (tonnes of CO_2e per £m revenue)	**1.0**		1.0	
Total emissions (tonnes of CO_2e) - market-based	**1,297**		1,154	
Emissions intensity ratio (tonnes of CO_2e per £m revenue)	**1.1**		1.0	
Electricity usage (kWh)	**3,528,277**		3,303,052	
% renewable energy	**19%**		23%	
Scope 3				
Total emissions (tonnes of CO_2e)	**7,420**	**72%**	7,083	68%
Upstream fuel and energy	**899**	**9%**	1,092	9%
Business travel	**1,655**	**16%**	1,070	16%
Employee commuting	**2,262**	**22%**	2,024	22%
Home office	**227**	**2%**	250	2%
Outbound logistics	**2,377**	**23%**	2,647	23%
Total emissions (tonnes of CO_2e)	**10,343**	**100%**	10,358	100%
Emissions intensity ratio (tonnes of CO_2e per £m revenue)	**8.5**		8.6	

We have set the following initial climate-related targets/metrics for the Group:

— To agree a timeline to move away from oil and gas heating in our facilities. Metric: Scope 1 emissions (2024);

— To have a measure of wider Scope 3 emissions. Metric Scope 3 emissions (2026);

— To use, where possible, renewable energy across our office locations. Metric: Percentage of renewable energy (2028);

— To achieve net zero for controllable emissions. Metric: Controllable emissions (2035); and

— To work with the AV channel to help it become net zero. Metric: Not yet defined (2050).

The Group has a track record of growth through acquisition. The Board notes that targets may need to be flexed for new businesses joining the Group in the future, but the overall approach adopted by the Group will be adapted to each acquired business accordingly.

Progress on climate-related actions

Whilst the Group has measured carbon data and reported climate-related risks and opportunities for the first time this year, we have been actively engaged with improving our environmental impact over the last two years.

Examples include:

— Our new offices and experience centres have been developed with environmental impact in mind, including solar power, environmental monitoring systems and reuse of existing furniture where possible. We have applied a similar approach to our exhibitions.

— We have rolled out green commuting initiatives, EV car schemes and car chargers in a number of territories.

— We have removed single use products from our facilities and provide lunch to our staff in the Diss office to encourage wellbeing and avoid further car use.

Despite a return to more in-person activity in 2023, we were pleased to see that overall controllable emissions reduced slightly in 2023.

SECR Statement

Streamlined Energy and Carbon Reporting

In addition to the activity taking place across the Group to develop our carbon reduction programme and reduce our environmental impact, we report on energy consumption and Greenhouse Gas ("GHG") emissions under the Streamlined Energy and Carbon Reporting ("SECR") regulations.

The data reported is for our large UK companies: Midwich Limited, Nimans Limited and Cooper Projects Limited (2021 and 2020: Midwich Limited only). We note that the data for 2021 was impacted by the pandemic which resulted in reduced in-person activity, home working and less business travel.

Our carbon footprint

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

Quantification and reporting methodology

The information used to calculate these emissions is based on electricity and gas meter readings, whilst transport information is captured as part of our operational processes. We have used a location-based approach and emission factors from the UK Department for Business, Energy & Industrial Strategy ("BEIS") "Conversion factors 2023: condensed set" to calculate our 2023 Scope 1, 2 and 3 emissions. The reported Scope 3 data relates to fuel purchased by employees for business travel in their own vehicles.

GHG emissions and energy use data for the year ended 31 December 2023

	Year to 31 December 2023		Year to 31 December 2022[4]		Year to 31 December 2021	
	Energy (kWh)	**GHG emissions (tCO_2e)**	Energy (kWh)	GHG emissions (tCO_2e)	Energy (kWh)	GHG emissions (tCO_2e)
Scope 1 emissions (direct)[1]						
Gas consumption	**492,354**	**99.8**	458,698	100.8	—	—
Transport	**90,572**	**29.9**	127,300	30.8	15,907	3.8
Total Scope 1	**582,926**	**129.7**	586,268	131.6	15,907	3.8
Scope 2 emissions (energy indirect)[2]						
Electricity	**1,181,014**	**244.6**	1,058,549	214.8	520,357	110.5
Employee electric vehicles	**18,944**	**3.9**			520,357	110.5
Electricity	**1,199,958**	**248.5**	1,058,549	214.8	520,357	110.5
Scope 3 emissions (other indirect)[3]						
Employee-owned vehicles	**1,181,216**	**291.4**	986,059	249.1	291,629	73.5
Combined total	**2,964,100**	**669.5**	2,630,876	595.5	827,893	187.8
Midwich Limited only	**1,247,363**	**282.3**	872,267	270.2	827,893	187.8

1 Emissions from direct activities such as combustion in owned or controlled boilers and vehicles that release emissions into the atmosphere.

2 Emissions released into the atmosphere associated with the consumption of purchased electricity. These are indirect emissions that are a consequence of Midwich Limited's activities but which occur at sources that are not owned or controlled.

3 Emissions from business travel in rental cars or employee-owned vehicles where the Company is responsible for purchasing the fuel.

4 2022 restated to reflect more accurate vehicle data.

Intensity ratio

The intensity ratio compares emissions data with an appropriate metric or financial indicator. We have chosen to use tonnes of CO_2e per £ million of revenue. Note, data for 2021 includes the unprecedented impact of COVID-19 which affected both revenue and emissions. The intensity ratio for 2019, the year prior to the pandemic, was 1.16.

GHG emissions and energy use data

	Year to 31 December 2023		Year to 31 December 2022[4]		Year to 31 December 2021	
	Revenue £ million	**Intensity ratio**	Revenue £ million	Intensity ratio	Revenue £ million	Intensity ratio
Combined total	**422.8**	**1.58**	432.7	1.38	230.1	0.82
Midwich Limited only	**268.5**	**1.05**	281.9	0.96	230.1	0.82

The increase in emissions in 2023 reflects the full-year impact of businesses acquired in 2022 combined with an increase in in-person activity.

The combined UK large company data for 2023 includes the carbon emissions from Midwich Limited, Nimans and DVS. The last two of these were acquired in 2022 and have in-house warehouses and vehicles, they also use gas boilers for heating. These emissions will be addressed as part of the Group's long-term Midwich Sustainability Strategy.

We have also shown data for Midwich Limited only. Over recent years, Midwich has consolidated its southern UK office and showroom facilities into a modern purpose-built facility and refurbished its head office in Norfolk. Environmental considerations were at the heart of these changes with investments in areas including automated building monitoring, solar panels, low energy heating and lighting and electric vehicle charging facilities. We are also moving our vehicle fleet towards low emission vehicles and have implemented policies restricting single-use plastic and non-recyclable containers. Compared to pre-pandemic levels (2019), Midwich Limited's intensity ratio has reduced significantly.

Further information on the Group's approach to sustainability is set out on pages 46 to 55.

OUR RISK MANAGEMENT PROCESS

The Board is responsible for maintaining and reviewing the effectiveness of our risk management activities from a strategic, financial, and operational perspective.

These activities are designed to identify and manage, rather than eliminate, the risk of failure to achieve business objectives or to successfully deliver our business strategy.

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

Approach

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

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

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

Our risk appetite

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

Our risk culture

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

Current areas of focus

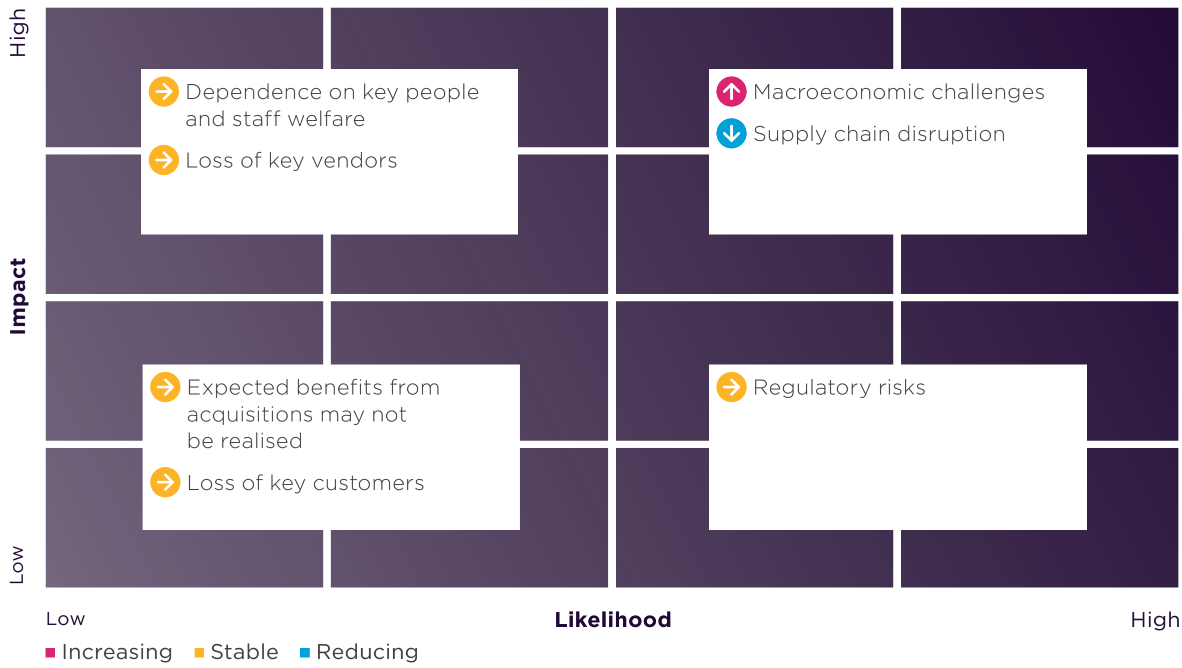
The global backdrop has seen a number of significant events over the last few years which have impacted our risk assessment. In 2023, we saw an overall reduction in risks related to the pandemic and associated supply chain disruption. Our focus in 2023 was on general macroeconomic conditions, interest rate increases and the impact of labour disputes on end user demand. Other risks focused on during the year included Asia Pacific trading challenges, the Group ERP programme and environmental risks.

"The Board is committed to maintaining an open culture that emphasises the importance of managing risk and encourages transparent and timely risk reporting."

Andrew Herbert
Non-executive Chair

OUR RISK MANAGEMENT PROCESS *CONTINUED*

Risk heat map



BOARD

Sets our overarching risk appetite and ensures that we manage risks appropriately across the Group.

Regularly monitors the principal risks and uncertainties identified by our risk assessment processes, and the actions we have taken to mitigate them.

GROUP RISK MANAGEMENT

Primary responsibility to oversee management of financial risks, including tax, credit and treasury risks and legal compliance.

Responsibility for overseeing global information technology and security risks together with operational and insurance risks.

GROUP MANAGEMENT

Our Executive management takes day-to-day responsibility for implementing the Board's policies on risk management and internal control.

It designates who is responsible and accountable through the design and implementation of all necessary internal control systems, including policies, standards and guidance.

OPERATIONAL MANAGEMENT

Our operational management and business unit leaders take day-to-day responsibility for operating within the Group's risk management framework, including local legal compliance, staff training, risk mitigation and monitoring.

PRINCIPAL RISKS AND UNCERTAINTIES

The following pages set out the principal risks and uncertainties, including potential impacts and mitigating actions, as identified by the Board for the year ended 31 December 2023.

This list is not exhaustive and will continue to evolve. The Group's principal risks have been categorised as Strategic, Operational, People, or Financial.

Link to strategy
Increasing Stable Decreasing

Strategic risks

A Acquisition benefits may not be realised

Risk change

Potential impact

Acquisitions give rise to inherent execution and integration risk. Integration may produce unforeseen operating difficulties or costs and may absorb significant attention of the Group's management. A poorly implemented acquisition could damage the Group's reputation, brand and financial position.

Mitigation

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

Changes this year

The Group acquired seven businesses during the year; the most in a single year in its history.

Acquisition appraisals and due diligence findings were reviewed by the Board. The Board receives progress updates on integration and conducts post-acquisition reviews of deals completed For a number of deals, earn out structures were put in place to ensure that acquisition consideration is linked to performance. For example, changes in a vendor's business model, after the acquisition of HHB, have resulted in an expectation of lower future revenues and profits in that business. This risk was anticipated in the deal structure and is expected to result in a decrease in contingent consideration. See note 23 of the consolidated financial statements for further details.

B Loss of key customers

Risk change

Potential impact

Most customers contract with the Group on a deal-by-deal basis with no formal ongoing purchasing commitment. As such, they have a voluntary right to terminate their contractual relationships without notice or penalties. There is therefore a lack of certainty in respect of the retention of existing customers.

Mitigation

The Group has a very large customer base of over 24,000 AV integrators and IT resellers, many of which have long-term relationships with it. The diversity of our customer base is demonstrated by the fact that no customer accounted for more than 2% of overall Group revenues this year. By providing a best-in-class service in terms of stock availability, logistics and credit capacity, the Group intends to continue to keep our customer base satisfied.

Changes this year

Across the Group, customer service remains a top priority. In a year of economic pressures, we provided our customers with market-leading product availability and practical advice on areas such as logistics and credit management. We continue to monitor customer credit capacity and maintain credit insurance in most territories. We have dedicated support for our multinational customers which allows us to partner with them on complex projects across our different geographies.

Link to strategy
Increasing Stable Decreasing

Strategic risks *continued*

C Loss of key vendors
Risk change: Stable

Potential impact

The majority of vendors can terminate their contractual relationships with the Group with no or limited notice. Certain vendors also provide the Group with incentives in the form of rebates, marketing development funds, early payment discounts and price protections. There can be no assurance that the Group will continue to receive the same level of income in the future.

Mitigation

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

Changes this year

Our vendor portfolio was once again a significant area of strategic focus in the year with further new vendors added. We also expanded existing vendor relationships into more of our businesses.

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

Financial risks

D Macroeconomic challenges
Risk change: Increasing

Potential impact

Macroeconomic pressures impact many of our end users' demand for products. The Group uses debt facilities (which have covenants) and the costs of servicing these has increased during the year. There is also inflationary pressure on the cost of the Group's inputs.

Mitigation

The AV industry is highly competitive and innovative and AV product inflation is typically below general inflation. The Group's wide range of vendor and product offerings allows us to meet customer needs at multiple price points and budgets.

The Group's benchmark rates for returns on acquisitions accommodate the risk of higher interest rates.

Changes this year

A reduction in mainstream product demand impacted revenue. The Group's focus on technical product capabilities allowed it to significantly improve gross margin.

The Group has a number of fixed rate contracts (rent, utilities and interest rate swaps) that have partially mitigated input inflation.

The Group's interest costs were higher in 2023 than in recent years, although overall Group leverage was reduced.

People risks

E Dependence on key people and staff welfare
Risk change: Stable

Potential impact

The Group is dependent upon key senior management personnel who have extensive experience and knowledge of the Group, its markets, product and service offering, vendor portfolio and customer base.

The future success of the Group depends on the continuing availability of key people and its ability to attract, motivate and retain talent.

Mitigation

The Group actively measures the retention of talent and engages with employees by focusing on training and development. We assess remuneration packages to ensure a market position is maintained. The Group has adopted share plans to align the interests of senior management and the broader employee workforce with those of shareholders.

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

Changes this year

Engagement with our teams and staff welfare continue to be top priorities.

During the year, the Group created a new Group Management Team ("GMT"). This is a broader strategic and operation leadership team. This team diversifies the senior leadership of the business.

Operational risks

F Supply chain disruption

Risk change ↓

Potential impact

The vast majority of the Group's products are manufactured outside of the markets in which they are sold and, as such, the Group is dependent on the global product supply chain. Failures or delays in the supply chain will impact revenue and working capital and could impact the Group's ability to meet financial expectations.

Mitigation

The Group is typically the leading distributor for each of its vendors in the countries where it operates. These strong relationships together with close vendor collaboration to forecast demand provide the Group with some of the most predictable supplies of goods in the market. The Group has multiple vendor relationships and is able to work with its customers to offer alternative products when there are supply limitations.

Changes this year

The post-pandemic disruption to the supply chain was largely resolved during 2023.

The Group continues to monitor global supply chain issues.

G Regulatory risks

Risk change →

Potential impact

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

Mitigation

The Group has defined policy statements and staff training programmes to ensure awareness and alignment with these policies. Acquired businesses are subject to a post-acquisition onboarding process which includes improvement of compliance protocols where necessary. The Board is regularly updated on compliance matters. This includes a full review across the Group on an annual basis.

Changes this year

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

The Group has reviewed the revised QCA code and has acted to ensure compliance with this.

We have invested in compliance with environmental risk and reporting requirements during the year.

A separate analysis of climate-related risk is included on page 59.

The Strategic Report comprising the Chair's Statement, Managing Director's Review and Financial Review was approved by the Board on 22 March 2024 and signed on its behalf by:

Andrew Herbert
Non-executive Chair
22 March 2024

Governance

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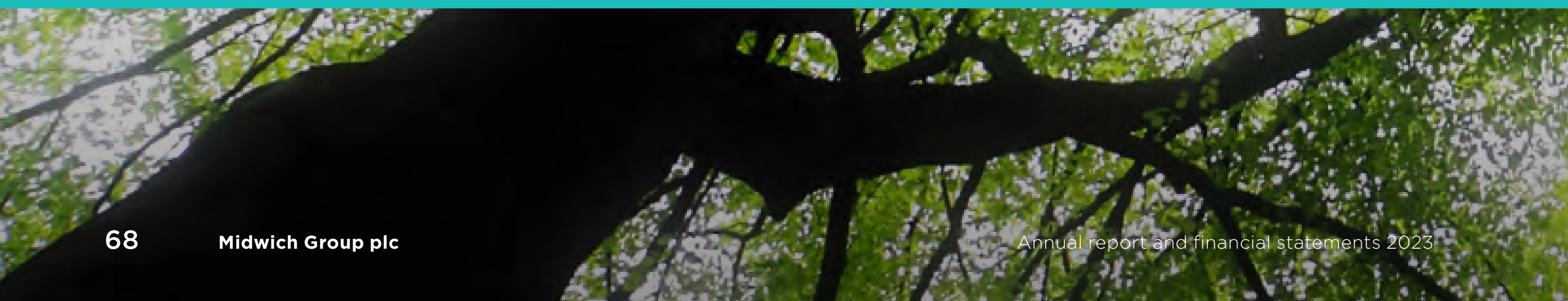


REFOREST'ACTION: OUR PARTNER IN REFORESTATION

The Midwich Sustainability Strategy provides direction for developing our local activities. For example, our EMEA businesses have combined their resources, time and expertise to amplify our impact on environmental actions including working with Reforest'Action.

Founded in 2010, Reforest'Action has pioneered a unique model of crowd planting, facilitating the planting of over 23 million trees across 42 countries. Its innovative approach aligns perfectly with our vision for sustainable development.

BELORADO PROJECT: OUR KEY FOCUS

Since 2023, our primary focus within our partnership with Reforest'Action has been the Belorado Project. This initiative represents a significant step towards restoring biodiversity and mitigating the effects of deforestation. Through the Belorado Project, we are actively contributing to the revitalisation of ecosystems and promoting ecological resilience.

EMPLOYEE ENGAGEMENT AND IMPACT

As part of our commitment to sustainability, since the beginning of 2023, employees in the EMEA region have been invited to pledge planting a tree as part of the initiative. This collective effort has resulted in tangible impacts, with each tree planted representing a step towards a greener, more sustainable future.

reforestACTION

The Belorado project (Spain) contributes to the following Sustainable Development Goals:

To read more about the Belorado project
Use the QR code

We have achieved exceptional revenue growth with no loss of focus on governance.

"Our teams continue to have an impact whether through involvement in environmental or community matters, raising funds for charities or supporting AV industry-wide initiatives to improve long-term sustainability."

Andrew Herbert
Non-executive Chair

I'm pleased to present the Governance Report for the year ended 31 December 2023. This report provides an overview of how Midwich Group is governed and the control structures that we have in place. The Board is responsible for long-term sustainable success, generating value for shareholders and contributing to wider society.

The Board does this by supporting and challenging Executive management to ensure we operate with high governance standards. This report explains how we seek to achieve this. It also contains some highlights from my perspective as Chair.

The established policies and strong management disciplines within the Midwich Group have enabled the business to achieve record revenue growth with no loss of focus on governance. The Board continues to support the emphasis placed by the Group on culture, values and the wellbeing of our people and I firmly believe that this creates an environment for sustained long-term success.

Challenges during the year

The global backdrop in 2023 has remained challenging, notably due to economic pressures from higher interest rates and the subsequent impact on demand. More positively, the Pro AV market has now recovered from the supply chain disruption arising from the pandemic which reduced operational risk for the Group during the year.

The Group completed a record seven acquisitions during the year. This was a test of its acquisition and integration processes and the Board was pleased with Midwich's ability to adapt to this level of activity without compromising governance.

Governance code

The Board considers sound governance to be an essential element of a well-run business and continues to follow the Quoted Companies Alliance ("QCA") Corporate Governance Code. We have included a summary of our compliance with the QCA code in the annual report whilst the full statement of compliance, as approved by the Board on 4 September 2023, is available on the Company's website. In November 2023, the QCA published an updated governance code which becomes applicable to the Group from the 2024 annual report. We have conducted a detailed review of our compliance with the revised code; this identified only limited changes to our existing governance and reporting. Where possible, we have chosen to adopt these changes early and have reflected these in this year's annual report.

Sustainability

We take our social responsibility seriously. Having increased our focus on sustainability over the last few years, I am pleased to report that we are following the TCFD guidelines for the first time this year and have established net zero targets for our direct emissions (pages 56 to 61). I continue to see the passion across the Group for making a difference and our teams continue to have an impact whether through involvement in environmental or community matters, raising funds for charities or supporting AV industry-wide initiatives to improve long-term sustainability (pages 46 to 61 for more details).

Board composition and succession

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

Mindful of the average length of service of the Non-executive Directors, the Board determined that it was the right time to add another independent Non-executive Director. After conducting a search in 2023, I am delighted to welcome Alison Seekings to the Board from March 2024. Alison brings a wealth of experience in accounting, governance and technology companies and will join each of the Board sub-Committees.

The Board comprised of three (four from March 2024) independent Non-executive Directors (including the Chair who was independent upon appointment) and two Executive Directors. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively. The Board regularly reviews its composition, independence and diversity in the context of the Group's international growth.

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

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

Board evaluation

We conduct an annual, survey-based Board evaluation seeking the individual views of Directors on Board composition and effectiveness, business leadership, QCA code compliance and other matters. The survey findings were extremely positive and identified no major issues or concerns about the effectiveness of the Board.

Stakeholder engagement

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

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

I wish to thank our shareholders for their ongoing support during the year, including strong support for our AGM votes (all votes were in excess of 96% in favour) and a high level of engagement with our successful equity placing in June 2023.

Corporate website

Information including the terms of reference of the principal Board Committees, the schedule of matters reserved for the Board, the Company's Articles of Association and, where appropriate, the performance of the Group is available at midwichgroupplc.com.

The following reports explain how the Board and its Committees operate and some of their undertakings during 2023. I would like to thank my fellow Board members for their ongoing engagement and support.

Revenue
£1.3bn

Gross margin
16.8%

Adjusted operating profit
£59.6m

A diverse range of skills and experience.

Andrew Herbert
Non-executive Chair

A N R

Appointed
2016

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

Previous experience
Andrew was group finance director of Domino Printing Sciences plc from 1998 until the sale of the company to Brother Industries in 2015.

He joined the business in 1986 and held senior finance, operational and general management roles prior to joining its board.

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

Stephen Fenby
Group Managing Director

N

Appointed
2016

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

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

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

Stephen Lamb
Group Finance Director

Appointed
2018

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

Previous experience
Stephen joined Midwich as Group Finance Director in July 2018. He has over 25 years' experience in finance, working in high-growth, international business services organisations.

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

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

Board balance (as at March 2024)

Tenure of Directors

0 - 4 years	1
5 - 7 years	2
7+ years	3

- **0–4 years** Alison Seekings
- **5–7 years** Stephen Lamb and Hilary Wright
- **7+ years** Stephen Fenby, Andrew Herbert and Mike Ashley

Independence

Independent	4
Non-independent	2

- Independent
- Non-independent

Skills

Strategy	6
Financial	4
International	5
Leadership	6
Technology	4

Mike Ashley
Non-executive Director

N A R

Appointed
2016

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

Previous experience
Mike was most recently the chief executive officer of Coverings Ltd, a tiles distribution and retail business. He joined from Holland and Barrett in 2020 where he was the chief commercial officer. Prior to this, he was with Travis Perkins PLC. In his time there, he held the position of CCO both in Wickes and the Plumbing and Heating division, leading the transformation of both businesses.

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

Hilary Wright
Non-executive Director

A N R S

Appointed
2018

Qualifications
Hilary is a fellow of the Chartered Institute of Personnel and Development. She is also a director of Plan4Purpose Ltd. and a non-executive director of ActiveOps PLC.

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

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

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

Alison Seekings
Non-executive Director

A N R

Appointed
March 2024

Qualifications
Alison is a Cambridge University graduate, Chartered Tax Adviser (CIOT) and Chartered Accountant (ICAEW), alongside being a member of the Cambridge technology cluster.

She is also a director of Quartix Technologies plc, Green and Purple Limited and Seekings Advisory Limited.

Previous experience
Alison has held senior audit positions at Deloitte and most recently Grant Thornton, where she was audit partner.

Alison has a wealth of experience working with AIM quoted companies, particularly in the technology sector.

She has extensive technical accounting, financial governance, and board-level advisory experience, supporting companies with their financial reporting requirements and acquisition programmes.

Committee membership

A Audit Committee
N Nominations Committee
R Remuneration Committee
S Sustainability Committee
Chair of Committee

Directors' service as at 31 December 2023.

OUR LEADERSHIP STRUCTURE

THE BOARD

Nominations Committee

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

Members:

— Andrew Herbert (Chair)

— Mike Ashley

— Stephen Fenby

— Hilary Wright

— Alison Seekings (March 2024)

Audit Committee

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

Members:

— Andrew Herbert (Chair)

— Mike Ashley

— Hilary Wright

— Alison Seekings (March 2024)

Remuneration Committee

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

Members:

— Mike Ashley (Chair)

— Andrew Herbert

— Hilary Wright

— Alison Seekings (March 2024)

The current terms of reference of the Board Committees are published on the Group's website and are reviewed annually.

The Board met in person or by video conference ten times during the year and also held supplementary meetings by telephone/video conference to consider specific matters. The Board receives a full pack of reports in advance of each scheduled meeting, detailing Group and entity trading performance, and containing individual reports from each of the Executive Directors. During 2023, the Board also received presentations from operational management on topics including business unit strategy, investment and M&A opportunities, talent and succession planning, sustainability, tax strategy, IT systems and security, ERP implementation and acquisition proposals. Alongside monitoring operational performance, it is the Board's responsibility to formulate, review and approve the Group's strategy, investments (including acquisitions), budgets and major items of expenditure.

Attendance at Board and Committee meetings

Board meetings are scheduled in advance for each calendar year. The scheduled Board meetings and attendance during the twelve months ended 31 December 2023 are detailed here:

• Attended • Meetings

	Board meetings		Nominations		Remuneration		Audit	
	Attended	Meetings	Attended	Meetings	Attended	Meetings	Attended	Meetings
Andrew Herbert (Chair)	10	10	3	3	3	3	3	3
Mike Ashley	10	10	3	3	3	3	3	3
Hilary Wright	10	10	3	3	3	3	3	3
Stephen Fenby	10	10	3	3	N/A	N/A	N/A	N/A
Stephen Lamb	10	10	N/A	N/A	N/A	N/A	N/A	N/A

Compliance with the QCA code

The Board has resolved to establish a strong governance culture using the Quoted Companies Alliance ("QCA") code as the basis for its governance framework. The full statement of compliance with the QCA code is available on the Midwich Group plc website. A summary of how the Group complies with the principles of the code (amended to reflect the 2023 code revisions) is set out below.

	Section of code	Overview
1	Establish a strategy and business model which promote long-term value for shareholders	Midwich has a clearly articulated strategy and business plan as a value-added distributor of AV and related products.
2	Promote a corporate culture that is based on ethical values and behaviours	The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation. We believe this to be an essential element of a well-run business. The nature of our business, as a value-adding distributor, means expertise and people skills are at the core of what we do and how we maintain competitive advantage. Having a people-orientated ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We pride ourselves on our home-grown talent, with a significant number of our senior managers having built their careers within the Group. To promote our ethical values, we actively encourage and support community involvement across the Group.
3	Seek to understand and meet shareholder needs and expectations	The Company engages with its shareholders through formal meetings, informal communications and stock exchange announcements.
4	Take into account wider stakeholder interests, including social and environmental responsibilities and their implications for long-term success	The Board considers relationships with, and the engagement of, our stakeholders to be a critical success factor for our business. As a specialist distributor, we add value by developing and maintaining in-depth understanding of our vendors' and customers' needs. In each of the recent annual reports, the level of wider stakeholder disclosure, such as social and environmental engagement, has been increased to provide broader insight into the Group.
5	Embed effective risk management, internal controls and assurance activities, considering both opportunities and threats, throughout the organisation	The Board has ultimate responsibility for the Group's system of internal controls and for reviewing its effectiveness. However, any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The Group operates a risk assessment and monitoring process with regular updates provided to the Board and the Audit Committee. This has been enhanced to include climate-related risks. The Audit Committee monitors and assesses the independence of the Company's auditor annually.
6	Maintain the board as a well-functioning, balanced team led by the chair	The Board is comprised of three independent Non-executive Directors (including the Chair who was independent upon appointment) and two Executive Directors. The Nominations Committee reviews both the quality of Board independence and diversity annually.
7	Maintain appropriate governance structures and ensure that individually and collectively the directors have the necessary up-to-date experience, skills and capabilities	The Board typically meets eight to ten times a year. There were ten scheduled meetings in 2023 with each attended by all Board Directors. Further ad hoc meetings are held by telephone as necessary. A formal Board programme is agreed before the start of each financial year. This is structured, as far as possible, to align with the Group's annual financial programme. The annual Board evaluation considers the Directors' skills and training requirements.
8	Evaluate board performance based on clear and relevant objectives, seeking continuous improvement	The Board conducts a formal evaluation and appraisal process annually. A senior Group employee compiles the results and subsequently facilitates a Board discussion during which matters arising are reviewed and actions agreed. The Board has regular discussions with respect to both composition and succession planning.
9	Establish a remuneration policy which is supportive of long-term value creation and the company's purpose, strategy and culture	The Company has an established and effective remuneration policy which is aligned to the strategy, culture and long-term goals of the Group. Pay structures for senior management are clear and easy to understand and set out in the annual report. The Remuneration Report is put to an advisory vote annually and shareholder feedback is addressed as appropriate.
10	Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Group communicates with shareholders through the annual report and accounts, half-yearly trading updates, the AGM, capital markets days and one-to-one meetings with certain existing or potential new shareholders. Reports from the Audit, Nominations and Remuneration Committees are set out within the annual report. The Group's sustainability reporting has been enhanced this year to include TCFD aligned information.

Nominations Committee Report

"The Committee continues to support the Group's leadership development programme and notes the successful promotion of internal candidates into a number of senior roles during the year."

Andrew Herbert
Non-executive Chair

• Attended • Meetings

	Nominations	
Andrew Herbert (Chair)	3	3
Mike Ashley	3	3
Hilary Wright	3	3
Stephen Fenby	3	3
Stephen Lamb	N/A	N/A

Nominations Committee Report

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

The Committee is comprised of the three independent Non-executive Directors and the Group Managing Director. The Committee met three times in 2023.

Main responsibilities:

— To lead the process for Board appointments and make recommendations to the Board;

— To evaluate the structure, size and composition of the Board (including the balance of skills, knowledge and experience);

— To evaluate diversity and inclusion at both Board and senior management levels;

— Keep under review the leadership needs of the organisation, both Executive and Non-executive; and

— Be responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Board composition

The Committee is responsible for monitoring the Board's balance of skills, knowledge, experience and diversity, and makes recommendations to the Board throughout the year. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively. The Board regularly reviews its composition, independence and diversity in the context of the Group's international growth.

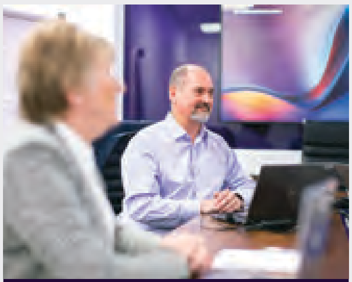
The Group Finance Director undertakes the role of Company Secretary. The Committee keeps this position under review and believes that, at this present time, the two roles can be combined effectively.

Leadership diversity

The Committee believes that diversity, including skills, experience, gender, culture and ethnicity, strengthens our business. Our Non-executive Directors each bring specific skill sets (as set out on page 72) that complement the experience of the Executive Directors. The gender mix of our Board is 80% male/20% female (67%/33% from March 2024) and, while we have no formal gender or ethnicity targets for Board composition, the Committee is committed to ensuring that diversity is a significant consideration in all Board appointments. Group-wide, we are committed to being an inclusive employer.

BOARD EVALUATION

STEP 1



Annual survey of Board members

STEP 2

Facilitated review of survey findings with agreed action plans

STEP 3

Monitoring of progress against agreed plans

Board evaluation

During the year, there was a formal Board evaluation and appraisal process. This included a survey seeking the individual views of Directors on Board composition and effectiveness, business leadership, QCA code alignment and other matters.

The deputy Group Company Secretary compiled the results which was followed by a facilitated Committee discussion during which matters arising were reviewed and actions agreed.

The principal matters arising in 2023 were Board succession planning, enhancing shareholder engagement and sustainability matters. Actions were put in place for each of these matters which are set out in this report. A few minor points that were raised have been acted upon.

The Board will continue to monitor its approach to the evaluation of effectiveness including the use from time to time of external facilitation. In line with the revised QCA code, the Board has committed to conducting an externally facilitated evaluation by the end of 2025.

Board succession

During the year, the Committee reviewed the independence and length of service of the Non-executive Directors. As part of the Board succession planning, a recruitment process to add a new Non-executive Director was undertaken. Following a search and interview process, Alison Seekings was selected and joins the Board from March 2024. She brings relevant financial and risk management skills and will join the Audit, Remuneration and Nominations Committees.

Leadership development

The Group's Executive Leadership Team ("ELT") is responsible for determining and driving operational strategy. This team meets frequently and comprises the Group Managing and Finance Directors, as well as the Chief Strategy Officer and Chief Commercial Officer. The ELT's remit also includes succession planning and talent development across the wider business.

During the year, the Group formed the Group Management Team ("GMT"). The GMT is made up of a small number of senior leaders across the Group. Its principal remit is to support the sustainable long-term growth of the Group, including the prioritisation of strategic opportunities.

The Committee believes that the Group has the right model to drive performance of the Group whilst ensuring implementation of the agreed strategy. There was regular communication between the operational leadership and the Board throughout the year.

The Committee continues to support the Group's leadership development programme and notes the successful promotion and development of internal candidates into a number of new senior roles during the year, including new leaders of the APAC region and our business in Iberia, replacing retiring colleagues, as well as the promotion of Tom Sumner to Chief Strategy Officer and CEO North America, and Mark Lowe to Chief Commercial Officer. The Committee also acknowledges further expansion in the Group's capabilities through investment in both regional and country leadership and in our support teams, human resources and IT leadership during the year.

Andrew Herbert
Chair of the Nominations Committee
22 March 2024

Audit Committee Report

"The Committee seeks to ensure sufficient rigour and independence of the auditor. The Committee also welcomes feedback from shareholders and I am available for discussion of any matters of concern."

Andrew Herbert
Non-executive Chair

• Attended • Meetings

	Nominations	
Andrew Herbert (Chair)	3	3
Mike Ashley	3	3
Hilary Wright	3	3
Stephen Fenby	N/A	N/A
Stephen Lamb	N/A	N/A

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

Membership and responsibilities of the Committee

Membership of the Audit Committee is limited to the independent Non-executive Directors. I am the Chair of the Committee and the member with recent and relevant experience. I am delighted to welcome Alison Seekings to the Committee from March 2024. Her audit partner background brings further relevant experience to the Committee and she is expected to assume the Committee Chair position after completing her onboarding.

The Committee met three times during 2023.

Main responsibilities:

To monitor the appropriateness and integrity of the Company's external reporting, including its financial statements, interim reports and trading updates;

— To review the relationship with, and performance of, the external auditor;

— To review and challenge, where necessary, the consistency of, and any changes to, accounting policies and areas of material judgement both on a year-on-year basis and across the Company/Group;

— To review the appropriateness of the Company's controls to detect and prevent fraud; and

— To keep under review the effectiveness of the Company's internal controls and risk management systems.

Auditor

Grant Thornton UK LLP ("Grant Thornton") was reappointed as the Company's auditor at the 2023 Annual General Meeting.

While there is no mandated requirement for AIM companies to tender their audit, an audit tender, which was informed by the FRC's Audit Tenders Notes on Best Practice, took place in 2021. Following a comprehensive review of the candidates' proposals and presentations, the Committee made the recommendation to the Board to appoint Grant Thornton as the Group's auditor, which was approved by the Board.

The Grant Thornton audit partner is in their fifth year this year and will retire by rotation after the 2024 AGM.

The reappointment of Grant Thornton will be recommended to shareholders for approval at the 2024 AGM.

Monitoring audit

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

Review of financial statements and audit findings

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

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

- Under International Standard on Auditing (UK) 240 ("ISA (UK) 240"), there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Audit procedures performed gained reasonable assurance over the occurrence, accuracy, and completeness of revenue.
- Under ISA (UK) 240 there is a non-rebuttable presumed risk over the management over-ride of controls. Audit procedures focused on journal entries, significant accounting estimates and significant unusual transactions and concluded there were no material adjustments.
- Receivables arising from special pricing arrangements, described as ship and debit quotes ("SDQs"), were identified as a significant potential risk. SDQs are agreements that allow vendors to provide credit notes that support the sales of products at a discount. The risk identified surrounded the existence of the receivable. Audit procedures did not identify any issues in relation to the SDQ receivables.
- The judgements and estimates included within the impairment assessments over goodwill and intangible assets were identified as a significant risk due to the unfavourable macro-economic environment. The assessments did not identify a material impairment.
- The going concern basis of preparation was identified as a significant audit risk due to the uncertain economic environment. Audit procedures were performed to provide satisfactory evidence over the assumptions made in management's assessment of the use of the going concern assumption.

The Committee has reviewed the 2023 annual report and accounts to ensure they are fair, balanced and understandable, and that they provide the information necessary for shareholders to assess the Company's performance, business model and strategy in a clear, concise and balanced manner.

Internal control and risk management

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

The Group operates a risk assessment and monitoring process. This is co-ordinated by the Group Finance Director, who reports principal risks and mitigation actions to the Committee. Further detail on these risks is included on pages 63 to 67.

Audit Committee minimum standards

The Committee notes the FRC's recent consultation on minimum standards for audit committees. Although not expected to apply to AIM companies, the Committee is committed to adopting any requirements as far as is practicable. The Committee seeks to ensure sufficient rigour and independence of the auditor, and their process, and has committed to an audit tender at least every ten years. In addition, the Company manages its non-audit relationships with audit firms to ensure that it has a fair choice of suitable external auditors at the next tender. The Committee also welcomes feedback from shareholders and I am available for discussion of any matters of concern.

Assessment of auditor

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

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

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

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

The Committee continues to require the Company to limit use of the auditor to only audit and other assurance-related activities. The Group complies with the FRC's Revised Ethical Standard 2019 on audit engagements.

During the year, Grant Thornton UK LLP and its associates were paid fees of £809k (2022: £528k) in respect of audit and non-audit work as follows:

	2023 £'000	2022 £'000
Audit fees in relation to the audit of the Company	**172**	106
Audit fees in relation to the audit of subsidiaries	**611**	390
Audit related assurance fees in relation to the interim review	**26**	24
Total audit fees for audit and audit related assurance services	**809**	520
Tax compliance services	**–**	–
Tax advisory services	**–**	–
Other services	**–**	8
Total fees for audit and non-audit services	**809**	528

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

No tax advisory work was performed by Grant Thornton in respect of 2023 and 2022.

Other services represents assurance work under the German Packaging Act. The team performing this work is separate to the Group audit team and led by a different partner. This work was not carried out by Grant Thornton in 2023.

Terms of reference

The Committee maintains its terms of reference under review and makes recommendations for changes to the Board as required. There were no changes made during 2023. Details of the full terms of reference are available on the Company's website.

Andrew Herbert
Chair of the Audit Committee
22 March 2024

Statement from the Chair of the Remuneration Committee.

"I am pleased to be able to report that, despite a tough market backdrop, the Group's record revenue, gross margins and profit and excellent cash generation in 2023 exceeded our financial targets."

Mike Ashley
Chair

• Attended • Meetings

	Nominations	
Andrew Herbert	3	3
Mike Ashley (Chair)	3	3
Hilary Wright	3	3
Stephen Fenby	N/A	N/A
Stephen Lamb	N/A	N/A

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the financial year ended 31 December 2023.

The report is split into three parts:

— This annual statement;

— A "Remuneration overview" section, which provides a brief summary of the Company's remuneration agreements with its Directors; and

— An Annual Report on Remuneration, which sets out payments made to the Directors and details the link between the Company's performance and remuneration for the 2023 financial year.

Main responsibilities

The Committee's main responsibilities are:

— To determine the framework and broad policy for setting remuneration for the Group Managing Director (Chief Executive) and all Executive Directors;

— To recommend and monitor the level and structure of remuneration for senior management;

— To review the establishment of all share incentive plans for approval by the Board and shareholders, and determine each year whether awards will be made, and if so, the overall amount of such awards and the individual awards per person to Executive Directors and other senior management;

— To produce an annual report on the Company's remuneration policy and its implementation; and

— To engage with stakeholders and respond to their feedback on the Company's remuneration policy.

Key activities of the Remuneration Committee

The Remuneration Committee comprises all the Non-executive Directors. The Remuneration Committee carried out a review during the year and is satisfied it continues to meet, and exceed, the standards set by the current QCA code.

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

The Remuneration Committee met three times during 2023 and its key activities were as follows:

- Reviewed the 2022 Directors' Remuneration Report;
- Discussed and determined bonus and LTIP outcomes for Executive Directors;
- Reviewed and approved the Executive Directors' remuneration arrangements for 2023;
- Considered the overall remuneration structure of the ELT, including the 2023 LTIP award; and
- Discussed and approved the targets for the 2024 annual bonus for Executive Directors and senior leaders.

2023 performance and remuneration

Business performance

After two years of unprecedented sales growth, market conditions were more challenging throughout 2023 and the Group's response was exceptional. The financial performance for the year included record revenue, gross margins and adjusted profit before tax. Notably, the Group also completed the most acquisitions in a single year ever, with seven businesses acquired, including entry into the strategically important Canadian market.

A strong focus on technical solutions, supported by the Group's broad geographic reach, allowed it to gain further market share in its key regions and respond to the short-term reduction in mainstream AV product demand.

In the past year, the Group achieved revenue growth of 7% to £1.3bn and adjusted profit before tax of £50m (up 11%).

In summary, some of the key performance highlights are:

- Further growth in market share;
- Revenue increased by 7% to £1.3bn;
- Record gross margins at 16.8%, up by 1.5 percentage points on the prior year;
- Adjusted operating profit increased by 17% to £59.6m;
- Adjusted profit before tax increased by 11% to £50.0m;
- Seven acquisitions were completed including entry into Canada and further margin-enhancing technical businesses;
- Excellent operating cash generation at 114% of adjusted EBITDA; and
- Dividends of 16.5p per share (interim and proposed final).

The Board is pleased with the 2023 performance and believes that the senior management team has taken actions to deliver on the Group's long-term strategic objectives.

2023 annual bonus

The Committee believes in setting stretching annual performance targets that align the goals of our Executive Directors, senior leaders and the wider business to those of our stakeholders.

Each year, the Committee first conducts a formulaic assessment of performance against the targets. For 2023, performance targets were linked to the following specific goals:

- Profit and gross margin growth targets (65% weighting);
- Other financial KPIs (25% weighting); and
- Strategic/personal targets (10% weighting).

The maximum bonus opportunity for 2023 was 125% of salary for both Executive Directors. The Committee reviewed the 2023 performance outcomes against the performance targets set at the start of the financial year. The formulaic outcome was 65% of maximum for the Executive Directors, reflecting the stretching targets set by the Committee.

In addition to the formulaic outcome, the Committee also considered the business' overall performance in the context of the wider market and against the Group's strategic objectives. Taking into account the strong performance of the business throughout 2023, the Committee determined that the formulaic outcome was appropriate and therefore no discretion was exercised by the Committee to adjust the formulaic outcome.

Further details are set out in the Directors' Remuneration Report on page 91.

2021 LTIP award vesting

The Committee believes strongly in aligning the goals of the Group's leadership with those of other stakeholders. In addition to annual performance targets, the Committee believes that such alignment is further enhanced by incentivising performance linked to stretching long-term profit growth targets, reflected in the vesting of the LTIP award linked to the three-year performance to 31 December 2023.

The purpose of the 2021 LTIP award was to incentivise the Group's leadership team to strive to significantly increase the sustainable scale and profitability of the Group as measured by 2023 adjusted profit before tax ("PBT"). For the Executive Directors, only the Group FD was a participant in the award; given his substantial shareholding, the Group Managing Director does not participate in the LTIP.

2023 adjusted PBT performance (£50.0m) exceeded the maximum stretch PBT performance level (target range from £36.8m to £40.5m). The Committee has considered the Group's performance in the context of the wider AV industry (noting the Group's significant outperformance vs the overall AV market) and has also evaluated the Group's performance against its strategic objectives. The Committee concluded that the formulaic outcome reflects the exceptional performance of the business over the challenging three-year period and has not exercised any discretion in relation to the final outcome.

The Committee conducted a review of any potential windfall gains in relation to the LTIP vesting and determined that there has not been a windfall gain and therefore no adjustment to the outcome has been made.

The 2021 LTIP award will therefore vest in full. For the Group FD, the award is subject to a two-year post-vesting holding period. Further details are set out on page 89.

LTIP award granted during the year

The Committee granted awards of nominal value share options under the LTIP in 2023 to the Group FD and other senior employees. The Group FD was granted an award of 185% of salary. The award vests after three years, subject to performance criteria and is subject to a two-year post-vesting holding period.

In light of the Group Managing Director's substantial shareholding, it was agreed that he will not participate in the 2023 LTIP award. The Committee notes that he has not participated in the LTIP at any point since the Company's IPO in 2016.

Our long-term approach to Executive pay

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

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

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

The Committee expects Executive Directors to have sufficient shareholdings to align their interests with shareholders. In particular, Executive Directors are expected to develop a shareholding of 200% of base salary over an appropriate period of time from appointment. The MD's substantial shareholding is significantly above this level (at 21,119% of salary as at 31 December 2023). Including share options that have vested but are subject to a holding period (net of estimated tax), the FD had a holding of 324% of salary at 31 December 2023.

The Committee takes a pragmatic approach to the remuneration of its Executives, acknowledging the substantial shareholdings of the MD and the external benchmarking of the remuneration levels of both the MD and FD. The Committee notes that the results of this benchmarking concluded that the Group MD's base salary was below the market norm. Over time, this is planned to be addressed but given the challenging market conditions, the Committee determined to defer such realignment.

The Committee is satisfied that the incumbents are incentivised to achieve strong performance. However, the Committee recognises that remuneration agreements may need to be reviewed should there be any changes or additions to the Executive Board or changes in the scope or responsibilities of a role and will continue to monitor this going forward.

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

Wider workforce reward decisions

We monitor and review pay and benefits across the Group with a focus on the total value of the overall reward package. Annual salary increases are made in the context of local market benchmarking. There has been a significant focus on supporting our team members over the last few years and we continue to enhance remuneration packages to make working for Midwich more attractive, for example, increased holiday entitlement in the UK from 2024.

We believe that our established actions, such as enhanced communication, flexible working and a focus on employee wellbeing, have ensured that we remain well positioned to support our team members.

We continue to encourage employee share ownership across the Group. For the eighth year in a row, we made free share awards (or cash equivalent awards) to the majority of the wider workforce to recognise the long-term value created by our team members. The award of 300 shares was worth approximately £1,200 at the date of grant and will vest after three years subject to continued employment.

Since IPO, nearly 1.5m free share awards (or cash equivalent awards) have been given to members of staff under this programme, with the total value of these awards in excess of £6.4m, based on the share price at 31 December 2023. As at 31 December 2023, over 60% of Group employees[1] were either shareholders or participants in share awards that will vest in the next three years.

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

1 Excluding businesses acquired during the year.

Alignment with sustainability objectives

Across the Group, sustainability objectives have been part of senior leaders' goals and objectives for a number of years. Following the development of the Group's Sustainability Strategy and carbon reduction targets, sustainability goals will form part of the senior leaders, personal objectives from 2024 and bonus targets from 2025.

Advisory vote on Directors' Remuneration Report and AGM response

Since 2019, the Company has included an advisory vote at the AGM on the Directors' Remuneration Report. Whilst the Committee acknowledges that this is beyond our obligations as an AIM-listed company and the requirements of the current QCA code, it has determined that this is an opportunity to better engage with shareholders on this important topic.

The outcome of the advisory vote at the 2023 AGM was 98% in favour (2022: 100%).

The 2023 Directors' Remuneration Report will be subject to an advisory vote at the 2024 AGM.

The remuneration policy is summarised in the "Summary of remuneration agreements" section of this report and has not changed significantly in the last twelve months.

Outlook for the 2024 financial year

The Committee recognises that the Company has delivered long-term shareholder returns, grown strongly, made market share gains and completed numerous strategic acquisitions since its IPO in 2016. The Committee believes that the Group is well positioned to deliver its long-term strategic objectives and believes in incentivising future growth. The Committee will keep the remuneration arrangements under review and retains flexibility to reward significant outperformance through its incentive schemes.

For 2024, the Committee determined that base salaries for the Executive Directors should be increased by the average salary increases awarded to the broader workforce. The MD's salary was increased by 3.5% to £372,600 and the FD's salary was increased by 3.5% to £300,150 from 1 January 2024.

The Executive Directors will be eligible to participate in the 2024 annual bonus, with a maximum opportunity of 125% of salary, subject to the achievement of stretching profit, other financial and strategic goals.

From 1 January 2024, the fees for the Non-executive Chair were increased by 3.5% to £93,150, while the fees for the other Non-executives were increased by 3.5% to £47,610. The Chair of the Remuneration Committee receives a further fee of £2,000 per annum.

The Executive Directors are expected to be eligible to participate in a 2024 LTIP award.

Summary

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

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

Mike Ashley
Chair of the Remuneration Committee

Summary of remuneration agreements

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

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

A summary of the remuneration arrangements applicable to remuneration in 2023 and 2024 is set out below for reference, to assist with the understanding of the contents of this report and to demonstrate alignment with strategy.

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Base salary Provides a base level of remuneration to support recruitment and retention of Executive Directors with the necessary experience and expertise to deliver the Company's strategy.	Salaries are reviewed at the discretion of the Committee.	Base salaries will be set by the Committee at an appropriate level, with consideration given to comparable listed companies, experience in role and the Company's performance.	None.
Benefits and pension Provides a competitive level of benefits and pension.	The Executive Directors receive benefits, which include pension contributions, company cars and private medical insurance. The FD also receives a contribution towards weekday accommodation near the Company's head office. Further benefits may also be provided for relocation following the appointment of new Executives.	Employer pension contribution of 6% of base salary per annum or a salary supplement representing this contribution net of employer's National Insurance. The maximum value of other benefits will be set at the cost of providing the benefits described.	None.
Annual bonus The annual bonus provides a significant incentive to the Executive Directors linked to achievement in delivering strategic goals, including financial performance. Maximum bonus is only payable for achieving demanding targets.	Performance is measured annually against a range of pre-determined performance conditions. Outcomes are determined by the Committee after the year end, based on performance against these targets. All bonus payments are at the ultimate discretion of the Committee, and the Committee retains an overriding ability to ensure that overall bonus payments reflect its view of corporate performance during the year. Annual bonuses are paid in cash or a mix of cash and shares after the end of the financial year to which they relate.	The maximum normal bonus opportunity is currently 125% of base salary. The Committee has the discretion to defer an element of the annual bonus. The Committee retains the discretion to operate a higher maximum bonus in exceptional circumstances.	Performance is measured over the financial year. Targets are set annually by the Committee. Performance metrics for 2023 will include targets for: — Profit growth; — Other financial KPIs; and — Strategic targets.

Summary of remuneration agreements *continued*

Purpose and link to strategy	Operation	Opportunity	Performance metrics used, weighting and time period applicable
Long Term incentive Plan ("LTIP") The LTIP provides a significant incentive to the Executive Directors linked to achievement in delivering longer-term strategic goals, including sustained financial performance. Maximum awards are only payable for achieving demanding targets.	LTIP awards are made using nominal cost share options. Performance is measured over three financial years against a range of pre-determined performance conditions. Normal LTIP awards are subject to a two-year post-vesting holding period. All LTIP awards are at the ultimate discretion of the Committee and the Committee retains an overriding ability to ensure that overall LTIP awards reflect its view of corporate performance during the period. LTIP awards may attract dividend equivalents for the duration of the performance period.	The normal maximum LTIP award is 200% of base salary. The Committee retains discretion to grant a higher LTIP award in exceptional circumstances.	Performance is measured over a minimum three-year performance period. Targets are set for each performance period by the Committee. Performance metrics for the awards are based on adjusted profit growth.
Non-executive Director fees Provides a level of fees to support recruitment and retention of Non-executive Directors with the necessary experience to advise and assist with establishing and monitoring the Company's strategic objectives.	Non-executive Directors are paid a base fee. Fees are reviewed from time to time at the Remuneration Committee's discretion, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors.	The base fees for Non-executive Directors are set at a market rate.	None.

Reduction or withdrawal of LTIP awards

The Committee may reduce, cancel or impose further conditions on an LTIP award in the event that there is a material misstatement of the Company's audited financial results, a material failure of risk management, material misconduct on the part of the participant, a material breach of any applicable health and safety regulations, serious reputational damage to the Company as a result of the participant's misconduct or any other circumstances which it considers to be similar in nature or effect.

Wider employee pay

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

Pay and conditions elsewhere in the Group were taken into account when considering arrangements for the remuneration of the Executive Directors. For 2024, the Executive Directors' salary increases were set in line with those of the wider UK workforce. In addition, pension contributions are consistent with those for the wider employee population. The same overarching remuneration principles apply but are proportionate to an individual's influence and responsibilities at Group level.

The Committee also encourages the participation of Midwich employees in share ownership and is supportive of the Group's share participation and free share award programmes. At 31 December 2023, over 60% of Group employees[1] were participants in the Group's share plans.

1 Excluding businesses acquired during the year.

Directors' service agreements and letters of appointment

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

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

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

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

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

Approach to recruitment remuneration of Executive Directors

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

Executive Directors' termination payments

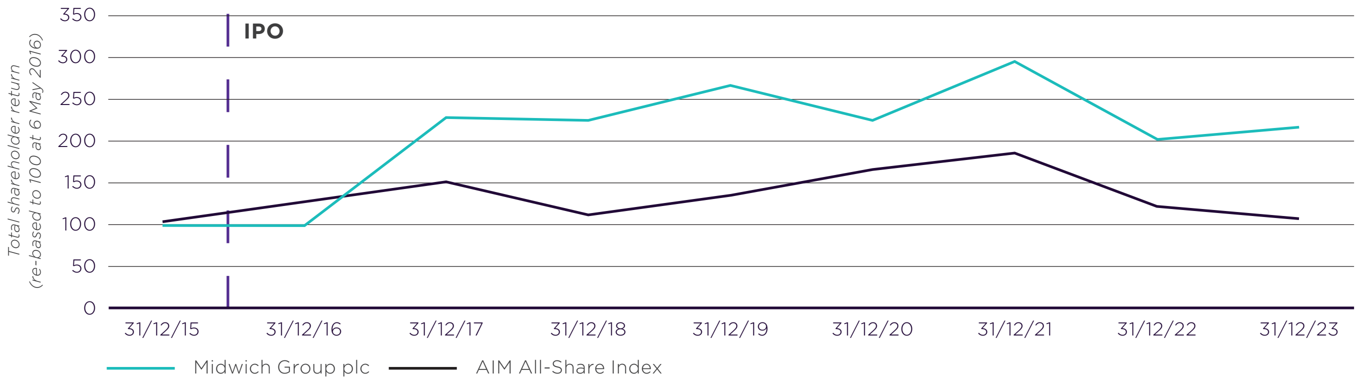
The Remuneration Committee will honour Executive Directors' contractual entitlements. Service agreements do not contain liquidated damages clauses. If a contract is to be terminated, the Remuneration Committee will determine such mitigation as it considers fair and reasonable in each case. There are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

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

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

Total shareholder returns

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



The Committee believes that a well-run business will deliver superior returns to its shareholders over time. In the period since IPO, we have created over £190m of value through market capitalisation growth and dividends. Over the same period, we have outperformed the AIM All-Share Index by 85%.

Executive and Non-executive Director remuneration

The table below sets out the total remuneration with a breakdown for each Executive Director in respect of the 2023 financial year. Comparative figures for the 2022 financial year have also been provided.

	Base salary		Benefits[1]		Annual bonus		Pension[2]		LTIP/other		Total	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023 £'000**	2022 £'000	**2023[3] £'000**	2022[4] £'000	**2023 £'000**	2022 £'000
Stephen Fenby	**360**	343	**12**	12	**293**	223	**19**	17	**—**	—	**684**	595
Stephen Lamb	**290**	275	**28**	15	**236**	193	**15**	14	**208**	1,358	**777**	1,855

1 The taxable benefits received in 2022 and 2023 were principally company cars/car allowances and private medical insurance. Stephen Lamb also receives a contribution to weekday accommodation near the Company's head office.

2 Executive Directors receive pension contributions of 6% of base salary. Pension contributions were delivered as a salary supplement net of employer's National Insurance.

3 For 2023, this relates to the 2021 LTIP which was based on a three-year performance period to 31 December 2023. For the Group FD, 51,500 options will vest in March 2024 at a value of £207,545 (net of exercise price) based on an average share price for the final quarter of 2023 of 404p.

4 For 2022, this relates to the 2020 LTIP which was based on a three-year performance period to 31 December 2022. For the Group FD, 297,116 options vested in March 2023 at a value of £1,357,820 (net of exercise price) based on an average share price for the final quarter of 2022 of 458p.

The table below sets out the total remuneration and breakdown for each Non-executive Director.

	Fees		Total	
	2023 £'000	2022 £'000	**2023 £'000**	2022 £'000
Andrew Herbert	**90**	85	**90**	85
Mike Ashley	**48**	45	**48**	45
Hilary Wright	**46**	43	**46**	43

Additional information regarding Directors' remuneration

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

Base salary

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

Executive Director	Base salary
Stephen Fenby	£360,000
Stephen Lamb	£290,000

Base salaries for the 2024 financial year are set out on page 90 of this report.

2023 bonus awards

The annual bonus opportunity for the Executive Directors in the year was a maximum of 125% of base salary and performance was assessed against the following metrics:

Performance measure	Weighting	Outcome (% of maximum)	
		Stephen Fenby	Stephen Lamb
Profit growth targets	65%	45%	
Other financial KPIs	25%	20%	
Strategic/personal targets	10%	0%	0%
Total	100%	65%	65%

The following bonus awards were approved by the Remuneration Committee for the Executive Directors.

Executive Director	Bonus awarded (% of maximum)	Bonus awarded (% of salary)	Bonus awarded (£'000)
Stephen Fenby	65%	81.25%	293
Stephen Lamb	65%	81.25%	236

The Remuneration Committee considers that the specific performance targets for the 2023 annual bonus awards remain commercially sensitive.

2021 LTIP vesting

The purpose of the 2021 LTIP award was to incentivise the Group's leadership team to sustainably increase the scale and profitability of the Group as measured by 2022 adjusted profit before tax ("PBT"). For the Executive Directors, only the Group Finance Director was a participant in the award; given his substantial shareholding, the Group Managing Director does not participate in the LTIP.

Whilst the performance targets are generally considered to be commercially sensitive and not published in advance, we have responded to shareholder feedback to share the targets retrospectively. Set out below are the stretching targets compared to the final outcome.

	Performance targets (based on adjusted PBT)	Vesting (% of maximum award)
Base target	Less than base adjusted PBT (£36.8m)	nil
	Base PBT or more, but less than £40.5m	75% to 100%, determined on a straight-line basis
	£40.5m or more	100%
Actual outcome	£50m	100%

Whilst the above stretching targets were applicable to the Group's Executive Leadership Team, nearly 100 senior leaders across the Group are also participants in the 2021 LTIP scheme and benefit from the scheme vesting in full.

The Committee has considered the Group's performance in the context of the wider AV industry (noting the Group's significant outperformance vs the overall AV market) and has also evaluated the Group's performance against its strategic objectives. The Committee concluded that the formulaic outcome reflects the exceptional performance of the business over the challenging three-year period and has not exercised any discretion in relation to the final outcome.

As mentioned in the Chair's Statement, the Committee conducted a review of any potential windfall gains in relation to the 2021 LTIP. The Committee noted that the share price movement over the period since the LTIP grant did not indicate a windfall gain.

The 2021 LTIP will therefore vest in full. The award is subject to a two-year post-vesting holding period for the Group Finance Director.

Long-term incentives granted in 2023

During the year, the Committee reviewed the approach to LTIP awards, which have historically been based solely on adjusted PBT targets. The Committee sought to provide an additional incentive to deliver significant outperformance and therefore decided to introduce an additional element linked to adjusted Earnings Per Share ("EPS") performance.

The 2023 LTIP award for the Group Finance Director was granted on 16 August 2023 over 128,889 nominal cost options and operates as follows:

— Base element (50%): 92.5% of salary, subject to adjusted PBT targets. Subject to performance, the award will vest in 2026 and be subject to a two-year post-vesting holding period.

— Stretch element (50%): 92.5% of salary, subject to adjusted EPS targets based on performance over the three-year period from 1 January 2023 to 31 December 2025. Subject to performance, the award will vest in 2026.

In addition to ambitious adjusted PBT targets, the Committee set very stretching adjusted EPS performance targets in excess of analyst forecasts for the stretch element which will only vest for significant outperformance. The Remuneration Committee considers the performance targets to be commercially sensitive, but notes that the threshold adjusted EPS performance target represents substantial growth. Details of the performance targets and actual performance will be disclosed retrospectively at the end of the performance period.

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

Share interests

The interests of Directors and their connected persons in Ordinary Shares and share options as at 31 December 2023 are presented in the table below.

Director	Ordinary Shares at 31 December 2023[1]	Vested but not exercised	Vested and subject to holding period	Unvested and subject to performance criteria	Percentage shareholding[2]	Percentage of salary held[2]
Stephen Fenby	17,381,170	31,226	—	—	16.85%	21,119%
Stephen Lamb	44,069	256,110	66,026	233,041	0.21%	324%
Andrew Herbert	40,000	—	—	—	0.04%	n/a
Mike Ashley	1,442	—	—	—	<0.01%	n/a
Hilary Wright	4,000	—	—	—	<0.01%	n/a

1 Including closely associated people.

2 Based on a share price of £4.37 and base salary on 31 December 2023. Vested but not exercised shares are included in percentage shareholding after deducting an estimate for income tax.

All share options lapse, if they are not exercised, ten years after the grant date.

Non-executive fees in 2023

Fees at the end of the financial period were:

	Fees
Andrew Herbert	£90,000
Mike Ashley	£48,000
Hilary Wright	£46,000

Non-executive Director fees for the 2024 financial year are set out on page 91 of this report.

Implementation of remuneration agreements in 2024

Base salary

The salaries of both the MD and FD were increased by 3.5% from 1 January 2024, in line with the average increase for the wider workforce.

The table below sets out the base salaries effective from 1 January 2024 (with previous base salaries included for reference):

	As at 31 December 2023	As at 1 January 2024
Stephen Fenby	**£360,000**	£372,600
Stephen Lamb	**£290,000**	£300,150

Annual bonus

The maximum annual bonus for the MD and FD will be 125% of base salary. With a strong focus on net profit and profit margins, pay-outs will be determined by performance against the following targets:

— Profit growth targets (65% weighting);

— Other financial KPIs (25% weighting); and

— Strategic/personal targets (10% weighting).

Long-term incentive

The Group MD and FD will be eligible to participate in any long-term incentive awards granted during 2024, although it should be noted that the Group MD has opted out of the annual LTIP awards since 2016.

Pension

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

Non-executive Director fees

Non-executive Director fees were increased by 3.5% from 1 January 2024. An additional fee of £2,000 is payable to the Chair of the Remuneration Committee.

The table below sets out the 2024 fees for the Non-executive Directors (with previous fees included for reference):

	As at 31 December 2023	As at 1 January 2024
Andrew Herbert	**£90,000**	£93,150
Mike Ashley	**£48,000**[1]	£49,610[1]
Hilary Wright	**£46,000**	£47,610

1 Includes £2,000 payable to the Chair of the Remuneration Committee.

Adviser

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

Approval

This report is approved by the Board on 22 March 2024 and signed on its behalf by:

Mike Ashley
Chair of the Remuneration Committee
22 March 2024

The Directors present their report and the financial statements of the Group for the year ended 31 December 2023. Some disclosures that would normally be included in the Directors' Report are included in the Strategic Report. These include the review of the principal risks and uncertainties facing the business (page 65), stakeholder engagement (page 42), environmental reporting (page 46) and an indication of likely future developments for the Group (page 26).

Results and dividends

The profit after tax for the period amounted to £28.9m (2022: £16.9m).

The Company paid dividends in the year of £15.0m (2022: £10.9m).

Following the end of financial year, the Board became aware of certain procedural issues relating to an inadvertent failure to make the relevant filings at Companies House in respect of certain dividend payments made between 2018 and 2023 (together, the Relevant Distributions). This means that the Relevant Distributions had been made otherwise than in accordance with the requirements of the Companies Act 2006.

This has no impact on the Company's financial position, the Board intend to ratify this procedural issue by way of a shareholders' resolution to be proposed at the Annual General Meeting to be held on 14 May 2024.

This approach is consistent with other UK listed companies that have made similar distributions that are otherwise than in accordance with the Act. The resolution to be proposed at the Annual General Meeting will seek to authorise the appropriation of distributable profits relating to the payment of Relevant Distributions and remove the right of the Company to pursue shareholders or Directors for repayment. The effect of this resolution will be to return all parties to the position that they would have been in, had the Relevant Distributions been made in full compliance with the Companies Act 2006.

The Company has also taken the necessary steps to ensure that procedural issues do not arise in future in relation to the payment of dividends.

Post-balance sheet events

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern.

Going concern

In considering the going concern basis for preparing the financial statements, the Board considers the Group's objectives and strategy and 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 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, excluding repayable on demand facilities, 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 the consolidated financial statements. The Group's strategy remains unchanged, and we will continue to focus on profitable organic growth complemented by targeted acquisitions.

Financial risk management and policies

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

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

Credit risk

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

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

Interest rate risk

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

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

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

Currency risk

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

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

Liquidity risk

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

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

Directors

The Directors of the Company during the year and their beneficial interest in the Ordinary Shares of the Company at 31 December 2023 are set out below:

	Ordinary Shares[1]	
	2023	2022
Stephen Fenby	**17,381,170**	17,282,000
Stephen Lamb	**44,069**	38,299
Andrew Herbert	**40,000**	40,000
Mike Ashley	**1,442**	1,442
Hilary Wright	**4,000**	4,000
	17,470,681	17,365,741

1 Including closely associated people.

The Executive Directors' interests in share options of the Company are detailed on page 90.

Directors' remuneration

	2023				
	Salary/fees and bonus £'000	**Pension £'000**	**Benefits in kind £'000**	**Total £'000**	2022 Total £'000
Stephen Fenby	**653**	**19**	**12**	**684**	595
Stephen Lamb	**526**	**15**	**28**	**569**	1,855
Andrew Herbert	**90**	**—**	**—**	**90**	85
Mike Ashley	**48**	**—**	**—**	**48**	45
Hilary Wright	**46**	**—**	**—**	**46**	43
	1,363	**34**	**40**	**1,437**	2,623

Directors' and officers' liability insurance

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

Employee involvement and policies

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

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

For further information on employee engagement please refer to page 44 within the stakeholder engagement section of the strategic report.

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

Substantial shareholders

The Company has been notified of the following interests of 3% or more in its issued share capital as at 28 February 2024:

	Number of shares	%
Midwich Group plc Directors & related parties	17,470,646	16.92
Liontrust Investment Partners LLP	15,536,606	15.05
Octopus Investment Nominees Limited	13,448,472	13.02
abrdn plc	9,717,629	9.41
Granular Capital Ltd	8,526,754	8.26
Janus Henderson Group plc	4,603,055	4.46

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted International Accounting Standards ("IAS") and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), comprising FRS 101 'Reduced Disclosure Framework', and applicable law.

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

— Select suitable accounting policies and then apply them consistently;

— Make judgements and estimates that are reasonable and prudent;

— State whether applicable UK-adopted IASs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and

— Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

The Directors confirm that:

— So far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

— The Directors have taken all steps that ought to have been taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge:

— The Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

— The Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Auditor

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

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

Mr S B Fenby
Director
22 March 2024

Company registration number: 08793266

Financial Statements

EMPOWERING COMMUNITIES THROUGH VOLUNTEERING

Across the Midwich Group, we believe in the power of giving back, not just through monetary contributions but also through the invaluable gift of time. In the spirit of fostering stronger communities and making a positive impact, we are proud to share the 2023 support our employees have been able to provide in the realm of volunteering, which works on multiple levels. Here are a few of the initiatives:

UK volunteering initiatives continued in 2023. Our employees dedicated themselves to 11 impactful projects, with 60 individuals donating a total of 380 hours of their time. This marks a significant 29% increase from the previous year, highlighting our growing commitment to community engagement and social responsibility.

Throughout the APAC region they supported 9 projects, with 70 individuals contributing 235 hours of volunteer service. These efforts spanned various causes, from environmental conservation to mental health awareness and beyond.

Further to this, in the US region of our business, staff donated a total of 84 hours to a variety of organisations, covering volunteer time for Indiana Dunes, BSA Youth Services, Klondike Elementary School-Teaching, Same Café Toledo and The Ability Center of Toledo. Our employees continue to demonstrate their dedication to making a positive difference in the world.

RESULTING OUTCOME FROM ONE OF MANY DEDICATED VOLUNTEERS

There are so many interesting and inspiring stories; Cheryl Outly is just one example. A devoted puppy raiser and foster carer for The Ability Center of Toledo, Ohio, she helps raise and train assistance dogs for individuals in need. A recent experience of presenting a service dog, Dolly, to a young boy named Jaxson, who lives with autism, exemplifies the impact of volunteer efforts.

Our collective volunteering across the Group reflects commitment to building stronger, more resilient communities. As we move forward, we remain steadfast in our commitment to delivering impact. Together, we can truly make a difference.

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Midwich Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023, which comprise the Consolidated Income statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Financial Position, the Company Statement of Changes in Equity and notes to each of the Consolidated and Company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

— the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;

— the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

— the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: £1,827,000, which represents circa 5% of the group's profit before taxation.

Parent company: £465,000 which represents 1% of the parent company's total assets at the planning stage of the audit.

Key audit matters were identified as:

— Going concern (same as previous year);

— The risk that the capitalised asset under construction may not be feasible; and

— The risk of impairment in relation to goodwill (same as previous year).

Our auditor's report for the year ended 31 December 2022 included no key audit matters that have not been reported as key audit matters in our current year's report.

There were no additional key audit matters identified with specific regard to the parent company only.

The group engagement team and component audit teams have performed an audit of the financial information for 7 components using component materiality (full scope audit procedures) and specific scope audit procedures for 7 components.

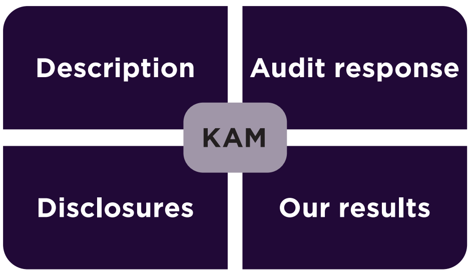
This resulted in coverage of 76% of the group's revenue and 81% of the group's profit before taxation.

The group engagement team have performed analytical procedures on the financial information of all other components within the group. This is consistent with the scope of the audit in the prior year.

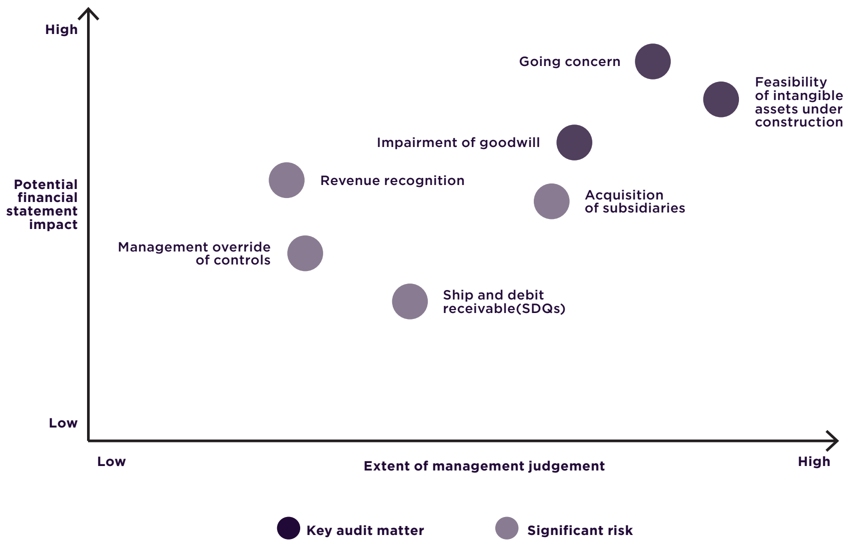
During the audit the group engagement team visited components located in the UK, Canada, Spain and the UAE. In the previous year the group engagement team visited components located in the UK, the USA and Germany.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.



Key audit matters *continued*

Key Audit Matter – Group	How our scope addressed the matter – Group
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to error. The directors have prepared a base forecast, a reasonably possible downside, and a reverse stress test for an assessment period of 1 January 2024 to 31 December 2025. Under the base case and reasonably possible downside scenario the group remains in compliance with all debt covenants. In our evaluation of the directors' conclusions, we have identified reliance on short term funding as the most significant assumption in management's evaluation. This is because continued support from the lending institutions contributes a significant proportion to the group's headroom during the going concern assessment period. If the business lost this support, alternative finance would need to be used and/or mitigating actions taken. In response to this risk, the directors have also prepared an adjusted base case forecast, and a reverse stress test in which the short-term funding has been removed. The directors have included mitigating actions in the reverse stress test as part of demonstrating the business' ability to withstand severe adverse trading conditions during the assessment period. The directors have concluded, based on the finance facilities available and various scenarios developed, that the group has sufficient resources available to meet its liabilities as they fall due and have concluded that there exist no material uncertainties relating to the going concern assumptions employed.	In responding to the key audit matter, we performed the following audit procedures: — Obtained management's cash flow and covenant compliance forecasts covering the period to 31 December 2025, which included a base case, a reasonably possible downside scenario and a reverse stress test (RST) scenario. These forecasts were evaluated to confirm the mathematical accuracy of the model used and that the covenant calculations have been agreed to the underlying financing agreements; — Tested the underlying data used to prepare the forecast scenarios and applied professional judgement to determine whether there was adequate support for the assumptions underlying the forecast; — Obtained analyst reports and industry data and compared with management's estimates. This included considering whether these data provided corroborative or contradictory evidence with regard to management's assumptions; — Considered the inherent risks associated with the group's and the parent company's business model, including effects arising from macro-uncertainties (such as interest rates and inflationary pressures) on the forecasting period. We assessed and challenged the reasonableness of estimates made and the related disclosures and analysed how those risks might affect the business in the going concern period modelled; — Compared management's forecasts to actual financial information for the past two financial periods and the post year end period to January 2024 to assess the accuracy of their forecasting; — Assessed the likelihood of uncommitted funding being withdrawn during the forecast period. Within the sensitivity and RST model, all funding but the revolving credit facility (RCF)was modelled as withdrawn. — Evaluated management's proposed mitigating actions to reduce costs and manage cash flows and assessed the suitability and feasibility of instigating the proposed mitigating actions. The audit team also challenged the expected impact of these mitigating actions based on supporting evidence; and — Evaluated the group's disclosures on going concern for compliance with the requirements of IAS 1 'Presentation of financial statements'.
Relevant disclosures in the Annual Report and Financial Statements 2023 — Financial statements: Note 1, Accounting Policies and Note 24, Borrowings	**Our results** Based on our audit work, we are satisfied with the assumptions made in management's assessment and the adoption of the going concern basis. We consider the disclosure to be in accordance with IAS 1.

Key audit matters *continued*

Key Audit Matter – Group	How our scope addressed the matter – Group
The risk that the capitalised intangible asset under construction may not be feasible We identified the risk that the intangible asset under construction may not meet the criteria for recognition as an intangible asset under IAS 38 as one of the most significant assessed risks of material misstatement due to error, considering in part its feasibility as if it is not feasible no asset ought to be recognised. The risk of valuation and existence specifically relates to the technical feasibility of completing the intangible asset so that it will be available for use, due to uncertainty as to whether the asset under construction will be completed as expected and successfully implemented across the group.	In responding to the key audit matter, we performed the following audit procedures: — Challenged management on whether any inefficiencies have been capitalised. This included testing a sample of the capitalised costs to supporting evidence and agreeing that these met the criteria for capitalisation under IAS 38; — Challenged management on whether the asset will be technically feasible and successfully implemented. This included engaging our internal ERP system expert to perform an assessment of the expected benefits and the technical feasibility; and — Evaluated the group's disclosures according to the requirements of IAS 38.
Relevant disclosures in the Annual Report and Financial Statements 2023 Financial statements: Note 1, Accounting policies and Note 14, Intangible assets	**Our results** Based on our audit work, we are satisfied that the capitalisation of the intangible asset under construction is not materially misstated. We consider the disclosure to be in accordance with IAS 1.

Key audit matters *continued*

Key Audit Matter – Group	How our scope addressed the matter – Group
The risk of impairment in relation to goodwill We identified the valuation of the carrying value of goodwill as one of the most significant assessed risks of material misstatement due to error. The goodwill recognised in respect of historical acquisitions, along with assets under construction, is subject to an annual test for impairment under IAS 36. There is a risk that goodwill recognised on historical acquisitions may be impaired due to the current trading performance relating to such acquisitions. Management prepares value in use impairment models to assess the recoverable amount. Management's assessment of potential impairment incorporates significant judgements in assumptions, such as determining the groups of cash-generating units (CGUs) along with the appropriate allocation of goodwill to them and the timing and extent of future cash flows related to those groups of CGUs whilst applying an appropriate discount rate that is at risk of management bias. The selection of certain inputs within the cash flow forecasts can also significantly impact the results of the impairment assessment. We have pinpointed the significant risk to the Asia-Pacific (APAC) group of CGUs due to the recorded operating losses and the marginal headroom identified in the models.	In responding to the key audit matter, we performed the following audit procedures: — Evaluated management's basis for determination of CGUs and considered its appropriateness in line with the requirements of IAS 36, corroborating key judgements to supporting evidence; — Obtained management's impairment assessment for the APAC group of CGUs, which is based on discounted cashflow models; — Assessed the mathematical accuracy of the impairment models; — Evaluated the key assumptions using industry data and other external information to assess the reasonableness of management's assumptions. This included engaging our internal valuation experts to evaluate the discount rate, who derived an acceptable estimated range based on a WACC compiled on a market participant basis; — Tested the accuracy of management's historical forecasting through a comparison of budget to actual data and historical variance trends; — Performed our own sensitivity analysis to understand the impact of alternative assumptions and any reasonably possible changes in management's assumptions, and evaluated the headroom available from different outcomes to assess whether goodwill could be impaired; and — Evaluated the group's accounting policy and disclosure in accordance with the financial reporting framework, including IAS 36.
Relevant disclosures in the Annual Report and Financial Statements 2023 Financial statements: Note 1, Accounting policies and Note 13, Goodwill (including sensitivity disclosures)	**Our results** Based on our audit work, we are satisfied that goodwill in relation to the APAC group of CGUs is not materially misstated. Following auditor challenge, management have made appropriate sensitivity disclosures in the financial statements. We consider the disclosure to be in accordance with IAS 1.

We did not identify any key audit matters relating to the audit of the financial statements of the parent company only.

Our application of materiality

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

Materiality was determined as follows:

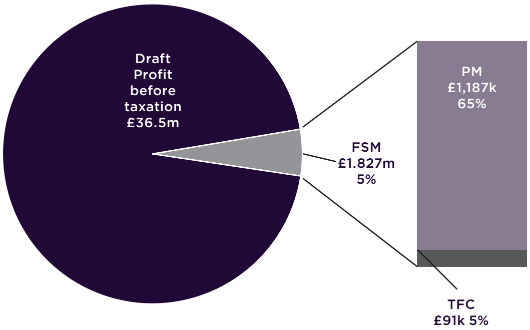
Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1,827,000 (2022: £1,264,000), which represents circa 5% of the group's profit before taxation.	£465,000 (2022: £280,000), which represents 1% of the parent company's total assets at the planning stage of the audit.
Significant judgements made by auditor in determining materiality	In determining materiality, we made the following significant judgements: — The selection of the appropriate benchmark. Profit before taxation (PBT) is a key performance indicator (KPI) used to measure the performance of the group and is of primary interest to the users of the financial statements. — The selection of an appropriate percentage to apply to that benchmark. 5% was considered to be an appropriate percentage as it is in line with industry practice. — The consideration of other qualitative factors, such as the group being stable, profit generating and operating in a mature sector. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 to reflect the increase in group profit before taxation.	In determining materiality, we made the following significant judgements: — Total assets were considered to be the most appropriate benchmark as the company does not undertake any trading activities. — 1% was considered to be an appropriate percentage as it is in line with industry practice. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 due to an increase in group materiality.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1,187,550 (2022: £948,000), which is 65% of financial statement materiality (2022: 75%).	£348,750 (2022: £210,000), which is 75% of financial statement materiality (2022: 75%).
Significant judgements made by auditor in determining performance materiality	In determining performance materiality, we made the significant judgement of setting it at 65% (2022: 75%) based on our past experience of the audit and taking into consideration misstatements and control observations identified during the course of the current year audit.	In determining performance materiality, we made the significant judgement of setting it at 75% based on the fact that there were no material adjustments identified in the 2022 audit and the absence of any significant control deficiencies.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: — directors' remuneration; and — identified related party transactions outside the normal course of business (excluding intercompany transactions).	We determined a lower level of specific materiality for the following areas: — directors' remuneration; and — identified related party transactions outside the normal course of business (excluding intercompany transactions).

Our application of materiality *continued*

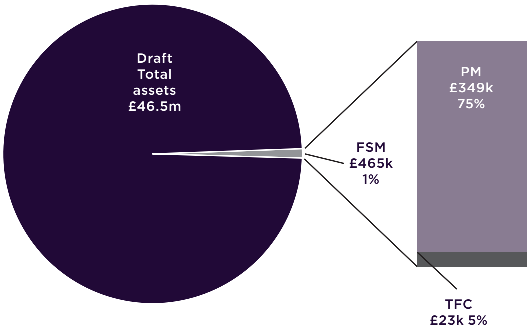
Materiality measure	Group	Parent company
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£91,350 (2022: £63,200), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£23,250 (2022: £14,000), which represents 5% of financial statement materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the threshold for communication to the audit committee.

Overall materiality - Group



Overall materiality - Parent Company



An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

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

— The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level;.

— The engagement team obtained an understanding of the effect of the group organisational structure on the scope of the audit, identifying that the group financial reporting system is centralised and that there is a use of management experts where required. The group had forty-eight subsidiaries as at 31 December 2023. During the period, twelve subsidiaries were acquired through seven business combinations, three subsidiaries were incorporated, two subsidiaries were hived up into other subsidiaries in the group, and three subsidiaries were dissolved. The entities are registered in several countries across the world.

Identifying significant components

— Six components were identified as significant through assessing their relative share of key financial metrics, including revenue and profit before taxation.

— Eight components were selected based on an assessment of the risk of material misstatement to the group. For these components, either a full-scope audit or specified audit procedure was performed.

Type of work to be performed on financial information of parent company and other components (including how it addressed the key audit matters)

— Audits of the financial information of the component using component materiality (full-scope audit) were performed on components (including how it addressed the key audit matters) Audits of the financial information of the component using component materiality (full-scope audit) were performed on the parent company Midwich Group PLC, Midwich Limited, Midwich Iberia SAU (previously called Earpro S.A.), Prase Engineering S.p.A, NMK Technology Trading LLC, Nimans Limited, and Starin Marketing Inc. These full-scope audits included all our audit work on the identified key audit matters as described in the key audit matters section of our report.

— Specified audit procedures on the financial information of the component (specified audit procedures) were performed on the components Sidev SAS, Kern & Stelly Medientechnik GmbH, SF Marketing Inc., Edge Electronics Trading LLC, Bauer & Trummer GmbH, DVS Limited, and HHB Communications Ltd.

— Analytical procedures at group level (analytical procedures) were performed for all other components.

Performance of our audit

— Testing has been performed over 76% of total group revenues and 81% of total group PBT, either through full-scope or specified procedures.

— The audit team visited components in the UK, Canada, the UAE, and Spain. Visits to the individual components take place on a rotational basis with regard to the significance of the component to the group.

An overview of the scope of our audit *continued*

Performance of our audit *continued*

Audit approach	No. of components	% coverage revenue	% coverage PBT
Full-scope audit	7 (2022: 6)	50 (2022: 58)	81 (2022: 47)
Specified audit procedures	7 (2022: 9)	26 (2022: 17)	19 (2022: 31)
Analytical procedures	19 (2022: 13)	24 (2022: 25)	0 (2022: 22)
Total	32 (2022: 28)	100 (2022: 100)	100 (2022: 100)

Communications with component auditors

— The group audit team communicated with four component auditors covering four components performing full-scope procedures, and six component auditors covering six components performing specified audit procedures, throughout the stages of their work, from planning, through fieldwork and as part of the concluding procedures. All ten component auditors reported to the group engagement team with regard to the audit procedures communicated.

Changes in approach from previous period

— Our overall scope of the audit has changed as follows compared to the previous year:
  — Midwich Iberia SAU, Prase Engineering S.p.A, NMK Technologies LLC were increased from specified audit procedures to full-scope audit procedures; and
  — Kern & Stelly Medientechnik GmbH was reduced from full-scope audit procedures to specified audit procedures.

— These changes have arisen due to relative changes in financial significance to the overall group. Whilst no changes have been made solely on the basis of qualitative risk considerations, such considerations support the change in scope for some components: most notably the elevation of NMK Technologies LLC to full-scope audit procedures with the increased risk associated with the territory in which it operates.

— The only other changes relate to the inclusion of newly acquired subsidiaries and the removal of hived-up or dissolved subsidiaries.

Other information

The other information comprises the information included in the annual report and financial statements 2023 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and financial statements 2023. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

— the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

— the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

— adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

— the parent company financial statements are not in agreement with the accounting records and returns; or

— certain disclosures of directors' remuneration specified by law are not made; or

— we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 95, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company through discussions with management. We determined that the most significant frameworks that are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework, being UK-adopted international standards (for the group), Financial Reporting Standard 101 'Reduced Disclosure Framework' (for the parent company) and the Companies Act 2006, together with the Quoted Companies Alliance Corporate Governance Code, and the LSE AIM rules for Companies and the tax legislation in the jurisdictions in which the group operates.
- We enquired of management and the Audit Committee about the group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations, and the detection and response to the risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed whether there is a culture of honesty and ethical behaviour and whether there is a strong emphasis on the prevention and detection of fraud.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of risk of management override of controls. We determined that the principal risks were in relation to areas of increased management judgement, specifically acquisition accounting and the impairment of intangible assets, all of which could be impacted by management bias, as well as the risk of fraud through the use of journal entries that increase revenues. We also considered management's onboarding process for new customers.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner assessed that the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. This was completed through an understanding of their practical experience with similar engagements, knowledge of the industry and understanding of the relevant legal and regulatory frameworks of the group and parent company.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including internal experts and specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We enquired of component auditors whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

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

Use of our report

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

Sergio Cardoso
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
22 March 2024

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Revenue	3	**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	4	**7,016**	5,973
Operating profit	5	**41,583**	35,053
Comprising			
Adjusted operating profit		**59,593**	51,108
Costs of acquisitions	6	**(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	14	**(11,180)**	(9,413)
		41,583	35,053
Share of profit after tax from associate		**24**	—
Finance income		**293**	95
Finance costs	8	**(5,353)**	(10,232)
Profit before taxation		**36,547**	24,916
Taxation	9	**(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	10	**27.98p**	17.32p
Diluted earnings per share	10	**27.06p**	16.74p

The financial statements are also comprised of the notes on pages 112 to 151.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 £'000	2022 £'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 112 to 151.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

Assets	Notes	2023 £'000	2022 £'000
Non-current assets			
Investments	12	**299**	—
Goodwill	13	**51,216**	35,765
Intangible assets	14	**117,009**	76,002
Right of use assets	15	**21,051**	21,559
Property, plant and equipment	16	**16,640**	14,961
Deferred tax assets	9	**617**	2,567
		206,832	150,854
Current assets			
Inventories	17	**165,588**	159,823
Trade and other receivables	18	**223,826**	218,612
Derivative financial instruments	21	**2,084**	4,630
Cash and cash equivalents		**56,135**	25,855
		447,633	408,920
Current liabilities			
Trade and other payables	19	**(230,915)**	(225,899)
Derivative financial instruments	21	**(26)**	(1,483)
Put option liabilities over non-controlling interests	22	**(21,958)**	—
Deferred and contingent considerations	23	**(11,694)**	(9,275)
Borrowings and financial liabilities	24	**(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	19	**(3,915)**	(1,872)
Put option liabilities over non-controlling interests	22	**(743)**	(15,975)
Deferred and contingent considerations	23	**(3,685)**	(8,157)
Borrowings and financial liabilities	24	**(113,180)**	(100,324)
Deferred tax liabilities	9	**(18,920)**	(10,576)
Other provisions	20	**(3,960)**	(3,583)
		(144,403)	(140,487)
Net assets		**196,144**	134,134
Equity			
Share capital	31	**1,033**	889
Share premium		**116,959**	67,047
Share based payment reserve		**10,843**	12,025
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 112 to 151. The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2024 and were signed on its behalf by:

Mr S B Fenby
Director
22 March 2024

Company registration number: 08793266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Share capital £'000 (note 31)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 32)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 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 31)	**144**	**49,912**	**(23)**	**—**	**—**	**50,033**	**—**	**50,033**
Shares purchases (note 31)	**—**	**—**	**(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 22)	**—**	**—**	**—**	**—**	**(7,850)**	**(7,850)**	**7,850**	**—**
Dividends paid (note 37)	**—**	**—**	**—**	**(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**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Share capital £'000 (note 31)	Share premium £'000	Investment in own shares £'000	Retained earnings £'000	Other reserves £'000 (note 32)	Equity attributable to owners of the Parent £'000	Non-controlling interests £'000	Total £'000
Balance at 1 January 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 31)	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 22)	—	—	—	—	(6,933)	(6,933)	6,933	—
Dividends paid (note 37)	—	—	—	(10,901)	—	(10,901)	—	(10,901)
Acquisition of non-controlling interest (note 34)	—	—	—	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 112 to 151.

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 112 to 151.

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.

1. Accounting policies *continued*

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.

1. Accounting policies *continued*

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.

1. Accounting policies *continued*

Financial assets *continued*

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.

Cash flows 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. Movements in the fair value of contingent consideration are classified as charges or credits to finance costs in the income statement.

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.

1. Accounting policies *continued*

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

1. Accounting policies *continued*

Deferred taxation *continued*

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.

1. Accounting policies *continued*

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.

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.

1. Accounting policies *continued*

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, 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 gross value and write down of inventories, as well as cost of inventory write downs in the period, are disclosed in note 17.

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.

1. Accounting policies *continued*

Inventory write down *continued*

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 35 and the carrying values of separately identifiable intangible assets initially measured at fair value are disclosed in note 14.

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. The fair value of contingent consideration is disclosed in note 23 and the amortised cost of put option liabilities is disclosed in note 22.

Enterprise Planning Resource 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

2. Segmental reporting *continued*

Operating segments *continued*

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**

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.

2. Segmental reporting *continued*

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. Revenue

Revenue is all derived from continuing operations. The analysis of revenue by category:

	2023 £'000	2022 £'000
Sale of goods and ancillary services	**1,285,168**	1,200,435
Rental of goods (operating lease income)	**3,976**	3,614
	1,289,144	1,204,049

4. Other operating income

	2023 £'000	2022 £'000
Promotional receipts	**6,973**	5,914
Other income	**43**	59
	7,016	5,973

5. Operating profit

Operating profit is stated after charging:	2023 £'000	2022 £'000
Auditor's remuneration		
– audit services in relation to the Company	**172**	106
– audit services in relation to the subsidiaries	**611**	390
– audit related assurance services	**26**	24
– all non-audit services not covered above	**—**	8
Net (gain)/loss on foreign exchange	**(1,098)**	1,882
Short term lease cost	**1,426**	1,016

6. 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 35.

7. Directors and employees

The aggregate payroll costs of the employees were as follows:

	2023 £'000	2022 £'000
Staff costs		
Wages and salaries	**84,101**	71,085
Social security costs	**10,573**	8,705
Pension costs	**2,695**	2,329
	97,369	82,119

Average monthly number of persons, including directors, employed by the Group during the year was as follows:

	2023 Number	2022 Number
By activity:		
Administration	**399**	286
Sales and distribution	**1,358**	1,217
	1,757	1,503

7. Directors and employees *continued*

	2023 £'000	2022 £'000
Remuneration of directors		
Remuneration	**1,437**	2,450
Employer contribution to defined contribution schemes	**—**	—

	2023 £'000	2022 £'000
Emoluments of highest paid director		
Remuneration	**684**	1,855
Employer contribution to defined contribution scheme	**—**	—

128,889 (2022: 108,898) share options were granted to directors under the Long Term Incentive Plan.

Details of key management personnel and their remuneration is disclosed within note 36.

8. Finance costs

	2023 £'000	2022 £'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

9. Taxation on ordinary activities

Analysis of charge

	2023 £'000	2022 £'000
Current tax		
Current tax	**3,167**	3,614
UK corporation tax for the current year	**(864)**	(215)
Adjustment in respect of prior years	**2,303**	3,399
Total UK current tax	**7,450**	6,054
Overseas tax for the current year	**(745)**	56
Adjustment in respect of prior years	**6,705**	6,110
Total overseas current tax	**9,008**	9,509
Total current tax		
Deferred tax		
Deferred tax for the current year	**(2,203)**	(1,448)
Adjustment in respect of prior years	**816**	—
Total deferred tax	**(1,387)**	(1,448)
Tax on profit on ordinary activities	**7,621**	8,061

The reasons for the differences between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to profits / (losses) for the year are as follows:

9. Taxation on ordinary activities *continued*

Reconciliation of the effective tax charge

	2023 £'000	2022 £'000
Profit on ordinary activities before taxation	**36,547**	24,916
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.52% (2022: 19%)	**8,596**	4,734
Factors affecting tax expense for the year:		
Adjustment in respect of prior years	**(793)**	(159)
Tax losses with no available relief	**711**	282
Expenses not deductible for tax purposes	**1,030**	1,558
Effects of different tax rates in foreign jurisdictions	**(1,933)**	368
Effects of different tax rates in the UK	**10**	305
Effects of changes in tax rates in all jurisdictions	**—**	973
Total amount of tax	**7,621**	8,061

On 24 May 2021 the Finance Act 2021 was substantively enacted increasing the UK corporation tax rate from 19% to 25% from 1 April 2023. As such, an average corporation tax rate of 23.52% has been used for 2023 (with respective rates being time apportioned across the relevant periods). The corporation tax rate for 2022 was 19%.

On 20 June 2023, the UK government enacted Pillar Two legislation. Under the legislation, it is expected that the Group will be required to pay top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes for the year ending on 31 December 2024.

The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements available for the constituent entities in the Group. Based on the assessment, the Group has identified potential exposure to Pillar Two income taxes in respect of profits earned in United Arab Emirates ('UAE') and Qatar. The potential exposure comes from the constituent entities (trading subsidiaries) in these jurisdictions where the Pillar Two effective tax rate is below 15%. The Pillar Two effective tax rate is lower in these jurisdictions as Qatar has a statutory corporation tax rate of 10% and prior to 31 December 2023 the UAE had not adopted corporation tax. The UAE have introduced corporation tax at a rate of 9% from 1 January 2024. Both the UAE and Qatar are expected to introduce a qualified domestic minimum top-up tax to increase the rate to 15% but this has yet to be finalised.

The proportion of the Group's profit before tax from continuing operations for the year ended 31 December 2023 that would have been subject to Pillar Two income taxes is approximately 15%. The average effective tax rate under IFRS applicable to those profits is approx. 1% (applicable to UAE and Qatar is 0% and 10% respectively).

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance and the proportion of profit before tax and the effective tax rates in 2024 will depend on factors such as revenues, costs and foreign currency exchange rates.

The Group has tax losses that arose in Australia, Germany, Netherlands, Switzerland, and Singapore that have sterling values of £810k, £318k, £351k, £1,209k, and £377k respectively. The losses are available to offset future taxable profits in the companies they arose indefinitely except for the losses in Switzerland, which are restricted to seven years.

Deferred tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, and the majority have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future.

Deferred tax

	Accelerated allowance liabilities £'000	Company share schemes £'000	Total £'000
At 1 January 2022	3,733	(1,392)	2,341
Acquired in business combinations	5,931	—	5,931
Credited to income statement	(181)	(1,267)	(1,448)
Credited to equity	—	1,093	1,093
Foreign exchange movements	92	—	92
At 31 December 2022	9,575	(1,566)	8,009
Acquired in business combinations	11,444	—	11,444
Credited to income statement	(1,142)	(245)	(1,387)
Charged to equity	—	434	434
Foreign exchange movements	(197)	—	(197)
At 31 December 2023	**19,680**	**(1,377)**	**18,303**

9. Taxation on ordinary activities *continued*

Deferred tax *continued*

	2023 £'000	2022 £'000
Deferred tax asset	**617**	2,567
Deferred tax liability	**(18,920)**	(10,576)
Net deferred liability	**(18,303)**	(8,009)

10. Earnings per share

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

	2023	2022
Profit attributable to equity holders of the Group (£'000)	**26,817**	15,293
Weighted average number of shares 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.

11. Subsidiary and associate undertakings

The following subsidiary and associate undertakings have been included within the consolidated financial statements and are all held indirectly unless otherwise stated:

			Assessed control held by the Group	
Name	Address	Country of incorporation	2023	2022
Midwich Limited[1]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Midwich Employees' Trustees Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Square One Distribution Limited	Bray South Business Park, Unit 9, Killarney Rd, Bray, Co. Wicklow, A98 D7V2	Republic of Ireland	**100%**	100%
Sidev SAS	183 Av. de l'Industrie, 69143 Rillieux-la-Pape	France	**100%**	100%
Midwich Australia Pty Limited	Parklands Estate, 4/23 South St, Rydalmere NSW 2116	Australia	**100%**	100%
Midwich Limited	7a 19 Edwin Street, Mount Eden, Auckland 1024	New Zealand	**100%**	100%
Kern Und Stelly Medientechnik GmbH	Sportallee 8, 22335 Hamburg	Germany	**100%**	100%
Holdan Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Midwich Iberia S.A.U.[2]	Carrer Miguel Hernández, 69, 08908 L'Hospitalet de Llobregat, Barcelona	Spain	**100%**	100%
Gebroeders van Domburg B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
van Domburg Partners B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Transport en Opslagbedrijf van Domburg B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
van Domburg Services B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Dutch Light Pro B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Sound Technology Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Bauer Und Trummer GmbH	Pirnaer Strasse 20, 90411 Nuremberg	Germany	**100%**	100%
Holdan Benelux B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
Blonde Robot Pty Limited	8 Theobald St, Thornbury, Melbourne, Victoria 3071	Australia	**100%**	100%
Blonde Robot Pte Limited	51 Goldhill Plaza, 308900	Singapore	**100%**	100%
MobilePro AG	Europa-Strasse 19a, 8152 Glattbrugg	Switzerland	**100%**	100%
Midwich Asia Pte Limited	229 Mountbatten Rd, 1-19 Mountbatten Square, 398007	Singapore	**100%**	100%
Prase Engineering SpA[3]	Via Nobel, 10, 30020 Noventa di Piave VE	Italy	**100%**	100%
AV Partner AS	Ole Deviks v. 18, 0666 Oslo	Norway	**100%**	100%
New Tension Inc	136 Venturi Drive, Chesterton, Indiana 46304	United States of America	**100%**	100%

11. Subsidiary and associate undertakings *continued*

Name	Address	Country of incorporation	Assessed control held by the Group 2023	2022
Starin Marketing Inc	136 Venturi Drive, Chesterton, Indiana 46304	United States of America	**100%**	100%
Think Fast Holdings LLC	136 Venturi Drive, Chesterton, Indiana 46304	United States of America	**100%**	100%
Midwich International Limited	Vince's Rd, Diss IP22 4YT	England and Wales	**80%**	80%
Midwich UCD B.V.	Kolenbranderstraat 10, 2984 AT Ridderkerk	Netherlands	**100%**	100%
NMK Technologies Trading LLC	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	United Arab Emirates	**80%**	80%
NMK Electronics Trading LLC	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	United Arab Emirates	**80%**	80%
Edge Electronics Trading LLC	Porto Holding Group Building, 2nd floor, Office 9, C- Ring Road, Doha	Qatar	**80%**	80%
Van Domburg Belgie B.V. [4]	Kolenbranderstraat 10, 2984 AT Ridderkerk, Netherlands	Belgium	**N/A**	100%
NMK International FZE	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	United Arab Emirates	**80%**	80%
NMK Middle East Trading LLC[5]	Showroom 2-3, Building MJ Al-Falasi, Al Quoz 1, Dubai	United Arab Emirates	**80%**	80%
Cooper Projects Limited[6]	Vince's Rd, Diss IP22 4YT	England and Wales	**65%**	65%
DVS Ltd[6]	Vince's Rd, Diss IP22 4YT	England and Wales	**65%**	65%
Edge CCTV Ltd[6]	Vince's Rd, Diss IP22 4YT	England and Wales	**65%**	65%
Nimans Limited[7]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Network Sales & Solutions Limited[7]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Interquartz (UK) Limited[7]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
Yealink (U K) Limited[7]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	100%
SF Marketing Inc[8]	325 Bouchard Boulevard, Dorval, Quebec, H9S 1A9	Canada	**100%**	N/A
Toolfarm.com Inc[9]	PO Box 7775, Suite 22011, San Francisco, California, 94120	United States of America	**100%**	N/A
Digital Media Promos Inc[10,11]	18 East Abington Avenue, Philadelphia, Pennsylvania, 19118	United States of America	**N/A**	N/A
HHB Communications Holdings Limited[12]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	N/A
HHB Communications Limited[12]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	N/A
Source Distribution Limited[12]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	N/A
Video Digital Import SL[13]	Carrer Miguel Hernández, 69, 08908 L'Hospitalet de Llobregat, Barcelona	Spain	**100%**	N/A
Video Digital Soluciones SL[13]	Carrer Miguel Hernández, 69, 08908 L'Hospitalet de Llobregat, Barcelona	Spain	**100%**	N/A
Pulse Cinemas Holdings Limited[14]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	N/A
Pulse Cinemas Limited[14]	Vince's Rd, Diss IP22 4YT	England and Wales	**100%**	N/A
ProdyTel Distribution GmbH[15]	Mühlstraße 50, 90547, SteinB	Germany	**51%**	N/A
Midwich Portugal Unipessoal Lda[16]	Factory Lisbon S10 Avenida Infante D Henrique Numero 143	Portugal	**100%**	N/A

1 Investments held directly by Midwich Group plc.
2 Acquired remaining shares on 29 April 2022. See note 34.
3 Acquired remaining shares on 5 July 2022. See note 34.
4 Dissolved 1 January 2023.
5 Incorporated 5 October 2022.
6 Acquired 7 January 2022. See "DVS" acquisition in note 35.
7 Acquired 7 February 2022. See "Nimans" acquisition in note 35.
8 Acquired 31 May 2023. See "SF Marketing" acquisition in note 35.
9 Acquired 5 July 2023. See "Toolfarm" acquisition in note 35.
10 Acquired 5 July 2023. See "76 Media" acquisition in note 35.
11 Merged into Starin Marketing Inc on 4 October 2023.
12 Acquired 12 July 2023. See "HHB" acquisition in note 35.
13 Acquired 21 July 2023. See "Video Digital" acquisition in note 35.
14 Acquired 31 July 2023. See "Pulse Cinemas" acquisition in note 35.
15 Acquired 10 November 2023. See "ProdyTel" acquisition in note 35.
16 Incorporated 17 December 2023.

The following companies are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual financial statements by virtue of section 479A of the Act:

Holdan Limited,
Midwich International Limited,
DVS Ltd,
Sound Technology Limited,
Cooper Projects Limited,
Pulse Cinemas Holdings Limited,
and Pulse Cinemas Limited.

Midwich Group plc guarantees any contingent and prospective liabilities that these companies are subject to in accordance with Section 479C of the Act.

12. Investments

	Total £'000
Cost	
At 1 January 2022 and 31 December 2022	—
Investment in Dry Hire Lighting Limited	275
Share of profit after tax from associate	24
At 31 December 2023	**299**

On 21 July 2023 the Group made an investment of £275k to acquire 30% of Dry Hire Lighting Limited.

13. Goodwill

	Total £'000
Cost	
At 1 January 2022	21,163
On acquisition of DVS	5,055
On acquisition of Nimans	8,388
Foreign exchange movements	1,159
At 31 December 2022	35,765
On acquisition of SF Marketing	3,792
On acquisition of Toolfarm	2,006
On acquisition of 76 Media	425
On acquisition of HHB	4,259
On acquisition of Video Digital	407
On acquisition of Pulse Cinemas	553
On acquisitions of ProdyTel	4,744
Foreign exchange movements	(735)
At 31 December 2023	**51,216**

Allocation of goodwill to cash generating units

Goodwill is not amortised but tested for impairment annually with the recoverable amount being determined from value in use calculations. Goodwill has been allocated for impairment testing to groups of Cash Generating Units (CGUs) for each operating segment, as follows:

Allocation of goodwill to groups of CGUs	**2023 £'000**	2022 £'000
United Kingdom & Ireland	**23,159**	18,356
EMEA	**19,355**	14,748
Asia Pacific	**1,994**	2,103
North America	**6,708**	558
Other	**—**	—
	51,216	35,765

The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using an individual growth rate expected for each group of CGUs over a five-year period from the reporting date and cash flows beyond this period exclude growth. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of goodwill to exceed the value in use.

Other major assumptions are as follows:

Forecast profitability assumptions

Management's key assumptions are the achievement of the forecast profits for the 12-month period after the reporting date and stable long-term profit margins. The 12-month forecast data is based on the most recent annual financial statements adjusted for management's best estimates of reasonable growth.

Growth rates

The annual growth rates used to extrapolate the approved forecast for years 2 to 5 are between 2.5% – 10.5% (2022: 2.0%). The growth rates are based on economic data for the wider economy and represent a prudent expectation of growth.

13. Goodwill *continued*

Discount rates

Discount rates are based on management's assessment of the specific risks relating to the groups of CGUs within each operating segment. The risks included with the discount factors include both systematic risks and unsystematic risks. The discount factors vary by segment based on the country specific risk premium and the asset specific risks that are assessed according to the expected growth in the management budgets and forecasts. Discount rates used in the value in use calculation for assessing the recoverable amount of goodwill for each operating segment are as follows:

Operating segment	**2023 £'000**	2022 £'000
United Kingdom & Ireland	**13.7%**	13.0%
Europe, Middle East & Africa	**13.4%**	12.7%
Asia Pacific	**12.7%**	12.2%
North America	**12.7%**	12.0%

The recoverable amounts for each operating segment's group of CGUs exceed the carrying amounts by the following amounts in each year assessed:

Amount by which recoverable amount exceeds carrying amount

	2023 £'000	2022 £'000
United Kingdom & Ireland	**63,053**	81,072
Europe, Middle East & Africa	**63,966**	67,879
Asia Pacific	**3,009**	3,859
North America	**12,910**	22,943
Total	**142,938**	175,753

The directors believe that any reasonable change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount for any of the groups of cash-generating units except for the Asia Pacific group of cash-generating units.

Given the challenging market conditions in the year, and the operating loss in the Asia Pacific region, an assessment of goodwill impairment was conducted under three scenarios. These range from: The Group's targeted market share gains (upside case), to market share gains at a lower level (base case) to a market only growth plan (conservative case).

The value by which the recoverable amount exceeds the carrying value of goodwill under each scenario is £8.5m (upside), £3.0m (base case) and a £(1.0)m impairment (conservative).

The following assumptions have been applied in the scenarios above:

The market growth rate assumptions average approximately 5% per year, with the overall growth assumptions ranging from 11% to 5% for revenue. Average net margins ranging from broadly in line with the overall group to approximately 3.3%. Working capital assumptions reflect long term averages of the Group. The discount rate for all cases is 12.7% and a 5 times multiple of year 5 cash flows has been used for the terminal value.

All of these cases assume the market returns to growth, as forecast by third party data (AVIXA) and, in some cases, further growth from new vendor relationships. In the event that the market growth is below these expectations, or the business does not perform as modelled, there is a significant risk of impairment. The total impairment could exceed the total carrying value of the goodwill for the region of £2.0m and result in the impairment of other non-current assets.

14. Intangible assets

	Assets arising from development £'000	Patents and software £'000	Brands £'000	Customer relationships £'000	Supplier relationships £'000	Total £'000
Cost						
At 1 January 2022	5,094	1,605	10,508	34,759	32,573	84,539
On acquisition	—	103	4,238	5,608	14,539	24,488
Additions	5,338	422	—	—	—	5,760
Foreign exchange movements	—	186	740	1,304	2,623	4,853
At 31 December 2022	10,432	2,316	15,486	41,671	49,735	119,640
On acquisition	—	286	3,571	13,040	27,564	44,461
Additions	10,075	289	—	—	—	10,364
Disposals	—	(47)	—	—	—	(47)
Foreign exchange movements	—	(104)	(349)	(810)	(1,613)	(2,876)
At 31 December 2023	**20,507**	**2,740**	**18,708**	**53,901**	**75,686**	**171,542**
Amortisation						
At 1 January 2022	—	549	4,462	20,417	7,139	32,567
Charge for year	—	394	1,558	3,893	3,962	9,807
Foreign exchange movements	—	95	207	521	441	1,264
At 31 December 2022	—	1,038	6,227	24,831	11,542	43,638
Charge for year	—	638	1,693	4,518	4,969	11,818
Disposals	—	(47)	—	—	—	(47)
Foreign exchange movements	—	(65)	(110)	(335)	(366)	(876)
At 31 December 2023	**—**	**1,564**	**7,810**	**29,014**	**16,145**	**54,533**
Net book value						
At 31 December 2022	10,432	1,278	9,259	16,840	38,193	76,002
At 31 December 2023	**20,507**	**1,176**	**10,898**	**24,887**	**59,541**	**117,009**

Intangible assets arising from development includes £20,507k (2022: £10,432k) relating to the development of an Enterprise Resource Planning system. The Enterprise Resource Planning system is considered a corporate asset with cash flows derived from the entire trading Group.

Intangible assets arising from development are tested for impairment annually with the recoverable amount being determined from value in use calculations. The value in use calculation is based on cash flow projections from a formally approved 12-month forecast which has been extrapolated using a 2% growth rate over a ten-year period from the reporting date. Management has concluded that there are no reasonably possible changes in any key assumptions that would cause the carrying amount of intangible assets arising from development to exceed the value in use. The value in use exceeded cost by £8,587k (2022: £12,407k) using a discount rate of 10.5% (2022: 8.9%). An element of the price of uncertainty and to a lesser extent the risk of variability over the timing of cash flows has been included in the cash flows. The discount rate does not include risks which have been reflected in the cash flows. Therefore, the discount factor applied does not reflect the full premium for these risks.

Included within intangible assets are £95,326k of separately identifiable intangible assets that were measured at fair value on acquisition in business combinations. These assets have subsequently been measured at cost less accumulated amortisation. The fair value of separately identifiable intangible assets is calculated based on the estimation of future trading performance, royalty rates, customer attrition rates, and supplier contract renewal rates. If the estimated fair values of intangible assets on acquisition were 10% higher or 10% lower the effect would be a decrease or increase of £1,118k respectively in profit before tax for the year.

15. Right of use assets

	Land and buildings £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost				
At 1 January 2022	24,287	590	2,041	26,918
On acquisition	1,924	—	—	1,924
Additions	1,434	1,017	332	2,783
Disposals	(1,069)	—	(598)	(1,667)
Foreign exchange movements	1,496	78	98	1,672
At 31 December 2022	28,072	1,685	1,873	31,630
On acquisition	1,423	—	41	1,464
Additions	4,319	460	160	4,939
Disposals	(4,319)	(36)	(1,499)	(5,854)
Foreign exchange movements	(686)	(64)	(101)	(851)
At 31 December 2023	**28,809**	**2,045**	**474**	**31,328**
Depreciation				
At 1 January 2022	5,860	120	1,112	7,092
Charge for year	2,993	449	514	3,956
Disposals	(1,059)	—	(598)	(1,657)
Foreign exchange movements	596	21	63	680
At 31 December 2022	8,390	590	1,091	10,071
Charge for year	3,370	685	646	4,701
Disposals	(2,599)	(36)	(1,487)	(4,122)
Foreign exchange movements	(203)	(66)	(104)	(373)
At 31 December 2023	**8,958**	**1,173**	**146**	**10,277**
Net book value				
At 31 December 2022	19,682	1,095	782	21,559
At 31 December 2023	**19,851**	**872**	**328**	**21,051**

16. Property, plant and equipment

	Land and buildings £'000	Leasehold improvements £'000	Rental assets £'000	Plant and equipment £'000	Total £'000
Cost					
At 1 January 2022	4,968	2,880	2,997	7,894	18,739
On acquisition	—	190	—	562	752
Additions	24	785	1,129	3,390	5,328
Disposals	—	(195)	(936)	(2,796)	(3,927)
Foreign exchange differences	116	61	—	805	982
At 31 December 2022	5,108	3,721	3,190	9,855	21,874
On acquisition	—	161	—	962	1,123
Additions	—	80	1,255	4,270	5,605
Disposals	—	(138)	(944)	(2,219)	(3,301)
Foreign exchange differences	(50)	(52)	—	(474)	(576)
At 31 December 2023	**5,058**	**3,772**	**3,501**	**12,394**	**24,725**
Depreciation					
At 1 January 2022	438	826	2,093	3,590	6,947
Charge for year	90	357	684	1,952	3,083
Disposals	—	(104)	(935)	(2,607)	(3,646)
Foreign exchange differences	6	18	—	505	529
At 31 December 2022	534	1,097	1,842	3,440	6,913
Charge for year	95	407	843	3,240	4,585
Disposals	—	(46)	(944)	(2,127)	(3,117)
Foreign exchange differences	(3)	(17)	—	(276)	(296)
At 31 December 2023	**626**	**1,441**	**1,741**	**4,277**	**8,085**
Net book value					
At 31 December 2022	4,574	2,624	1,348	6,415	14,961
At 31 December 2023	**4,432**	**2,331**	**1,760**	**8,117**	**16,640**

Included in land and buildings is land at £607k (2022: £607k) that is not depreciated.

17. Inventories

	2023 £'000	2022 £'000
Finished goods for resale		
Gross inventory	**184,073**	178,668
Write down	**(18,485)**	(18,845)
	165,588	159,823

	2023 £'000	2022 £'000
Amounts of inventories recognised as an expense during the period as cost of sales (gross of vendor rebates) are:	**1,091,293**	1,042,095

	2023 £'000	2022 £'000
Total movement in inventory write down (credited)/charged for the period:	**(3,615)**	877

18. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	**199,893**	193,027
Other receivables	**5,191**	6,500
Prepayments and accrued income	**18,742**	19,085
	223,826	218,612

The directors consider the carrying value of trade and other receivables is approximate to its fair value.

The Group incurs a small incidence of credit losses and as a result the receivables are impaired for expected credit losses. Where management views that there is a significant risk of non-payment, an additional specific provision for impairment is made and recognised as a deduction from receivables.

Trade receivables includes a total of £69,250k (2022: £84,157k) subject to a receivables financing agreement.

Included within prepayments and accrued income is £6k (2022: £4k) of accrued income. The accrued income arises from the issue of sales invoices after revenue can be recognised. The revenue is recognised as the performance obligations are satisfied over time. The performance obligations relate to the rental of products, provision of warranties and services.

	2023 £'000	2022 £'000
Impairments at 1 January	**4,342**	2,500
Increase in impairments on acquired businesses	**450**	921
Increase in impairments in the year	**238**	951
Release of impairments against receivables written off	**(1,425)**	(190)
Foreign exchange variance	**(80)**	160
Impairments at 31 December	**3,525**	4,342

19. Trade and other payables

Amounts falling due within one year:

	2023 £'000	2022 £'000
Trade payables	**177,472**	175,634
Other taxation and social security	**18,567**	18,230
Other payables	**312**	213
Accruals and deferred income	**34,564**	31,822
	230,915	225,899

Amounts falling due after one year:

	2023 £'000	2022 £'000
Trade payables	**17**	12
Accruals	**3,898**	1,860
	3,915	1,872

Included within accruals and deferred income is £1,469k (2022: £1,667k) of deferred income. The deferred income arises from the issue of sales invoices before the revenue can be recognised. The revenue is recognised as the performance obligations are satisfied over time. The performance obligations relate to the rental of products, provision of warranties, and services. All significant performance obligations for deferred income are satisfied within 12 months of the invoice date.

20. Provisions

	2023 £'000	2022 £'000
Dilapidations and other provisions	**2,090**	2,140
Defined benefit obligations (see note 30)	**1,562**	1,225
Agency contract severance provisions	**308**	218
	3,960	3,583

Dilapidations and other provisions	2023 £'000	2022 £'000
Provision at 1 January	**2,140**	897
Increase in impairments on acquired businesses	**—**	897
Increase in provision	**374**	326
Amortised interest cost	**4**	5
Release of provision	**(399)**	(27)
Foreign exchange variance	**(29)**	42
Provision at 31 December	**2,090**	2,140

Dilapidations provision comprises liabilities in respect of future expected repair and restoration costs that the Group has obligations for under the terms of lease contracts.

Agency contract severance provision	2023 £'000	2022 £'000
Provision at 1 January	**218**	166
Increase/(decrease) in provision	**95**	41
Foreign exchange variance	**(5)**	11
Provision at 31 December	**308**	218

Agency contract severance provision ("FISC") comprises liabilities in respect of future expected agency costs that the Group is required to settle on conclusion of the agent's contract in accordance with the terms and conditions of the contract and as required by statutory obligations for engaging agency workers in Italy.

21. Derivative financial instruments

	2022 £'003	2022 £'000
Derivative financial assets/(liabilities)		
Foreign currency forward contract and call options (see note 25)	**27**	(1,483)
Interest rate swaps (see note 25)	**2,031**	4,630
Net derivative financial instruments	**2,058**	3,147

	2023 £'000	2022 £'000
Derivative financial assets	**2,084**	4,630
Derivative financial liabilities	**(26)**	(1,483)
Net derivative financial instruments	**2,058**	3,147

During the year the Group entered into foreign currency call options and forward exchange contracts in relation to foreign currencies. Details of the Group's management of foreign exchange risk are included in note 26.

22. Put option liabilities

	2023 £'000	2022 £'000
Current	**21,958**	—
Non-current	**743**	15,975
	22,701	15,975

The reconciliation of the carrying amounts of the put options is as follows:

	2023 £'000	2022 £'000
At 1 January	**15,975**	8,150
Recognition of put options over non-controlling interest acquired	**7,850**	6,933
Subsequent remeasurement to present value	**(1,575)**	3,140
Interest cost amortised	**1,084**	1,033
Loss/(gain) on foreign exchange	**(572)**	693
Extinguished on acquisition of non-controlling interest	**(61)**	(3,974)
At 31 December	**22,701**	15,975

During the year the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the ProdyTel acquisition (see note 34). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2024.

During the prior year the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the DVS acquisition (see note 34). The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2024.

During 2021 the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the acquisition of of NMK Technologies Trading LLC, NMK Electronics Trading LLC, Edge Electronics Trading LLC, NMK International FZE, and NMK Middle East Trading LLC. The non-controlling interests are due to be acquired when the put and call options are timed to be exercised in 2024.

During 2019 the Group entered into a symmetrical put and call option contract to acquire the non-controlling interests created by the acquisition of Prase Engineering SpA. The put and call option to acquire the non-controlling interest in Prase Engineering SpA was exercised during the prior year and further detail is provided in note 34.

During 2017 the Group entered into symmetrical put and call option contracts to acquire the non-controlling interests that were created by the acquisition of Midwich Iberia SAU (previously called Earpro SA). The put and call option to acquire the non-controlling interest in Midwich Iberia SAU was exercised during the prior year and further detail is provided in note 34.

The classification between current and non-current liabilities is based on management's best estimates of when the options will be exercised.

The present value of put option liabilities is based on estimations of future trading performance. The discount factors for an item recognised at present value are measured on initial recognition of the item. The discount factor is required to remain constant if the amount is remeasured due to modifications in the contractual cash flows. If the estimated future trading performance were 10% higher or 10% lower the effect would be an increase of £336k or decrease of £1,015k respectively in the present value of the put option liabilities.

23. Deferred consideration

	2023 £'000	2022 £'000
Current:		
— Deferred consideration at amortised cost	**8,089**	9,275
— Contingent consideration	**3,605**	—
Total current deferred and contingent considerations	**11,694**	9,275
Non-current:		
— Deferred consideration at amortised cost	**77**	6,139
— Contingent consideration	**3,608**	2,018
Total non-current deferred and contingent considerations	**3,685**	8,157
Total deferred consideration at amortised cost	**8,166**	15,414
Total contingent consideration	**7,213**	2,018
Total deferred and contingent considerations	**15,379**	17,432

During the year the Group recognised deferred considerations in respect of the SF Marketing, Video Digital, and Pulse Cinema (see note 35). Deferred considerations for SF Marketing and Pulse Cinema are due to be settled in 2024. Deferred consideration for Video Digital is due to be part settled in 2024 and fully settled in 2026. During the year the Group recognised contingent considerations in respect of the 76 Media, HHB, Video Digital, Pulse Cinema and ProdyTel acquisitions (see note 34). Contingent considerations for 76 Media, Video Digital, Pulse Cinema and ProdyTel are due to be part settled in 2026. Contingent consideration for HHB is due to be part settled in 2024 and fully settled in 2025. After acquisition a large vendor of HHB moved a significant proportion of their online retail sales to a direct model resulting in a reduction in sales. This risk was anticipated in the acquisition contract but crystallised post-completion. The total reduction of in the fair value of the contingent consideration for HHB during the period was £4,976k.

During the prior year the Group recognised deferred considerations in respect of the DVS and Nimans acquisitions (see note 35). Deferred considerations for both the DVS and Nimans acquisitions were partly settled during the year and are due to be fully settled in 2024.

During 2021 the Group recognised contingent consideration in respect of the eLink acquisition. Contingent consideration in relation to eLink acquisition is due to be settled in 2024.

During 2020 the Group recognised contingent consideration in respect of the acquisition of the trade and assets of Vantage Systems Pty Limited. Contingent consideration in relation to the acquisition of the trade and assets of Vantage Systems Pty Limited was settled during the prior year.

The total fair value of contingent consideration has been valued at £7,213k as at 31 December 2023 (2022: £2,018k). The final payments depend upon the future profitability of the subsidiaries acquired. The maximum amount payable for contingent consideration is £18,360k (2022: £3,325k). The minimum amount payable for contingent consideration is nil.

The fair value of contingent consideration is based on estimations of future trading performance and discount factors. If the estimated future trading performance were 10% higher or 10% lower the effect would be an increase of £584k or decrease of £1,738k respectively in the fair value of the deferred contingent consideration liability.

If the estimated discount factors were 1 percentage point higher or lower the effect would be a decrease of £63k or increase of £65k respectively in the fair value of the deferred contingent consideration liability.

24. Borrowings

	2023 £'000	2022 £'000
Secured borrowings		
— Bank overdrafts and invoice discounting	**42,518**	47,052
— Bank loans	**96,198**	74,782
— Leases (see note 28)	**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 £4,082 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).

For details of leases please refer to note 28.

Borrowings

	2023 £'000	2022 £'000
Borrowings due within 1 year	**44,534**	40,900
Borrowings due after 1 year	**94,182**	80,934
Leases (see note 28)	**23,610**	23,445
	162,326	145,279

Reconciliation of liabilities arising from financing activities

	2023 £'000	2022 £'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

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25. Financial instruments

Classification of financial instruments

The fair value hierarchy allocates financial assets and liabilities to groups according to three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the year (2022: none). Financial instruments measured at fair value through profit or loss comprise interest forward contracts and contingent consideration.

As at 31 December 2023 the Group had interest rate swaps and foreign exchange options which were measured at fair value. The valuation of the interest rate swap and foreign exchange options contracts is based on observable inputs other than quoted prices and hence is a level 2 valuation.

The contingent consideration in relation to the acquisitions of 76 Media, HHB, Video Digital, Pulse Cinemas, and ProdyTel (see note 23) have been measured at fair value. The valuations of the contingent considerations are based on unobservable inputs and hence are level 3 valuations. The fair values have been calculated using the discount rate adjustment technique. Discount factors of 21.6%, 20.6%, 18.7%, 19.8%, and 16.8% respectively have been applied to the most likely cash flows in each valuation.

The contingent consideration in relation to the acquisition of eLink (see note 23) has been measured at fair value. The valuation of the contingent consideration is based on unobservable inputs and hence is a level 3 valuation. The fair value has been calculated using the expected present value technique using a discount factor based on the risk-free rate that has been adjusted to include systematic risk. A discount factor of 10.4% has been applied to probability weighted cash flows that are not certainty-equivalent because they have not been adjusted to exclude systematic risk.

Put option liabilities over the remaining non-controlling interests that arose in the acquisition of ProdyTel (see note 35), the NMK Group of companies (comprising NMK Technologies Trading LLC, NMK Electronics Trading LLC, Edge Electronics Trading LLC, NMK International FZE, and NMK Middle East Trading LLC) in 2021, Prase Engineering SpA in 2019, and Midwich Iberia SAU (formerly Earpro SA) in 2017 were initially measured at present value.

Put option liabilities over non-controlling interests are subsequently measured at amortised cost using the effective interest method. However, when contractual cash flows relating to the put option are modified the put option liability is remeasured at present value using the original effective interest rate. When there are modification in the contractual cash flows during the year the put option liabilities are subsequently remeasured to present value at the year end.

The put option liability over the non-controlling interest for the ProdyTel acquisition is comprised of a fixed amount and a variable amount that depends upon performance that have been discounted using discount factors of 3.2% and 16.8% respectively. The put option liability has not been subsequently remeasured.

The put option liabilities over the non-controlling interests of Midwich Iberia SAU and the NMK Group of companies were subsequently remeasured using the discount rate adjustment technique to discount the most likely cash flows using discount factors of 9.4% and 10.2% respectively.

The put option liability over the non-controlling interest for the acquisition of Prase Engineering SpA was subsequently remeasured using the expected present value technique to discount cash flows that were adjusted to exclude systematic risk using a discount factor of 2.5%.

During the prior year the Group exercised put and call options in relation to Prase Engineering SpA and Midwich Iberia SAU to acquire the remaining non-controlling interest (see note 34).

The expected cash flows in relation to the put option liabilities are provided in note 26. The maximum amount payable under all put option liabilities over non-controlling interests is £38,890k (2022: £30,518k).

The contracts for put options over non-controlling interest state they are to be settled in cash and the amounts vary depending upon the results of the acquired subsidiary.

The tables below set out the Group’s accounting classification of each class of its financial assets and liabilities.

25. Financial instruments *continued*

Financial assets

Financial assets at amortised cost

	2023 £'000	2022 £'000
Trade and other receivables (note 18)	**205,084**	199,527
Cash and cash equivalents	**56,135**	25,855
	261,219	225,382

All of the above financial assets' carrying values are approximate to their fair values, as at each reporting date disclosed.

Financial assets at fair value through profit or loss

	2023 £'000	2022 £'000
Derivative financial instruments (note 21)	**2,084**	4,630

Financial liabilities at amortised cost

	2023 £'000	2022 £'000
Trade and other payables (note 19)	**177,801**	175,859
Accruals (note 19)	**36,993**	32,682
Lease payables (note 28)	**23,610**	23,445
Put option liabilities (note 22)	**22,701**	15,975
Bank loans, overdrafts and invoice discounting (note 24)	**138,716**	121,834
Deferred consideration (note 23)	**8,166**	15,414
	407,987	386,209

All of the above financial liabilities' carrying values are considered by management to be approximate to their fair values, as at each reporting date disclosed.

Financial liabilities at fair value through profit or loss

	2023 £'000	2022 £'000
Derivative financial instruments (note 21)	**26**	1,483

Contingent consideration

	2023 £'000	2022 £'000
Contingent consideration (note 23)	**7,213**	2,018

26. Financial instrument risk exposure and management

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

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 18 to 25.

Credit risk

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

The 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: £216,735k).

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 in order to achieve a fixed rate of interest. Rising interest rates present an increased cash flow risk associated with the high cost of servicing debt. Rising interest rates also increase the finance costs of working capital. The Group manages the increased cost of working capital by focusing on profitability margins and working capital arrangements of the business.

26. Financial instrument risk exposure and management *continued*

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 £'000	2022 £'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 £'000	Revised 2022 £'000	Impact £'000	Impact %
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%

26. Financial instrument risk exposure and management *continued*

Net assets

	2022 £'000	Revised 2022 £'000	Impact £'000	Impact %
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 24 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 £'000	**Within 2 months £'000**	**Within 2–6 months £'000**	**Between 6–12 months £'000**	**Between 1–2 years £'000**	**After than 2 years £'000**
Trade payables	**177,489**	**165,885**	**11,582**	**5**	**6**	**11**
Other payables	**312**	**310**	**2**	**—**	**—**	**—**
Deferred consideration	**16,802**	**1,053**	**10,661**	**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 £'000	Within 2 months £'000	Within 2–6 months £'000	Between 6–12 months £'000	Between 1–2 years £'000	After than 2 years £'000
Trade payables	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

27. Capital management

The Group's capital management objectives are:

— to ensure the Group's ability to continue as a going concern; and

— to provide long-term returns to shareholders.

The Group defines and monitors capital based on the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the statement of financial position and as follows:

	2023 £'000	2022 £'000
Equity	**173,255**	120,736
Borrowings	**162,326**	145,279
Cash and cash equivalents	**56,135**	(25,855)
	279,446	240,160

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares or adjusting the level of debt. The Group is not subject to any externally imposed capital requirements.

28. Leases

Lease liabilities minimum lease payments

	2023 £'000	2022 £'000
Not later than one year	**5,326**	4,629
Later than one year and not later than five years	**20,744**	21,188
	26,070	25,817
Less: future finance charges	**(2,460)**	(2,372)
Present value of minimum lease payments	**23,610**	23,445

Lease liabilities are included in liabilities

	2023 £'000	2022 £'000
Current	**4,612**	4,055
Non-current	**18,998**	19,390
	23,610	23,445

The Group classifies its right of use assets associated with lease liabilities consistently with its classification of property, plant, and equipment. The Group has leases in respect of land and buildings, plant and machinery, and rental assets. Leases in respect of land and buildings relate to sales offices and warehouses and leases in respect and plant and machinery relate to motor vehicles. Leases in respect of rental assets relate to products that are held for use by the Group to generate rental income under operating leases.

29. Guarantees and other financial commitments

The Group has provided a cross guarantee to HSBC Bank plc in respect of borrowings due by companies within the Group headed by Midwich Group plc. The liabilities covered by these guarantees at the year end were £133,660k (2022: £108,562k). The following companies are guarantors to the facility and jointly and severally liable for the borrowings:

Midwich Group plc

Holdan Limited

Midwich International Limited

Yealink (UK) Limited

Square One Distribution Limited

Midwich Australia Pty Limited

Bauer Und Trummer GmbH

Starin Marketing Inc

SF Marketing Inc

HHB Communications Limited

Source Distribution Limited

Pulse Cinemas Limited

Midwich Limited

Sound Technology Limited

Nimans Limited

Interquartz (U K) Limited

Sidev SAS

Kern Und Stelly Medientechnik GmbH

New Tension Inc

Prase Engineering SpA

HHB Communications Holdings Limited

H H B Limited

Pulse Cinemas Holdings Limited

30. Retirement benefit plans

The Group contributes to several retirement benefit pension schemes according to service contracts of employees working in the various countries in which the Group operates. The retirement benefit pension schemes include both defined contribution and defined benefit pension schemes.

Defined contribution retirement benefit pension schemes

Most of the Group's retirement benefits are provided in the form of defined contribution pension schemes. The Group contributions to these schemes are charged as an expense to the consolidated income statement as they fall due. The assets of these schemes are held separately from those of the Group in independently administered funds.

Expenses for retirement benefit pension schemes recognised as defined contribution schemes are as follows:

	2023 £'000	2022 £'000
Defined contribution pension schemes expense	**2,552**	2,116

Defined benefit retirement obligations

The Group participates in the "Pensioenfonds Vervoer", an industry-wide pension fund in the Netherlands, "Swiss Life", a defined benefit pension scheme in Switzerland, and has statutory obligations to pay employee severance in Italy, UAE and Qatar, which are recognised as defined benefit obligations.

Pensioenfonds Vervoer is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The investment risk is shared collectively among the members of the scheme and the employers. The employer is only required to make a fixed contribution for current employees. Fixed contributions could be increased or decreased in future but it is legally prohibited for the pension fund to require any additional contribution in excess of the fixed contributions. Equally the Group has no claim to any excess pension scheme assets. The Group has accounted for the pension scheme as a defined contribution pension scheme because the records of the industry-wide pension fund are not able to provide the sufficient satisfactory information to enable reporting a defined benefit pension scheme.

Swiss Life is a defined benefit pension scheme offering beneficiaries an average wage retirement benefit plan. The scheme is funded by payments to an independently managed fund. Contributions are calculated by qualified actuaries using projected unit credit method valuations and are charged to the income statement. The liabilities of the scheme are measured by discounting the future cash flows to participants estimated by actuaries using the projected unit credit method. Changes in the value of assets and liabilities in the scheme excluding contributions charged to the income statement are recognised in other comprehensive income.

Employee severance is payable to employees in Italy under a scheme called TFR. In addition to TFR there are also amounts payable to directors under a scheme called TFM. In the UAE and Qatar gratuity benefits are provided to employees as an end of service benefit.

The obligations for TFR, TFM and gratuity benefits are recognised as defined benefit obligations in accordance with IAS 19.

Defined benefit retirement obligations:

	2023 £'000	2022 £'000
Present value of defined benefit pension obligations	**(3,459)**	(3,003)
Fair value of plan assets	**1,897**	1,778
Net defined benefit pension liability	**(1,562)**	(1,225)

30. Retirement benefit plans *continued*

Defined benefit retirement obligations *continued*

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2023	(3,003)	1,778	(1,225)
Service cost			
Current service cost	(312)	—	(312)
Past service cost	43	—	43
	—	—	(269)
Net interest			
Interest income on plan assets	—	41	41
Interest cost on defined benefit obligation	(84)	—	(84)
	(353)	41	(43)
Total defined benefit cost recognised in income statement	(353)	41	(312)
Cash flows			
Plan participants' contributions	(119)	119	—
Employer contributions	—	107	107
Benefits paid	162	(162)	—
Unfunded benefits paid	19	—	19
Expected closing position	(3,294)	1,883	(1,411)
Remeasurements			
Changes in demographic assumptions	9	—	9
Changes in financial assumptions	(162)	—	(162)
Other experience	32	—	32
Return on assets excluding amounts included in net interest	—	(51)	(51)
Foreign exchange gain/(loss) recognised in translation reserve	(44)	65	21
Total remeasurements recognised in other comprehensive income	(165)	14	(151)
At 31 December 2023	**(3,459)**	**1,897**	**(1,562)**

	Defined benefit obligation £'000	Fair value of plan assets £'000	Net defined benefit liability £'000
At 1 January 2022	(3,027)	1,394	(1,633)
Service cost			
Current service cost	(289)	—	(289)
Past service cost	29	—	29
	(260)	—	(260)
Net interest			
Interest income on plan assets	—	5	5
Interest cost on defined benefit obligation	(21)	—	(21)
	(21)	5	(16)
Total defined benefit cost recognised in income statement	(281)	5	(276)
Cash flows			
Plan participants' contributions	(96)	96	—
Employer contributions	—	86	86
Benefits paid	(52)	52	—
Unfunded benefits paid	144	—	144
Expected closing position	(3,312)	1,633	(1,679)
Remeasurements			
Changes in demographic assumptions	29	—	29
Changes in financial assumptions	712	—	712
Other experience	(153)	—	(153)
Return on assets excluding amounts included in net interest	—	(17)	(17)
Foreign exchange gain/(loss) recognised in translation reserve	(279)	162	(117)
Total remeasurements recognised in other comprehensive income	309	145	454
At 31 December 2022	(3,003)	1,778	(1,225)

30. Retirement benefit plans *continued*

Plan assets

	2023 £'000	2022 £'000
Insurance contracts with a quoted market price	**1,897**	1,778

Actuarial assumptions

	2023 £'000	2022 £'000
Salary increase rate	**0.5-3.0%**	0.5-3.0%
Discount rate	**1.5-5.0%**	2.3-5.3%
Inflation rate	**1.5-3.0%**	1.5-3.0%
Life expectancy	**BVG 2020**	BVG 2020

Sensitivity analysis

The defined benefit obligation would increase/(decrease) by the following amounts due to the respective changes in the following actuarial assumptions:

	2023 £'000	2022 £'000
0.5% increase in discount rate	**(181)**	(148)
0.5% decrease in discount rate	**208**	169
0.5% increase in salary increase rate	**50**	40
0.5% decrease in salary increase rate	**(47)**	(38)

Funding

The expected service cost of defined benefit retirement obligations for the financial year ending 31 December 2024 is £361k and contributions expected to be paid is £121k.

31. Share capital

The total allotted share capital of the Parent Company is:

Allotted, issued and fully paid

	2023		2022	
	Number	**£'000**	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		2022	
	Number	**£'000**	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.

32. 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 35)	**—**	**—**	**(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 35)	—	—	(6,933)	—	—	(6,933)
Acquisition of non-controlling interest (note 34)	—	—	3,918	—	—	3,918
Balance at 31 December 2022	12,025	5,356	(10,799)	50	150	6,782

33. Share based payments

The Group operates two share option plans, the Long Term Incentive Plan ("LTIP") and the Share Incentive Plan ("SIP"). The Group has made a grant under the LTIP and the 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.

33. Share based payments *continued*

Long Term Incentive Plan *continued*

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).

33. Share based payments *continued*

Long Term Incentive Plan *continued*

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**		3.0 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**		3.6 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.

34. 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.

35. Business combinations

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

Subsidiaries acquired

Acquisition[1]	**Principal activity**	**Date of acquisition**	**Proportion acquired (%)**	**Fair value of consideration £'000**
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

1 See note 11 for details of companies acquired during the current and prior year.

35. Business combinations *continued*

Subsidiaries acquired *continued*

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	**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 £'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
	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**

35. Business combinations *continued*

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
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

35. Business combinations *continued*

Proforma full year contribution 2023 *continued*

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.

36. Related party transactions

Transactions and outstanding balances between the Group companies have been eliminated on consolidation. For transactions between the Company and subsidiaries see note 9 of the separate company financial statements.

Key management personnel are identified as the executive and non-executive directors and other members of the senior management team, and their remuneration is disclosed as follows:

Remuneration of key management	2023 £'000	2022 £'000
Remuneration and other short term benefits cost	**2,127**	1,843
Share Based Payment cost	**956**	1,325
Employer taxes	**397**	521
Company pension contributions to defined contributions scheme	**20**	17
	3,500	3,706

The definition of key management personnel includes the board of directors and executive leadership team. Share options for 311,111 (2022: 214,345) shares were awarded to members of the senior management team. Share options for 322,693 shares were exercised by key management personnel during the year. During the prior year no share options were exercised by key management personnel.

There were no related party borrowing or share transactions during the current or prior year.

37. 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 14 June 2024 to shareholders on the register on 10 May 2024.

38. 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.

39. Ultimate controlling party

As at 31 December 2023, Midwich Group plc had no ultimate controlling party.

COMPANY STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Notes	2023 £'000	2022 £'000
Assets			
Non-current assets			
Investments	3	**47,936**	44,343
Deferred tax	4	**648**	643
		48,584	44,986
Current assets			
Receivables	5	**100,867**	38,715
		100,867	38,715
Current liabilities			
Payables	6	**(1,027)**	(548)
Net current assets		**99,840**	38,167
Total assets less current liabilities		**148,424**	83,153
Non-current liabilities	6	**(355)**	(359)
Net assets		**148,069**	82,794
Share capital	7	**1,033**	889
Share premium		**116,959**	67,047
Share based payment reserve		**12,415**	13,412
Investment in own shares		**(616)**	(5)
Retained earnings:			
Opening retained earnings		**1,251**	307
Profit/(loss) for the year		**26,129**	11,069
Dividends paid		**(14,982)**	(10,901)
Transfers into retained earnings		**5,680**	776
Total retained earnings		**18,078**	1,251
Capital redemption reserve		**50**	50
Other reserve		**150**	150
Shareholders' funds		**148,069**	82,794

The financial statements are also comprised of the notes on pages 112 to 151. The financial statements were approved by the Board of Directors and authorised for issue on 22 March 2024 and were signed on its behalf by:

Mr S B Fenby
Director
Company registration number: 08793266

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2023	**889**	**67,047**	**13,412**	**(5)**	**1,251**	**50**	**150**	**82,794**
Profit for the year	**—**	**—**	**—**	**—**	**26,129**	**—**	**—**	**26,129**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**26,129**	**—**	**—**	**26,129**
Shares issued	**144**	**49,912**	**—**	**(23)**	**—**	**—**	**—**	**50,033**
Shares purchased	**—**	**—**	**—**	**(600)**	**—**	**—**	**—**	**(600)**
Share based payments	**—**	**—**	**4,661**	**—**	**—**	**—**	**—**	**4,661**
Deferred tax on share based payments	**—**	**—**	**24**	**—**	**—**	**—**	**—**	**24**
Share options exercised	**—**	**—**	**(5,682)**	**12**	**5,680**	**—**	**—**	**10**
Dividends paid (note 8)	**—**	**—**	**—**	**—**	**(14,982)**	**—**	**—**	**(14,982)**
Balance at 31 December 2023	**1,033**	**116,959**	**12,415**	**(616)**	**18,078**	**50**	**150**	**148,069**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital £'000	Share premium £'000	Share based payment reserve £'000	Investment in own shares £'000	Retained earnings £'000	Capital redemption reserve £'000	Other reserve £'000	Total £'000
Balance at 1 January 2022	887	67,047	8,311	(5)	307	50	150	76,747
Profit for the year	—	—	—	—	11,069	—	—	11,069
Total comprehensive income for the year	—	—	—	—	11,069	—	—	11,069
Shares issued	2	—	—	(2)	—	—	—	—
Share based payments	—	—	6,006	—	—	—	—	6,006
Deferred tax on share based payments	—	—	(128)	—	—	—	—	(128)
Share options exercised	—	—	(777)	2	776	—	—	1
Dividends paid (note 8)	—	—	—	—	(10,901)	—	—	(10,901)
Balance at 31 December 2022	889	67,047	13,412	(5)	1,251	50	150	82,794

The financial statements are also comprised of the notes on pages 112 to 151.

1. Accounting policies

Basis of preparation

The annual financial statements of Midwich Group plc (the parent company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- certain comparative information as otherwise required by IAS;
- certain disclosures regarding the Company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

As permitted by Section 408 of the Companies Act 2006, a separate income statement for the Company has not been included in these financial statements.

The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

Finance income and costs

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

Investments

Investments are valued at cost less provision for any permanent impairment.

Financial instruments

Financial instruments are contracts that give rise to financial assets or financial liabilities and are recognised when the Company 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 Company 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 Company'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.

1. Accounting policies *continued*

Financial assets *continued*

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 Company 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 including debit intercompany balances are financial assets recognised when the Company 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 Company 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.

Trade and other payables

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

Foreign currency

The presentation currency for the Company's financial statements is Sterling. Foreign currency transactions are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the reporting date, with any exchange adjustments being charged or credited to the income statement, within administrative expenses. The Parent Company's functional currency is Sterling.

1. Accounting policies *continued*

Current taxation

Current taxation for the Company is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation

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

Equity

Equity comprises the following:

— “Share capital” represents the nominal value of equity shares issued.

— “Share premium” represents the amounts subscribed for share capital, net of issue costs, above the nominal value.

— “Share based payment reserve” represents the accumulated value of share based payments expensed in the income statement.

— “Investment in own shares” represents amounts of the Parent Company’s own shares held within an Employee Benefit Trust.

— “Retained earnings” represents the accumulated profits and losses attributable to equity shareholders.

— “Capital redemption reserve” represents the nominal value of shares repurchased by the Parent Company.

— “Other reserve” relates to the Employee Benefit Trusts.

Employee benefit trust

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

Share based payments

Equity-settled share based payments to employees and directors are measured at the fair value of the equity instrument. The fair value of the equity-settled transactions with employees and directors is recognised as an expense over the vesting period. The fair values of 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 and/or service conditions are fulfilled, ending on the date on which the relevant employees (or other beneficiaries) become fully entitled to the award (“the vesting date”). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company’s best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. Where an equity-settled award is forfeited, the cumulative charge expensed up to the date of forfeiture is credited to the income statement.

2. Directors and employees

The aggregate payroll costs of the employees were as follows:

Staff costs	2023 £'000	2022 £'000
Wages and salaries	**3,053**	3,360
Social security costs	**379**	436
Pension costs	**75**	72
	3,507	3,868

The directors' remuneration is as stated in the directors' remuneration disclosure in the Directors' Report and in note 7 to the consolidated financial statements.

Average monthly number of persons, including directors, employed by the Company during the year was as follows:

By activity	2023 Number	2022 Number
Administration	**43**	33

3. Investments

	2023 £'000	2022 £'000
At 1 January	**44,343**	39,633
Additions	**3,593**	4,710
At 31 December	**47,936**	44,343

The Company holds 100% of the share capital of Midwich Limited, a company incorporated in England and Wales. Indirect share interests in the Midwich Group of companies are disclosed in note 11 of the consolidated financial statements. Additions in the year represent the capital contributions to subsidiaries in respect of share option schemes. See note 32 of the consolidated financial statements for details of share options.

4. Deferred tax

	2023 £'000	2022 £'000
Deferred tax asset on temporary differences	**648**	643
	648	643

5. Receivables

	2023 £'000	2022 £'000
Prepayments	**60**	67
Amounts due from Group undertakings	**100,807**	38,648
	100,867	38,715

6. Payables

Amounts falling due within one year:	2023 £'000	2022 £'000
Accruals	**1,027**	548

Amounts falling due after one year:	2023 £'000	2022 £'000
Accruals	**355**	359

7. Share capital

The total allotted share capital of the Company is:

Allotted, issued and fully paid	2023 Number	£'000	2022 Number	£'000
Issued and fully paid Ordinary Shares of £0.01 each				
At start of year	**88,879,912**	**889**	88,735,612	887
Shares issued	**14,371,414**	**144**	144,300	2
At end of year	**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 Company'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
Shares 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.

8. 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 14 June 2024 to shareholders on the register on 10 May 2024.

9. Related parties and transactions with Directors

There were no related party transactions or transactions with the directors during the current or prior year. The directors are remunerated by subsidiary entities and recharged to the Company.

Other related party transactions

Included within other debtors are the following transactions and outstanding amounts with Midwich Limited, a wholly owned subsidiary:

	2023 £'000	2022 £'000
Outstanding at 1 January	**38,648**	37,370
Amounts advanced	**68,033**	7,000
Management charges	**1,036**	204
Amounts repaid	**(6,910)**	(5,926)
Outstanding at 31 December	**100,807**	38,648

Audit fees for the entity are borne by subsidiary entities and recharged to the Company. Outstanding amounts due to or from group undertakings are unsecured, interest free and repayable on demand.

10. Ultimate controlling party

As at 31 December 2023, Midwich Group plc had no ultimate controlling party.

Directors

Mr S B Fenby
Mr S Lamb
Mr M Ashley
Mr A C Herbert
Mrs H Wright
Mrs Alison Seekings

Company Secretary

Mr S Lamb

Independent auditor

Grant Thornton UK LLP

Chartered Accountants
Statutory Auditor

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