

The Year in Review

The Vitec Group has delivered another year of strong operating profit growth, reflecting the continuing success of our strategy of launching innovative products, continually improving our operations and developing our global distribution network. The RF Systems and Litepanels acquisitions performed well.

Key highlights of 2008 include:

- Strong revenue growth of 23% (5% constant currency, organic)
- All divisions achieved organic growth, reflecting positive market drivers
- Operating profit before significant items** up 18% (1% constant currency, organic)
- Loan facility increased by 25% to £125 million, committed until 2013
- Excellent cash generated from operations, up 31% to £44.3 million
- Three acquisitions in 2008, including Litepanels, performing well



Front cover pictures:

Vinten's Vector 750 now has the X Factor thanks to The Camera Store. Photo courtesy of Fountain Studios & TalkbackThames/Syco TV.

Simone Moro with his Manfrotto 190CX PR04 tripod and 701HDV head on their ascent to the summit of Mount Makalu in Nepal.

** 2008 significant items total a PBT charge of £9.9 million and comprise amortisation of acquired intangibles (£7.1 million), goodwill impairment (£2.1 million) and a provision against equity accounted investee (£1.3 million), offset by profit on sale of property (£0.3 million) and fair value adjustments relating to volatile financial instruments (£0.3 million); with an earnings charge of £3.3 million after deferred tax credits (£6.6 million). 2007 significant items totalled a PBT charge of £4.5 million; with an earnings charge of £0.8 million after deferred tax credits (£3.7 million).

Chairman's & Interim Chief Executive's Statement

We are delighted to report another year of good progress for The Vitec Group in terms of revenue, operating profit and earnings per share growth.

Results

Revenue increased 23%, to £337.7 million in 2008 (2007: £273.8 million). Before acquisitions and favourable foreign exchange, revenue growth was around 5%. We achieved good organic growth, particularly in Broadcast Systems, which reflects Vitec's position in markets with positive underlying drivers and our focus on continuous innovation. Acquisitions also contributed to growth, the most significant being an additional five months of revenue from RF Systems (acquired in May 2007) and four months from Litepanels (acquired in August 2008).

Broadcast Systems: Revenue increased 33%, of which constant currency organic growth was 7%, due principally to strong global demand for broadcast video camera supports, together with the acquisition effects of RF Systems and Litepanels. Clear-Com and Autoscript, our intercoms and teleprompting businesses respectively, had excellent years. RF Systems performed strongly, as deliveries relating to the BAS Relocation Project reached their peak.

Imaging & Staging: Overall constant currency revenue growth in 2008 was 3%. This is the sixth year of growth in our Imaging business, which experienced strong demand for camera tripods, monopods and bags, particularly in the prosumer market where sales of the higher priced digital SLR cameras continued to grow rapidly. However, there was no growth in sales of lighting stands, typically sold to the photographic professional. In Staging, reported revenue increased, but underlying volumes were largely unchanged compared to 2007. We took a number of actions to improve profitability in the business, including closing Tomcat UK, moving the low cost Tomcat Mexico business to larger premises and making significant changes to senior management.

Broadcast Services: Operating mainly in the US, the division saw reported revenue in Sterling increase by 10%. Revenue in US Dollars increased by 1%. Bexel had a successful Beijing Olympics and benefited from the US elections. This was largely negated by a further weakening in the general US broadcast rentals market.

Reported Group operating profit* improved by 18% or £5.8 million, to £38.4 million. Excluding acquisitions, and after favourable foreign exchange effects of £2.1 million (2007: £3.7 million adverse), constant currency organic operating profit* growth was 1%. Operating profit is stated after charging £1.6 million of one-off costs relating to redundancies and rationalisation, including the closure of Tomcat UK.

* Before significant items: significant items are those items of financial performance that the directors consider should be separately disclosed to assist in the understanding of the underlying trading and financial performance achieved by the Group and in making projections of future results. These items are quantified and explained in the Financial Review and in Note 5.

A higher finance charge* of £3.0 million (2007: £2.3 million) arose mainly because of the effects of acquisitions and the adverse foreign exchange effect of non Sterling loan interest. Group profit before tax and significant items* increased 17% to £35.4 million (2007: £30.3 million). The headline tax rate for the Group was reduced again, by 3% to 34%, and earnings per share, before significant items* rose to 55.9p (2007: 46.0p), an improvement of 22%.

Cash generated from operations rose by 31% to £44.3 million (2007: £33.8 million). Working capital increased due to higher revenue, adverse movements in exchange rates and RF Systems' advance payments reducing. Inventory days, restated in constant currency at year end rates before acquisitions and RF Systems (whose inventory is not comparable to activity levels due to BAS related accounting), were 101 in 2008 vs 112 in 2007.

2008 dividend

The full year total dividend will be 18.3p (2007: 17.8p), an increase of 3%, with a final dividend of 10.9p per share. Subject to approval by shareholders at the Annual General Meeting, the final dividend will be paid on 22 May 2009 to shareholders on the register on 24 April 2009.

Using adjusted earnings per share before significant items* the dividend is covered 3.1 times (2007: 2.6 times), whilst after significant items* it is covered 2.6 times (2007: 2.5 times).

The Company has introduced a Dividend Reinvestment Plan that allows shareholders to reinvest dividends to purchase additional shares in the Company. For shareholders to apply the proceeds of the final dividend for the year ended 31 December 2008 to the plan, application forms must be received by the Company's Registrars by no later than 27 April 2009. Details on the Plan can be obtained from Capita Registrars on 0871 664 0381.

Outlook

In 2009, orders and revenues have been in line with our expectations. However we have seen weakness in some of our Broadcast Systems businesses and experienced lower sales volumes, which have impacted our profitability. As a result we have taken further actions to reduce our cost base, the benefits of which will flow through during the course of the current year. Vitec has leading market positions and, whilst our trading visibility is limited, at this stage the Board's view of 2009 remains in line with its expectations.

Business Development

Research, development & engineering

As in previous years, we have maintained our emphasis on continuous innovation, bringing large numbers of new products to market and simultaneously widening our service offering.

Within Imaging & Staging and Broadcast Systems the Group typically spends approximately 4% of revenue on new product development, amounting to £12.5 million in 2008 (2007: £10.4 million). While Vitec's businesses are known for the quality and reliability of their products, there is also an exciting pipeline of new ideas for the future. In 2008 we again received a large number of awards for innovation, a sign that the Group's products remain very relevant to our customers (see page 15). Around 36% of product revenues in 2008 (2007: 35%) were derived from products launched in the last three years; this is a very high level of innovation and a source of significant competitive advantage.

Within Broadcast Services we continue to expand our range of services; this year we supported a number of 3D initiatives.

Acquisitions

During 2008 we bought three businesses, all of which became part of the Broadcast Systems division: Litepanels, a manufacturer of LED lights (based in North Hollywood, August 2008), Talkdynamics, a developer of IP-based intercoms software (based in Montreal, October 2008) to complement our Communications business and The Camera Store (based in Twickenham, UK, September 2008), a broadcast equipment rental company.

Senior Management Changes

We recently announced the appointment of Stephen Bird as Chief Executive of the Group, commencing 14 April 2009. Stephen is currently divisional managing director of Weir Oil & Gas, part of Weir plc. Richard Cotton, previously Group Finance Director of Wagon plc, joined us as Group Finance Director in November 2008.

The Board would like to express its thanks to Alastair Hewgill, who is currently Interim Chief Executive and was previously Group Finance Director, for his major contribution to the Group over almost seven years. Alastair will be working with Stephen to ensure a smooth transition and will then leave the Company in due course.

Gareth Rhys Williams resigned from the Board on 29 October 2008 having served as Chief Executive of the Group for almost seven years. The Board would like to express its thanks to Gareth for his valuable service and achievements during this time.



Michael Harper
Chairman



Alastair Hewgill
Interim Chief Executive

Directors' Report continued

Business Review

Overview

Vitec is an international Group, principally serving customers in the worldwide media sector with products, services and solutions for the Broadcast, Photographic and Entertainment industries. Vitec is based on strong, well known, premium brands that professionals rely on. Vitec is organised in three divisions: Imaging & Staging, Broadcast Systems and Broadcast Services.

Strategy: 'Consolidate - Leverage - Grow'

The Group's strategy is summarised in the phrase 'Consolidate – Leverage – Grow'. After the initial phase, during which we consolidated multiple locations, smaller businesses and distribution channels into a more streamlined structure in order to extract scale economies, the focus has shifted to leveraging our skills in product development and to expanding and exploiting our routes to market in pursuit of growth. While continuous improvement activities are ongoing, the emphasis is on generating growth. We continue to look for value-adding acquisitions.

Broadcast Systems – Products and systems primarily for broadcast applications

Activities

Design and manufacture of high quality equipment used principally by broadcast and live entertainment professionals. Focused on studio, outside broadcast, film production and government markets.

Products

Manual and remotely controlled camera support pedestals, tripods and heads. Camera and equipment bags. Studio and portable lighting. Fixed and mobile wireless camera links. Prompting products and services. Microprocessor-controlled batteries and chargers for video cameras. Multi-locational wired and wireless intercom systems.

Locations: Canada, China, Costa Rica, France, Germany, Israel, Japan, The Netherlands, Singapore, UK, USA



Imaging & Staging - Products for the photographic, videography and live event markets

Activities

Design and manufacture of high quality equipment principally for photography, video, cinematography and live events professionals. Distribution of in-house and third party photographic accessories.

Products

Photographic and video camera tripods and heads. Lighting stands, grips and accessories. Lighting and scenery suspension equipment. Camera bags. Live entertainment and exhibition lighting suspension structures and staging systems. Third party products distributed include flash units, light meters and filters.

Locations: China, France, Germany, Israel, Italy, Japan, Mexico, Slovakia, UK, USA



Broadcast Services – Rental and technical support services, mainly for the broadcast market

Activities

Rental services and selected sales of camera, video, wireless communication and audio equipment, including engineering support for the film and TV programme production markets.

Products

Rental of broadcast video equipment. Rental of audio equipment. Rental of high definition TV production support. Provision of support for major event broadcasting and webcasting. Sales of communications, audio equipment and used video equipment.

Location: USA



Directors' Report continued

Broadcast Systems Division

Products and systems primarily for broadcast applications

	2008	2007
Revenue	£172.6m	£129.8m
Operating profit*	£21.7m	£13.3m
Operating margin*	12.6%	10.2%

*Before significant items. Significant items are amortisation of intangible assets of £6.4 million (2007: £4.3 million) and negative goodwill of £nil (2007: £0.1 million).

Overview

The Broadcast Systems division provides equipment principally for video professionals engaged in producing live events or video content, frequently for subsequent broadcast. The business units, Camera Dynamics, Communications, Mobile Power, RF Systems and now Litepanels, sell their products worldwide, either direct to the end-customer or through a network of professional dealers. The division's brands are frequently the acknowledged leaders in their fields.

Strategy

The market for broadcast equipment is benefiting from the trend to make programmes in High Definition (HD). This involves upgrading cameras and associated ancillary equipment, much of which is provided by Vitec Group companies. We have responded to the changed needs of the marketplace by managing our brands within single business units, enabling us to achieve economies of scale in manufacturing and distribution and to develop exciting new product ranges.

2008 performance

2008 revenue increased by 33% to £172.6 million (2007: £129.8 million), with a significant improvement in operating profit - a rise of 63% to £21.7 million (2007: £13.3 million).

Camera Dynamics had a very strong year and it was a fitting time to celebrate the 50th anniversary of the Sachtler brand. We saw growth in volumes in all product groups, with a number of major installations of our Fusion robotic system, including the Spanish state broadcaster, TVE Spain. New products included the Sachtler FSB8 and Vinten Pro Touch 6HDV, which further extended our lightweight camera support range. Vinten introduced its Vector 750 head, which establishes the new standard for studio and outside broadcast applications. Our OConnor brand, which is the global market leader for camera supports in the movie industry, increased sales as it was adopted as the support of choice for the innovative new RED HD digital video camera.

Autoscript continued to make progress, winning the Persian TV equipment and multi-year services contract with the BBC, and is now co-located in Twickenham with The Camera Store rental business acquired in September 2008. We continued to invest in advanced machine tools at our Bury St Edmunds plant, and manufacturing of OConnor camera supports was moved successfully from California to our Costa Rican facility.

RF Systems launched many new wireless HD products and were able to deliver significant quantities under the BAS contract, which helped Sprint Nextel meet its commitments. We have stepped up our marketing to international and non-broadcast US customers and were pleased to win a major contract for the Houston Police Department, with delivery commencing in early 2009. Developing these additional markets is important as they will help offset the reduction in revenue we will see when deliveries under the BAS contract are completed in about August 2009.

Our Communications business delivered a strong performance, reflecting greatly improved management, outsourced manufacturing and its refreshed product range. Key successes in 2008 were providing intercoms matrix systems for the Chinese state broadcaster, CCTV, at the Olympics and its new studio buildings and to ZDF, the German national TV broadcaster. We see intercoms-over-internet-protocol as a major growth area for the future and in October 2008 we were delighted to acquire Talkdynamics, a Montreal-based R&D business which was already a supplier to our Communications business.

Following a weakening in demand in the US broadcast market, Anton/Bauer, our mobile power business, had lower sales in 2008 than 2007. Nevertheless, with the recent introduction of the VCLX battery for HD video film cameras, together with other non-broadcast marketing initiatives that are being pursued, we are confident that the business will be able to grow more strongly as and when market conditions allow.

In August 2008 we announced the acquisition of Litepanels, a manufacturer of LED lights for the broadcast market, located in North Hollywood. LEDs use around 10% of the power of traditional tungsten lights and, because they generate less heat, are more portable and require significantly less air-conditioning when used in studios. The business has performed well and we are pleased by a number of initiatives that are underway between Litepanels and our other businesses, which demonstrate how the Group is able to add value to its acquisitions. The business has an exciting pipeline of new products which will be launched this year. We expect Litepanels' revenue to continue to grow in 2009.

Market developments

In December 2008 we announced headcount reductions in Camera Dynamics of 25, with an associated charge in the year of £0.4 million. In the first two months of 2009 overall order intake has been in line with our expectations; however, we have experienced lower volumes in a number of our businesses, which has led to some cost under-recovery. As a consequence we have taken further cost reduction actions, including those within Camera Dynamics and Communications, which will reduce headcount by some 50 people. We will continue to flex our capacity and cost base as we respond to material changes in demand.

Barack Obama during his presidential campaign, being interviewed in a room lit by Litepanels LED lights.



Directors' Report continued

Imaging & Staging Division

Products for the photographic, videography and live event markets

	2008	2007
Revenue	£135.8m	£117.3m
Operating profit*	£15.6m	£17.7m
Operating margin*	11.5%	15.1%

*Before significant items. Significant items are amortisation of intangible assets of £0.7 million (2007: £0.7 million), impairment of goodwill of £2.1 million (2007: £nil) and profit on sale of property of £0.3 million (2007: £nil).

Overview

The Imaging & Staging division operates in two main markets: manufacturing and distributing products for the professional and keen amateur photographer and videographer, such as camera supports and bags (Imaging), and manufacturing lighting and staging systems for the live entertainment market (Staging). Lighting supports (grip) are manufactured for both these markets and for cinematographers. It is organised in two units: Imaging Accessories (including Supports, Bags and Distribution), and Staging Systems.

Strategy

Focusing on successful launches of innovative new products, combined with control of the distribution of those products in the key markets of the world, is proving to be a winning formula. Innovation is as important to photo, video and cine professionals as it is in Staging Systems, where customers who use our stage and lighting systems are looking for ever lighter, easier to operate and more elegant solutions to make their events look as good as possible.

2008 performance

Revenue increased by 16% to £135.8 million (2007: £117.3 million). In constant currency, the division reported revenue growth of 3%. Operating profit reduced by £2.1 million, or 12% to £15.6 million. Margins were depressed by adverse foreign exchange effects and a number of one-off actions were taken. These include closing Tomcat UK, moving the low cost Tomcat Mexico business to larger premises and significant changes to senior management.

Imaging Support launched 30 new products in 2008, with the 190 and 055 carbon fibre tripods and Gitzo ball heads being particularly well received. A sales office was established in Mumbai for the first time. According to CIPA, the Camera &

Imaging Products Association, shipments of digital SLR cameras increased by 30% by volume and 18% by value in 2008, and it forecasts further growth in 2009 and 2010. We continued to achieve operational improvements, renting further factory space in Italy, optimising the new outsourced logistics hub in Padua, as well as successfully moving our Chinese tripod production to a new subcontractor. Margins were affected both by the adverse Euro/Dollar exchange rate and increase in infrastructure costs that were needed to support the significant growth of the business over the past three years. Sales volumes in the bags business grew strongly, with over 50 new products launched, including the new Kata DPS line and the 3N1 model, which are proving to be very popular. Kata withdrew from its Protection and Security business line in 2008.

In Imaging Distribution, we saw good revenue increases in most of the six countries where Bogen Imaging distributes its products. Bogen Imaging UK was launched in February 2008 and reached its planned operating level and we consolidated the Bogen Imaging Italy operation into Bassano after moving it from Milan. Our websites continued to help drive sales, with the number of hits increasing by over 100%.

In Staging we also saw reported revenue growth, but underlying volumes were largely unchanged compared to 2007. Brilliant Stages saw a reduction in project work, but we expect the pipeline to increase in 2009, with work on the Take That and U2 tours already in prospect. In order to increase sales in South America and reduce product costs, Tomcat's Mexican operation moved to larger premises in December 2008.

Market developments

In 2008, in order to improve the profitability of our Staging business we closed our Tomcat UK operation and made a number of changes to senior management, at a combined cost of £1.2 million. In the first two months of 2009, order intake and sales are in line with our expectations, albeit volumes in constant currency are lower than the same period in 2008. In 2009, in Imaging, we have shed all temporary labour and had selective shut downs. We will continue to flex our capacity and cost base as we respond to material changes in demand.

The Gitzo Ocean Traveller is not only the world's first stainless steel tripod but also the world's first tripod specifically developed to perform in extreme climates and adverse elements.



Directors' Report continued

Broadcast Services Division

Rental and technical support services, mainly for the broadcast market

	2008	2007
Revenue	£29.3m	£26.7m
Operating profit	£1.1m	£1.6m
Operating margin	3.8%	6.0%

Overview

The Broadcast Services division provides rental equipment and technical support for the most demanding broadcast productions, mostly in the US, from a network of nine depots. The division also acts as an integrator/dealer for high end audio equipment, resells used equipment and provides comprehensive maintenance and fibre optic installation services.

Strategy

Customers choose Bexel because of their reputation for designing creative solutions, providing service excellence and because of its nationwide US network. With the most relevant equipment and the best technical backup, Bexel will continue to seek longer term contracts from customers who want more than simple equipment hire, by offering the most in-demand equipment and innovative technical solutions and support.

2008 performance

Reported revenue of £29.3 million was up 10% (2007: £26.7 million). Revenue in US Dollars increased by 1%. Bexel benefited from its successful involvement in the coverage of the Beijing Olympics and the US presidential elections. However, their contributions were largely negated by a further weakening in the general US broadcast rentals market.

In 2008 Bexel benefited from supporting the Olympics broadcasters, including the host broadcaster, BOB (Beijing Olympic Broadcasting) and our highly acclaimed Hercules flypack provided outstanding HD images of the aquatic events from the iconic Water Cube for NBC Sports. Bexel supported the Republican and Democratic national conventions with fibre optic transmission links along with video and audio systems.

The business continued to deliver leading edge technology solutions to its customers, which this year included work on the Hell's Kitchen reality TV series for Fox and the new Jonas Brothers 3D movie for Disney, audio support for the first ever in-flight concert for the Grammy Awards and a brand new mobile edit vehicle provided to Turner for the NASCAR season. Our fibre business provided infrastructure for the Superbowl XLII in Arizona and the Papal visit to Yankee Stadium, Audio sales made great progress with its Calrec dealership and our resale business was able to sell on all of our anticipated Olympics and other surplus rental gear.

However, despite its strong performance in big events, sports and high end reality programming, the general US broadcast rentals market weakened further, leading to the relatively flat year-on-year sales performance set out above.

Market developments

In the first two months of 2009 we estimate sales revenue (in Dollars) will be some 10% behind the same period of 2008. In January 2009, in the light of the continued weakness of the US broadcast rentals market, the closure of Bexel's Orlando office was announced, together with a number of other redundancies. Bexel continues to operate at nine locations, including its main Florida depot in Miami.

Bexel rental equipment in use at the NFL Super Bowl Media Day in January 2009.



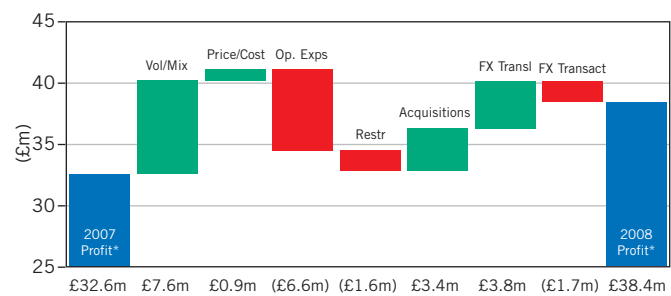
Financial Review

Revenue

Revenue increased by £63.9 million to £337.7 million, or 23.3% in the year. After deducting £28.7 million (11.7%) for favourable foreign exchange, there was a £14.0 million (4.6%) organic increase and £21.2 million (7.0%) due to acquisitions (including £19.3 million due to acquisitions made partway through 2007). Revenue growth, before acquisitions, was particularly strong in Camera Dynamics, RF Systems and Imaging.

Operating profit

The table below sets out an analysis of the causes of the increase in operating profit before significant items* between 2007 and 2008. The variances are based on management's best estimates and are not a statutory presentation.



*Operating profit before significant items

Operating profit before significant items* was £38.4 million, £5.8 million or 17.8% greater than 2007. The Group's operating profit* margin fell slightly from 11.9% to 11.4%, reflecting some of the one-off reorganisation costs sustained mainly in Staging Systems. Despite hedging its foreign exchange transaction exposure, the Group suffered from the weaker US Dollar in the first part of the year. Before beneficial foreign currency effects of £2.1 million over the entire period, the increase in operating profit was £3.7 million or 10.2%.

Net financial expense

Net financial expense before significant items* totalled £3.0 million (2007: £2.3 million) and increased principally because of acquisitions and the adverse foreign exchange effect of non Sterling loan interest.

Taxation

The effective taxation rate on operating profit after net finance expense but before significant items* was 34% (2007: 37%). The Group's tax charge is higher than the standard UK corporation tax rate (see Note 11, page 58) because the majority of its profits arise in overseas jurisdictions with higher tax rates.

Significant items

A number of items were treated as significant in the year. These are fully described in Note 5 on page 54 and summarised here. Amortisation of acquired intangibles increased to £7.1 million (2007: £4.9 million after £0.1 million negative goodwill) due to recent acquisitions,

* 2008 significant items in operating profit total a cost of £10.2 million and comprise amortisation of acquired intangibles (£7.1 million), goodwill impairment (£2.1 million) and a provision against equity accounted investee (£1.3 million), offset by profit on sale of property (£0.3 million). 2007 significant items in operating profit totalled a cost of £4.9 million.

particularly Litepanels and the full year effect of RF Systems and has been included in significant items*. Within the Imaging & Staging division, the annual impairment review of goodwill led to an impairment charge of £2.1 million to the goodwill of Tomcat Global (2007: £nil). Acquisition goodwill arising during the year was £4.8 million, including £3.7 million relating to estimated earnouts, and is not amortised. Intangible assets acquired in Litepanels amounted to £6.6 million with a further £0.7 million arising from the acquisition of Talkdynamics.

A provision charged against the equity accounted investment in Media Numerics of £1.3 million (2007: £nil) and profit on sale of property of £0.3 million (2007: £nil) are also included in significant items*.

Finance income included in significant items* consisted of a £0.3 million gain (2007: £0.4 million gain) due to currency movements on loans not accounted for as net investment hedges.

The tax credit of £6.6 million (2007: £3.7 million) relates to deferred tax.

Acquisitions

Acquisitions totalled £11.8 million, consisting of cash outflow of £11.8 million (2007: £15.0 million), debt acquired of £nil (2007: £4.3 million), new shares issued of £nil (2007: £1.8 million); in addition there is an estimated earnout of £3.7 million (2007: £4.8 million). There is a maximum potential earnout of £34.8 million relating to Litepanels and £0.4 million relating to Talkdynamics. The Group completed three acquisitions in 2008: Litepanels in August, The Camera Store in September and Talkdynamics in October.

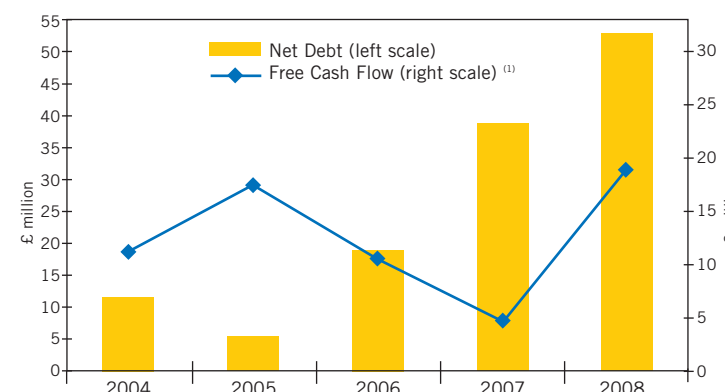
Business Division	Acquisition date	Acquisition consideration for cash ⁽¹⁾ £m	Estimated potential earnout £m	Total estimated consideration £m	Earnout period	
2008 acquisitions						
The Camera Store	Broadcast Systems	1 Sep 08	0.4	-	0.4	n/a
Litepanels	Broadcast Systems	21 Aug 08	8.2	3.4	11.6	2008-11
Talkdynamics	Broadcast Systems	10 Oct 08	1.1	0.3	1.4	2008-11
Total cost of 2008 acquisitions			9.7	3.7	13.4	
Earnout payments for previous acquisitions						
Kata (for 2007)	Imaging & Staging	31 May 05	1.0	n/a	n/a	2005-07
Autoscript (for 2007)	Broadcast Systems	31 Oct 06	1.0	n/a	n/a	2007-08
Staging SK (for 2007)	Imaging & Staging	1 Feb 07	0.1	n/a	n/a	2007-08
Total acquisition cost in 2008			11.8	n/a	n/a	

⁽¹⁾ Including acquisition expenses and cash acquired

The investment of £1.3 million in Media Numerics has been fully written down within significant items*.

Cash flow and net debt

Cash generated from operations was strong at £44.3 million (2007: £33.8 million). Capital expenditure totalled £17.6 million (2007: £18.4 million), of which £4.7 million (2007: £6.4 million) related to rental assets, partly financed by the proceeds from rental asset disposals of £1.7 million (2007: £1.4 million).



⁽¹⁾ Free cash flow is the cash generated from operations less interest, tax and net capital expenditure on property, plant & equipment and capitalised IT costs.

The higher profits were the main reason for the increased free cash flow of £19.0 million (2007: £4.7 million) which also benefited from lower capital expenditure, a more favourable working capital movement and lower tax payments.

	2008 £m	2007 £m
Operating profit (before significant items)	38.4	32.6
Depreciation	11.6	9.1
Impairment losses on property, plant & equipment	-	0.2
Amortisation of capitalised software and development costs	1.2	1.3
Net change in working capital and provisions	(7.7)	(9.7)
Other items ⁽¹⁾	0.8	0.3
Cash generated from operations	44.3	33.8
Net Interest paid	(3.6)	(3.0)
Tax paid	(6.7)	(9.5)
Proceeds from sale of property, plant & equipment	2.6	1.8
Capital expenditure ⁽²⁾	(17.6)	(18.4)
Free cashflow	19.0	4.7

⁽¹⁾ Comprises net gain on disposal of property, plant & equipment, profit on sale of property fixed assets (significant item), fair value losses on derivative financial instruments and cost of equity-settled employee share schemes

⁽²⁾ Comprises purchase of property, plant & equipment, purchase of intangible assets and software and development costs capitalised as intangible assets

Working capital increased, as a percentage of revenue due to weaker Sterling. Before acquisitions, RF Systems (whose working capital is not comparable to activity levels due to BAS related accounting) and after being restated in constant currency at the year end rates it was 21.8% (2007: 23.4%) at the year end, and averaged 25.5% in 2008 (2007: 24.1%). Inventory increased by £10.8 million to £76.4 million at the year end, reflecting higher revenue, new acquisitions and adverse currency movements. In addition, inventory levels were deliberately increased in Imaging to improve service levels. Inventory days, restated in constant currency at year end rates before acquisitions and RF Systems (whose inventory is not comparable to activity levels due to BAS related accounting), reduced to 101 (2007: 112 days). Trade receivables rose with the higher revenue and were £46.6 million as at the year end (2007: £40.1 million), but there was a reduction in debtor days to 41 (2007: 51 days), when restated in constant currency at year end rates before acquisitions and RF Systems.

Tax paid in 2008 of £6.7 million was significantly lower than 2007 (£9.5 million), mainly due to a US tax rebate.

Despite strong free cash flow, net debt increased to £53.0 million (2007: £38.4 million) mainly because of the effect of weaker Sterling on our utilisation of our £125 million committed multicurrency loan facility, a significant part of which is denominated in US Dollars, Euros and Yen.

Treasury

Financing, currency hedging and tax planning are managed centrally. Hedging activities are designed to protect profits, not to speculate. Substantial changes to the financial structure of the Group or treasury practice are referred to the Board for approval.

The Group operates strict controls over all treasury transactions involving dual signatures and appropriate authorisation limits.

As in previous years, a portion of the transactions of subsidiaries in foreign currencies is hedged 12 months forward, with the US Dollar contracts as at 31 December 2008 set out below.

Currency millions	December 2008	Average rate	December 2007	Average rate
US Dollars sold for Euros				
Forward contracts	\$10.0	1.26	-	-
Options ⁽¹⁾	\$24.7	1.50	\$30.1	1.40
US Dollars sold for Sterling				
Forward contracts	\$8.3	1.51	\$14.7	1.97
Options	\$6.7	1.85	\$4.9	2.03

⁽¹⁾ Includes cylinder options, where the mid-point of range is taken

The Group does not hedge its foreign currency profits. A proportion of the Group's foreign currency net assets are hedged using normal Group borrowings and forward contracts.

Financing activities

The Group's principal financing facility is a five-year £125 million committed multicurrency revolving loan agreement involving five banks, expiring on 8 August 2013. At the end of December 2008 £64.9 million (2007: £43.4 million) of the facility was utilised.

The average cost of borrowing for the year was 4.0% (2007: 6.1%) reflecting the worldwide downward movement in interest rates. Net interest cost (consisting of net interest payable and commitment fees) was £3.1 million (2007: £2.6 million), reflecting principally the acquisition of Litepanels, the full year effect of RF Systems and the adverse foreign exchange effect of non Sterling loan interest. Net interest cover (using operating profit before significant items*) remained high at 12 times (2007: 13 times).

With regard to the management of capital, the Group's primary objective is to ensure its continuance as a going concern. In respect of gearing, the Board seeks to maintain an efficient capital structure without exposing the Group to unnecessary levels of risk; the Group has operated comfortably within its loan covenants during 2008. The Board believes the current capital structure is appropriate for the Group, bearing in mind

Directors' Report continued

its current strong cash generation, dividend policy and its typical ongoing level of acquisition activity.

In response to the weakening of Sterling we have amended the Group policy on loan currency matching to net assets, to protect against further Sterling deterioration and foreign exchange appreciation of our debt. About 50% of the drawn element of our loan facility is now denominated in Sterling.

UK pensions

At the end of 2003 the Group closed both of its UK defined benefit schemes to new members. Since 2004 a Group personal pension plan has been made available for new employees with Standard Life. In November 2005 the defined benefit schemes were merged. As at 31 December 2008 the number of active members in the merged scheme was 10% lower at 158 (2007: 176). Total scheme members were 643 (2007: 655).

A triennial actuarial valuation was undertaken as at 5 April 2007. This was agreed by the Company and the Trustees on 4 July 2008.

Following the funding actions set out above, the Group's UK defined benefit pension liabilities under IAS 19 (amended) as at 31 December 2008 were estimated by the Scheme's actuaries to be £35.2 million (2007: £43.2 million) with a deficit of £0.4 million (2007: £1.2 million surplus). The deficit has arisen because the decrease in pension liabilities was offset by a greater decrease in pension assets. The principal assumptions used for recent valuations are set out below.

	2008	2007	2006
Inflation rate	2.8%	3.3%	3.0%
Expected rate of increase in:			
Salaries	4.3%	5.3%	5.0%
Pensions and deferred pensions	2.8%	3.3%	3.0%
Discount rate	6.3%	5.8%	5.2%
Long term rates of return			
Equities	8.2%	8.0%	7.8%
Bonds	4.4%	4.8%	4.7%
Property	6.9%	6.7%	6.2%
Longevity			
Pensioners currently aged 65	86/89 ⁽⁴⁾	86/89 ⁽⁴⁾	86/89 ⁽⁴⁾
Non pensioners currently aged 45	88/91 ⁽⁴⁾	88/91 ⁽⁴⁾	88/91 ⁽⁴⁾
Pension charge			
Operating profit	1.5	1.5	1.5
Finance income	(0.6)	(0.7)	(0.6)
Net charge	0.9	0.8	0.9

⁽⁴⁾ male/female.

Post balance sheet events

There have been no significant post balance sheet events.

Principal risks and uncertainties

US market

53% of 2008 revenue was from the Americas, principally the US, so the Group remains susceptible to any major deterioration in demand for its products and services from US customers. It is difficult to mitigate this risk but the Group seeks to reduce its dependence on the US by actively widening its sales and distribution activities, particularly into Asia.

Foreign exchange

The great majority of the Group's profit is earned in overseas currencies and is therefore subject to translation risk if Sterling strengthens. To mitigate this, a proportion of the Group's foreign currency net assets are hedged using normal Group borrowings and forward contracts.

Also, many of the Group's businesses sell worldwide from various countries of manufacture, so the Group is subject to transaction risk, particularly that of a weaker US Dollar. The Group partially hedges its major foreign exchange receipts by selling currency 12-18 months forward on a rolling basis. In addition the Group seeks to outsource parts, where appropriate, to low cost countries, whose currencies are frequently either Dollar denominated or linked to the Dollar.

Markets

The Group's two Broadcast divisions are at risk from a reduction in the capital expenditure requirements of its broadcast customers and, in the US, their rental requirements. This dependence is changing as broadcasting moves from TV to delivery by other modes such as internet and mobile services. To mitigate this, the Group markets its products and services to all of these producers of broadcast video material, as well as to the religious, corporate and government sectors.

With the acquisition of RF Systems, the Group is benefiting from the BAS Relocation Project, which entails the conversion of part of the microwave spectrum that broadcasters use from analogue to digital technology. There will be further revenue from this project in 2009, after which time the business will need to win other business in the US and abroad to mitigate this reduction in sales.

Imaging products are principally used by both professionals and keen amateurs. Whilst sales of cameras is forecast to continue to grow, there is a risk that recessionary conditions may lead to adverse sales pressures in these markets.

Low cost competition

The Group is at risk from low cost competitors who may sell similar products at lower prices, particularly for higher volume items such as the simpler photographic tripods. While the Group also sources those cheaper products from lower cost countries, it combats this threat by patenting its technologies wherever possible and taking action against any infringement, continuously innovating its products and employing its significant marketing and distribution capabilities.



Richard Cotton
Finance Director

Awards for Product Innovation



4Ever Group's Product Innovation Award, TV Technology Europe's Superior Technology Star Award and The Chicago Athenaeum: Museum of Architecture and Design's Good Design Award for Anton/Bauer's Stasis FLEX Power Support System.



Technical Image Press Association's Award for Manfrotto's 585 MODOSTEADY Camcorder Stabilisation System.



TV Technology's Superior Technology Star Award for RF Central's RF Extreme PRX-II Handheld COFDM Receiver/Monitor.



Japan's Good Design Award, Digital Content Producer's Pick Hit Award, 4Ever Group's Product Innovation Award, TV Technology's Superior Technology Star Award, DV Magazine's Black Diamond Award and Videography Magazine's Vidy Award for Sachtler's SOOM System.



Digital Content Producer's Pick Hit Award, TV Technology's Superior Technology Star Award and DV Magazine's Black Diamond Award for Litepanels' Micro Portable LED Camera Light.



4Ever Group's Product Innovation Award for Sachtler's Reporter 8LED On-camera LED Light.



TV Technology's Superior Technology Star Award for Vinten's Vector 750 Pan and Tilt Head.



TV Technology Europe's Superior Technology Star Award for Autoscript's LED Backlighting in prompters.



TV Technology Europe's Superior Technology Star Award for Nucomm's Messenger IP Video File Encapsulator/Decapsulator.



American Photo Editor's Choice Award for Kata's 3N1-20 Sling Backpack.

Directors' Report continued

Key Performance Indicators (KPIs) and Other Measures

Details of the Group's performance against each of its KPIs is set out below.

KPI/Measure	Purpose	Definition/ Calculation	Unit	Data source	Target ongoing average	Value	
						2008	2007
Delivering value to shareholders							
Adjusted basic earnings per share	Monitor and indicator of earnings performance	Profit for the financial year after tax, before discontinued operations and significant items <i>divided by</i> weighted average number of shares in issue during the financial year	pence per share	Audited accounts	n/a	55.9p	46.0p
Return on sales	Provide a measure of overall operational efficiency	Operating profit before significant items for the financial year <i>divided by</i> total revenue for the financial year	% of revenue	Audited accounts	n/a	11.4%	11.9%
Total shareholder return (TSR)	Monitor and measure of investment return for shareholders	Share price growth <i>plus</i> dividends that have been declared, paid and reinvested in Vitec's shares over the three year period ended on 31 December 2008 or 2007 Share price: 30 trading day average over the preceding 30 days	average compound annual growth %	Data-stream	n/a	(17.4%)	26.7%
Free cash flow	Measure cash flow generated before "corporate" actions (M&A, share issues, dividends, share buy-backs etc)	Cash generated from operations in the financial year <i>after</i> net capital expenditure, net interest and tax paid in the financial year	£m	Audited accounts	n/a	19.0	4.7
Controlling our working capital⁽¹⁾							
Working capital %	Provide an indication of the efficient utilisation of working capital resources	Year end: Net inventory plus trade receivables <i>less</i> trade payables at the end of the financial year <i>divided by</i> total revenue of the financial year	% of revenue	Audited accounts	25%	21.8%	23.4%
		Average: Average of net inventory <i>plus</i> trade receivables <i>less</i> trade payables at the end of each month of the financial year <i>divided by</i> total revenue of the financial year Excludes acquisitions in the financial year and RF Systems	% of revenue	Monthly management accounts	25%	25.5%	24.1%
Inventory days	Provide an indication of how long it takes on average for Vitec to turn its inventory into revenue and how ready we are to supply customers	Net inventory at the end of the financial year <i>divided by</i> total cost of sales of the financial year <i>times</i> number of days in the financial year Excludes acquisitions in the financial year and RF Systems	days	Audited accounts	110	101	112
Debtor days	Provide an indication of how long it takes on average for Vitec to receive payment on accounts receivable	Trade receivables at the end of the financial year <i>divided by</i> total revenue of the financial year <i>times</i> number of days in the financial year Excludes acquisitions in the financial year and RF Systems	days	Audited accounts	55	41	51
Innovation and growth							
Like-for-like revenue growth	Monitor volume growth excluding effects of acquisitions and divestments	Total revenue of the current financial year excluding external revenue from acquired businesses <i>divided by</i> total revenue of the prior financial year <i>less</i> 1 <i>times</i> 100% Acquired businesses: exclude external revenue for each month in the current financial year with no comparative amount in the same month of the prior financial year	%	Audited accounts and, for acquired businesses, monthly management accounts	n/a	15.6%	6.0%

KPI/Measure	Purpose	Definition/ Calculation	Unit	Data source	Target ongoing average	Value	
						2008	2007
Innovation and growth continued							
Revenue from new products	Measures Vitec's ability to grow by innovation	Revenue for each month of the financial year from products launched in the previous 36 months <i>divided by</i> total product revenue of the financial year <i>times</i> 100% Products launched: includes new products and re-launched modified existing products New products: includes brand new products manufactured by Vitec and major upgrades, but not restyling or replacements Launch date: date first external revenue achieved Total product revenue: total Vitec revenue excluding the Broadcast Services division and Brilliant Stages Exclude acquisitions in the financial year	% of revenue	Audited accounts and internal reports from Vitec Business Units	20%	36.3%	34.5%
Monitoring our environmental impact							
Usage of electricity	Monitor electricity, gas, oil and water consumption	Amount of electricity consumed in the financial year <i>divided by</i> total revenue for the financial year	megawatt hours vs revenue ⁽²⁾	Internal reports from Vitec Business Units	n/a	36.97	42.30
Usage of gas		Amount of gas consumed in the financial year <i>divided by</i> total revenue for the financial year	megawatt hours vs revenue ⁽²⁾		n/a	24.83	32.63
Usage of oil		Amount of heating oil consumed in the financial year <i>divided by</i> total revenue for the financial year	'000 litres vs revenue ⁽²⁾		n/a	0.03	0.07
Usage of water		Amount of water consumed in the financial year <i>divided by</i> total revenue for the financial year Exclude consumption from acquisitions in the financial year; prior year amounts adjusted from previous Annual Report to include acquisitions in that year and to reflect more accurate information gathering	'000 cubic metres vs revenue ⁽²⁾		n/a	0.11	0.13
Employees and safety							
Number of employee accidents ⁽³⁾	Track changes in health and safety performance as it directly impacts hours worked per employee	Rate of non-fatal workplace injuries leading to absences from work of more than three days in the financial year	rate per 100,000 employees per year	Internal reports from Vitec Business Units	10% reduction pa	723 ⁽⁴⁾	976
Number of training days	Tracks employee development	Monitors the development of knowledge, skills and competencies of employees	rate per employee per year	Internal reports from Vitec Business Units	tbd ⁽⁵⁾	2.0	n/a

The Group believes that its Key Performance Indicators and Other Measures must remain relevant to the needs of the business and they will therefore be subject to refinement and change from time to time in accordance with the needs of the business.

⁽¹⁾ Working capital ratios are recalculated to reflect consistency in application of exchange rates. Excludes RF Systems whose working capital items are not comparable to activity levels due to BAS related accounting.

⁽²⁾ Per £1.0 million of the Group's revenue.

⁽³⁾ There were no fatal workplace injuries in 2008 or 2007.

⁽⁴⁾ Accidents have reduced from 20 in 2007 (representing 976 per 100,000 employees) to 16 in 2008 (representing 723 per 100,000 employees). The number of accidents at the operation in Camera Dynamics Costa Rica has reduced from four in 2007 to one in 2008. At Broadcast Services, the number of accidents have reduced from three in 2007 to one in 2008. At the Group's main operations in Italy, Imaging Support, the number of accidents is down from nine in 2007 to seven in 2008. RF Systems, Tomcat USA and Bogen Imaging Italy had no accidents in 2007, but three in 2008.

⁽⁵⁾ Since this is a new measure, a target will be determined in 2009.

Directors' Report continued

Board of Directors



Michael Harper BSc Eng, MSc

Chairman, non-executive, British, aged 64, appointed to the Board on 14 June 2004, became Chairman on 1 November 2004; Chairman of the Nominations Committee. Currently Chairman of BBA Aviation plc and a non-executive director of Ricardo plc and Catlin Group Limited.



Stephen Bird BSc, MBA

Chief Executive, British, aged 48, appointed to the Board on 14 April 2009. Previously he was Divisional Managing Director of Weir Oil & Gas, part of Weir plc, since 2005. Prior to this he has worked in senior roles at Danaher Corporation, Black & Decker, Unipart Group, Hepworth PLC and Technicolor Group. He is a non-executive director of Umeco plc and is a graduate of St John's College, Cambridge.



Alastair Hewgill BSc, ACMA

Interim Chief Executive (from 1 October 2008 to 14 April 2009) and formerly Finance Director, British, aged 54, appointed to the Board on 14 May 2002. Previously he held senior finance positions within GKN plc over a period of 11 years, including Finance Director of GKN Aerospace Division and Head of Corporate Finance for the group. Prior to that he was a management consultant with Coopers & Lybrand Deloitte, specialising in the industry and commerce sector.



Richard Cotton BA, FCMA

Finance Director, British, aged 48, appointed to the Board on 3 November 2008. Previously Group Finance Director of Wagon plc. Prior to this held senior positions with SPX Air Treatment Holdings plc (Formerly, McLeod Russel Holdings plc), served as Planning Director of Alcoa Europe, divisional Finance Director of British Aluminium and worked with BTR PLC, JFP Products and Thomson CSF.



Simon Beresford-Wylie BA

Non-executive, independent, British, aged 50, appointed to the Board on 1 March 2006; member of the Audit Committee, the Nominations Committee and the Remuneration Committee. Currently CEO of Nokia Siemens Networks and member of the Nokia Group Executive Board having joined the Nokia Group in 1998 from Indian mobile operator Modi Telstra (Pte. Ltd.) where he was Chief Executive Officer. Prior to that he held various management positions within Telstra's Corporate and Government Business Unit.



Nigel Moore FCA

Non-executive, independent, British, aged 64, appointed to the Board on 1 March 2004; Chairman of the Audit Committee, member of the Nominations Committee and of the Remuneration Committee. Currently Chairman of The TEG Group plc, a director of IntelligentComms Ltd, Ascent Resources plc, Hochschild Mining plc, JXK Oil & Gas plc and Production Services Network Ltd. Formerly a London based partner of Ernst & Young.



Maria Richter BA, JD

Non-executive, independent, dual American and Panamanian, aged 54, appointed to the Board on 28 February 2007; member of the Audit Committee, the Nominations Committee and the Remuneration Committee. Currently a non-executive director of National Grid plc, The Pantry Inc and The Bessemer Group Incorporated. Ms Richter is a director of Pro Mujer International, Chairman of Pro Mujer UK and on the Private Equity Advisory Board of Republic Financial Corporation. Previously with Morgan Stanley for nine years, most recently as Managing Director of the Corporate Finance Retail Group. Prior to that she held senior positions with Salomon Brothers, Prudential Capital Corporation and Power Funding Associates.



Will Wyatt CBE, BA

Non-executive, independent, British, aged 67, appointed to the Board on 10 June 2002; Senior Independent Director; member of the Audit Committee and the Nominations Committee and Chairman of the Remuneration Committee. Chairman of Racecourse Media Group Ltd and Racecourse Media Services Ltd and a director of Amalgamated Racing Ltd. He is Chairman of the Teaching Awards Trust and a trustee of the Services Sound and Vision Corporation. Formerly Chief Executive, BBC Broadcast. Other posts within the BBC included Managing Director of Network Television.

Jon Bolton FCIS, LLB Secretary

Directors

The directors throughout the year ended 31 December 2008 were Michael Harper, Alastair Hewgill, Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt. Gareth Rhys Williams resigned as a director on 29 October 2008 and Richard Cotton joined as a director on 3 November 2008. The remuneration of the directors is set out in the Remuneration Report on pages 21 to 27. Photographs and biographies of the current directors, as well as Stephen Bird who will be appointed a director and Chief Executive on 14 April 2009, are set out on page 18.

Directors' shareholdings

To align the interests of executives with those of shareholders, executive directors are required to build up, over a reasonable period of time, a substantial holding of shares in the Company equal to 100% of salary. Other members of the Executive Board are also encouraged to do so. The value of holdings by the executive directors at the end of 2008 represented 108% and 12% of the base salaries of Alastair Hewgill and Richard Cotton respectively (2007: Mr Hewgill 136%), calculated by reference to the closing middle market price of a share of The Vitec Group plc on 31 December 2008, the last dealing day of 2008, which was 235.5p.

The table opposite sets out the beneficial interests in the Company's shares of those persons who were directors at the end of the financial year. The interests are shown as at 31 December 2008 and 1 January 2008 (or, if later, their date of appointment). Details of the directors' other interests in the Company's shares are set out in the Remuneration Report on pages 21 to 27. Other than as disclosed in the footnote, there have been no other changes to these interests in the period from 31 December 2008 to 19 March 2009.

Substantial shareholdings

As at 19 March 2009, the Company had been notified of the following interests of 3% or more of the voting rights of its issued share capital:

	Number of voting rights	%
Harris Associates	5,068,762	12.00
Prudential plc	4,074,743	9.61
Baring Trustees (Guernsey) Limited	2,698,374	6.58
Manfroto SA	2,478,374	6.05
Aviva plc	2,139,882	5.07
Aberforth Partners LLP	2,129,169	5.04
Schroders plc	2,112,294	5.02
Legal & General Group plc	2,079,317	4.93
AXA SA	2,065,145	4.93
Artisan Partners Limited Partnership	1,945,219	4.64

Directors' shareholdings	31 December 2008	1 January 2008 or subsequent date of appointment
Chairman		
Michael Harper	35,000	30,000
Executive Directors		
Alastair Hewgill	137,770 ⁽¹⁾	49,422 ⁽²⁾
Richard Cotton	12,500	-
Non-executive Directors		
Simon Beresford-Wylie	2,000	2,000
Nigel Moore	9,395 ⁽³⁾	9,395
Maria Richter	1,000 ⁽⁴⁾	1,000
Will Wyatt	2,875	1,675
	200,540	93,492

⁽¹⁾ Includes 25,584 shares purchased in the market using funds supplied by Mr Hewgill and held by Halifax EES Trustees International Ltd, the trustee used to hold shares in respect of awards made under the Deferred Bonus Plan. In March 2009, 2,948 Core Award shares in respect of the Deferred Bonus Plan award made in 2006 were transferred from Halifax EES Trustees International Ltd to Mr Hewgill in accordance with the rules of the Plan and 32,971 shares were transferred to him on the exercise of a Long Term Incentive Plan award made in 2005.

⁽²⁾ Includes 27,424 shares purchased in the market using funds supplied by Mr Hewgill and held by Halifax EES Trustees International Ltd, the trustee used to hold shares in respect of awards made under the Deferred Bonus Plan.

⁽³⁾ On 10 March 2009, Mr Moore's interests increased to 15,470 with the purchase of 6,075 shares.

⁽⁴⁾ On 2 March 2009, Ms Richter's interests increased to 4,000 with the purchase of 3,000 shares.

Share capital

Details of shares issued during the year are set out in Note 25 to the Consolidated Accounts on page 73. An analysis of shareholdings is shown on page 99. The closing middle market price of a share of the Company on 31 December 2008, the last day of dealing in 2008, together with the range during the year, is also shown on page 98. For details of own shares held by the Company see Note k to the Company Accounts on page 94.

Directors' Report continued

Committees of the Board

The Board has established an Audit Committee, a Nominations Committee and a Remuneration Committee. Details of those Committees, including membership, terms of reference and their activities, are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report.

Corporate Social Responsibility Report

The Group's report on social, environmental and ethical matters is set out on pages 28 to 32. The Group has policies in respect of the following key areas: health and safety, risk and fraud, employment, whistleblowing, the environment, human rights, community impact and involvement and relationships with suppliers and customers and other stakeholders. It regularly reviews those policies and revises them as and when necessary.

The Group's Remuneration Report is set out on pages 21 to 27.

Corporate Governance

The Group's report on corporate governance is on pages 33 to 40.

Directors' and Officers' Liability Insurance and Indemnification of Directors

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its directors. The Company has also granted indemnities to each of its directors to the extent permitted by law. Qualifying third party indemnity provisions (as defined in Section 324 of the Companies Act 2006) were adopted on 16 March 2009 and remain in force, in relation to certain losses and liabilities which the directors may incur to third parties in the course of acting as directors of the Company.

Donations

During 2008 charitable donations totalling £139,941 (2007: £73,641) were made by Group companies. No donations were made to any political party. For further information on donations refer to the section on Community giving, set out in the Corporate Social Responsibility Report on page 31.

Payments to suppliers

It continues to be the Group's policy that the Company and individual subsidiary companies are responsible for negotiating terms and conditions under which suppliers operate. Once agreed, payments to suppliers are made in accordance with

those terms and conditions, subject always to the supplier having complied with them. That policy will continue for the financial year ending 31 December 2009. For the financial year ended 31 December 2008, the Group paid its suppliers on average within 61 days (2007: 64 days) of date of invoice, excluding RF Systems.

Annual General Meeting

The Annual General Meeting for 2009 will be held at 2.30pm on Tuesday 19 May 2009 at the offices of Financial Dynamics, Holborn Gate, 26 Southampton Buildings, London WC2A 1PB.

The Chairmen of the Board and of each of its Committees will be in attendance at the Annual General Meeting to answer questions from shareholders.

The Company will again be making use of the electronic voting facility provided by its registrars, Capita Registrars. The facility has been extended to include CREST voting for members holding their shares in uncertificated form. For further information please refer to the section on Online services and electronic voting set out on page 98.

The Notice of the Annual General Meeting and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying this Annual Report.

Auditors

The auditors, KPMG Audit Plc, are willing to continue in office. A resolution will be put to the Annual General Meeting to reappoint the auditors and to authorise the Board to agree their remuneration.

By order of the Board

Jon Bolton

Secretary
19 March 2009

Cautionary statement Statements made in the Directors' Report contain forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

Remuneration Report

Remuneration Report

This Report contains the information required under the Listing Rules, the 2006 Combined Code on Corporate Governance and under the Directors' Remuneration Report Regulations 2002. A resolution to approve the Report will be proposed at the 2009 Annual General Meeting. The Chairman of the Remuneration Committee will be available to answer questions about the directors' remuneration at the Annual General Meeting.

Remuneration Committee

Throughout 2008, the Remuneration Committee comprised Will Wyatt (Chairman of the Committee), Simon Beresford-Wylie, Nigel Moore and Maria Richter.

Under its terms of reference, the Committee, on behalf of the Board, determines the remuneration packages including base salaries, bonus arrangements, participation in incentive schemes, pension contributions and all other benefits received by the executive directors. In the event of the termination of employment of those directors, the Committee also determines any compensation payments, after taking appropriate legal advice.

The Committee also makes recommendations to the Board, within its terms of reference, on the framework of senior executive remuneration including terms of service, pay structure, bonus and share incentive arrangements and other benefits.

The Chairman, Michael Harper, attended meetings by invitation of the Committee in the year ended 31 December 2008. The former Chief Executive, Gareth Rhys Williams, also attended meetings by invitation of the Committee up until his resignation as Chief Executive on 30 September 2008 and Alastair Hewgill, as Interim Chief Executive, attended meetings from 1 October 2008. The executive directors are not present when their own remuneration is being considered. The remuneration of the Chairman and the non-executive directors is determined by the Board as a whole with the Chairman or the relevant non-executive director abstaining when his or her remuneration is considered.

For further information regarding the Remuneration Committee see page 36.

Remuneration policy

Remuneration packages are formulated to attract, retain and motivate directors and senior executives of the quality required, without being excessive, by reference to salary and benefit surveys supplied by one or more external sources. They take into account the responsibilities and risks involved and remuneration packages in comparable companies that have similar international operations. During the year ended 31 December 2008, the Committee received external advice from its appointed advisors, Watson Wyatt remuneration consultants. Watson Wyatt also provides pensions advice and services to the Company. The Committee also received advice and administrative services from the Company Secretary, Roland Peate, up until 29 October 2008 and Jon Bolton from 29 October 2008.

Since 2004 the Company has made available to all employees, including executive directors, a Group personal pension plan. Prior to this the Company had in place defined benefit Group and Executive pension schemes, both of which were closed to new members at the end of 2003. Up to the pensions earnings cap, retirement benefits are provided through an approved retirement benefit scheme. For further information, see pages 24 and 25 and the table entitled Pensions related remuneration on page 26.

Executive directors' service contracts do not provide for predetermined amounts of compensation in the event of early termination by the Company. The Committee's policy in the event of early termination of employment is to mitigate compensation to the fullest extent practicable.

The Committee believes that it is beneficial for an executive director to take up one external non-executive appointment. Remuneration received by an executive director in respect of such an external appointment would be retained by the director. None of the executive directors held an external non-executive directorship in the year ended 31 December 2008.

The Committee currently has no intention of amending the above stated policy for 2009, although it will be reviewed from time to time.

Chairman and the other non-executive directors

The Chairman and the other non-executive directors do not have service contracts but have letters of appointment. The initial period of their appointments is three years but their appointments may, by mutual consent and with the approval of the Nominations Committee and the Board, be extended for a further three years. In exceptional circumstances appointments may be extended beyond six years by mutual consent and with the approval of the Nominations Committee and the Board if it is in the interests of the Group to do so. Will Wyatt was appointed on 10 June 2002 and, therefore, the Board and Nominations Committee has considered his continuation as a non-executive director and considers that it is in the best interests of the Company that he is proposed for re-appointment at the Annual General Meeting on 19 May 2009.

Executive directors

The executive directors' remuneration comprises a basic salary, an annual cash bonus, share incentives, a company vehicle or cash allowance, fuel where a company vehicle is provided, medical insurance, membership of one of the Group's Pension Schemes or a contribution to their own personal pension arrangement and life assurance. A contribution towards a permanent health arrangement for Gareth Rhys Williams was made during his service in 2008 and a similar arrangement is available to Alastair Hewgill and Richard Cotton. Under the Executive Bonus Scheme, the executive directors can normally receive up to 100% of basic salary based on a combination of Company and individual performance. If they achieve maximum performance in relation to the performance related elements of their remuneration, those elements would, in total, account for 50% of their total cash remuneration. On Mr Hewgill's appointment as Interim Chief Executive with effect from

Remuneration Report continued

1 October 2008, his limit was increased to 150% of basic salary in respect of the year ended 31 December 2008 and for 2009, until either he left the Company or was appointed permanent Chief Executive. If the latter had occurred, then a new bonus arrangement would have been put in place. The Remuneration Committee considered that this increase in limit was merited on the basis that it provided an incentive for Alastair Hewgill in his role as Interim Chief Executive whilst the Nominations Committee conducted a detailed and thorough search for a permanent Chief Executive. Mr Hewgill did not receive any additional award of long term incentives on his appointment to the role of Interim Chief Executive. Executive directors are required to defer a proportion of any annual bonus. The deferred bonus is held in the form of shares in the Company under the Deferred Bonus Plan.

The normal retirement age of executive directors is 65. There are no special provisions in respect of early retirement for the executive directors.

Gareth Rhys Williams, Chief Executive until 30 September 2008 and a director until 29 October 2008, aged 47, was employed under a service contract dated 23 November 2001. The notice period by the Company under his contract was 12 months; notice by the employee to the Company was six months. Under the service contract the Company, in the event of termination of employment, would pay a sum in lieu of notice equal to 12 months' gross basic salary together with the gross value of the other benefits that he was entitled to receive under his service contract but excluding pension contributions and any bonus.

Alastair Hewgill, Interim Chief Executive from 1 October 2008 and Finance Director until 2 November 2008, aged 54, is employed under a service contract dated 17 April 2002. (superceded in September 2008 on his appointment as Interim Chief Executive) The notice period by the Company under his contract is six months and notice by the employee to the Company is six months. The Company may, in the event of termination of employment, pay a sum in lieu of notice equal to six months' gross basic salary together with the gross value of the other benefits that he is entitled to receive under his service contract but excluding pension contributions. In addition, the period of notice shall be taken into account for any bonus due. The bonus arrangements for 2009 may deliver a maximum bonus of 150% of salary, 50% of which is based on achievement of financial results (reported Group profit before tax and working capital measured against the 2009 budget) and 50% of which is based on performance against personal targets and expectations set by the Board.

Richard Cotton, appointed a director on 3 November 2008, aged 48, is employed under a service contract dated 17 September 2008. The notice period by the Company under his contract is 12 months and notice by the employee to the Company is six months. The bonus arrangements for 2009 may deliver a maximum bonus of 100% of salary with 75% based on achievement of financial results (reported Group profit before tax and working capital measured against the 2009 budget) and 25% based on performance against personal targets and expectations set by the Board. The Company may, in the event of termination of employment, pay a sum in lieu of notice equal to 12 months' gross basic salary together with the gross value of other benefits that he is entitled to receive under

his service contract, but excluding any bonus or share options which are not granted, do not vest or cannot be exercised in accordance with the rules of such schemes.

On 14 April 2009, Stephen Bird will be appointed a director and Chief Executive of the Company. He is aged 48 and will be employed under a service contract dated 28 January 2009. The notice period by the Company under his contract is 12 months and notice by the employee to the Company is six months. Under his service contract, he will receive a salary of £350,000 per annum and will be able to participate in the annual bonus arrangements for 2009 that may deliver a maximum bonus of 100% of salary with 75% based on achievement of financial results (reported Group profit before tax and working capital measured against the 2009 budget) and 25% based on performance against personal targets and expectations set by the Board. The Company may, in the event of termination of employment, pay a sum in lieu of notice equal to 12 months' gross basic salary together with the gross value of other benefits that he is entitled to receive under his service contract, but excluding any bonus or share options which are not granted, do not vest or cannot be exercised in accordance with the rules of such schemes.

Having taken into account the current difficult economic climate the Remuneration Committee decided that there will be no salary increases for 2009 in respect of the executive directors and senior executives. Salaries will be reviewed for 2010 taking into account Company performance and prevailing economic conditions.

Incentive arrangements

The Company has the following long term incentive arrangements in place:

The 2005 Long Term Incentive Plan was approved by shareholders at the Annual General Meeting in 2005 and has been used to make awards to the executive directors and the other members of the Executive Board and also to the Group's senior management below the level of the Executive Board as envisaged when shareholder approval was received. The level of awards for the executive directors and Executive Board are up to one times salary per year, based on the Company's share price at the date of award. Awards for the Group's senior management are based on a specific number of shares, but which does not exceed one times salary.

The 2005 Deferred Bonus Plan was approved by shareholders at the Annual General Meeting in 2005 and has been used in connection with bonuses paid since then arising from the Executive Bonus Scheme and will be used in 2009 and future years.

The 2002 Unapproved Share Option Plan was approved by shareholders at the Annual General Meeting in 2002 and a grant of share options was made in June 2005 and March 2008 to the executive directors and the other members of the Executive Board. At the time of these grants, the Committee reviewed and revised the performance condition applicable to the grant.

The performance conditions for the 2005 Long Term Incentive Plan and the 2005 Deferred Bonus Plan use total shareholder return of the Company measured against a comparator group;

for awards under the 2002 Unapproved Share Option Plan the measure is increases in earnings per share. This combination of measures is considered the most appropriate way of aligning the long term interests of senior management with those of shareholders.

Monitoring and measuring of the performance conditions take place following the end of each year when the Company's results have been audited and again at the end of the relevant performance period for options and awards. Non-executive directors are not eligible to participate in the Company's share incentive schemes and consequently they do not hold any share options or other share incentives.

Invitations under the Group's sharesave arrangements are usually made annually and these are planned to continue.

Awards and grants under the Group's incentive arrangements are within the overall flow limits advised by the Association of British Insurers to limit potential dilution arising from the issue of new shares.

The Group currently has the following incentive schemes and plans under which awards are outstanding and further awards are proposed. Performance targets and vesting levels are reviewed by the Remuneration Committee each time an award is made to ensure that they remain sufficiently demanding.

2002 Unapproved Share Option Plan

Executive directors and other senior executives are selected to receive options over shares. The price of an option over shares is fixed at the date of grant at the prevailing market price of the Company's shares at that time. Exercise of an option is subject to growth in the Company's earnings per share, excluding exceptional or extraordinary items. Options are exercisable between the third and the tenth anniversaries of their dates of grant subject to satisfaction of performance conditions.

Performance condition Options granted in 2005 use the following: If the percentage growth in the earnings per share of the Company, after adjustments for exceptional or extraordinary items, exceeds the percentage growth in the retail prices index over the three year performance period by 6% (the base target threshold), an option will become exercisable in respect of one-third of the shares over which it is held. Full vesting takes place when such growth over the performance period exceeds growth in RPI by 12% or greater.

For options granted in 2008 the performance condition was revised and is now RPI+9% for minimum vesting and RPI+30% for full vesting.

A sliding scale operates for performance between the lower and upper thresholds. Options lapse if the base target threshold is not achieved by the end of the three year performance period. There is no re-testing of performance.

2005 Long Term Incentive Plan

Under this plan, executive directors and other senior employees are selected to receive awards over shares that vest in whole or in part depending on the satisfaction of a performance condition related to the Company's total shareholder return (TSR) over a period of three years, relative to a comparator group of other companies. The comparator group comprises

companies of similar market capitalisation and having at least 50% of their turnover arising outside of the UK. Due to the size of the comparator group (approximately 60 in total), it is not practical to detail it fully in this report. The Remuneration Committee reviews the composition of the comparator group in conjunction with its remuneration consultants, Watson Wyatt, annually ahead of awards to determine that it is relevant and sufficiently demanding.

Performance condition If the Company's TSR performance is at the median of the comparator group at the end of the three year performance period, 35% of an award may vest. The full award may vest if the Company's TSR performance is in the top 20% of the comparator group. There is pro-rata straight line vesting between these two points. The Remuneration Committee will also consider the underlying financial performance of the Company before it confirms vesting. There is no re-testing of performance.

Dividends that would have been paid on the vesting shares during the performance period will generally be re-invested in additional shares. For awards made in 2005, which vested in 2008, dividends were however paid out in cash. Future dividends on vesting awards will be paid out in the form of shares.

2005 Deferred Bonus Plan

Executive directors and members of the Executive Board are required to defer a proportion (currently 20% for executive directors and 15% for other Executive Board members) of any cash bonuses in exchange for receiving a core award over shares in the Company with a value equivalent, at the date of award, to the amount of the deferred bonus. However, subject to the discretion of the Remuneration Committee, the executive may voluntarily decide to defer a higher proportion up to a maximum of 100% of any bonus paid under the annual bonus scheme. A core award may, in normal circumstances, be exercised by a participant after two years. However, if exercise is deferred for three years and the executive remains employed by the Group, and subject to satisfaction of the performance condition, the participant is entitled to receive a matching award of additional shares up to the number comprised in the core award. Shares comprising core awards are purchased in the market and held in trust by Halifax EES Trustees International Ltd until exercise. Dividends that would have been paid on the core award of shares and the actual matching shares during the performance period are re-invested in additional shares.

Performance condition If the executive remains in employment for three years, and if in that period the Company's TSR relative to a comparator group of other companies is at median, or above, of the comparator group, the deferred core shares will be matched at the rate of:

- one share for every three shares at median performance
- one share for every one share within the top 20% performance

There will be pro-rata straight line vesting between these points.

The comparator group comprises the same group used for the Long Term Incentive Plan Awards. There is no re-testing of performance.

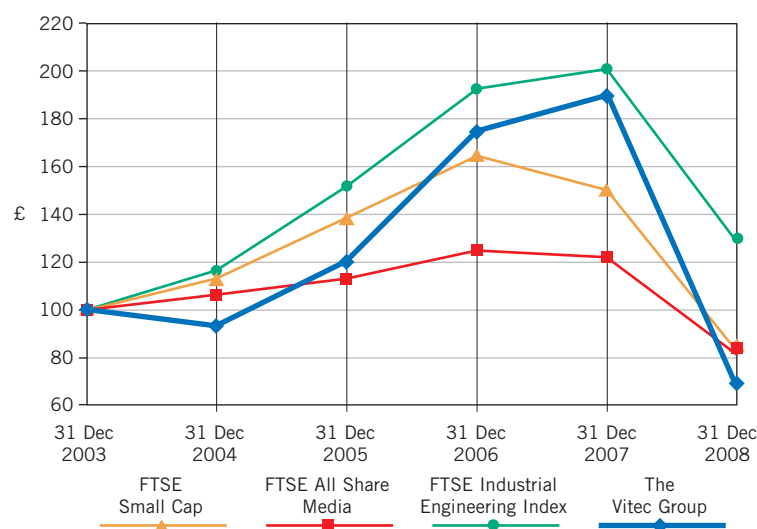
Remuneration Report continued

Sharesave Scheme and International Sharesave Plan

The Group operates a savings related share option scheme in the UK and a similar international plan in respect of overseas employees in certain countries. The scheme and plan are open to all the Group's employees in those countries, including the executive directors. Under the scheme and plan, participants contract to save a set amount each month (£250 maximum) in return for which they receive an option over a specified number of shares. The price of an option over shares is fixed at the date of grant and, in the UK, has a 20% discount to the market price. In other countries the discount applied is either the same or less to reflect local regulations. At the end of the savings period participants may exercise their options to buy shares in the Company using their savings. Exercise is not subject to any performance condition.

Five year share price performance 2004-2008

Under the requirements of the Directors' Remuneration Report Regulations 2002, the Company is required to include a graph showing the Company's performance compared to an appropriate index over a five year period. Set out below, the graph illustrates the Company's annual total shareholder return (share price growth plus dividends that have been declared, paid and reinvested in the Company's shares) relative to the FTSE Small Cap, FTSE All Share Media and FTSE Industrial Engineering Index for the five year period 2004-2008, assuming an initial investment of £100.



To produce a 'fair value' each point is a 30 trading day average of the indices. The FTSE Small Cap and the FTSE Industrial Engineering Index are the broad market indices that include the Company and comprise comparable companies. For comparison purposes the FTSE All Share Media Index has also been included.

The following information has been audited.

Directors' remuneration

Michael Harper, Chairman, is currently paid a fee at the rate of £110,000 per annum. This was increased from £95,000 per annum on 1 July 2008. On 1 July 2008, the fee payable to the other non-executive directors was increased from £30,000 per annum to £36,000 per annum. The increase in fees was to reflect the increasing time commitment required of the Chairman and non-executive directors in managing a diverse and international business. The increases took into account market data from comparable sized companies. The chairmen of the Remuneration Committee and of the Audit Committee, Will Wyatt and Nigel Moore respectively, receive an additional fee for their services as chairmen of those Committees. Mr Wyatt receives an additional £5,000 per annum, increased from £4,000 per annum on 1 July 2008, and Mr Moore receives £8,000 per annum, increased from £6,500 per annum on 1 July 2008. An additional fee of £2,200, increased from £2,000 per annum on 1 July 2008, is also paid to the Senior Independent Director, Mr Wyatt. These fees are all fixed for two years and the next fee review for the non-executive directors will be on 1 July 2010. The non-executive directors do not receive any other benefits from the Company.

Gareth Rhys Williams annual salary as at 31 October 2008, his date of resignation, was £340,260, increased from £321,000 with effect from 1 January 2008. Mr Rhys Williams was a member of the Vitec Group Pension Scheme and contributed 9% of his pensionable salary. The accrual rate is one fortieth of the pensions earnings cap for each year of pensionable service. Mr Rhys Williams was also paid, with his salary, 40% of the amount by which his base salary exceeded the Company's notional pensions earnings cap.

Mr Rhys Williams was eligible for a performance-related bonus based on Company performance and, when determined by the Remuneration Committee, individual performance, of up to 100% of base salary each year. In respect of 2008, 75% of his bonus was calculated upon the Group's financial performance and 25% on the achievement of personal objectives. For the financial performance element of his bonus, the Remuneration Committee considered the Group's actual financial performance, based on profit before tax, measured against the Company's 2008 budget. Actual results were calculated using results for the period to 30 September 2008, as set out in the management accounts, and projecting them forward to the year end. The Remuneration Committee was mindful to take into account the economic uncertainty at that time and the need for broad equivalence between the calculation for Mr Rhys Williams and for the other staff at the year end. Putting together the achievement of personal objectives and the estimated financial target elements and applying a pro rata treatment for the period of service up until 31 October 2008, Mr Rhys Williams was paid a bonus of £100,000 in respect of 2008 (2007: £312,975).

In addition, his unvested Long Term Incentive Plan shares and Deferred Bonus Plan shares were performance tested and pro rated up to the date of departure. Awards made in 2008 and

2007 under the Long Term Incentive Plan and the Deferred Bonus Plan failed to achieve performance conditions and therefore lapsed. Awards made in 2006 under the Long Term Incentive Plan and the Deferred Bonus Plan part achieved performance conditions with 22,877 Long Term Incentive Plan shares vesting and 1,420 Deferred Bonus Plan Matching shares vesting. Dividends on the vesting shares under both plans were calculated at the point of exercise and were delivered in the form of additional shares. In addition, Mr Rhys Williams has, under the 2002 Unapproved Share Option Plan, options over the following shares:

- 95,000 shares at an option price of 300p per share; and
- 18,460 shares at an option price of 512p per share.

Mr Rhys Williams has until 31 October 2009 to exercise these options.

Alastair Hewgill, Interim Chief Executive, currently receives an annual salary of £300,000, increased from £224,720 with effect from 1 October 2008 when Mr Hewgill became Interim Chief Executive. Mr Hewgill is a member of the Vitec Group Pension Scheme and contributes 9% of his pensionable salary. Additionally, monthly payments at the rate of 25% of the difference between the amount of his base salary and the Company's notional pensions earnings cap are paid by the Company into Mr Hewgill's Group Personal Pension Plan.

Mr Hewgill is eligible for a performance related bonus based on the Company's financial performance and achievement of personal objectives, of up to 150% of base salary for the year ended 31 December 2008. 75% of this bonus was dependent upon satisfaction of financial performance targets based upon actual reported Group profit before tax, measured against the Company's 2008 budget. 25% of the bonus was dependent upon performance against personal targets and expectations set by the Board and aligned to achieving agreed strategic objectives. Mr Hewgill was paid a bonus of £170,508 in respect of 2008 based upon an assessment that 57.8% of the financial performance targets had been satisfied and 100% of the personal targets had been achieved (2007: £201,400).

Richard Cotton, Finance Director, currently receives an annual salary of £250,000. Mr Cotton is not a member of the Group Personal Pension Plan, but has his own personal pension arrangement into which the Company contributes 20% of his basic salary. Mr Cotton did not receive a bonus in respect of 2008 having joined the Company in November 2008.

Mr Cotton will be eligible for a performance related bonus based on Company performance for the year ending 31 December 2009 and individual performance, of up to 100% of base salary each year.

Details of the directors' remuneration for 2008 with comparatives for 2007 are set out in the following tables:

Director's name	Salaries and fees		Benefits ⁽¹⁾		Performance related annual bonus		Pension related remuneration		Total	
	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £	2008 £	2007 £
Chairman										
Michael Harper	102,500	95,000	-	-	-	-	-	-	102,500	95,000
Executive Directors										
Alastair Hewgill	243,540	212,000	20,926	14,142	170,508	201,400	65,234	61,309	500,208	488,851
Richard Cotton (joined on 3 November 2008)	41,667	-	32,645	-	-	-	8,333	-	82,645	-
Gareth Rhys Williams (left on 31 October 2008)	283,550	321,000	19,328	23,054	100,000	312,975	102,237	118,343	505,115	775,372
Non-executive Directors										
Simon Beresford-Wylie	33,000	30,000	-	-	-	-	-	-	33,000	30,000
Nigel Moore	40,250	36,500	-	-	-	-	-	-	40,250	36,500
Maria Richter	33,000	25,125	-	-	-	-	-	-	33,000	25,125
Will Wyatt	39,600	36,000	-	-	-	-	-	-	39,600	36,000
Totals	817,107	755,625	72,899	37,196	270,508	514,375	175,804	179,652	1,336,318	1,486,848

⁽¹⁾ The principal benefits are a company vehicle or a cash allowance, fuel where a Company vehicle is provided, medical insurance and life assurance. In respect of Mr Rhys Williams only, a cash payment of £17,130 in lieu of a company car and a contribution of £400 per month to a permanent health arrangement are included in the figures shown. In respect of Mr Cotton, he received relocation expenses of £30,000 to enable him to find suitable accommodation near to his place of work. Upon his appointment as Interim Chief Executive Officer with effect from 1 October 2008 and for the duration of his term in that position, Mr Hewgill was provided with chauffeur driven transportation from his home to the Company's head office and accommodation in Greater London.

Remuneration Report continued

Pensions related remuneration	Accrued pension at 31 December*		Increase in accrued pension (in excess of price inflation) during		Member contributions towards pension		Transfer value of the increase in accrued pension net of member contributions		Transfer value of accrued pension at 31 December*		Increase in transfer value over year to 31 December* net of member contributions
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008
	£	£	£	£	£	£	£	£	£	£	£
Alastair Hewgill	22,132	18,408	3,006	2,860	10,476	10,058	50,349	39,386	361,488	270,901	80,111
Gareth Rhys Williams	20,335	17,155	2,511	2,875	8,712	10,058	26,074	20,181	222,446	157,719	56,015

*For Mr Rhys Williams, figures are calculated to his date of leaving of 31 October 2008.

This table should be read in conjunction with the information given on pages 24 and 25.

Directors' share options	Date of grant	At 1 January 2008 (shares)	Options exercised during year (shares)	Options lapsed during year (shares)	Options granted during year (shares)	At 31 December 2008 (shares)	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date	
											At 31 December 2008 (shares)
Gareth Rhys Williams											
Executive share options											
2002 Unapproved	Jun 2005	95,000	-	-	-	95,000	300	-	Jun 2008	Oct 2009	
	Mar 2008	-	-	47,997	66,457	18,460*	512	-	Oct 2008	Oct 2009	
SAYE options	Nov 2002	2,451	2,451	-	-	-	268	445.00	-	-	
	May 2003	4,266	4,266	-	-	-	231	412.75	-	-	
	May 2008	-	-	1,881	1,881	-	346	-	-	-	
Alastair Hewgill											
2002 Unapproved	Jun 2005	63,333	-	-	-	63,333	300	-	Jun 2008	Jun 2015	
	Mar 2008	-	-	-	43,891	43,891	512	-	Mar 2011	Mar 2018	
SAYE options	May 2003	7,110	7,110	-	-	-	231	429.50	-	-	
		172,160	13,827	49,878	112,229	220,684					

* Remaining after original award pro rated down to reflect service period up until 31 October 2008.

The share price at the end of the year and the highest and lowest prices during the year are shown in Shareholder Information and Financial Calendar on page 98.

Directors' long term incentives	Date of award	Awards at 1 January 2008 (shares)	Awards exercised during the year (shares)	Awards lapsed during the year (shares)	Awards made during the year (shares)	At 31 December 2008 (shares)	Market price of a share at the date of award (pence)	Market price of a share at the date of exercise (pence)
Gareth Rhys Williams								
	June 2005	95,000	84,968	10,032	-	-	300	176.00
	Apr 2006	57,143	22,877	34,266	-	-	525	175.25
	Jun 2007	53,058	-	53,058	-	-	602	-
	Mar 2008	-	-	69,716	69,716	-	501	-
Alastair Hewgill								
	Jun 2005	63,333	-	6,688	-	56,645	300	-
	Apr 2006	38,095	-	-	-	38,095	525	-
	Jun 2007	35,041	-	-	-	35,041	602	-
	Mar 2008	-	-	-	44,854	44,854	501	-
		341,670	107,845	173,760	114,570	174,635		

⁽¹⁾ Mr Rhys Williams made gains of £191,848 and £49,631 respectively on the exercise of his June 2005 and April 2006 Long Term Incentive Plan awards. The gains were calculated as the number of shares that vested, including dividend shares, multiplied by the closing mid market price at exercise. All of the shares from the 2005 Award were retained by Mr Rhys Williams and 5,266 shares from the 2006 Award were sold at exercise.

⁽²⁾ On final testing of the performance condition in early 2009, Mr Hewgill's April 2006 Long Term Incentive Plan award lapsed.

⁽³⁾ In March 2009, Mr Hewgill exercised the Long Term Incentive Plan award made to him in 2005. On final testing, this award had vested at 89.44%, therefore 56,645 shares were exercised and 6,688 shares lapsed.

Awards under the Deferred Bonus Plans	Date of award	Awards at 1 January 2008 (shares)	Awards exercised during the year (shares)	Awards lapsed during the year (shares)	Awards made during the year (shares)	At 31 December 2008 (shares)	Market price of a share at the date of award (pence)	Market price of a share at the date of exercise (pence)
Gareth Rhys Williams								
	June 2005							
	Basic	10,497	10,497	-	-	-	336	-
	Matching	17,886	17,886	-	-	-	336	148.00
	May 2006							
	Core	3,675	3,675	-	-	-	505	-
	Matching	3,675	1,420	2,255	-	-	505	175.25
	June 2007							
	Core	26,130	26,130	-	-	-	605	-
	Matching	26,130	-	26,130	-	-	605	-
	April 2008							
	Core	-	8,780	-	8,780	-	452	-
	Matching	-	-	8,780	8,780	-	452	-
Alastair Hewgill								
	June 2005							
	Basic	7,056	7,056	-	-	-	336	-
	Matching	12,022	12,022	-	-	-	336	158.00
	May 2006							
	Core	2,948	-	-	-	2,948	505	-
	Matching	2,948	-	-	-	2,948	505	-
	Jun 2007							
	Core	17,420	-	-	-	17,420	605	-
	Matching	17,420	-	-	-	17,420	605	-
	April 2008							
	Core	-	-	-	5,216	5,216	452	-
	Matching	-	-	-	5,216	5,216	452	-
		147,807	87,466	37,165	27,992	51,168		

⁽¹⁾ Mr Rhys Williams made gains of £26,471 and £4,613 respectively on the exercise of his June 2005 and May 2006 Deferred Bonus Plan Matching awards. The gains were calculated as the number of shares that vested, including dividend shares for the 2006 award, multiplied by the closing mid market price at the exercise date. Mr Rhys Williams also exercised his Core Awards made in 2007 and 2008, but performance testing meant that no Matching Award shares vested in respect of those Awards. All of the shares were retained by Mr Rhys Williams. Mr Hewgill made a gain of £18,995 on the exercise of his June 2005 Matching awards. The gain was calculated as the number of shares multiplied by the market price at the exercise date. All of the shares were retained by Mr Hewgill (2007: no gains were made as there were no exercises by directors of Deferred Bonus Plan awards).

⁽²⁾ For awards made from 2006 onwards, there is a TSR related performance condition attached to the Matching Awards. For the purposes of this table, where the award has not yet been finally performance tested, 100% vesting is assumed.

⁽³⁾ On 3 March 2009, 2,948 Core Award shares in respect of the Deferred Bonus Plan award made in 2006 were transferred from Halifax EES Trustees International Ltd to Mr Hewgill in accordance with the rules of the Plan. Final performance testing of this award took place in the first quarter of 2009 and has resulted in there being no Matching Award made.

Other than as disclosed in the table footnotes, there have been no other changes to these interests in the period from 31 December 2008 to 19 March 2009.

Approved by the Board of Directors on 19 March 2009 and signed on its behalf by

Jon Bolton
Secretary

Corporate Social Responsibility Report

Vitec has always maintained a considered approach to the environmental and social issues surrounding its business activities worldwide. Although the Group's environmental impacts are relatively limited, we continuously look for ways to be more responsible and sustainable across all our operations.

Vitec first began reporting on Corporate Responsibility in 2002. Since then the Group has continued to assess its responsibilities at local, national and global levels. We recognise that Corporate Responsibility will become even more central to sustainable growth, particularly as investors and customers increasingly consider these non-financial issues in decision making. We want to be in the best position possible to minimise risks and identify and capitalise on the opportunities presented.

In 2007 we asked a specialist third party to review the Group's Corporate Responsibility related policies and issues. An analysis of the risks faced by the Group in the following areas was undertaken: the environment, business ethics and human rights, health & safety and employment and community giving. The result of this analysis follows and we intend to use it as the focus of our approach to Corporate Responsibility reporting in the future.

Specific responsibility for these matters has been delegated to senior employees within each of the Group's divisions. Reviews by local management take place at each location and reports are made of the major risks in these areas to the Company's Board, through the Chief Executive who has ultimate responsibility for these matters. These reports identify risks, the current measures being taken to control them and the steps being taken to eradicate or minimise their effect in the future. The compilation of statistics commenced in 2002 and was improved in 2004 and these are being used to monitor changes and trends.

We report on our electricity, gas, water and oil consumption and accident statistics since these are the principal areas where our business impacts the environment and the communities within which we operate. The section on Key Performance Indicators and other measures on page 16 set out our performance in 2008 compared to 2007.

We are keen to receive feedback from all of our stakeholders and we will use their comments and views to shape our future Corporate Responsibility policies and practices. Please get in touch with us at info@vitecgroup.com if you have any comments.

Our policies and actions

Climate change and our environmental impact

Policy

The Group's energy usage is closely monitored and the reduction of energy, water and waste used or generated throughout the Group is promoted, with the aim of reducing the environmental impacts of its operations, products and services.

The approach taken to achieve this common aim varies throughout the Group depending on the nature of the work carried out at a business unit and the stage of development of a business unit's environmental management systems.

The Group is not a big consumer of electricity compared to many other companies, however it is important that we monitor its usage and ensure that it is used efficiently both from a cost and environmental perspective.

New product introductions are developed to ensure they are energy efficient both in their production and, so far as they are able, in their use.

Crisis management plans are in place at all our operations and more detailed business continuity plans are being developed at our principal locations to ensure, so far as possible, that the effect on our operations is minimised in the event of a major occurrence caused by external events including climate change.

We strongly encourage recycling of waste products, materials, paper and all other items that can be recycled. We encourage our businesses to reduce the quantities and thickness of cardboard and use alternative packaging wherever possible.

Actions

Each of our sites around the Group has an environmental management system based on three main principles:

- To identify materials, processes, products and wastes that cause or may cause pollution and to implement measures to avoid, reduce or control pollution where technically and economically viable.
- To comply with applicable environmental laws, regulations, codes of practice and other environmental requirements. To achieve such compliance we develop and maintain management systems for identifying relevant requirements and for monitoring the performance of related activities.
- To continually enhance and improve our environmental management systems to ensure they are appropriate and effective.

Anton/Bauer, our battery and charger business based in the US, continues to be an active member of the battery recycling scheme in conjunction with the Rechargeable Battery Recycling Corporation (RBRC). In 2008 Anton/Bauer forwarded to RBRC 18,439kg (2007: 15,876kg) of nickel cadmium, lithium ion and nickel metal hydride batteries returned to the Company for recycling. Anton/Bauer actively encourages its customers to recycle batteries and is a member of the PRBA (Portable Recharging Battery Association) whose mission is to provide leadership in obtaining consistent domestic and international solutions to environmental and other selected issues affecting the use, recycling and disposal of small sealed rechargeable batteries.

Anton/Bauer is also a contributor to Panasonic's Green Products Plan in respect of the phasing out of PVC in the products that Anton/Bauer supplies to Panasonic. Although PVC is not currently prohibited under any law that applies to chemical substances used in electronics products, some researchers have suggested that there may be risks associated with incorrect disposal and associated with phthalate esters used in certain PVC resins.

The Camera Dynamics business and manufacturing plant in Bury St Edmunds, England operates to ISO 14001 Environmental Management Standard. In 2007 that operating unit initiated a programme for raw materials and product recycling through the original suppliers in line with the Waste Electrical and Electronic Equipment Directive. In 2008 some eight tonnes of raw materials and products were recycled in this way. The business has also introduced coloured bins at its site to segregate its waste.

The Broadcast Services division is a rental operation with its main office in Burbank, California. As a rental business its scope for reducing emissions and usage of resources that is already low is very limited.

During 2008, the main warehouses' power switches were split so that areas could be isolated and power in unused areas switched off. Furthermore, those switches were also fitted with timers to further minimise energy usage.

As part of a programme sponsored by the City of New York, the division has begun replacing lighting fixtures and bulbs with energy saving types and cleaning and sanitation supplies to more eco-friendly ones. They plan to continue that programme in 2009. The division also recycles obsolete mobile phones, computer, audio and video equipment through local programmes that follow the California guidelines for the controlled disposal of used equipment containing hazardous materials. Used toner cartridges are also recycled through the toner vendors.

The Imaging & Staging division started several activities during 2008 aimed at reducing their CO2 emissions including the commencement of an Energia Pura contract with the supplier of energy to the Feltre and Bassano sites. Energia Pura allows large companies to minimise their impact on the environment by sourcing energy from certified renewable sources.

The Group's gas, electricity and water usage over each of the last five years is set out in the table below. The figures in parentheses are the consumptions of gas, electricity and water (as appropriate) per £1.0 million of the Group's revenue. It can be seen that, apart from electricity usage in 2005, from 2004 onwards the Group's consumption of gas, electricity and water per unit of Group revenue has reduced each year.

Year	Gas	Electricity	Water	Group revenue
2004	7,133 (38.5)	8,345 (45.0)	40.0 (0.22)	£185.4m
2005	7,092 (36.4)	9,125 (46.8)	27.5 (0.14)	£194.9m
2006	7,879 (35.4)	10,159 (45.7)	30.5 (0.14)	£222.3m
2007	8,934 (32.6)	11,583 (42.3)	34.7 (0.13)	£273.8m
2008	8,384 (24.8)	12,486 (37.0)	37.5 (0.11)	£337.7m

⁽¹⁾ Units of measurement for gas and electricity are megawatt hours. For water they are cubic metres in 000's.

⁽²⁾ Usage of electricity and water increased during 2008 by 7.8% and 8.2% respectively but gas has reduced during 2008 by 6.2% when compared to 2007. This is due to two main factors: the significant increase in revenue by the Group (revenue in 2008 increased by 23% over 2007) and the inclusion in the 2007 figures of only seven months usage by RF Systems following its acquisition in May 2007. The usage of electricity, gas and water has therefore significantly decreased for each pound Sterling of sales and also on the basis of average headcount (which increased by 8.1% from 2,049 in 2007 to 2,214 in 2008).

Business ethics and our relationships with suppliers, customers and other stakeholders

Policy

The Vitec Code of Business Conduct and Supplier Ethical Standards Assessment (the Code) covers the way in which we deal with employees, suppliers, customers, shareholders and our responsibility to society and are used to ensure that human rights are upheld in both our own operations and those of our suppliers. All employees are required to comply with it and any violations of the Code are required to be reported to local management or the Group Company Secretary, as appropriate. If an employee feels that they want to report breaches anonymously, then the Group has put in place an independent, confidential whistleblowing service run through a third party provider, Expolink. All employees have been advised of the service and are encouraged to report any event in breach of the Code.

Vitec's Code includes supply chain requirements. Suppliers are regularly monitored to confirm compliance with Vitec's required standards. The Code includes a clear prohibition on bribery or giving any kind of inducements.

We support the UN Universal Declaration of Human Rights and the International Labour Organization's core conventions on labour standards (addressing forced labour, freedom of association, discrimination and child labour).

Actions

All new employees are given a copy of the Vitec Code of Business Conduct when they join the Group and it was updated and re-distributed to all employees in early 2008.

In 2008, the Group established the confidential whistleblowing service run through a third party provider, Expolink. All employees have been advised of the service and are encouraged to report any event in breach of the Code of Business Conduct. Communications material on the service has been translated for each area of operation and is published on notice boards and on the Group Intranet. Reports will be independently investigated without fear of any adverse consequences.

Health & safety and employment

Policy

The Group's policy is to give the greatest importance to the health and safety of its employees and to comply with all relevant legislation and codes of practice relating to employment, health and safety and equal opportunities. In summary, this covers: good quality, safe working environments and facilities for employees and training and development appropriate to each of their roles; not to discriminate in any way; to take a flexible approach towards family responsibilities; to assist employees in establishing an appropriate work/life balance; and to provide a competitive range of quality employee benefits. The Board and senior management are committed to keeping the workforce informed of major events and developments within the Group.

In the design, construction, operation and maintenance of all the plant, equipment and facilities, it is the duty of management to do everything reasonably practical to prevent personal injuries. To this end, management provides personal protective equipment and protective clothing and courses are run regularly for employees. It is also the duty of every employee to exercise responsibility and to do everything reasonably practicable to prevent injury to himself/herself and others and for the prompt reporting of accidents and potential hazards.

Details of specific responsibilities for health and safety, together with other relevant health and safety information are displayed on notice boards at each Group location.

Accident statistics are reviewed at each meeting of the Executive Board, usually held seven times a year, and are reported to the main Board directors as part of their monthly management pack. Training is regularly carried out to educate employees in health & safety matters and safe systems of work.

Recruitment and retention of a skilled and diverse workforce. Vitec has very low staff turnover and levels of sickness are minimal across the Group.

Vitec has an equal opportunities culture with no discrimination of any kind.

Actions

Lino Manfrotto & Co SpA and Vitecgroup Italia SpA successfully attained OHSAS 18001 Occupational Health and Safety certification in 2008 (following attainment of ISO 9001 Quality and ISO 14001 Environment certification in 2007). The companies employ 530 employees at five manufacturing sites in Italy. OHSAS 18001 is the internationally recognised assessment specification for occupational health and safety management systems. The following key areas are addressed by OHSAS 18001:

- Planning for hazard identification, risk assessment and risk control
- OHSAS management programme
- Structure and responsibility
- Training, awareness and competence

- Consultation and communication
- Operational control
- Emergency preparedness and response
- Performance measuring, monitoring and improvement

Health and safety training is part of the induction process for new employees. Specific training is given, where relevant, for forklift truck, crane and hoist operation and bottle gas usage as well as fire safety and first aid training. Additional training is given where an employee has a specific role such as responsibility for administering first aid.

Risk assessments are in place throughout the Group. Appropriate control measures have been taken to control the risks identified. Assessments are carried out on a regular basis and these assessments are kept under review, particularly when new equipment or machinery is acquired or new processes are introduced.

Accident statistics have been published by the Group for each year since 2002. The table below sets out the position during the last five years. For 2008 we targeted a 10% reduction for the year in accidents. An 18% reduction was achieved in 2008 with accidents reducing from 20 (representing 976 per 100,000 employees) in 2007 to 16 (representing 723 per 100,000 employees) in 2008 see Note 4 on page 17. There were no fatal accidents during 2008. A similar targeted reduction has been set for 2009.

Year	Accident rate	Fatalities	Average number of employees
2004	1,290	Nil	1,550
2005	1,040	Nil	1,538
2006	835	Nil	1,676
2007	976	Nil	2,049
2008	723	Nil	2,214

Note: Accident rate means the number of accidents per 100,000 employees per year leading to absences from work of more than three days.

The Group website's principal aim is to help investors, potential investors, customers, employees and other stakeholders to better understand the Group and view the wide variety of products available from Group companies – www.vitecgroup.com. Our policy is to keep employees informed on matters relating to their employment and on financial and economic factors affecting the Group. We do this through management briefings by the Group Chief Executive, the Group Finance Director and divisional heads, management conferences, through the Group's website and by internal distribution of press releases and internal announcements. An intranet for the whole Group has been created and is being refined and updated regularly. Combining the various intranets that existed around the Group has enabled our employees to gain better access to information and an improved understanding of our Group and individual business objectives and their roles in achieving them. The Group has operations in many countries and employees speaking many different languages and so, where practical, documents published on our intranet are translated into the relevant languages. We strive to continue and improve this process, and development of the intranet generally, in the future.

Building and developing the skills, competencies, motivation and teamwork of our people is key to achieving our business objectives and to ensuring best practices throughout the Group.

The Group operates in many countries and our employment policies, which are designed to meet local conditions and requirements, are established on the basis of the best practice in each country in which we operate. The wide geographical spread provides some opportunities for employees to work either short term, or on secondment for longer periods of time, at overseas locations.

The Group encourages all employees both in the UK and overseas to participate in the Group's savings related share option schemes under which options over the Company's shares are granted to employees who enter into contracts with an external regulated savings carrier to save agreed amounts each month.

We understand our responsibility as employers under the Disability Discrimination Act 1995 and we do not discriminate against disabled people. If an employee is, or becomes, disabled during his or her period of employment, we will, if necessary and to the extent possible, adapt the work environment to enable the employee to continue in his or her current position or retrain the employee for duties suited to that employee's abilities. It continues to be the Group's policy to consider applications for employment from disabled people on the same basis as other potential employees.

Community giving

Policy

Vitec has for many years contributed to national and local communities in the countries in which we operate through donations, sponsorship and financial support for local charities. In addition, we encourage local employees to give their time to local causes and this is coupled with a matching element from the employer.

Actions

The Vitec Group and divisional charity committees review all written requests for donations and decide on the level of donations and the charities to which donations are made. We are now concentrating our donations to children, personal development and media-related causes.

In addition to making donations to worthwhile causes, staff at many of the Group's locations donate their time to worthwhile causes. Time spent on such activities is matched by the Company.

During 2008 donations totalling £139,941 (2007: £73,641) were made by Group companies. Some of the support given by Group companies during 2008 included the following.

Camera Dynamics in Bury St Edmunds, England donated £4,000 worth of equipment to West Kent College, King Edward VI School and Norwich Family Life Church for educational purposes.

The Bogen Café is an annual series of two day workshops and lectures at 20 universities and colleges in the United States designed to help the colleges to support their curriculum along with awarding a Bogen scholarship. The Bogen Café team not only shares our expertise in photography but also donates a wealth of quality photographic equipment to each university and college they visit. During 2008 equipment to the value of US\$75,000 was donated by Bogen Imaging.



Manfrotto in Bassano del Grappa, Italy ran a free photographic course in local schools to educate 10 year olds to use photography as a means to report social and environmental issues, to develop the children's understanding of such issues, develop their artistic expression and introduce them to photography as a possible future occupation or interest. The value of this course was €13,802 including eight cameras and other equipment, the fee for two professional photographers and prints.

Manfrotto further sponsored a photo exhibition in Bassano del Grappa which raised money for the Acholi ethnic group in Uganda. The plight of the Acholi was communicated via photographic displays in Rome in 2007, in Bassano in 2008 and, to follow, in Milan in 2009. Manfrotto's sponsorship contribution was €1,500.

The John Lennon Educational Tour Bus is a non-profit, mobile audio and HD video recording and production facility. Since 1998, the Bus has provided free hands-on programmes to hundreds of high schools, colleges, Boys and Girls Clubs, music festivals, concerts, conventions and community organisations. Working together with some of the biggest names in music, the Lennon Bus encourages students to play music, write songs, engineer recording sessions and produce video projects using the latest audio, video, and live sound equipment. Both Bogen Imaging and Litepanels in the US made contributions to the Tour Bus in 2008. Litepanels donated equipment worth £22,157 and Bogen Imaging donated equipment worth £1,621.



www.lennonbus.org

Corporate Social Responsibility Report continued

Bogen Imaging donated £2,702 of equipment to Global Warming: Project Meltdown. Photographer James Balog is taking on his greatest challenge to date, inventing a way to catch global warming in the act. Using 26 time-lapse camera units placed near 16 glaciers across the northern hemisphere, the celebrated wildlife photographer will produce 300,000 images over three years, capturing glacial melt like never seen before - <http://extremeicesurvey.org>

The Eddie Adams Barnstorm Workshop is an intense four-day gathering of top photography professionals, along with 100 carefully selected students from around the world. The Workshop's purpose is to create a forum in which an exchange of ideas, techniques and philosophies can be shared between both established members and newcomers in the field of professional picture journalism. Bogen Imaging loaned equipment and four volunteer staff which totalled a value of £5,400.

Ciudad de los Niños (Children's City) is a school in Costa Rica which provides education to a total of 350 children and has various education facilities including farms and tool shops. The manufacturing site in Costa Rica, Camera Dynamics Limitada, was contacted by the UK Ambassador located in Costa Rica, who is a sponsor of the school. The Ambassador was seeking donations for the school's 50th anniversary. \$26,000 of the \$40,000 needed to purchase a new tractor to operate on the school's farm was donated by Camera Dynamics Limitada.



Alex Watson, Senior Finance Manager of Camera Dynamics Limitada, visiting Ciudad de los Niños on the day they took delivery of the new tractor.

Anton/Bauer made donations totalling \$18,273 in 2008 to various charities including \$5,850 to the Hole in the Wall Gang, a charity for seriously ill children, \$1,000 to Area Congregations, who provide food, shelter and support services to people in need, \$1,000 to the local fire department Echo Hose Fire Company and \$1,000 to the American Cancer Society.

Cancer Campaign in Suffolk is a charity operating out of Ipswich Hospital to bring information to the community via local businesses, schools, community groups and sports clubs which is aimed at educating and informing young people of the signs and symptoms to look for in the early detection of cancer. They also work in partnership with the Ipswich Hospital and fund a specialist cancer nursing post and other projects over their 10 years in existence. Camera Dynamics in Bury St Edmunds made a donation of £2,000 to support the charity.

Corporate Governance

The Listing Rules require a company to include in its annual report and accounts a statement of how it has applied the main and supporting principles set out in the 2006 Combined Code (the Code). The Listing Rules also require a company to include a statement as to whether or not it has complied throughout the accounting period with the Code provisions. A company that has not complied with the Code provisions, or complied with only some of the Code provisions or (in the case of provisions whose requirements are of a continuing nature) complied for only part of an accounting period, must specify the Code provisions with which it has not complied, and (where relevant) for what part of the period such non-compliance continued, and give reasons for such non-compliance.

Statement of compliance

The Board considers that it has complied with the Code throughout the year ended 31 December 2008. The Company regularly reviews and revises its procedures, as necessary, to take account of the requirements of the Code.

The Board

The Board is accountable to shareholders for the creation and delivery of strong sustainable performance and the creation of long term shareholder value. The Board meets regularly and is responsible for organising and directing the affairs of the Company and the Group in a manner that will promote the success of the Company and is consistent with good corporate governance practices and for ensuring that in carrying out its duties the Company and the Group meets legal and regulatory requirements. The Board is also responsible to the Financial Services Authority (FSA) for ensuring compliance with the Group's UK regulatory obligations.

The business of the Company is managed by the directors, who may exercise all the power of the Company subject to the Company's articles of association, relevant law and any directions as may be given by the Company in general meeting. The directors may delegate any of their powers or discretions to committees consisting of one or more members of their body and (if thought fit) one or more other persons co-opted so long as the majority of committee members are directors.

Unless authorised in advance by the Board of Directors and with the respective director abstaining from any such authorisation, a director shall not vote in respect of any contract or other proposal in which he or she (or any person connected with the director) has a material interest otherwise than by virtue of his or her interests in securities of the Company. However, a director shall be entitled to vote in certain limited circumstances which are set out in full in the articles of association.

The Board has formally adopted a procedure for dealing with conflicts or potential conflicts of interest. The Board is satisfied that the procedure for dealing with conflicts is operating effectively.

The directors shall restrict the borrowings of the Company so as to secure that the aggregate amount of all monies borrowed by the Group and owing to persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed a sum equal to twice the aggregate of (i) the amount paid up on the issued share capital of the Company; and (ii) the amount standing to the credit of the reserves of the Group (subject to certain adjustments).

The Company can increase its share capital and authorise the directors to allot further securities by ordinary resolution. Resolutions seeking to increase the authorised share capital and seeking authority for the directors to allot securities are being put to the Company's Annual General Meeting on 19 May 2009. Details on the respective authorities are set out in the Notice of the Annual General Meeting. The directors may offer, allot, grant options over or otherwise dispose of shares to such persons, at such times and for such consideration and upon such terms and conditions as the directors may determine, provided that no shares shall be issued at a discount.

Subject to the provisions of the Companies Acts the Company may purchase its own shares. Authority was given at the 2008 Annual General Meeting for the Company to make market purchases of up to 4.2 million shares. That authority expires at the conclusion of the 2009 Annual General Meeting. A renewal of this authority is being sought at the 2009 Annual General Meeting. During the year ended 31 December 2008, the Company purchased 150,000 shares in the market under this authority at an average price of £4.53. These shares are held in treasury and are not counted in the Analysis of Shareholdings given on page 99.

The Board had six scheduled meetings during the year ended 31 December 2008 and one meeting at short notice. There is a formal schedule of matters and levels of authority which are delegated to the executive directors, all other matters and powers being reserved to the Board or to its Committees. Full details of matters reserved to the Board may be viewed on the Company's website.

During the year, all directors attended all six scheduled Board meetings, except for Simon Beresford-Wylie who was unable to attend the December 2008 Board meeting due to another commitment. Apart from the scheduled Board meetings, there was one Board meeting held at short notice. Due to a conflict of interest, neither Gareth Rhys Williams nor Alastair Hewgill attended this Board meeting.

At 1 January 2008, the Board consisted of a Chairman (Michael Harper), a Chief Executive (Gareth Rhys Williams), a Finance Director (Alastair Hewgill) and four non-executive directors (Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt). Mr Wyatt is also the Senior Independent Director. On 30 September 2008, Mr Rhys Williams stood down as Chief Executive and was replaced with Mr Hewgill as Interim Chief Executive. Mr Rhys Williams continued as a director of the Company until 29 October 2008 when he resigned. On 3 November 2008, Richard Cotton was appointed as Finance Director. As at 31 December 2008 the Board therefore comprised a Chairman (Mr Harper), an Interim Chief Executive (Mr Hewgill), a Finance Director (Mr Cotton) and four non-executive directors (Mr Beresford-Wylie, Mr Moore, Ms Richter and Mr Wyatt).

The Board has announced that, on 14 April 2009, Stephen Bird will be appointed a director and Chief Executive of the Company. Mr Hewgill will cease to be a director of the Company at the conclusion of the Annual General Meeting on 19 May 2009.

Corporate Governance continued

The non-executive directors bring independent character and judgement to bear on strategic matters, the performance of the Group, the adequacy of resources and standards of conduct. The Board considers that Simon Beresford-Wylie, Maria Richter, Nigel Moore and Will Wyatt are independent in accordance with the recommendations of the Combined Code. The roles of the Chairman (who is non-executive) and of the Chief Executive are separate and they each have a clear written division of responsibilities approved by the Board. Full details of which may be viewed on the Company's website.

Directors, having notified the Chairman, are able to take independent professional advice at the Company's expense in furtherance of their duties. All new directors are given an extensive introduction to the Group, including meeting with senior executives and visiting the Group's principal operations both in the UK and overseas. All directors have access to the advice and services of the Group Company Secretary.

Ongoing training for new directors and existing directors is available at the request of the director. Each director receives details of relevant training and development courses from both the Secretary and from external bodies such as KPMG and Watson Wyatt. The requirement for training is regularly discussed at meetings of the Board and of its Committees.

The papers supplied for consideration by the Board are provided on the basis that it gives all Board members adequate time to read and, where appropriate, ask questions prior to the meeting about the information supplied. The information includes budgets, strategy papers, reviews of the Group's financial position and operating performance and annual and half yearly reports. Further information is supplied from time to time as and when requested by the Board.

The Board has an Audit Committee, a Nominations Committee and a Remuneration Committee. Each Committee has formal terms of reference which may be viewed on the Company's website. The terms of reference and the effectiveness of the Board and of each Committee are regularly reviewed and changes made where necessary. Any issues arising from the reviews of effectiveness are summarised and tabled at subsequent Board meetings at which they are discussed and action plans agreed.

Performance evaluations of each of the directors took place during the year in accordance with the provision contained in the Combined Code. In the case of the executive directors this evaluation takes place by the non-executive directors regularly throughout the year against achievement of specific objectives. Evaluation of the Chairman was carried out by the Senior Independent Director. Evaluation of each of the other non-executive directors was carried out by the Chairman. Each evaluation was carried out by using written questionnaires and the results were discussed individually with each of the relevant non-executive directors. Evaluations of the effectiveness of the Board and each of the Committees were also carried out by the full Board and the relevant Committee members respectively. The 2008 evaluation process concluded that the Board, its Committees and individual members were performing to a good standard. Improvements identified include the development of greater exposure of the

independent non-executive directors to senior management below Board level. Similar evaluations are planned to take place each year in the future.

Audit Committee

The Committee is chaired by Nigel Moore. The other members of the Committee are Simon Beresford-Wylie, Maria Richter and Will Wyatt. Each member of the Committee is independent. The Committee considers that its members have a wide skill set covering financial, commercial and operational matters, however Mr Moore has the most recent and relevant financial experience. During 2008 the Committee met three times and all the members attended all the Committee meetings. The Company's external auditors, KPMG, are invited to attend meetings of the Committee on a regular basis and during 2008 they attended all three meetings; in each case for part of the meeting. At one of the meetings the executive directors were not present for part of the meeting so that members of the Committee could meet with the external auditors in private. The practice of the Committee meeting in private with the external auditors will continue in the future.

Duties of the Committee:

Financial Reporting

Monitoring the integrity of the financial statements of the Company, including its annual and half yearly reports, preliminary results announcements, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

The annual financial statements of the pension funds were not reviewed by the Board as a whole.

Internal Controls and Risk Management Systems

Keeping under review the effectiveness of the Company's internal financial controls and risk management systems; and reviewing the statements to be included in the annual report concerning internal controls and risk management.

Whistleblowing

Reviewing the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee ensures that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Internal Audit

During the year ended 31 December 2008, the Company did not have its own internal audit function. Instead the Company used the services of a third party audit consultant, which is more fully explained in the final paragraph of the Internal Controls and Risk Management section. Following a review of this arrangement, the directors have decided to recruit its own internal audit function. The Committee will oversee the work of this new internal function in 2009.

External Audit

Considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors. The Committee oversees the selection process for new auditors and, if the auditors resign, the Committee is required to investigate the issues leading to this and decide whether any action is required.

Overseeing the relationship with the external auditors including, but not limited to:

- approving its remuneration, whether fees for audit or non-audit services and checking that the level of fees is appropriate to enable an adequate audit to be conducted;
- approving its terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- assessing annually its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditors and the Company (other than in the ordinary course of business);
- agreeing with the Board a policy on the employment of former employees of the Company's auditors, then monitoring the implementation of this policy;
- monitoring the auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- assessing annually the external auditors' qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures;
- ensuring co-ordination with the activities of the Company's internal audit arrangements;
- meeting regularly with the external auditors, including at the planning stage before the audit and after the audit at the reporting stage. The Committee meets the external auditors at least once a year, without executive directors being present, to discuss their remit and any issues arising from the audit;
- reviewing and approving the annual audit plan and ensuring that it is consistent with the scope of the audit engagement;
- reviewing the findings of the audit with the external auditors. This includes but is not limited to the following;

- a discussion of any major issues that arose during the audit,
- accounting and audit judgements, and
- levels of errors identified during the audit.

- reviewing the effectiveness of the audit and reviewing any representation letter requested by the external auditors before it is signed by management;

- reviewing the management letter and management's response to the auditors' findings and recommendations;

- reviewing and approving the policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter.

A policy on the use of the external auditors for non-audit services has been in place for a number of years. The use of the external auditors is subject generally to competitiveness and demonstrable competence in the relevant areas. The policy is divided into three parts:

- Work where use of the external auditors is deemed appropriate. This type of work includes corporate tax advice and planning, tax compliance, accounting advice in relation to acquisitions, dividend planning, divestments, corporate governance/risk management advice and defined audit-related work and regulatory reporting.
- Work requiring Audit Committee clearance or refinement of Vitec policy. The type of work includes reporting accountant services, compliance services (including fraud and money laundering), transaction work (mergers/acquisitions), valuation and actuarial services, fairness opinions and contribution in kind reports, personal tax services, management consultancy, HR or recruitment services, remuneration consultancy and legal or other professional services unrelated to an audit.
- Work from which the external auditors are excluded. This includes internal accounting or other internal financial services, design development or implementation of financial information or internal controls systems, internal audit services or their outsourcing, forensic accounting services, executive or management roles and functions, IT consultancy, litigation support services and other financial services such as broker, financial adviser or investment banking services.

Corporate Governance continued

Reporting Responsibilities

- The Committee Chairman reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Other Responsibilities

The Committee has access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

The Committee members are provided with training as and when required, both in the form of an induction programme for new members and on an ongoing basis for all members;

The Committee may oversee any investigation of activities which are within its terms of reference and, for internal purposes, act as a court of the last resort; and

At least once a year, reviewing its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommending any changes it considers necessary to the Board for approval.

Authority

The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference. It is also authorised to call any employee to be questioned at a meeting of the Committee as and when required.

Remuneration Committee

The Committee is chaired by Will Wyatt. The other members of the Committee are Simon Beresford-Wylie, Nigel Moore and Maria Richter. Each member of the Committee is independent. During 2008, the Committee had three scheduled meetings and two meetings called at short notice. Mr Beresford-Wylie did not attend two of the scheduled meetings and one of the short notice meetings due to other external commitments and Ms Richter did not attend one of the short notice meetings due to a conflict with an external commitment. All other members attended all the Committee meetings.

The Remuneration Report in respect of the year ended 31 December 2008 is set out on pages 21 to 27.

Duties of the Committee:

- determining and agreeing with the Board the framework or broad policy for the remuneration of the Company's Chairman, the executive directors, the Company Secretary and such other members of the executive management as it is designated to consider. No director or manager may be involved in any decisions as to their own remuneration;

- in determining such policy, taking into account all factors which it deems necessary. The objective of such policy is to ensure that members of the executive management of the Company are provided with appropriate incentives to encourage enhanced performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company;

- reviewing the ongoing appropriateness and relevance of the remuneration policy;

- approving the design of, and determining targets for, any performance-related pay schemes operated by the Company and approving the total annual payments made under such schemes, ensuring that any performance related pay schemes are structured to drive executive management to deliver sustainable long term growth in shareholder value;

- reviewing the design of all share incentive plans for approval by the Board and shareholders. For any such plans, determining each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other senior executives and the performance targets to be used, ensuring that awards are merited, particularly given the context of ongoing business performance, that they are not disproportionate and potentially rewarding failure;

- determining the policy for, and scope of, pension arrangements for each executive director and other senior executives;

- ensuring that contractual terms on termination, and any payments made, are fair to the individual and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

- within the terms of the agreed policy and in consultation with the Chairman and/or Chief Executive as appropriate, determining the total individual remuneration package of each executive director and other senior executives including bonuses, incentive payments and share options or other share awards;

- in determining such packages and arrangements, give due regard to any relevant legal requirements, the provisions and recommendations in the Code and the UK Listing Authority's Listing Rules and associated guidance;

- reviewing and noting annually the remuneration trends across the Company or Group;

- overseeing any major changes in employee benefits structures throughout the Company or Group;

- agreeing the policy for authorising claims for expenses from the Chief Executive and Chairman;

- ensuring that all provisions regarding disclosure of remuneration including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the Code are fulfilled; and

- being exclusively responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Committee, and to obtain reliable, up-to-date information about remuneration in other companies. The Committee shall have full authority to commission any reports or surveys that it deems necessary to help it fulfil its obligations.

Reporting Responsibilities

- The Committee Chairman reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

- The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- Produce an annual report of the Company's remuneration policies and practices which will form part of the Company's Annual Report and ensure that it is put to shareholders for approval at the Annual General Meeting.

Other Responsibilities

- The Committee, at least once a year, reviews its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommends any changes it considers necessary to the Board for approval.

Authority

The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties. The Committee is also authorised by the Board, in connection with the Committee's duties, to obtain, at the Company's expense, any outside legal or other professional advice.

Nominations Committee

The Committee is chaired by Michael Harper. The other members of the Committee are Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt.

There were three Committee meetings held during 2008 and all members of the Committee attended each meeting.

During the year, the principal activity of the Committee was the selection of a new Chief Executive and Finance Director to succeed Gareth Rhys Williams and Alastair Hewgill respectively. The selection of a new Finance Director involved an external search, with the support of an executive search company, to identify potential external candidates. Several candidates were interviewed by Nigel Moore, Gareth Rhys Williams, Alastair Hewgill and finally by the Chairman. The Committee considered the merits of each candidate and, on the strength of these interviews and meeting the preferred candidate, made a recommendation to the Board that Richard Cotton should be appointed Finance Director. Mr Cotton was subsequently appointed Finance Director on 3 November 2008.

The selection of a new Chief Executive involved the Committee taking advice from an executive search company. The Committee considered the merits of several internal and external candidates. Extensive interviews with each candidate were held by the Committee and, on the strength of these, the Committee recommended that Stephen Bird be appointed Chief Executive. The Board has subsequently approved the appointment of Mr Bird as Chief Executive with effect from 14 April 2009.

The Committee also considered succession plans for other key positions with the Group during the year.

The Committee is delegated authority by the Board to deal with succession planning and making recommendations to the Board on all new Board appointments.

Duties of the Committee:

- reviewing the structure, size and composition (including the skills, knowledge and experience) required of the Board in the future compared to its current position and making recommendations to the Board with regard to any changes;

- giving full consideration to succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;

- being responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;

- before any appointment is made by the Board, evaluating the balance of skills, knowledge and experience on the Board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee:

- uses open advertising or the services of external advisers to facilitate the search;

- considers candidates from a wide range of backgrounds; and

- considers candidates on merit and against objective criteria, taking care that appointees have enough time available to devote to the position.

- keeping under review the leadership needs of the Company, both executive and non executive, with a view to ensuring the continuing ability of the Company to compete effectively in the marketplace;

- keeping up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

Corporate Governance continued

- reviewing annually the time required from non-executive directors; and
- ensuring that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, Committee service and involvement outside Board meetings.

Detailed terms of reference for the Nominations Committee are on the Company's website.

Reporting Responsibilities

- The Committee Chairman reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Other Responsibilities

The Committee, at least once a year, reviews its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommends any changes it considers necessary to the Board for approval.

Authority

The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties. The Committee is also authorised by the Board, in connection with the Committee's duties, to obtain, at the Company's expense, any outside legal or other professional advice.

Appointments and re-appointments to the Board:

The Board has power at any time and from time to time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing Board. Any director so appointed shall hold office only until the next Annual General Meeting and shall then put him or herself forward to be re-appointed by the members.

The Chairman and the other non-executive directors are appointed for an initial period of three years which, with the approval of the Nominations Committee and the Board, would normally be extended for a further three years. In exceptional circumstances, appointments of non-executive directors may be extended beyond six years, with the approval of the Nominations Committee, the Board and the individual director concerned, if it is in the interests of the Group to do so. Under the Company's Articles of Association, each director is required to be re-appointed at the third Annual General Meeting following that at which he or she was last appointed or re-appointed. Will Wyatt and Simon Beresford-Wylie will retire and will be proposed for re-appointment at the Annual General Meeting on 19 May 2009. Richard Cotton and Stephen Bird, having been appointed by the Board on 3

November 2008 and 14 April 2009 respectively, will additionally seek re-appointment by the members at the 19 May 2009 Annual General Meeting. Alastair Hewgill, having last been re-appointed by the members at the 2006 Annual General Meeting, will not be seeking re-appointment at the 19 May 2009 Annual General Meeting and will cease to be a director of the Company from the conclusion of that meeting.

Relations with Shareholders

The Board continues to recognise the importance of maintaining regular contact with its shareholders to ensure that its businesses, strategy and remuneration policies are understood and that any concerns are addressed in a constructive way. The Board communicates with its shareholders through a combination of public announcements through the Stock Exchange, analyst briefings, road shows and press interviews at the time of the announcements of the half year and full year results and, when appropriate, at other times in the year. The executive directors, the Chairman and the Senior Independent Director also meet with investors from time to time. The Annual General Meeting offers a further opportunity for the directors to meet with shareholders and for the shareholders to ask questions about the business.

The Company sends to its shareholders each year an Annual Report and copies of this and of public announcements and financial results are published on the Company's website www.vitecgroup.com. The Company has previously sent to shareholders a printed Interim Report covering its half year results. To save on the costs of production and postage, the Company will cease doing this going forward. Instead, shareholders will be able to view the half yearly results press release on the Company's website or request a copy of the press release from the Company Secretary.

At meetings of shareholders the level of proxy votes received, together with the numbers of votes in favour, against and withheld, is announced after each resolution has been dealt with on a show of hands. Separate resolutions are proposed for each issue upon which shareholders are asked to vote. The Group's website contains details of the 2009 Annual General Meeting resolutions and the voting thereon.

The Company has complied with the requirement set out in the Code in respect of shareholders' meetings to send the notice of annual general meeting and related papers at least 20 working days before the meeting. It will continue to comply with the requirement.

Internal control and risk management

The Board is responsible for the Group's system of internal controls to safeguard shareholders' investment and the Company's assets. However, any system can only provide reasonable assurance against material misstatement or loss. As part of its responsibility, the Board regularly, and at least annually, reviews the effectiveness of its internal controls. The Group has systems and procedures for internal controls that are designed to provide reasonable control over the activities of the Group and to enable the Board to fulfil its legal responsibility for the keeping of proper accounting records, safeguarding the assets of the Group and detecting fraud and other irregularities. However, it is recognised that it is in the

nature of any business that business and commercial risks must be taken and that for a business to succeed, enterprise, initiative and the motivation of employees are key elements that must not be unduly stifled. It is not the intention of the Group to avoid all commercial risks and commercial judgements will have to be made in the course of the management of the business.

The Board has adopted a risk based approach to establishing the system of internal controls. The application and process followed by the Board in reviewing the effectiveness of the system of internal controls during the year are as follows:

- operating company management is charged with the ongoing responsibility for identifying risks facing each of the businesses and for putting in place procedures to monitor and manage risks.
- this system has been in place for the year under review and up to the date of approval of the Annual Report and accounts.
- the responsibilities of the chief executive officer and chief financial officer at each operating unit to manage risks within their businesses are periodically reinforced by Group executive management.
- major commercial, technological and financial risks to the Group are formally assessed during the annual long term business planning process around mid-year. These plans and the attendant risks to the Group are reviewed and considered by the Board.
- large capital projects, product development projects and acquisitions and disposals require Board approval.
- the process by which the Board reviews the effectiveness of internal controls has been agreed by the Board and documented. This involves regular reviews by the Board, of the major business risks of the Group together with the controls in place to manage those risks as reported to the Board by the chief executives of each division. In addition, each year businesses formally review, in detail, all of their business risks and their internal controls, including financial, operational and compliance controls. They then prepare statements that describe the extent of their compliance with control objectives. These statements are approved by the chief executive officer and chief financial officer of each operating unit and submitted to Group executive management for review. Any significant matters arising from this review are formally reported to the Board by the Finance Director. The risk and control identification and certification process is monitored and periodically reviewed by Group financial management.
- a centralised database of risks facing the Group, as well as each individual business, and an evaluation of the impact and likelihood of those risks is maintained and updated regularly.
- the Board has established a control framework within which the Group operates. This contains the following key elements:

- organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements.

- defined expenditure authorisation levels.

- on-site and telephone conferencing operations reviews covering all aspects of each business are conducted by Group executive management on a regular basis throughout the year.

- comprehensive system of financial reporting. The annual budget and long term plan of each operating company are reviewed in detail and approved by the executive directors. The Board approves the overall Group's budget and plans. Monthly actual results are reported against prior year and monthly budgets. Forecasts are revised where necessary but formally at least once every quarter. Any significant changes and adverse variances are questioned by the Group executive directors and remedial action is taken where appropriate. Group tax and treasury is coordinated centrally. There is regular cash and treasury reporting to Group financial management and periodic reporting to the Board on the Group's tax and treasury position.

The Board considers that it has fully complied with the Code during the year and up to the date of approval of the Annual Report and accounts and that it accords with Turnbull guidance.

The Group does not currently have an internal audit function. Instead, third party audit consultants, independent from the companies' external auditors, are used on specific assignments. Seven such outsourced audits took place in 2008, the details of which have been reported to the Audit Committee and the Board.

The need for an internal audit function is regularly reviewed and the Board has taken the decision to establish such a function during 2009. The resourcing of this is in progress.

Going concern

The directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Corporate Governance continued

The Group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the Group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The parent Company financial statements are required by law to give a true and fair view of the state of affairs of the parent Company.

In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations.

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

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 234ZA(3) of the Companies Act 1985) of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors' Report to the Members of The Vitec Group plc

We have audited the group and parent company financial statements (the "financial statements") of The Vitec Group plc for the year ended 31 December 2008 which comprise Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Recognised Income and Expenses, the Parent Company Reconciliation of Movements in Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 39.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the parent company financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

Chartered Accountants
London
Registered Auditor

2 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Notes	2008			2007		
		Before significant items £m	Significant items ⁽¹⁾ £m	Total £m	Before significant items £m	Significant items ⁽¹⁾ £m	Total £m
Revenue	3						
Continuing operations		335.8		335.8	273.8		273.8
Acquisitions		1.9		1.9			
		337.7		337.7	273.8		273.8
Cost of sales		(200.6)		(200.6)	(162.5)		(162.5)
Gross profit		137.1		137.1	111.3		111.3
Other operating income	5	-	0.3	0.3	-	-	-
Provision against equity accounted investee	5	-	(1.3)	(1.3)	-	-	-
Operating expenses	4/5	(98.7)	(9.2)	(107.9)	(78.7)	(4.9)	(83.6)
Operating profit	3/6						
Continuing operations		38.0	(9.4)	28.6	32.6	(4.9)	27.7
Acquisitions		0.4	(0.8)	(0.4)			
		38.4	(10.2)	28.2	32.6	(4.9)	27.7
Interest payable on bank borrowings		(3.2)		(3.2)	(2.8)		(2.8)
Interest income		0.1		0.1	0.2		0.2
Pension scheme:							
Interest charge		(2.5)		(2.5)	(2.3)		(2.3)
Expected return on assets		3.1		3.1	2.9		2.9
Other financial income/(expense)		(0.5)	0.3	(0.2)	(0.3)	0.4	0.1
Net financial expense	5/9	(3.0)	0.3	(2.7)	(2.3)	0.4	(1.9)
Profit before tax		35.4	(9.9)	25.5	30.3	(4.5)	25.8
Taxation	11	(12.0)	6.6	(5.4)	(11.2)	3.7	(7.5)
Profit for the period (attributable to Equity Shareholders)		23.4	(3.3)	20.1	19.1	(0.8)	18.3
Earnings per share	12						
Basic earnings per share				48.0p			44.1p
Diluted earnings per share				47.9p			43.5p

⁽¹⁾ See Note 5

Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	2008 £m	2007 £m
Actuarial gain/(loss) on pension obligations	(1.8)	2.5
Revaluation reserve on property	(0.2)	-
Currency translation differences on foreign net investments	30.7	2.3
Net loss on hedge of net investment in foreign subsidiaries	(2.6)	(0.6)
Cash flow hedging reserve:		
Amounts released to income statement	(0.3)	(1.3)
Effective portion of changes in fair value	(3.7)	0.3
Net income recognised directly in equity	22.1	3.2
Profit for the year	20.1	18.3
Total recognised income for the year	42.2	21.5

Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 £m	2007 £m
Assets			
Non-current assets			
Property, plant & equipment	13	63.6	45.6
Intangible assets	14	71.6	55.5
Investment in equity-accounted investee	15	-	1.3
Deferred tax assets	16	17.8	13.7
		153.0	116.1
Current assets			
Inventories	17	76.4	65.6
Trade and other receivables	18	61.4	50.7
Derivative financial instruments	19	0.7	1.2
Current tax assets	20	0.8	2.1
Cash and cash equivalents	21	14.9	8.4
		154.2	128.0
Total assets		307.2	244.1
Liabilities			
Current liabilities			
Bank overdrafts	21	-	1.1
Other borrowings	19	3.0	-
Trade and other payables	23	71.5	74.4
Derivative financial instruments	19	7.4	0.5
Current tax liabilities	20	9.7	10.2
Provisions	24	4.1	4.1
		95.7	90.3
Non-current liabilities			
Bank loans and other borrowings	19	64.9	45.7
Other payables	23	0.1	0.1
Post-employment obligations	28	5.9	2.8
Provisions	24	5.7	5.7
Deferred tax liabilities	16	1.5	2.2
		78.1	56.5
Total liabilities		173.8	146.8
Net assets		133.4	97.3
Equity			
Share capital		8.5	8.4
Share premium		7.5	7.0
Translation reserve		22.3	(5.8)
Other reserves		(2.1)	1.9
Retained earnings		97.2	85.8
Total equity	25	133.4	97.3

Approved by the Board on 2 March 2009 and signed on its behalf

Richard Cotton
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	2008 £m	2007 £m
Cash flows from operating activities:			
Profit for the year		20.1	18.3
Adjustments for:			
Taxation		5.4	7.5
Depreciation		11.6	9.1
Impairment losses on property, plant & equipment		-	0.2
Provision against equity-accounted investee		1.3	-
Amortisation of acquired intangible assets		7.1	5.0
Amortisation of capitalised software and development costs		1.2	1.3
Goodwill impairment		2.1	-
Negative goodwill		-	(0.1)
Net gain on disposal of property, plant & equipment		(1.6)	(1.2)
Fair value losses on derivative financial instruments		0.4	0.1
Cost of equity-settled employee share schemes		1.7	1.4
Financial income		(4.1)	(3.1)
Financial expense		6.8	5.0
Operating profit before changes in working capital and provisions		52.0	43.5
Decrease/(increase) in inventories		8.7	(0.7)
Decrease/(increase) in receivables		3.8	(6.3)
Decrease in payables		(21.0)	(2.5)
Increase/(Decrease) in provisions		0.8	(0.2)
Cash generated from operations		44.3	33.8
Interest paid		(3.7)	(3.2)
Tax paid		(6.7)	(9.5)
Net cash flow from operating activities		33.9	21.1
Cash flows from investing activities:			
Proceeds from sale of property, plant & equipment		2.6	1.8
Purchase of property, plant & equipment		(16.4)	(17.3)
Purchase of intangible assets		(0.3)	-
Software and development costs capitalised as intangible assets		(0.9)	(1.1)
Interest received		0.1	0.2
Acquisition of investment resulting in significant influence		-	(0.6)
Acquisition of subsidiaries, net of cash acquired		(11.8)	(15.0)
Net cash flow from investing activities		(26.7)	(32.0)
Cash flows from financing activities:			
Proceeds from the issue of shares ⁽¹⁾		0.5	2.2
Transfer of own shares		-	0.6
Purchase of treasury shares		(0.7)	-
Borrowing of bank loans		4.1	13.5
Dividends paid		(7.7)	(7.0)
Net cash flow from financing activities		(3.8)	9.3
Increase/(decrease) in cash and cash equivalents	22	3.4	(1.6)
Cash and cash equivalents at 1 January		7.3	7.5
Exchange rate movements ⁽²⁾		4.2	1.4
Cash and cash equivalents at 31 December	21	14.9	7.3

⁽¹⁾ In 2007, the initial consideration for the acquisition of RF Systems was satisfied in part by the issue of 285,776 new Vitec ordinary shares worth US\$3.5 million (£1.8 million). This is excluded from the £2.2 million of proceeds from the issue of shares.

⁽²⁾ Exchange rate movements result from the adjustment of opening balances and cash flows in the year to closing exchange rates.

Notes to the Consolidated Accounts

The Vitec Group Accounting Policies Under IFRS

1a Reporting Entity

The Vitec Group plc (the Company) is a Company domiciled in the United Kingdom. The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group).

1b Basis of Preparation

The financial statements are presented in Sterling. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Derivative financial instruments.
- Financial assets used to fund the Group's defined benefit pension obligations (this fair value is stated net of the actuarial value of the associated pension obligations).

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Those judgements made by management in the application of IFRS that have significant effect on the financial statements and the estimates that are considered by the directors to have a significant risk of material adjustment in the next year are discussed in Note 30.

1c Statement of Compliance

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

2 Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries sold or acquired during the year are included in the accounts up to, or from, the date that control passes.

Intra-Group balances, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% - 50% of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investments) and are initially recognised at cost. The Group's equity accounted investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of income and expenses and equity movements of equity accounted investments, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investment, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

Business Combinations

All business combinations are accounted for by applying the purchase method. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

In respect of acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount previously recorded under UK GAAP.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purposes of impairment testing. Goodwill is no longer amortised but is tested annually for impairment.

Impairment

The carrying amounts of the Group's assets on the balance sheet are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Once recognised, an impairment loss is not reversed.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Revenue

Revenue, which excludes value added tax and sales between Group companies, represents the value of products and services sold. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Other than for long term contracts, the treatment of which is set out separately below, revenue arising from product sales is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is normally when title passes to the customer.

Revenue arising from asset rental is recognised over the duration of the rental contract at the gross amount billed to the customer.

No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods and continuing management involvement with the goods.

Long Term Contracts

Contract revenue and expenses are recognised in the income statement in proportion to the stage of completion of the contract, to the extent that the contract outcome can be estimated reliably. The stage of completion is assessed by reference to surveys of work performed. An expected loss on a contract is recognised immediately in the income statement.

Contract work in progress is stated at costs incurred, less those transferred to the income statement, after deducting foreseeable losses and payments on account not matched with turnover.

Amounts recoverable on contracts are included in receivables and represent revenue recognised in excess of payments on account.

Foreign Currency

Transactions in foreign currencies with overseas customers and suppliers are converted at the date at which transactions occur.

Monetary assets and liabilities are translated at the period-end rates and the gains or losses on translation are included in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using exchange rates ruling at the date the fair value was determined.

Foreign currency gains and losses on inter-company loans are recorded directly in reserves if they form part of a net investment and repayment is neither planned nor likely to occur in the foreseeable future.

Notes to the Consolidated Accounts continued

Foreign trading profits and cash flows are translated at a weighted average rate for the period. The assets and liabilities of overseas companies, including goodwill and fair value adjustments arising on consolidation, are translated using foreign exchange rates ruling at the balance sheet date.

Differences on translation of net investments in overseas companies, and of related hedges, are taken directly to the translation reserve. They are released to the income statement on disposal.

Pension Costs

The costs of providing pensions for employees under defined contribution schemes are expensed as incurred.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate for UK schemes has been derived based on redemption yields on appropriate British Government bonds, plus a margin representing the yield premium on long-dated AA corporate bonds over British Government bonds. The calculation is performed by a qualified actuary using the projected unit credit method. The Group recognises the ongoing service cost in the income statement as part of operating profit. The Group recognises the unwinding of the discount (above) and the return on plan assets in the income statement as part of net financial expense. All actuarial gains and losses are recognised in the Statement of Recognised Income and Expense. The Group's net obligations in respect of overseas defined benefit pensions plans are estimated by qualified actuaries using appropriate methodologies.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Property, Plant & Equipment

Depreciation is provided at rates estimated to write off the cost or valuation of the relevant assets less their estimated residual values by equal annual amounts over their expected useful lives. Residual values and expected useful lives are reassessed annually. No depreciation is provided on freehold land. Other property, plant & equipment are depreciated at the rates indicated below:

Freehold and long leasehold buildings	2% – 5% on cost or valuation
Leasehold improvements	over the remaining period of the lease
Plant and machinery	12½% – 25% on cost
Motor vehicles	25% – 33⅓% on cost
Equipment, fixtures & fittings	10% – 33⅓% on cost
Rental equipment	20% – 33⅓% on cost

Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment losses. In accordance with IFRS 8, certain land and buildings that had been revalued to fair value prior to 1 January 2004 are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Research and Development

The Group spends money on research projects and on projects to apply research findings to gain new scientific or technical knowledge and understanding. This expenditure is recognised in the income statement as incurred.

Once detailed criteria have been met that confirm that the product or process is both technically and commercially feasible and the Group has sufficient resources to complete the project, any further expenditure incurred on the project is capitalised. The capitalised expenditure includes the cost of materials, direct labour and an appropriate portion of overheads.

Capitalised expenditure is amortised over the life of the project and is stated at cost less accumulated amortisation and impairment losses.

Other Intangible Assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight line method over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are capitalised and recognised as intangible assets.

Computer software development costs recognised as assets are amortised using the straight line method.

Intangible assets arising on acquisition are amortised at the rates indicated below:

Backlog	100% in first year
Brand	6.7% – 33⅓% on cost
Customer relationships	6.7% – 33⅓% on cost
Technology	6.7% – 20% on cost
Software licences	20% – 33⅓% on cost

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is based on average cost or the first in first out method as appropriate, and includes the cost of materials, direct labour and production overheads (based on normal operating capacity) incurred in bringing stocks and work in progress to their present location and condition. Provisions for inventories are recognised when the book value exceeds its net realisable value.

Derivatives and Hedge Accounting

The Group uses derivative financial instruments (derivatives) to hedge its exposure to foreign exchange risks arising from operational activities. The Group does not hold or issue derivatives for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivatives are recognised initially at fair value, and subsequent to initial recognition are measured at fair value. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair value of simple option contracts is their quoted market price at the balance sheet date.

Derivatives are de-recognised when they mature or are sold.

The gain or loss on re-measurement to fair value is recognised immediately in the income statement unless the derivatives qualify for hedge accounting.

Cash flow hedges

Where a derivative is designated as a hedge of the variability in cash flows of a highly probable forecast transaction ("a hedging instrument"), the effective part of any gain or loss on the hedging instrument is recognised directly in equity. This gain or loss is removed from equity and recognised in the income statement in the same period during which the hedged forecast transaction affects profit or loss. The ineffective part of any gain or loss is recognised immediately in the income statement.

If a hedging instrument expires or is sold but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the income statement.

Hedge of monetary assets and liabilities

Where a derivative is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the income statement.

Hedge of a net investment in a foreign operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the income statement. The effective portion will be recycled into the income statement on the sale of the foreign operation.

Interest-bearing Borrowings

Interest-bearing borrowings are stated in the balance sheet at cost, being the fair value of consideration, after the deduction of issue costs, which are recognised in the income statement over the term of the related borrowings.

Income Tax

The tax expense in the income statement represents the sum of tax currently payable and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

Notes to the Consolidated Accounts continued

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, where deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit would be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax liabilities are not recognised for the following temporary differences:

- Goodwill not deductible for tax purposes or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- Differences relating to investments in subsidiaries to the extent that the timing of the reversal is controlled by the Company and they will probably not reverse in the foreseeable future.

IAS 12 requires deferred tax to be provided in respect of undistributed profits of overseas subsidiaries unless the parent is able to control the timing of remittances and it is probable that such remittances will not be made in the foreseeable future. As the Group is able to control the timing of remittances from overseas subsidiaries, no provision has been made for any tax on undistributed profits of overseas subsidiaries. Similarly, no deferred tax assets or liabilities have been recognised in respect of temporary differences associated with investments in subsidiaries.

Employee Share Schemes

The Group operates a number of share based incentive schemes, some of which entitle the beneficiary to shares (equity-settled) and others that entitle the beneficiary to cash (cash-settled). The schemes in place prior to 2005 were based on share price movements. A new equity-settled scheme was set up in 2005 that is based on Total Shareholder Returns (TSR).

The fair values of options are calculated using Black-Scholes or Monte Carlo simulation models.

For equity-settled options, income statement charges are made based on the fair value of these options at the date of grant and on the estimated number options expected to vest after adjusting for lapses due to leavers during the life of the scheme and achievement of any non-market based vesting conditions (for example, profitability and sales growth targets). Subsequently, at each balance sheet date prior to vesting of the relevant awards, the Group revises the estimates of the number of options that are expected to vest after adjusting for expected leavers and estimated achievement of non-market based vesting conditions. The Group recognises the expense in the income statement, and a corresponding adjustment to equity.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense, with a corresponding increase in liabilities, over the period in which the employees become unconditionally entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expense in profit or loss.

The Group makes charges to the income statement for any potential employer's Social Security liability on options granted, based on an estimate of the fair value of the option.

All of these charges are spread over the measurement period of the option.

Leases

Payments made under operating leases are charged to the income statement on a straight-line basis.

Assets held for short-term rental are recorded as plant and machinery within property, plant & equipment and depreciated over their estimated useful lives. Rental income from these assets is recognised as earned on a straight-line basis over the rental period.

Trade and Other Receivables

Trade and other receivables are stated at their cost less provision for doubtful debts.

Dividends

The final annual dividend is not provided for until approved at the Annual General Meeting. Dividends are charged in the period they are paid.

Provisions

Provisions are recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

Provisions for warranties, based on historical warranty data, are recognised when the underlying products or services are sold. Provisions for restructuring are recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced. Provisions for onerous contracts are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Segmental Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products and services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group reports separate information on its material operations for each of the Group's segments. The Group's primary segment is the business sector and its secondary segment is geographical area.

Net Financial Expense

Net financial expense comprises interest payable on borrowings, interest receivable on funds invested, the amortisation of loan costs, foreign exchange gains and losses on external or inter-company loans or investments to the extent that they are recognised in the income statement, the finance element of the charge or credit relating to defined benefit pension schemes and gains and losses on derivatives to the extent that they are recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and demand deposits at banks. Demand deposits are short term highly liquid investments that are readily convertible to known amounts of cash without penalty and that are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand, which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

New Standards and Interpretations Adopted During the Year

During the year the Group adopted IFRIC 11 Group and Treasury Share Transactions. The implementation of this standard had no material impact on the Group's results, assets or liabilities.

New Standards and Interpretations Not Yet Adopted

The following new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008 and have not been applied in preparing these consolidated financial statements:

IFRS 8 Operating Segments: Implementation of this standard is not expected to have a material impact on the Group's results, assets or liabilities.

IFRIC 12 Service Concession Arrangements: Implementation of this standard is not expected to have a material impact on the Group's results, assets or liabilities.

IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction: this IFRIC clarifies the requirements of IAS 19, which limits the measurement of a defined benefit asset to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan plus unrecognised gains and losses – this is known as the asset ceiling. Implementation of this standard is not expected to have a material impact on the Group's results, assets or liabilities.

IFRIC 13 Customer Loyalty Programmes: Implementation of this standard is not expected to have a material impact on the Group's results, assets or liabilities.

Amendments to IAS 1 Presentation of Financial Statements: Implementation of the revisions to this standard is not expected to have a material impact on the Group's results, assets or liabilities.

Amendments to IFRS 2 Share Based Payment: Implementation of the revisions to this standard is not expected to have a material impact on the Group's results, assets or liabilities.

Amendments to IAS 23 Borrowing Costs: Implementation of the revisions to this standard is not expected to have a material impact on the Group's results, assets or liabilities.

Amendments to IAS 39 and IFRS 7 Reclassification of Financial Instruments: Implementation of the revisions to these standards are not expected to have a material impact on the Group's results, assets or liabilities.

Notes to the Consolidated Accounts continued

3 Segment Reporting

Primary format - by business segments	Broadcast Systems		Imaging & Staging		Broadcast Services		Corporate and Unallocated		Consolidated	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Revenue from external customers:										
Sale of goods	171.0	129.8	135.8	117.3	6.3	3.8	-	-	313.1	250.9
Services	1.6	-	-	-	23.0	22.9	-	-	24.6	22.9
Total revenue from external customers	172.6	129.8	135.8	117.3	29.3	26.7	-	-	337.7	273.8
Inter-segment revenue ⁽¹⁾	2.0	1.7	2.3	1.2	-	-	(4.3)	(2.9)	-	-
Total revenue	174.6	131.5	138.1	118.5	29.3	26.7	(4.3)	(2.9)	337.7	273.8
Operating profit before significant items	21.7	13.3	15.6	17.7	1.1	1.6	-	-	38.4	32.6
Other operating income	-	-	0.3	-	-	-	-	-	0.3	-
Provision against equity-accounted investee	-	-	-	-	-	-	(1.3)	-	(1.3)	-
Amortisation of acquired intangibles	(6.4)	(4.3)	(0.7)	(0.7)	-	-	-	-	(7.1)	(5.0)
Negative goodwill	-	0.1	-	-	-	-	-	-	-	0.1
Impairment of goodwill	-	-	(2.1)	-	-	-	-	-	(2.1)	-
Segment result	15.3	9.1	13.1	17.0	1.1	1.6	(1.3)	-	28.2	27.7
Net financial expense	-	-	-	-	-	-	-	-	(2.7)	(1.9)
Taxation	-	-	-	-	-	-	-	-	(5.4)	(7.5)
Profit for the period									20.1	18.3
Segment assets	140.2	116.3	104.2	80.0	27.3	20.7	2.0	2.9	273.7	219.9
Unallocated assets										
Cash and cash equivalents							14.9	8.4	14.9	8.4
Current tax assets							0.8	2.1	0.8	2.1
Deferred tax assets							17.8	13.7	17.8	13.7
Total assets									307.2	244.1
Segment liabilities	51.4	55.4	31.0	26.2	1.9	2.8	10.4	3.2	94.7	87.6
Unallocated liabilities										
Bank overdrafts							-	1.1	-	1.1
Bank loans							67.9	45.7	67.9	45.7
Current tax liabilities							9.7	10.2	9.7	10.2
Deferred tax liabilities							1.5	2.2	1.5	2.2
Total liabilities									173.8	146.8
Cash flows from operating activities	15.7	8.7	8.4	4.9	3.2	2.2	6.6	5.3	33.9	21.1
Cash flows from investing activities	(1.2)	(2.3)	(6.0)	(6.1)	(3.0)	(5.0)	(16.5)	(18.7)	(26.7)	(32.1)
Cash flows from financing activities	-	(2.0)	-	-	-	-	(3.8)	11.3	(3.8)	9.3
Capital expenditure (including assets acquired within acquisitions)										
Property, plant & equipment	6.5	8.4	5.6	4.4	4.7	6.4	-	-	16.8	19.2
Intangible assets	7.9	14.3	0.6	0.9	-	-	-	0.1	8.5	15.3

⁽¹⁾ Inter-segment pricing is determined on an arm's length basis.

Secondary format - by geographical segments

	United Kingdom		The Rest of Europe		The Americas		The Rest of the World		Corporate and Unallocated		Consolidated	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Revenue from external customers:												
by location of customer	20.6	17.8	87.8	76.8	178.0	138.3	51.3	40.9	-	-	337.7	273.8
Segment assets	40.4	37.6	67.0	50.9	143.1	112.2	21.2	16.3	2.0	2.9	273.7	219.9
Unallocated assets												
Cash & cash equivalents									14.9	8.4	14.9	8.4
Current tax assets									0.8	2.1	0.8	2.1
Deferred tax assets									17.8	13.7	17.8	13.7
Total assets											307.2	244.1
Cash flows from operating activities	5.6	(0.8)	13.5	12.7	4.9	3.4	3.3	0.5	6.6	5.3	33.9	21.1
Cash flows from investing activities	(3.7)	(2.1)	(5.5)	(4.5)	(11.5)	(4.2)	(1.2)	(2.6)	(4.8)	(18.7)	(26.7)	(32.1)
Cash flows from financing activities	-	-	-	-	-	(2.0)	-	-	(3.8)	11.3	(3.8)	9.3
Capital expenditure (including assets acquired within acquisitions)												
Property, plant & equipment	3.5	2.0	5.7	4.1	7.5	13.0	0.1	0.1	-	-	16.8	19.2
Intangible assets	1.5	0.1	0.5	0.5	6.5	14.5	-	0.1	-	0.1	8.5	15.3

4 Analysis of Net Operating Expenses

	2008 £m	2007 £m
Analysis of net operating expenses		
Marketing, selling and distribution costs	42.8	32.7
Research, development and engineering costs ⁽¹⁾	12.5	10.4
Administrative expenses		
- negative goodwill ⁽²⁾	-	(0.1)
- goodwill impairment	2.1	-
- amortisation of acquired intangible assets	7.1	5.0
- other administrative expenses	43.4	35.6
	52.6	40.5
Net operating expenses	107.9	83.6

⁽¹⁾ No development costs have been capitalised in accordance with the Group accounting policies. Engineering costs are incurred as part of active product development programmes in the manufacturing companies.

⁽²⁾ Negative goodwill arose on the acquisition of Microwave Service Corporation.

Notes to the Consolidated Accounts continued

5 Significant Items

Significant items are those items of financial performance that the directors consider should be separately disclosed to assist in the understanding of the underlying trading and financial performance achieved by the Group and in making projections of future results.

Significant items comprise the following:

	2008 £m	2007 £m
(a) Other operating income		
Profit on the sale of property fixed assets	0.3	-
Other operating income of £0.3 million relates to profit on the sale of property fixed assets in the Imaging & Staging division.		
(b) Provision against equity-accounted investee	(1.3)	-
The Group holds a 29% interest in Media Numerics Ltd, which is accounted for as an equity-accounted investee. Full impairment provision of £1.3 million has been made against this investment because Media Numerics Ltd is insolvent.		
(c) Operating expenses		
Amortisation of intangible assets	(7.1)	(5.0)
Impairment of goodwill	(2.1)	-
Negative goodwill	-	0.1
	(9.2)	(4.9)
The annual impairment review of goodwill led to an impairment charge of US\$3.9 million (£2.1 million) to the goodwill of Tomcat Global, in the Imaging & Staging division.		
(d) Other financial income/(expense)		
Net fair value losses on financial instruments	(0.4)	-
Currency translation gains	0.7	0.4
	0.3	0.4

The Group uses options as part of its hedging of future foreign exchange cash flows. As such options are held to maturity, the ultimate net amount charged to the income statement in respect of any option will always equate to the initial premium paid for that option. However, as a result of the time value of such options being marked-to-market at each balance sheet date, volatile income and expenses can be introduced between periods and such amounts are therefore identified as significant other financial expense.

Currency translation differences, which arise on long term intra-Group funding loans that are similar in nature to equity, are charged/credited to reserves. The currency translation differences which arise on certain other intra-Group funding balances that do not meet this strict criteria but are very similar in nature, are recorded in significant items within other financial income.

(e) Taxation		
Deferred tax credit	8.8	3.7
Deferred tax charge	(2.2)	-
	6.6	3.7

The Group is paying no cash taxes in the UK due to brought forward losses. Relating to these losses, a UK deferred tax asset of £4.2 million and a US deferred tax asset of £2.3 million have been recognised in 2008, totalling £6.5 million, with a credit to significant items.

A deferred tax asset of £2.3 million has been recognised as a result of timing differences between the amortisation for accounting purposes of intangible assets acquired on the acquisition of RF Systems and Litepanels in the US and the amortisation of these assets for tax purposes. This asset recognition has been treated as a credit to significant items.

Deferred tax assets were reduced by £2.2 million relating to the reduction in estimated earn out for the RF Systems acquisition. This reduction has been treated as an expense in significant items.

6 Operating Profit

	2008 £m	2007 £m
The following items are included in operating profit		
Goodwill impairment	2.1	-
Amortisation of acquired intangible assets	7.1	5.0
Amortisation of capitalised software and development costs	1.2	1.3
Depreciation	11.6	9.1
Net gain on disposal of property, plant & equipment	(1.6)	(1.2)
Impairment losses on property, plant & equipment	-	0.2
Employee share based incentive schemes	1.8	2.4
Redundancy and restructuring costs ⁽¹⁾	1.6	-
Operating lease rental expense		
Plant, machinery and vehicles	0.4	0.4
Property	4.7	3.9
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	0.2	0.2
Fees payable to the Company's auditors and its associates for other services		
The audit of the Company's subsidiaries pursuant to legislation	0.3	0.3
Other services relating to taxation	0.1	0.4
Other services relating to corporate financial transactions	-	0.4

⁽¹⁾ Redundancy and restructuring costs of £1.6 million comprise £0.4 million of redundancy costs within Camera Dynamics (Broadcast Systems division) and £1.2 million of rationalisation and redundancy costs, including closure of Tomcat UK, within Staging (Imaging & Staging division).

RF Systems

RF Systems, a sub division of the Broadcast Systems division, supplies wireless equipment under the Broadcast Auxiliary Services (BAS) Relocation Project, which is managed by Sprint Nextel.

Under this contract, Sprint Nextel makes advance payments to RF Systems to build up an inventory of 2GHz wireless equipment which can be called upon by US broadcasters, free of charge, at a later date. The effects of these are:

- Although RF Systems has received the full sale price of equipment from Sprint Nextel, under IAS 11 the revenue and profit cannot be fully recognised until the equipment is delivered to the broadcaster.
- RF Systems has significant inventory and advanced payments on their balance sheet related to the BAS Relocation Project. By the end of 2009, the project is planned to be largely complete, and these amounts are expected to have reduced to zero.

The results of RF Systems are as follows:

	2008 £m	2007 £m
Revenue	49.3	23.5
Operating profit ⁽²⁾	9.3	3.3
Working capital trend:		
Inventory	16.2	19.4
Advanced payments under BAS contract	(9.1)	(26.2)
Other working capital	(8.2)	(2.4)
Total working capital	(1.1)	(9.2)

⁽¹⁾ Year to 31 December 2007 includes results of RF Systems for seven months.

⁽²⁾ Operating profit includes an allocation of Corporate costs.

Notes to the Consolidated Accounts continued

7 Employees

	2008 £m	2007 £m
Aggregate remuneration of all employees during the year		
Wages and salaries	73.2	62.8
Employers' social security costs	9.6	8.1
Employers' pension costs - defined benefit schemes	2.8	2.2
Employers' pension costs - defined contribution schemes	0.8	0.6
Other employment benefits	2.7	1.9
Cost of equity-settled employee share schemes	1.7	1.4
Cost of cash-settled employee share schemes	0.1	1.0
	90.9	78.0

	2008 Total	2007 Total
Average number of employees during the year		
Imaging & Staging ⁽¹⁾	1,015	990
Broadcast Systems ⁽²⁾	1,018	880
Broadcast Services	167	166
Head Office	14	13
	2,214	2,049

⁽¹⁾ An increase of two in the average number of employees was due to the effect of acquisitions.

⁽²⁾ An increase of 97 in the average number of employees was due to the effect of acquisitions.

	2008 Total	2007 Total
Number of employees as at 31 December		
Imaging & Staging	957	1,043
Broadcast Systems ⁽¹⁾	998	952
Broadcast Services	172	166
Head Office	15	13
	2,142	2,174

⁽¹⁾ An increase of 29 in the number of employees as at 31 December was due to the effect of acquisitions.

8 Directors' Remuneration

The emoluments, share options, awards under incentive schemes and pension entitlements of the directors are disclosed in the Remuneration Report on pages 21 to 27.

The combined remuneration of the directors of the Group is set out below

	2008 £m	2007 £m
Fees for non-executive duties	0.2	0.2
Remuneration for executive duties	1.1	1.3
	1.3	1.5

9 Net Financial Expense

	2008 £m	2007 £m
Financial expense		
Interest payable on bank borrowings	(3.2)	(2.8)
Interest charge on pension scheme liabilities	(2.5)	(2.3)
Other financial expense:		
Net fair value losses on financial instruments ⁽¹⁾	(1.1)	(0.4)
	(6.8)	(5.5)
Financial income		
Interest income	0.1	0.2
Expected return on assets in the pension scheme	3.1	2.9
Other financial income:		
Net foreign exchange gains ⁽²⁾	0.9	0.5
	4.1	3.6
Net financial expense	(2.7)	(1.9)

⁽¹⁾ The Group uses options as part of its hedging of future foreign exchange cash flows. As such options are held to maturity, the ultimate net amount charged to the income statement in respect of any option will always equate to the initial premium paid for that option. However, as a result of the time value of such options being marked-to-market at each balance sheet date, volatile income and expenses can be introduced between periods and such amounts are therefore identified as significant other financial expense. Of the £1.1 million (2007: £0.4 million) time value of options, £0.4 million (2007: £nil) relating to the amortisation of options was recorded as a significant item within other financial expense.

⁽²⁾ Currency translation differences, which arise on long term intra-Group funding loans that are similar in nature to equity, are charged/credited to reserves. Of the £0.9 million (2007: £0.5 million) net foreign exchange gains, £0.7 million (2007: £0.4 million) arose on certain other intra-Group funding balances that do not meet this strict criteria but are very similar in nature and are recorded in significant items within other financial expense.

10 Net foreign exchange gains

The net exchange gains charged to the income statement are included as follows:

	2008 £m	2007 £m
Cost of goods sold	0.8	1.7
Other financial income	0.9	0.5
Total net foreign exchange gains	1.7	2.2

Notes to the Consolidated Accounts continued

11 Tax

Recognised in the income statement

	2008 £m	2007 £m
Current tax expense		
Current year before significant items	7.5	7.9
	7.5	7.9
Deferred tax expense		
Current year before significant items	4.5	3.3
Tax credit (see Note 5)	(6.6)	(3.7)
	(2.1)	(0.4)
Summarised in the income statement as follows		
Current tax	7.5	7.9
Deferred tax	4.5	3.3
	12.0	11.2
Tax credit (see Note 5)	(6.6)	(3.7)
Total income tax expense in income statement	5.4	7.5

	2008 %	2008 £m	2007 %	2007 £m
Reconciliation of effective tax rate				
Profit before tax		25.5		25.8
Income tax using the domestic corporation tax rate	28.5%	7.3	30%	7.7
Effect of tax rates in foreign jurisdictions	6%	1.5	8%	2.0
Non-deductible expenses	1%	0.2	1%	0.2
Tax effect of profit elimination on intra-Group stock	-	-	(1%)	(0.2)
Effect of restructuring	-	-	(2%)	(0.6)
Benefit of tax losses recognised	(14%)	(3.6)	(6%)	(1.6)
Total income tax expense in income statement	21%	5.4	29%	7.5

All of the income tax relates to overseas tax. There is no income tax expense relating to the UK as a result of the utilisation of UK losses brought forward.

12 Earnings Per Ordinary Share

The calculation of basic earnings per share is based on profit after tax of £20.1 million (2007: £18.3 million) and on the weighted average number of shares in issue during the year of 41,886,616 (2007: 41,532,930).

Adjusted basic earnings per share is presented as the directors consider that this gives a useful additional indication of the ongoing earnings performance of the Group. This calculation is based on profit after tax but before significant items. In 2008 this profit was £23.4 million (2007: £19.1 million).

Reconciliation of earnings and its effect on basic earnings per share and adjusted basic earnings per share

	2008 £m	Profit 2007 £m	Earnings per share 2008 pence	Earnings per share 2007 pence
Profit for the financial year	20.1	18.3	48.0	44.1
Add back: significant items	3.3	0.8	7.9	1.9
Earnings before significant items	23.4	19.1	55.9	46.0

Reconciliation of shares and its effect on basic earnings per share and diluted earnings per share, and basic adjusted earnings per share and diluted adjusted earnings per share

The calculation of diluted earnings per share of 47.9p (2007: 43.5p) is based on profit after tax of £20.1 million (2007: £18.3 million) and on 41,997,908 (2007: 42,054,721) ordinary shares.

The calculation of diluted adjusted earnings per share of 55.7p (2007: 45.4p) is based on profit after tax but before significant items of £23.4 million (2007: £19.1 million) and on 41,997,908 (2007: 42,054,721) ordinary shares.

	Number of shares		Earnings per share		Adjusted earnings per share	
	2008	2007	2008 pence	2007 pence	2008 pence	2007 pence
Basic weighted average number of shares	41,886,616	41,532,930	48.0	44.1	55.9	46.0
Dilutive potential ordinary shares:						
Employee share options	111,292	401,704	(0.1)	(0.4)	(0.2)	(0.4)
Deferred bonus plan	-	120,087	-	(0.2)	-	(0.2)
Diluted weighted average number of shares	41,997,908	42,054,721	47.9	43.5	55.7	45.4

Notes to the Consolidated Accounts continued

13 Property, Plant & Equipment

	Total £m	Land and buildings £m	Plant machinery and vehicles ⁽¹⁾ £m	Equipment fixtures and fittings £m
Cost				
At 1 January 2007	104.1	21.1	67.6	15.4
Currency translation adjustments	3.3	1.3	1.5	0.5
Acquisitions	1.8	0.3	1.2	0.3
Additions	17.3	4.6	11.2	1.5
Disposals	(5.5)	(0.3)	(4.6)	(0.6)
At 31 December 2007	121.0	27.0	76.9	17.1
At 1 January 2008	121.0	27.0	76.9	17.1
Currency translation adjustments	36.2	6.9	25.6	3.7
Acquisitions	0.4	-	0.4	-
Additions	16.4	1.6	12.9	1.9
Disposals	(11.3)	(0.5)	(7.7)	(3.1)
Revaluation surplus/(deficit)	(0.2)	(0.2)	-	-
At 31 December 2008	162.5	34.8	108.1	19.6
Depreciation				
At 1 January 2007	69.0	7.7	50.5	10.8
Currency translation adjustments	2.0	0.5	1.1	0.4
Depreciation charge for the year	9.1	0.9	7.0	1.2
Impairment loss	0.2	-	-	0.2
Disposals	(4.9)	(0.3)	(4.1)	(0.5)
At 31 December 2007	75.4	8.8	54.5	12.1
At 1 January 2008	75.4	8.8	54.5	12.1
Currency translation adjustments	22.2	2.2	17.3	2.7
Depreciation charge for the year	11.6	1.2	8.9	1.5
Disposals	(10.3)	(0.3)	(7.1)	(2.9)
At 31 December 2008	98.9	11.9	73.6	13.4
Carrying amounts				
At 1 January 2007	35.1	13.4	17.1	4.6
At 31 December 2007 and 1 January 2008	45.6	18.2	22.4	5.0
At 31 December 2008	63.6	22.9	34.5	6.2

⁽¹⁾ Plant, machinery and vehicles includes broadcast equipment rental assets with an original cost of £51.1 million (2007: £35.0 million) and accumulated depreciation of £33.5 million (2007: £23.5 million).

Capital commitments at 31 December 2008 for which no provision has been made in the accounts amount to £0.4 million (2007: £0.5 million).

Included in the total net book value of plant, machinery and vehicles is £nil (2007: £0.1 million) in respect of assets held under finance leases. Depreciation for the year on these assets was £0.1 million (2007: £nil).

14 Intangible Assets

	Total £m	Intangible assets £m	Goodwill £m	Capitalised software £m
Cost				
At 1 January 2007	45.3	6.4	31.7	7.2
Currency translation adjustment	(0.1)	(0.2)	(0.2)	0.3
Additions	1.5	-	0.4	1.1
Acquisitions	26.3	14.2	12.1	-
At 31 December 2007	73.0	20.4	44.0	8.6
At 1 January 2008	73.0	20.4	44.0	8.6
Currency translation adjustment	25.5	9.6	13.8	2.1
Additions/(reductions)	(3.0)	0.3	(4.2) ⁽¹⁾	0.9
Acquisitions	12.1	7.3 ⁽²⁾	4.8 ⁽³⁾	-
At 31 December 2008	107.6	37.6	58.4	11.6
Amortisation and impairment losses				
At 1 January 2007	11.2	0.8	6.0	4.4
Currency translation adjustment	-	-	(0.1)	0.1
Amortisation in the year	6.3	5.0	-	1.3
At 31 December 2007	17.5	5.8	5.9	5.8
At 1 January 2008	17.5	5.8	5.9	5.8
Currency translation adjustment	8.1	4.1	2.6	1.4
Impairment charge	2.1	-	2.1 ⁽⁴⁾	-
Amortisation in the year	8.3	7.1	-	1.2
At 31 December 2008	36.0	17.0	10.6	8.4
Carrying amounts				
At 1 January 2007	34.1	5.6	25.7	2.8
At 31 December 2007 and 1 January 2008	55.5	14.6	38.1	2.8
At 31 December 2008	71.6	20.6	47.8	3.2

⁽¹⁾ £4.2 million represents a decrease in goodwill of RF Systems within the Broadcast Systems division arising from a reduction of US\$7.8 million (£4.2 million) in the estimate of contingent consideration.

⁽²⁾ Acquired intangible assets of £7.3 million arose on the acquisition of Litepanels and Talkdynamics. These are amortised using the straight line method over their estimated useful lives (see Note 26).

⁽³⁾ £4.8 million represents goodwill arising on the acquisitions of Litepanels (£4.2 million), Talkdynamics (£0.5 million) and The Camera Store (£0.1 million) in 2008 (see Note 26).

⁽⁴⁾ The annual impairment review of goodwill led to an impairment charge of US\$3.9 million (£2.1 million) to the goodwill of Tomcat Global, in the Imaging & Staging division.

Notes to the Consolidated Accounts continued

14 Intangible Assets continued

Impairment tests for cash-generating units containing goodwill

Goodwill is analysed as follows:

Unit	2008 £m	2007 £m
Imaging	11.8	8.6
Staging (including Tomcat and Brilliant Stages)	5.9	6.3
Broadcast Services	3.9	2.8
Broadcast Systems (excluding RF Systems)	15.5	8.7
RF Systems	10.7	11.7
Total	47.8	38.1

The impairment tests for all the above units are based on value-in-use calculations. These calculations use cash flow projections based on actual operating results and five year projections. These projections incorporate growth rates that are reasonable given the units' business plans. Cash flows thereafter are extrapolated using a 1 to 2% growth rate. These growth rates are considered to be consistent with the long term average growth rates for these industries.

A pre-tax discount rate of 10 to 13% has been used in discounting the project cash flows for all the above units. This compares with a pre-tax discount rate of between 13 and 15% in 2007. The reduction has been caused by the impact of gilt rates and the Vitec share price on the calculation of the discount rate.

Sales growth rates of between 1 and 11% (depending on the unit in question) for the first five years are assumed when calculating cash flow projections. A growth rate in cash flows of 2% is assumed for future years. This approach is consistent with prior years.

Based on this annual impairment review, it was determined that the projected cash flows of Staging could not fully support the carrying value of goodwill on the balance sheet, due to Tomcat and Brilliant Stages. Therefore, a goodwill impairment of £2.1 million has been charged to significant items.

With the exception of this impairment, the excess of discounted cash flows over the carrying value of the units' goodwill and other assets ranged from 7% to over 100%. We performed sensitivity analysis on these cash flows and confirmed that reasonable variations in key assumptions did not result in any goodwill impairment.

15 Fixed Asset Investments

Principal subsidiaries

The Group's principal subsidiaries at 31 December 2008 are listed below. All subsidiaries are 100% owned within the Group.

	Country of incorporation
Vitec Group US Holdings Inc	USA
Vitec Holdings Limited	Guernsey
Vitec Investments Limited	UK*
Broadcast Systems	
ALC Broadcast Limited	UK
Anton/Bauer Inc	USA
Camera Dynamics Limited	UK*
Camera Dynamics Limitada	Costa Rica
Camera Dynamics Inc	USA
Camera Dynamics GmbH & Co KG	Germany
Litepanels Inc	USA
Nucomm Inc	USA
RF Central LLC	USA
Vitec Group Communications LLC	USA
Vitec Group Communications Limited	UK*
Imaging & Staging	
Bogen Imaging Inc	USA
Gitzo SA	France
Vitecgroup Italia SpA	Italy
Kata Vitec I Limited	Israel
Broadcast Services	
Vitec Broadcast Services Inc	USA

* Indicates companies directly owned by the parent Company.

A complete list of subsidiary companies will be included in the next annual return to the Registrar of Companies.

Investment in equity-accounted investee

The Group holds a 29% interest in Media Numerics Ltd, which is accounted for as an equity-accounted investee. Full impairment provision of £1.3 million has been made against this investment because Media Numerics Ltd is insolvent.

	2008 £m	2007 £m
Cost		
At 1 January	1.3	0.7
Additions	-	0.6
At 31 December	1.3	1.3
Provision		
At 1 January	-	-
Additions	1.3	-
At 31 December	1.3	-
Carrying amount		
At 1 January	1.3	0.7
At 31 December	-	1.3

Notes to the Consolidated Accounts continued

16 Deferred Tax Assets and Liabilities

	2008 £m	Recognised in income £m	Recognised on acquisition £m	Exchange movements £m	2007 £m
Assets					
Inventories	3.0	(2.7)	-	(0.5)	6.2
Intangible assets	6.1	0.3	0.2	1.6	4.0
Tax value of loss carry-forwards recognised	3.1	1.8	-	0.1	1.2
Property, plant, equipment & other	5.6	1.5	-	1.8	2.3
	17.8	0.9	0.2	3.0	13.7
Liabilities					
Inventories	-	-	-	-	-
Intangible assets	(0.5)	-	-	(0.1)	(0.4)
Tax value of loss carry-forwards recognised	-	-	-	-	-
Property, plant equipment & other	(1.0)	1.1	-	(0.3)	(1.8)
	(1.5)	1.1	-	(0.4)	(2.2)
Net	16.3	2.0	0.2	2.6	11.5
	2007 £m	Recognised in income £m	Recognised on acquisition £m	Exchange movements £m	2006 £m
Assets					
Inventories	6.2	(0.6)	5.6	-	1.2
Intangible assets	4.0	0.9	1.4	-	1.7
Tax value of loss carry-forwards recognised	1.2	0.9	-	-	0.3
Property, plant, equipment & other	2.3	0.7	0.1	-	1.5
	13.7	1.9	7.1	-	4.7
Liabilities					
Inventories	-	0.1	-	-	(0.1)
Intangible assets	(0.4)	-	-	-	(0.4)
Tax value of loss carry-forwards recognised	-	0.2	-	-	(0.2)
Property, plant equipment & other	(1.8)	(1.8)	-	-	-
	(2.2)	(1.5)	-	-	(0.7)
Net	11.5	0.4	7.1	-	4.0

Included within the intangible deferred tax assets recognised in income in 2008 is a £2.2 million expense relating to the reduction in the expected earn-out for the RF Systems acquisition.

Unrecognised deferred tax assets

	2008 £m	2007 £m
Deferred tax assets have not been recognised in respect of the following items:		
Capital Allowances	0.2	-
Short Term timing differences	-	-
Losses	1.1	5.5
Timing differences on share options	-	-
Timing differences on pension scheme liabilities	0.8	-
Total	2.1	5.5

Deferred tax assets have not been recognised in respect of these items because it is not sufficiently probable that future taxable profit will be generated to utilise the tax losses.

No taxes have been provided for liabilities which may arise on the distribution of unremitted earnings of subsidiaries on the basis of control, except where distributions of such profits are planned. Cumulative unremitted earnings of overseas subsidiaries and associates totalled approximately £66 million at 31 December 2008 (2007: £54 million). It is not practical to calculate the tax which would arise on remittance of these amounts; it would be substantially lower than statutory rates after giving effect to foreign tax credits.

17 Inventories

	2008 £m	2007 £m
Raw materials and components	17.4	13.7
Work in progress	12.1	10.4
Finished goods	46.9	41.5
	76.4	65.6
Provisions against inventory obsolescence		
Balance at 1 January	12.0	7.5
On acquisitions	-	2.3
Increased during the period	5.8	3.7
Utilised during the period	(3.0)	(1.5)
Currency translation adjustments	3.2	-
Balance at 31 December	18.0	12.0

The provision for inventory obsolescence as at 31 December 2008 was £18.0 million (2007: £12.0 million). Management believe that this provision is adequate to cover the risk of inventory obsolescence.

18 Trade and Other Receivables

	2008 £m	2007 £m
Short term receivables		
Trade receivables	46.6	40.1
Amounts recoverable on long term contracts	-	0.6
Other receivables	10.8	7.7
Prepayments and accrued income	2.8	1.6
	60.2	50.0
Long term receivables		
Other receivables	1.2	0.7
	1.2	0.7
Total receivables	61.4	50.7

	2008 £m	2007 £m
Gross trade receivables - days overdue⁽¹⁾		
Current	32.2	25.6
1-30 days	9.1	8.6
31-60 days	3.5	3.6
61-90 days	1.8	1.5
Over 90 days	4.2	3.8
Gross trade receivables	50.8	43.1

⁽¹⁾ Days overdue are measured from the date an invoice was due to be paid.

Notes to the Consolidated Accounts continued

18 Trade and Other Receivables continued

	2008 £m	2007 £m
Provisions against trade receivables		
Balance at 1 January	3.0	2.4
Increased during the period	4.2	3.3
Reversed during the period	(0.1)	(0.3)
Utilised during the period	(3.7)	(2.4)
Currency translation adjustments	0.8	-
Balance at 31 December	4.2	3.0

The trade receivables impairment provision as at 31 December 2008 was £4.2 million (2007: £3.0 million) consisting of £2.9 million (2007: £1.9 million) for bad debts and £1.3 million (2007: £1.1 million) for sales returns and discounts. Management believe that this provision is adequate to cover the risk of bad debts and any exposure to credit risk.

19 Financial Instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates only.

Credit Risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Transactions involving derivative financial instruments are with only banks that are part of the Group's £125 million Multicurrency Revolving Credit Facility Agreement. Therefore management does not expect any of the counterparties to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Interest Rate Risk

All the Group's borrowings and investments are at floating rates with the exception of the £3.0 million mortgage on the Anton/Bauer property. Management currently believes that the benefits of fixing a proportion of its interest costs are outweighed by the costs. Other monetary assets are not considered to be exposed to interest rate risk.

Foreign Currency Risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the business unit. The currencies giving rise to this risk are primarily US\$, Euros and Japanese Yen.

The Group aims to hedge 75% of its forecasted foreign currency exposure in respect of forecasted sales and purchases for the following 12 months. The Group uses forward exchange contracts (forwards), simple options and cylinders (a combination of two offsetting simple options at different rates) to hedge its foreign currency risk. All these contracts have maturities of less than one year at the balance sheet date.

In respect of other monetary assets and liabilities held in currencies other than Sterling, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short term imbalances.

Recognised Assets and Liabilities

Changes in the fair value of derivatives that economically hedge monetary assets and liabilities in foreign currencies and for which no hedge accounting is applied are recognised in the income statement. The changes in the fair value of the derivatives and any foreign exchange gains and losses relating to the monetary assets and liabilities are recognised as part of Cost of sales.

Hedge of net investment in foreign subsidiary

The Group's US\$ and Euro loans, certain inter-company loans and forward contracts are designated as a hedge of the Group's investment in subsidiaries overseas. Inter-company loans for which payment is not planned in the foreseeable future are classified as net investments and so any gain or loss on exchange is taken to reserves.

Sensitivity Analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings.

For the year ended 31 December 2008, it is estimated that a general increase of one percentage point in interest rates, increasing the Group's weighted average cost of borrowing to 5.0%, would decrease the Group's profit before tax by approximately £0.7 million. This reflects increased interest costs on the Group's borrowings.

Correspondingly it is estimated that a general decrease of one percentage point in interest rates, decreasing the Group's weighted average cost of borrowing to 3.0%, would increase the Group's profit before tax by approximately £0.7 million. This reflects the decreased interest costs on the Group's borrowings.

It is also estimated that a one percentage point stronger US Dollar against Pound Sterling and Euro (i.e. 1.85 cents and 1.3 cents respectively) would have increased the Group's operating profit before significant items for the year ended 31 December 2008 by approximately £0.3 million and that a one percentage point weaker US Dollar against Pound Sterling and Euro (i.e. 1.85 cents and 1.3 cents respectively) would have decreased the Group's operating profit before significant items for the year ended 31 December 2008 by approximately £0.3 million.

Fair Value

The fair values together with the carrying amounts shown in the balance sheet are as follows:

a) Fair value of financial assets and liabilities

	2008 Fair value and book value £m	2007 Fair value and book value £m
Forward exchange contracts - Assets	0.7	0.2
Forward exchange contracts - Liabilities	(6.1)	(0.5)
Option exchange contracts - Assets	-	1.0
Option exchange contracts - Liabilities	(1.3)	-
Cash at bank and in hand	14.9	8.4
Trade receivables	46.6	40.1
Trade payables	(28.5)	(22.9)
Finance leases	-	(0.1)
Bank overdraft	-	(1.1)
Other borrowings	(3.0)	(2.3)
Floating rate borrowings ⁽¹⁾	(64.9)	(43.4)
	(41.6)	(20.6)

Market rates have been used to determine fair values.

⁽¹⁾ Floating rate borrowings in currencies other than Pound Sterling are used for the purpose of net investment hedging.

Estimation of Fair Values

Derivatives

Forwards are marked to market by calculating the contractual forward price and deducting the current spot rate. Options and cylinders are marked to market by obtaining quotes from banks of their market value as at 31 December.

Notes to the Consolidated Accounts continued

19 Financial Instruments continued

(i) Maturity profile of derivatives

All derivatives mature within the next 12 months.

	Total 2008 £m	Within less than six months £m	Within six months to one year £m
Forward exchange contracts - Assets	0.7	0.7	-
Forward exchange contracts - Liabilities	(6.1)	(4.1)	(2.0)
Option exchange contracts - Liabilities	(1.3)	(0.5)	(0.8)
	(6.7)	(3.9)	(2.8)

	2007 £m	£m	£m
Forward exchange contracts - Assets	0.2	0.2	-
Forward exchange contracts - Liabilities	(0.5)	(0.2)	(0.3)
Option exchange contracts - Assets	1.0	0.7	0.3
	0.7	0.7	-

The Group had the following option and forward exchange contracts in place at the balance sheet date:

	Millions	2008 Average exchange rate of	Millions	2007 Average exchange rate of
US\$/Euro option exchange contracts US\$	39.0	1.45	30.1	1.40
US\$/GBP option exchange contracts US\$	12.5	1.94	4.9	2.03
US\$/GBP forward exchange contracts US\$	23.3	1.74	28.7	1.98
US\$/Euro forward exchange contracts US\$	10.0	1.26	-	-
Euro/GBP forward exchange contracts Euro	9.7	1.27	10.8	1.43
Yen/GBP forward exchange contracts Yen	415	187	310	222
Yen/Euro forward exchange contracts Yen	472	150	105	158

The charge to the income statement, reflecting the fall in value of option contracts that cannot be taken to reserves, was £1.1 million (2007: £0.4 million). During the period the amount debited to reserves was £6.6 million.

Interest bearing loans and borrowings All interest bearing loans and borrowings, with the exception of the mortgage on the Anton/Bauer building, are at floating rates. Therefore, the fair value of these loans and borrowings is their carrying value.

Trade and other receivables/payables For trade receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other trade receivables and payables are discounted to determine the fair value.

b) Financial liabilities

i) Analysis of borrowings

	2008 £m	2007 £m
Other borrowings ⁽¹⁾	3.0	2.3
Obligations under finance leases	-	0.1
Overdrafts	-	1.1
Bank loans	64.9	43.4
Total borrowings	67.9	46.9
Option exchange contracts	1.3	-
Forward exchange contracts	6.1	0.5
Gross financial liabilities	75.3	47.4

⁽¹⁾ Other borrowings consist of a mortgage on the property occupied by Anton/Bauer in Shelton, Connecticut. This mortgage is at a fixed interest rate of 8.3% and is secured by a charge on the property.

ii) Maturity profile

	2008 £m	2007 £m
Within one year or less	3.0	1.1
More than one year but not more than two years	-	2.4
More than two years but not more than five years	64.9	43.4
	67.9	46.9

On 8 August 2008 the Group signed a five year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate of six UK and European banks. During the year the weighted average cost of borrowing was 4.0% (2007: 6.1%).

The total amount of bank loans and overdrafts any part of which falls due after five years is £nil (2007: £nil).

The Group had the following undrawn borrowing facilities at the end of the period:

	2008 £m	2007 £m
Expiring in one year or less		
- uncommitted facilities	15.0	13.9
More than two years but not more than five years		
- committed facilities	60.1	56.6
Total	75.1	70.5

iii) Interest rate profile

Currency	Total £m	Floating rate borrowings £m	Fixed rate borrowings £m
Yen	3.1	3.1	-
US\$	29.4	26.4	3.0
Euro	18.4	18.4	-
Sterling	17.0	17.0	-
At 31 December 2008	67.9	64.9	3.0
Yen	1.3	1.3	-
US\$	30.4	28.1	2.3
Euro	14.0	14.0	-
Sterling	1.1	1.1	-
At 31 December 2007	46.8	44.5	2.3

The floating rate borrowings comprise bank loans and overdrafts bearing interest at rates based on LIBOR. The fixed rate borrowings consist of the mortgage on the Anton/Bauer property in Shelton, Connecticut.

Notes to the Consolidated Accounts continued

19 Financial Instruments continued

c) Financial assets	Floating rate	Floating rate
	2008 £m	2007 £m
Currency		
US\$	6.5	4.7
Euro	5.4	3.1
Sterling	1.6	-
Other	1.4	0.6
Total cash balances	14.9	8.4
Forward exchange contracts	0.7	0.2
Option exchange contracts	-	1.0
Gross financial assets	15.6	9.6

The floating rate financial assets comprise bank balances bearing interest at local bank rates.

Sterling, US\$, Euro and Yen balances within the UK can be offset.

The forward and option exchange contracts all mature within 12 months.

The Group holds cash in a number of major financial institutions worldwide and periodically reviews their credit worthiness to ensure the Group is not exposed to counter party risk.

20 Current Tax

The current net tax liability of £8.9 million (2007: £8.1 million) represents the amount of income taxes payable in respect of current and prior periods.

21 Cash and Cash Equivalents

	2008 £m	2007 £m
Cash and cash equivalents	14.9	8.4
Bank overdrafts	-	(1.1)
Cash and cash equivalents in the cash flow statement	14.9	7.3

22 Reconciliation of Decrease in Cash and Cash Equivalents to Movement in Net Debt⁽¹⁾

	2008 £m	2007 £m
Increase/(decrease) in cash and cash equivalents	3.4	(1.6)
Loan acquired on acquisition of businesses	-	(4.3)
Net borrowing of loans	(4.1)	(13.5)
Increase in net debt resulting from cash flows	(0.7)	(19.4)
Exchange on cash movements	4.2	1.4
Exchange on loan movements	(18.1)	(1.5)
Exchange rate movements	(13.9)	(0.1)
Movements in net debt in the period	(14.6)	(19.5)
Net debt at 1 January	(38.4)	(18.9)
Net debt at 31 December	(53.0)	(38.4)

Exchange rate movements result from the adjustment of opening balances and cash flows in the year to closing exchange rates.

⁽¹⁾ Net debt constitutes cash and cash equivalents, bank overdrafts and bank loans and other borrowings.

23 Trade and Other Payables

	2008 £m	2007 £m
Current trade and other payables		
Obligations under finance leases	-	0.1
Payments received on account	5.6	3.2
Trade payables	28.5	22.9
Other tax and social security costs	4.6	3.5
Other payables	10.9	8.4
Advanced payments received, accruals and deferred income ⁽¹⁾	21.9	36.3
	71.5	74.4
Non current trade and other payables		
Accruals and deferred income	0.1	0.1
	0.1	0.1

⁽¹⁾ £9.1 million (2007: £26.2 million) of advanced payments received relate to RF Systems, which is part of the Broadcast Systems division.

24 Provisions

	Total £m	Restructuring £m	Warranty £m	Contingent consideration on acquisition of subsidiaries £m	Other £m
At 1 January 2008	9.8	0.4	1.4	7.7	0.3
Provisions created during the year	0.7	0.7	-	-	-
Provisions reversed during the year	(4.2)	-	-	(4.2)	-
Provisions utilised during the year	(3.4)	(0.6)	(0.5)	(2.1)	(0.2)
Charged to the income statement	0.9	0.4	0.5	-	-
Acquisition of subsidiary undertaking	3.7	-	-	3.7	-
Currency translation adjustments	2.3	0.3	0.3	1.7	-
At 31 December 2008	9.8	1.2	1.7	6.8	0.1
Non-current	5.7	-	-	5.7	-
Current	4.1	1.2	1.7	1.1	0.1
	9.8	1.2	1.7	6.8	0.1

The contingent consideration on acquisition of subsidiaries of £6.8 million relates to the following acquisitions:

- **Kata** - As at 31 December 2007, management's estimate of the realistic likely payout was US\$1.9 million (£0.9 million). Effects of translation increased the provision by £0.1 million, and a payment of £1.0 million was made in 2008. As at 31 December 2008, no further consideration is payable.
- **Autoscript** - As at 31 December 2008, the contingent consideration payable is £1.0 million.
- **RF Systems** - The maximum potential contingent consideration payable is US\$37.3 million (£25.9 million), conditional on the achievement of profitability targets for 2008, 2009 and 2010. As at 31 December 2007, management's estimate of the likely payout was US\$9.3 million (£4.7 million). In 2008, this estimate was reduced by US\$7.8 million (£4.2 million). Effects of translation increased the provision by £0.5 million. Management's estimate at 31 December 2008 of a likely payout is US\$1.5 million (£1.0 million).
- **Staging SK** - As at 31 December 2008, the contingent consideration payable is £0.1 million.
- **Litepanels** - The maximum potential contingent consideration payable is US\$50.0 million (£34.8 million), conditional on the achievement of profitability targets in 2008 to 2011. Management's estimate at 31 December 2008 of a realistic actual payout is US\$6.3 million (£4.3 million).

Notes to the Consolidated Accounts continued

24 Provisions continued

- **Clear Com Research Inc (Talkdynamics)** - The maximum potential contingent consideration payable is C\$0.7 million, conditional on the achievement of profitability targets in 2008 and 2011. Management's estimate at 31 December 2008 of a realistic actual payout is C\$0.7 million (£0.4 million).

The remaining provisions comprise warranty provisions of £1.7 million (2007: £1.4 million), other provision for the early termination of property lease of £0.1 million (2007: £0.3 million), and the provision for restructuring of £1.2 million (2007: £0.4 million). The warranty provision is calculated based on the sale of products under warranty and is consistent with previous years. The provision is expected to be utilised over the warranty period (up to five years). Management are confident that these provisions are adequate to cover the risk of warranty claims against the Group. The restructuring and early termination of property lease provision will be utilised during 2009.

25 Capital and Reserves

	Share Capital £m	Share Premium £m	Translation reserve £m	Capital Redemption reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total Equity £m
At 1 January 2007	8.2	3.2	(7.5)	1.6	1.3	70.0	76.8
Total recognised income for the year	-	-	1.7	-	(1.0)	20.8	21.5
Dividends paid	-	-	-	-	-	(7.0)	(7.0)
Own shares	-	-	-	-	-	1.3	1.3
Equity-settled transactions, net of tax	-	-	-	-	-	0.7	0.7
Premium on new shares issued	0.2	3.8	-	-	-	-	4.0
At 31 December 2007	8.4	7.0	(5.8)	1.6	0.3	85.8	97.3
At 1 January 2008	8.4	7.0	(5.8)	1.6	0.3	85.8	97.3
Total recognised income for the year	-	-	28.1	-	(4.0)	18.1	42.2
Dividends paid	-	-	-	-	-	(7.7)	(7.7)
Own shares	-	-	-	-	-	0.2	0.2
Equity-settled transactions, net of tax	-	-	-	-	-	0.8	0.8
Purchase of treasury shares	-	(0.7)	-	-	-	-	(0.7)
New shares issued	0.1	1.2	-	-	-	-	1.3
At 31 December 2008	8.5	7.5	22.3	1.6	(3.7)	97.2	133.4

Translation reserve

The translation reserve comprises all currency translation differences arising from the translation of the financial statements of foreign operations, as well as from the translation of monetary items designated as foreign net investments and hedges of net investment in foreign subsidiaries.

Capital redemption reserve

This reserve was created in 1999 when the Company purchased, and subsequently cancelled, 885,000 ordinary shares.

Cash flow hedging reserve

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

During the year, the £0.3 million relating to derivatives in cash flow hedging relationships was released to the income statement in Cost of sales. Also, further derivatives were acquired for cash flow hedging relationships which were valued at £3.7 million at the end of the year. The total movement in the cash flow hedging reserve during the year was therefore £4.0 million.

Own shares

Own shares held are recognised as a deduction from retained earnings.

In 2002 the Company purchased 142,857 own shares, representing 0.3% (2006: 0.3%) of the called up share capital of the Company at an average price of 314.26p per share in connection with a share option made to the Chief Executive.

In 2006 the Company purchased 189,210 own shares, representing 0.4% of the called up share capital of the Company at an average price of 482.8p per share in connection with share incentive awards made by the Company in previous years. In 2007, certain senior employees exercised their share options over 299,744 shares at an average price of 420.7p, resulting in 299,744 shares purchased in previous years, being transferred to them.

During 2008, the remaining own shares of £0.2 million were transferred to certain senior employees who exercised their share options. At the end of the year, there are no own shares held in trust.

Treasury shares

During the year, the Company acquired 150,000 Ordinary shares of 20p each to be held as treasury shares. 100,000 of these shares were acquired at 452p and 50,000 at 453p.

Dividends

After the balance sheet date the following dividend was recommended by the directors. The dividend has not been provided for at the year end and there are no tax consequences.

	2008 £m	2007 £m
10.9p per share (2007: 10.9p)	4.6	4.5

The authorised share capital at 31 December 2008 consisted of 65,000,000 (2007: 65,000,000) Ordinary shares of 20p each, of which 42,373,056 were allotted and fully paid. The movement during the year was:

	Shares	Issued share capital £m
At 1 January 2008	42,044,845	8.4
Exercise of share options	478,211	0.1
Purchase of treasury shares	(150,000)	(0.0)
At 31 December 2008	42,373,056	8.5

At 31 December 2008 the following options had been granted and remained outstanding under the Company's share option schemes:

	Number of shares	Exercise prices	Dates normally exercisable
United Kingdom SAYE schemes	167,790	268p-491p	2009-2015
International SAYE schemes	183,737	290p-522p	2009-2013
Executive schemes	719,773	298p-549p	2009-2018
	1,071,300		

On 12 March 2008, awards over an aggregate of 498,178 shares in the Company were made to 82 senior Group executives under the Company's 2005 Long Term Incentive Plan. The total number of shares outstanding at 31 December 2008 under the Company's 2005 Long Term Incentive Plan was 936,428, taking into account the lapsing of the awards granted in 2006 because the performance condition was not met. This assumes that achievement of the performance condition for the awards granted in 2007 and 2008 will be fully satisfied to show the maximum number of awards that could possibly vest (2007: 1,209,429). The terms of the awards and the related performance conditions are described in the Remuneration Report.

On 14 April 2008, Core awards over an aggregate of 24,280 shares in the Company were made to five senior Group executives under the Company's 2005 Deferred Bonus Plan (any Matching Awards, up to a maximum of 100% of the Core awards, will be calculated on vesting). The total number of Core awards outstanding at 31 December 2008 under the Company's 2005 Deferred Bonus Plan was 52,191 (2007: 159,937). The terms of the awards and the related performance conditions are described in the Remuneration Report.

Notes to the Consolidated Accounts continued

26 Acquisitions of Businesses

Due to the complexity of the pre-acquisition structures of certain businesses, management consider that it is impracticable to disclose the results of the combined entity as though all the acquisitions were effected at 1 January 2008.

Litepanels On 21 August 2008 the Group acquired the business and assets of Litepanels Inc and Litepanels LLC (together Litepanels), the leading manufacturer of light-emitting diode (LED) based lights for the television, broadcast, video and film industries. The cash consideration including acquisition expenses amounted to US\$15.3 million (£8.2 million) and there is an estimated contingent consideration of US\$6.3 million (£3.4 million) conditional upon future profitability targets. Based on an assessment of the fair values of the tangible and intangible assets, goodwill of £4.2 million arose on acquisition.

As part of the fair value exercise, intangible fixed assets comprising brand name (£0.5 million), patents (£3.7 million) and customer relationships (£2.4 million) were identified.

	Book value £m	Provisional fair value adjustments £m	As adjusted £m
Net assets acquired			
Intangible assets	-	6.6	6.6
Property plant & equipment	0.1	-	0.1
Inventories	0.3	0.1	0.4
Trade and other receivables	0.6	-	0.6
Trade and other payables	(0.3)	-	(0.3)
	0.7	6.7	7.4
Purchased goodwill			4.2
Total purchase consideration, including expenses and contingent consideration			11.6
			£m
Net outflow of cash in respect of acquisitions			
Total purchase consideration, including expenses			11.6
Contingent consideration			(3.4)
Total outflow of cash from Group			8.2

The results of Litepanels have been included in the Broadcast Systems division and comprise:

	£m
External revenue	1.7
Inter-segment revenue	-
Total revenue	1.7
Cost of sales	(0.7)
Operating expenses	(0.5)
Operating profit	0.5

The Camera Store On 1 September 2008 Camera Dynamics Ltd acquired the net assets of The Camera Store, one of UK'S leading broadcast camera mounting equipment hire companies. The cash consideration including acquisition expenses amounted to £0.4 million. Based on an assessment of the fair values of the tangible assets, goodwill of £0.1 million arose on acquisition.

No intangible assets were identified as part of the fair value exercise.

	Book value £m	Provisional fair value adjustments £m	As adjusted £m
Net assets acquired			
Property plant & equipment	0.3	-	0.3
	0.3	-	0.3
Purchased goodwill			0.1
Total purchase consideration, including expenses and contingent consideration			0.4
			£m
Total outflow of cash from Group			0.4

The results of The Camera Store have been included in the Broadcast Systems division and comprise:

	£m
External revenue	0.2
Inter-segment revenue	-
Total revenue	0.2
Cost of sales	-
Operating expenses	(0.2)
Operating profit	-

Notes to the Consolidated Accounts continued

26 Acquisitions of Businesses continued

Talkdynamics On 10 October 2008 Clear Com Research Inc acquired certain assets (including intellectual property) of Talkdynamics Technologies Inc. (Talkdynamics), a software development company based in Montreal, Canada. Talkdynamics is an existing supplier to Vitec Group Communications of Voice over Internet Protocol (VoIP) software. The cash consideration including acquisition expenses amounted to C\$2.3 million (£1.1 million) and there is an estimated contingent consideration of C\$0.7 million (£0.3 million) conditional upon achievement of future development targets. Based on an assessment of the fair values of the tangible and intangible assets, goodwill of £0.5 million arose on acquisition.

As part of the fair value exercise, intangible fixed assets comprising brand technology (£0.7 million) were identified.

	Book value £m	Provisional fair value adjustments £m	As adjusted £m
Net assets acquired			
Intangible assets	-	0.7	0.7
Deferred tax on intangible assets	-	0.2	0.2
	-	0.9	0.9
Purchased goodwill			0.5
Total purchase consideration, including expenses and contingent consideration			1.4

	£m
Net outflow of cash in respect of acquisitions	
Total purchase consideration, including expenses	1.4
Contingent consideration	(0.3)
Total outflow of cash from Group	1.1

The results of Clear Com Research Inc have been included in the Broadcast Systems division and comprise:

	£m
External revenue	-
Inter-segment revenue	-
Total revenue	-
Cost of sales	-
Operating expenses	(0.1)
Operating loss	(0.1)

The table below provides an analysis of total outflow of cash from the Group, net of cash acquired, in respect of acquisitions.

	Total £m	Litepanels £m	The Camera Store £m	Talkdynamics £m	Autoscript £m	Staging SK £m	Kata £m
Net Assets acquired							
Intangible assets	7.3	6.6	-	0.7	-	-	-
Deferred tax	0.2	-	-	0.2	-	-	-
Property plant & equipment	0.4	0.1	0.3	-	-	-	-
Inventories	0.4	0.4	-	-	-	-	-
Trade and other Receivables	0.6	0.6	-	-	-	-	-
Trade and other Payables	(0.3)	(0.3)	-	-	-	-	-
	8.6	7.4	0.3	0.9	-	-	-
Purchased goodwill	4.8	4.2	0.1	0.5	-	-	-
Total purchase consideration, including expenses and contingent consideration	13.4	11.6	0.4	1.4	-	-	-
Net outflow of cash in respect of acquisitions							
Total purchase consideration	13.4	11.6	0.4	1.4	-	-	-
Consideration paid for previous acquisitions, conditional upon achievement of sales and profitability targets	2.1	-	-	-	1.0	0.1	1.0
Contingent consideration payable on current year acquisitions	(3.7)	(3.4)	-	(0.3)	-	-	-
Total outflow of cash from Group, net of cash acquired	11.8	8.2	0.4	1.1	1.0	0.1	1.0

27 Operating Leases

Gross leasing commitments	Land and buildings £m	Other £m	Total 2008 £m	2007 ⁽¹⁾ £m
Expiring within one year	0.9	0.1	1.0	0.9
Expiring two to five years	6.8	0.8	7.6	5.9
Expiring after five years	9.6	-	9.6	5.5
	17.3	0.9	18.2	12.3

⁽¹⁾ Leasing commitments at 31 December 2007 comprised £11.7 million of land and buildings and £0.6 million of other commitments.

Leasing income	2008 £m	2007 £m
Expiring within one year	0.1	-
Expiring two to five years	0.7	0.7
Expiring after five years	-	-
	0.8	0.7

The Group leases a number of office, warehouse and factory facilities under operating leases. None of the leases include contingent rentals.

During the year ended 31 December 2008, £5.1 million (2007: £4.3 million) was recognised as an expense in respect of operating leases and £0.2 million (2007: £0.3 million) was recognised as income in respect of subleases in the income statement.

Notes to the Consolidated Accounts continued

28 Employee Benefits

28a Share Based Payments

Group employees participate in a number of employee incentive schemes including a sharesave plan, an unapproved share option plan, a long term incentive plan and a deferred bonus plan. The recognition and measurement principles in IFRS 2 have not been applied to awards granted before 7 November 2002 in accordance with the transitional provisions in IFRS 1 and IFRS 2.

Share option plans

The share option plans currently operated by the Group are:

2002 Sharesave and International Sharesave Plan (SAYE)

This is a share option plan. Employees can elect at the outset to save a fixed amount per month into the Sharesave Plan. The vesting period is either three, five or seven years. At the vesting date, the employees have the option to use the savings to purchase shares at a discount to the share price (determined at the date of grant). The option expires six months after vesting.

2002 Unapproved Share Option Plan (USOP)

The USOP is a share option plan. Options are granted with a vesting period of three years. There is an Earnings Per Share (EPS) performance condition attached to the awards. If this performance condition is met, exercise is possible after the third anniversary of date of grant but before the tenth anniversary.

For awards granted prior to 2005, 100% of awards vest if the EPS growth over three years increases by more than cumulative RPI + 9.30%. If the EPS growth is lower than this, but more than cumulative RPI + 3.03%, then between 33.3% and 100% of the awards will vest. If the EPS growth is less than cumulative RPI + 3.03%, then no awards will vest.

For awards granted in 2005, 100% of the awards vest if the EPS growth over three years increases by more than cumulative RPI + 12%. If the EPS growth is lower than this, but more than cumulative RPI + 6%, then between 33% and 100% of the awards will vest. If the EPS growth is less than cumulative RPI + 6%, no awards will vest.

For awards granted in 2008 the performance condition was revised and is now RPI + 9% for minimum vesting and RPI + 30% for full vesting. A sliding scale operates for performance between the lower and upper thresholds.

Awards are settled with shares.

Share award plans

2005 Long Term Incentive Plan (2005 LTIP)

The 2005 LTIP are also subject to performance conditions but these conditions are market related, based on the Total Shareholder Return (TSR) of the Company over a three year period compared to the TSR of comparator companies over a similar period. At the end of the performance period, the TSR of the Company and the comparator companies shall be calculated and ranked from highest to lowest. All awards will vest if the Company's TSR growth is in or above the 20th percentile. If the Company's TSR performance lies between the 50th and 20th percentile, between 35% and 100% of the awards will vest, below the 50th percentile no awards will vest. For the 2008 awards, the performance period commenced on 1 January 2008. Employees are entitled to dividends on the awarded shares that are paid over the performance period - these are paid in the form of shares at the vesting date.

Awards are settled with shares.

2005 Deferred Bonus Plan (DBP)

Under the 2005 DBP, employees can exchange up to 100% of their annual bonus in a financial period for shares of the same value. These awards will vest three years after the date of grant (or immediately if the employee leaves the Company). Awards, in any form other than an option, can be exercised within a period of one year (or an alternative period as determined by the Company for leavers).

The employee may also receive matching shares at the end of the vesting period. The number of matching shares is dependent on the outcome of a market performance condition. At the end of the performance period, the TSR of the Company and the Comparator Companies shall be calculated and ranked from highest to lowest. Awards will be matched at one share for every one share if the Company's TSR growth is in the top 20%. Awards will be matched at one share for every three shares at

median performance. No awards will vest if the Company's TSR performance is below the median. Where the Company's TSR growth is between the median and the 20th percentile, awards will vest on a straight line basis between 33.3% and 100%. For the 2008 awards, the performance period commences on 1 January 2008.

The amounts recognised in the income statement for share based payment transactions with employees for the year ended 31 December 2008 was £1.6 million (2007: £1.7 million), of this £1.7 million (2007: £1.4 million) related to equity settled share based payment transactions. The residual £(0.1) million related to cash settled share based payment transactions.

The outstanding liability recognised in the balance sheet for cash settled UK awards as at 31 December 2008 was £0.1 million (2007: £0.3 million).

The total intrinsic value as at 31 December 2008 for cash settled awards which had vested by this date was £0.1 million.

Options outstanding under the 2002 Sharesave Plan and Unapproved Share Option Plan as at 31 December 2008, together with their exercise prices and vesting periods, are as follows:

Range of exercise prices £	Number outstanding	Weighted average exercise price (£)	Weighted average remaining contractual life
£2.61 - £2.80	25,022	2.73	3.87
£2.81 - £3.00	375,174	2.99	6.05
£3.01 - £4.00	196,440	3.53	3.66
£4.01 - £4.50	51,932	4.16	4.03
£4.51 - £5.00	32,836	4.91	2.81
£5.01 - £5.50	389,896	5.17	5.69
Total	1,071,300	3.99	5.23

Options granted, exercised and lapsed during the years ended 31 December 2008 and 2007 under these share options plans were as follows:

	Sharesave	Weighted average exercise price (£)	USOP	Weighted average exercise price (£)
Awards at 31/12/2006	373,507	2.95	1,214,944	4.05
Exercised during 2007	29,107	2.93	395,047	4.49
Lapsed during 2007	7,105	3.76	205,019	4.16
Granted during 2007	122,276	5.07	0	-
Awards at 31/12/2007	459,571	3.51	614,878	3.73
Exercised during 2008	190,146	2.58	36,333	3.00
Lapsed during 2008	111,425	4.08	107,772	4.94
Granted during 2008	193,527	3.53	249,000	5.12
Awards at 31/12/2008	351,527	3.84	719,773	4.07
Awards exercisable at 31/12/2008	58,755	2.84	450,202	3.43

The weighted average share price at the date of exercise for share options exercised during the year was £4.47 (2007: £5.88).

Notes to the Consolidated Accounts continued

28a Share Based Payments continued

Arrangement	2002 UK and International Sharesave Plan 3 Year	2002 UK and International Sharesave Plan 5 Year	2002 UK and International Sharesave Plan 7 Year	2002 Unapproved Share Option Plan	2005 Long Term Incentive Plan	2005 Deferred Bonus Plan
Nature of Arrangement	Save as you earn scheme	Save as you earn scheme	Save as you earn scheme	Share option plan	Share option plan	Share option plan
Date of Grant	02 May 2008	02 May 2008	02 May 2008	12 March 2008	12 March 2008	14 April 2008
Number of Instruments granted	151,229	41,996	302	249,000	498,178	24,280 Basic/ 24,280 Matching
Exercise Price	£3.46/£3.67 ⁽¹⁾	£3.46/£3.67 ⁽¹⁾	£3.46	£5.12	n/a	n/a
Share price at date of grant	£4.60	£4.60	£4.60	£5.07	£5.07	£4.35
Contractual Life (yrs)	3.5	5.5	7.5	10	4	4
Expected Option Life (yrs)	3.25	5.25	7.25	3.5	4	4
Vesting conditions	3 year service period and savings requirement	5 year service period and savings requirement	7 year service period and savings requirement	EPS growth relative to RPI and 3 year service period	Relative TSR performance against comparator group and 3 year service period	3 year service period and relative TSR performance for matching awards
Settlement	Shares	Shares	Shares	Shares	Shares	Shares
Expected Volatility ⁽²⁾	31.1%	28.0%	31.3%	30.6%	30.6%	30.6%
Risk free interest rate	4.50%	4.60%	4.70%	4.50%	n/a	n/a
Expected Dividend Yield	3.50%	3.50%	3.50%	3.50%	n/a	n/a
Expected departures (per annum from grant date)	5%	5%	5%	5%	5%	0%
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	100%	n/a	n/a
Fair value per granted instrument determined at the grant date	£1.45/£1.34 ⁽¹⁾	£1.48/£1.38 ⁽¹⁾	£1.62	£1.04	£1.43	£4.35/£1.23 ⁽³⁾
Valuation Model	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Monte Carlo	Monte Carlo ⁽⁴⁾

⁽¹⁾ For the Sharesave 3 Year and 5 Year awards, the exercise price for awards made to US employees was different from those granted to European employees. The first figure represents options granted to European employees while the second figure relates to options granted to employees in the US.

⁽²⁾ The expected volatility is based on historical volatility determined by the analysis of daily share price over a period commensurate with the expected lifetime of the award and ending on the date of grant of the award.

⁽³⁾ Represents fair value for basic and matched award respectively.

⁽⁴⁾ For the LTIP 2005 and DBP matched award, a Monte Carlo simulation has been used. Under this valuation method, the share price for Vitec is projected to the end of the performance period as is the Total Shareholder Return for Vitec and the companies in the comparator group. Based on these projections, the number of awards that will vest is determined. Thousands of simulations are run and the fair value of the award is calculated as the product of the vesting probability and the share price at the date of grant.

28b Post Employment Obligations

Defined benefit plans – pensions and other post-retirement plan disclosures

Amounts recognised on the Group balance sheet	2008 £m	2007 £m
Plan assets		
Equities	21.9	29.5
Bonds	8.8	11.3
Other	4.1	3.6
Total fair value of plan assets	34.8	44.4
Present value of defined benefit obligation	(40.7)	(47.2)
Net (deficit) recognised in the Group balance sheet	(5.9)	(2.8)

Analysis of net recognised deficit

UK pension fund	(0.4)	1.2
Total funded plans	(0.4)	1.2
Italian pension scheme	(3.4)	(2.8)
Other unfunded plans	(2.1)	(1.2)
Total unfunded plans	(5.5)	(4.0)
Liability recognised on the Group balance sheet	(5.9)	(2.8)

Amounts recognised in the Group Income statement

Amounts in net operating costs

Current service costs – defined benefit schemes	2.8	2.2
Employers' pension costs – defined contribution schemes	0.8	0.6
	3.6	2.8

Amounts in net financial expense

Expected return on plan assets	(3.1)	(2.9)
Interest cost	2.5	2.3
	(0.6)	(0.6)

Total amounts charged to the income statement

	3.0	2.2
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Movements since 2004 on defined benefit schemes

	2008	2007	2006	2005	2004
Plan assets	34.8	44.4	42.5	38.9	30.7
Defined benefit obligation	(40.7)	(47.2)	(47.5)	(46.4)	(40.4)
Total deficit	(5.9)	(2.8)	(5.0)	(7.5)	(9.7)
Net actuarial gain/(loss)	(1.8)	2.5	2.2	0.5	(0.6)

Notes to the Consolidated Accounts continued

28b Post Employment Obligations continued

UK pension scheme

At the end of 2003 the Group closed both of its UK defined benefit schemes to new members. Since 2004 a Group personal pension plan has been made available for new employees with Standard Life. In November 2005 the defined benefit schemes were merged. As at 31 December 2008 the number of active members in the merged scheme was 10% lower at 158 (2007: 176). Total scheme members were 643 (2007: 655).

The nature of the scheme is a funded final salary scheme, closed to new entrants.

i) Assumptions used to determine defined benefit obligation	31 December	31 December	31 December	31 December
	2008	2007	2006	2005
	% pa	% pa	% pa	% pa
Inflation rate	2.8	3.3	3.0	2.8
Expected rate of salary increases ⁽¹⁾	4.3	5.3	5.0	4.8
Rate of increase of pensions in payment ⁽²⁾				
- pre-1 August 2008 accruals in excess of GMP	2.8	3.3	3.0	2.8
- post-31 July 2008 accruals	2.5	n/a	n/a	n/a
Rate of increase for deferred pensions	2.8	3.3	3.0	2.8
Discount rate	6.3	5.8	5.2	4.8

⁽¹⁾ These exclude an age-related allowance for promotional and merit awards.

⁽²⁾ In addition, we have made allowance for the special pension increase guarantees applying to certain executive members of the Scheme.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expected longevity at age 65 for members in normal health approximately as follows:

- Pensioners currently aged 65: ranging from 20 to 24 years
- Non-pensioners currently aged 45: ranging from 22 years to 26 years.

The rates of return quoted are based on actual market yields for bonds. The assumed rates of return on other asset classes where market rates of return are not readily available – including, most importantly, equities – are based on the central 10 year median return assumptions. We have assumed for this purpose that returns on overseas equities will be the same as on UK equities.

ii) Scheme assets and expected rate of return

A summary of the assets of the Scheme, classified into the major asset classes, is shown below, together with the expected return on each major asset class.

	Fair value at 31.12.08	Expected long term rate of return at 31.12.08	Fair value at 31.12.07	Expected long term rate of return at 31.12.07	Fair value at 31.12.06	Expected long term rate of return at 31.12.06	Fair value at 31.12.05	Expected long term rate of return at 31.12.05
	£m	% pa	£m	% pa	£m	% pa	£m	% pa
Equities	21.9	8.2	29.5	8.0	29.6	7.8	27.3	7.8
Bonds	8.8	4.4	11.3	4.8	10.3	4.7	9.2	4.3
Property	1.5	6.9	1.9	6.7	2.1	6.2	1.2	6.3
Cash/NCA	2.0	3.8	1.0	5.2	-	4.8	0.6	3.8
Insurance policies	0.6	6.3	0.7	5.8	0.5	5.2	0.6	4.8
Total value of assets	34.8		44.4		42.5		38.9	

Note: the asset values shown are, where relevant, estimated bid values of market securities

iii) Reconciliation of funded status at 31 December 2008

	31 December 2008	31 December 2007	31 December 2006	31 December 2005
	£m	£m	£m	£m
Present value of defined benefit obligation	(35.2)	(43.2)	(43.5)	(42.0)
Assets at fair value	34.8	44.4	42.5	38.9
Funded status	(0.4)	1.2	(1.0)	(3.1)
Unrecognised past service cost	-	-	-	-
Unrecognised net gain/(loss)	-	-	-	-
Effect of asset ceiling	-	-	-	-
Defined benefit asset/(liability)	(0.4)	1.2	(1.0)	(3.1)

iv) Pension expense for year to 31 December 2008

a) Components of pension expense	Year ending 31 December 2008	Year ending 31 December 2007
	£m	£m
Group service cost	1.5	1.5
Interest cost	2.5	2.2
Expected return on assets	(3.1)	(2.9)
Past service costs	-	-
Curtailments	-	-
Settlements	-	-
Total pension expense/(income)	0.9	0.8

b) Statement of Recognised Income and Expense (SORIE)

	Year ending 31 December 2008	Year ending 31 December 2007	Year ending 31 December 2006	Year ending 31 December 2005
	£m	£m	£m	£m
Actuarial gain/(loss) recognised in SORIE during the period	(1.8)	2.1	2.0	0.5
Cumulative actuarial gain/(loss) recognised at beginning of period	4.6	2.5	0.5	-
Cumulative actuarial gain/(loss) recognised at end of period	2.8	4.6	2.5	0.5

Note: the cumulative actuarial gains/(losses) shown reflect periods since 1 January 2005 only.

v) Return on assets for year to 31 December 2008

	Year ending 31 December 2008	Year ending 31 December 2007
	£m	£m
Expected return on assets	3.1	2.9
Actuarial gain/(loss) on assets	(12.5)	(0.9)
Actual return on assets	(9.4)	2.0

Notes to the Consolidated Accounts continued

28b Post Employment Obligations continued

vi) Reconciliation of present value of defined benefit obligation (DBO) for the year to 31 December 2008

	31 December 2008 £m	31 December 2007 £m
Present value of DBO at start of year	43.2	43.5
Group service cost	1.5	1.5
Interest cost	2.5	2.2
Employee contributions	0.4	0.4
Actuarial (gain)/loss on change of assumptions	(10.5)	(2.6)
Experience (gain)/loss	(0.2)	(0.4)
Actual benefit payments and expenses	(1.7)	(1.4)
Past service costs	-	-
Curtailements	-	-
Settlements	-	-
Present value of DBO at end of year	35.2	43.2

vii) Reconciliation of the fair value of assets for the year to 31 December 2008

	31 December 2008 £m	31 December 2007 £m
Fair value of assets at start of year	44.4	42.5
Expected return on assets	3.1	2.9
Actuarial gain/(loss) on plan assets	(12.5)	(0.9)
Group contributions	1.1	0.9
Employee contributions	0.4	0.4
Actual benefit payments	(1.5)	(1.2)
Administration expenses paid	(0.2)	(0.2)
Curtailements	-	-
Settlements	-	-
Fair value of assets at end of year	34.8	44.4

viii) Reconciliation of change in funded status for the year to 31 December 2008

	Year to 31 December 2008 £m	Year to 31 December 2007 £m
Defined benefit asset/(liability) at start of year	1.2	(1.0)
Total pension (expense)/income	(0.9)	(0.8)
Employer contributions actually paid	1.1	0.9
Benefits paid directly by Group	-	-
Gain/(loss) recognised in SORIE	(1.8)	2.1
Gain/(loss) due to exchange rate movements	-	-
Defined benefit asset/(liability) at end of year	(0.4)	1.2

ix) Expected 2009 contributions

	Year commencing 1 January 2009 £m
Group Contributions	1.0
Employee Contributions	0.4

Italian pension provision

In accordance with Italian law, Italian employees are entitled to a lump sum payment (TFR) from their employers when they resign or retire.

The TFR is accrued over the years in which the employee is in service. In each year, the accrued amount is increased by 6.91% of the employee's gross annual salary. At the end of each year, the employee's TFR's are revalued by 1.5% plus 75% of the national increase in the consumer price index (as published by the Italian National Statistical Institute ISTAT).

After eight years of service, an employee can ask his employer to advance up to 70% of his total TFR. Once the employee has left the Company and received the balance of his TFR, the Company is not liable for any further pension obligations in respect of that employee.

The International Financial Reporting Interpretations Committee (IFRIC) of IASB (International Accounting Standard Board) has established that, in accordance with IAS 19, TFR's must be accounted for as defined benefit pension schemes and the present value of the TFR's must be computed using actuarial assumptions.

Assumptions used to determine defined benefit obligation:

	2008	2007
Inflation rate	2%	2%
Expected rate of salary increases	0%	2%
Expected salary increase on promotion	0%	10.54%
Discount rate	4.30%	4.33%

Pension expense for year to 31 December 2008

	2008 £m	2007 £m
Service cost	1.1	0.5
Interest cost	-	0.1
Total	1.1	0.6

Actuarial gain/loss in SORIE

	2008 £m	2007 £m
Recognised in period	-	0.4

Reconciliation of present value of defined benefit obligation (DBO) for the year to 31 December 2008

	2008 £m	2007 £m
Brought forward	(2.8)	(3.0)
Service cost	(1.1)	(0.5)
Interest cost	-	(0.1)
Actuarial gain/(loss)	-	0.4
Contributions paid	1.3	0.8
Foreign exchange gain/(loss)	(0.8)	(0.4)
Carried forward	(3.4)	(2.8)

29 Post Balance Sheet Events

There are no post balance sheet events to report.

Notes to the Consolidated Accounts continued

30 Accounting Estimates and Judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Accounting Estimates

Key sources of estimation uncertainty

Note 14 contains information about the assumptions and their risk factors relating to goodwill impairment. In Note 19 detailed analysis is given of the foreign exchange exposure of the Group and risks in relation to foreign exchange movements.

Provisions for trade receivables impairment

A number of accounting estimates and judgements are incorporated within the impairment provisions for trade receivables. These are described in more detail in Note 18.

Provisions for inventory obsolescence

A number of accounting estimates and judgements are incorporated within the provisions for inventory obsolescence. These are described in more detail in Note 17.

Warranty Provisions

A number of accounting estimates and judgements are incorporated within the provisions for warranty. These are described in more detail in Note 24.

Post-employment obligations

A number of accounting estimates and judgements are incorporated within the provisions for post-employment obligations. These are described in more detail in Note 28.

Share based payments

A number of accounting estimates and judgements are incorporated within the provisions for share based payments. These are described in more detail in Note 28.

Accounting Judgements

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review on pages 4 to 5. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12 to 14. In addition, Note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; its exposure to credit risk and liquidity risk.

The Group has considerable financial resources. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

31 Related Party Transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries (these are listed in Note 15 on page 63), with its key management personnel and directors of subsidiary entities.

Transactions with directors of subsidiaries

Abramo Manfrotto is a director of Vitecgroup Italia Spa and is also Managing Director of Alu Spa (disposed of by the Group in December 2003). Sales of Vitecgroup Italia Spa products and services to Alu in 2008 totalled €479,125, £379,055 (2007: €1,092,261, £743,035). At 31 December 2008, there was €118,428, £93,693 outstanding, payable by Alu Spa (2007: €330,592, £224,893). Sales of Alu products and services to Vitecgroup Italia Spa companies in 2008 totalled €26,867, £21,2556 (2007: €44,136, £30,024). At 31 December 2008, there was €4,568, £3,614 outstanding and payable to Alu

Spa (2007: €8,914, £6,064). There were no US\$ sales of Alu products and services to Vitecgroup Italia Spa companies in 2008 (2007: US\$4,249, £2,124) and, therefore, at 31 December 2008, there were no US\$ amounts outstanding and payable to Alu Spa (2007: \$3,756, £1,878).

Mitchell Clark, President of Tomcat Global Inc until 31 December 2008, is the owner of Bobawaba Ltd, a company from which Tomcat UK and Brilliant Stages rents properties. Rents paid to Bobawaba Ltd in 2008 totalled £nil (2007: £14,800). Also Bobawaba supplied goods to Tomcat UK totalling £4,341 during the year (2007: £17,095). Mitchell Clark also owns 50% of MRC/EC LLC, a company from which Tomcat USA rents properties. Rents invoiced from MRC/EC LLC in 2008 totalled US\$154,845, £83,682. (2007: US\$142,315, £71,158). Also there were pass through property taxes invoiced totalling \$14,606, £7,893 (2007: \$15,115, £7,558). At 31 December 2008, there were no amounts due to Bobawaba Ltd (2007: £25,995 was payable to Bobawaba Ltd (£17,095 relating to goods, £8,900 relating to rents)).

Mitchell Clark is also the owner of Logic Productions Inc. The company car used by Mitchell Clark is owned by Logic Productions Inc and leased to Tomcat USA. Lease payments invoiced from Logic Productions Inc in 2008 totalled US\$13,543, £7,319 (2007: US\$18,057, £9,029). There were no pass through auto property taxes and auto registration fees (2007: US\$1,668, £834). There was a pass through amount invoiced for an electric cable license fee to Underwriter's Laboratory for US\$4,000, £2,162 (2007: US\$2,800, £1,400).

John James was Chief Executive Officer of Tomcat USA during 2008. He is also owner of LCOAT GP, Inc a company which sells powdercoating services to Tomcat USA. Sales of LCOAT services to Tomcat USA in 2008 totalled US\$259,407, £140,190 (2007: US\$180,011, £90,006). At 31 December 2008, there was US\$43,053, £23,267 outstanding and payable to LCOAT (2007: US\$1,867, £934).

Warren Parece, President of Microwave Service Corporation, is the owner of WJP LLC, the landlord at 15 Thornton Avenue, Haverhill, Massachusetts from which Microwave Service Corporation operates. The relationship began on 18 June 2007 and continued through to the end of 2007. The lease term expires 30 June 2020. In 2008, the total value of the transaction was US\$102,201, £55,232 (2007: from the period when the relationship began, through to the end of 2007 US\$50,909, £25,455. At 31 December 2008, there were no amounts due to or from WJP LLC.

Transactions with key management personnel

Key management personnel are classed as the directors (including the non-executive directors) and the members of the Executive Board. The Interim Chief Executive, Alastair Hewgill, and the Finance Director, Richard Cotton, are directors of the Company and are also members of the Executive Board. Gareth Rhys Williams was Chief Executive, a director of the Company and a member of the Executive Board during the year. However, for the purposes of the following paragraphs and to avoid double counting, their interests and remuneration have been excluded from the information relating to the Executive Board.

Executive directors of the Company and their immediate relatives control 0.355% (2007: 0.455%) of the shares of the Company. Non-executive directors control 0.119% (2007: 0.105%). Members of the Executive Board control 0.25% (2007: 0.080%) of the shares of the Company.

The remuneration of the directors is set out on pages 21 to 27. The remuneration of the members of the Executive Board in 2008 was: salaries £923,512 (2007: £783,627); performance-related bonuses £254,313 (2007: £558,044); short term employee benefits (company car and medical insurance) £68,239 (2007: £57,852).

In addition to their salaries, the aggregate of which is set out above, the Group also contributes to a number of pension arrangements, each one specific to the country in which the individual member of the Executive Board is based. Members of the Executive Board and the executive directors are eligible to participate in the Group's executive bonus scheme and its share incentive arrangements. The cost to the Company in 2008 arising from share incentive awards was £986,000 (2007: £921,000).

Company Balance Sheet

As at 31 December 2008

	Notes	2008 £m	2007 £m
Fixed assets			
Tangible assets	g	1.6	1.7
Investments	h	330.2	301.8
		331.8	303.5
Current assets			
Debtors	i	7.9	2.1
Cash at bank and in hand		10.3	4.1
		18.2	6.2
Creditors - due within one year	j	(13.2)	(6.7)
Net current assets/(liabilities)		5.0	(0.5)
Total assets less current liabilities		336.8	303.0
Creditors - due after more than one year	j	(140.8)	(107.4)
Net assets		196.0	195.6
Capital and reserves			
Called up share capital	k	8.5	8.4
Share premium account	l	7.5	7.0
Capital redemption reserve	l	1.6	1.6
Revaluation reserve	l	0.9	0.9
Merger and other reserves	l	53.7	53.7
Profit and loss account	l	123.8	124.0
Shareholders' funds - equity		196.0	195.6

Approved by the Board on 2 March 2009 and signed on its behalf

Richard Cotton
Director

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2008

	2008 £m	2007 £m
Profit for the financial year	6.7	100.3
Dividends	(7.7)	(7.0)
Retained profit for the year	(1.0)	93.3
Equity settled transactions	0.8	0.7
Reserve for own shares	-	1.3
New share capital subscribed	0.6	4.0
Net increase in shareholders' funds	0.4	99.3
Opening shareholders' funds	195.6	96.3
Closing shareholders' funds	196.0	195.6

Notes to the Company Accounts

a Basis of Presentation

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain land and buildings.

Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Under FRS 1 the Company is exempt from the requirement to present a cash flow statement on the grounds that this is included in the Group consolidated accounts.

b Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation of the relevant assets less the estimated residual value of tangible fixed assets by equal annual amounts over their expected useful economic lives. No depreciation is provided on freehold land. Other fixed assets are depreciated as follows:

Freehold buildings	2½% – 5% on cost or valuation
Short leasehold property	over the remaining period of the lease
Motor vehicles	25% – 33½% on cost
Equipment, fixtures & fittings	10% – 33½% on cost

Fixed assets are stated at cost except that, as allowed under FRS 15 Tangible Fixed Assets, on adoption of that Standard in the year ending 31 December 2000 when the book amounts of revalued land and buildings were retained. These book values are based on the previous revaluation on 31 March 1989 and have not been subsequently revalued.

Foreign currencies

Transactions in foreign currencies are recorded using the monthly average rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis.

Post-retirement benefits

The Company participates in a UK group pension scheme providing benefits based on both final pensionable salary and on contributions paid. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement Benefits accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss accounts represents the contributions payable to the scheme in the year.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Employee share schemes

The share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options.

For cash settled share based payment transactions the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. Where the expense of the option relates to an employee of another Group entity, this cost is recharged to that entity.

Dividends in shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are not recognised as a liability at that date. Unpaid dividends that do not meet these criteria are disclosed in the Notes to the financial statements.

Investments

Fixed asset investments are stated individually at cost less, where appropriate, provision for impairment in value.

Financial Instruments

Financial instruments have been recognised in accordance with Group accounting policies. Derivative financial instruments have had no financial impact on these accounts due to equal and opposite internal instruments written with certain of the Company's operating subsidiaries.

Derivatives are recognised initially at cost, and subsequent to initial recognition at fair value. The fair value of forward and option exchange contracts is their quoted market price at the balance sheet date.

Derivatives are de-recognised when they mature or are sold.

The gain or loss on re-measurement to fair value is recognised immediately in the profit and loss account unless the derivatives qualify for hedge accounting.

Hedge of Monetary Assets and Liabilities

Where a derivative is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognised in the profit and loss account.

Hedge of a Net Investment in a Foreign Operation

The portion of the gain or loss on an instrument used to hedge a net investment in a foreign operation that is determined to be an effective hedge is recognised directly in equity. The ineffective portion is recognised immediately in the profit and loss account. The effective portion will be recycled into the profit and loss account when the foreign operation will be sold.

c Employees

Aggregate remuneration of all employees during the year

	2008 £m	2007 £m
Wages and salaries	1.9	1.7
Employers' social security costs	0.2	0.2
Employers' pension costs	0.3	0.2
	2.4	2.1

Average number of employees during the year

	2008	2007
	14	13

d Directors' Remuneration

The emoluments, share options, awards under incentive schemes and pension entitlements of the directors are disclosed in the Remuneration Report.

e Dividends

The aggregate amount of dividends comprises:

	2008 £m	2007 £m
Final dividends paid in respect of prior year but not recognised as liabilities in that year	4.6	4.1
Interim dividends paid in respect of the current year	3.1	2.9
Aggregate amount of dividends paid in the financial year	7.7	7.0

A final 2008 dividend of 10.9p per share has been recommended by the Board.

Notes to the Company Accounts continued

f Pensions

The Company is a member of a larger UK group wide pension scheme providing benefits based both on final pensionable pay and on contributions. Because the Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 Retirement Benefits, the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. At 31 December 2008, the UK scheme had a deficit of £0.4 million (2007: £1.3 million surplus).

The contributions paid by the Company in the year amounted to £0.3 million (2007: £0.2 million). The expected Company contributions in 2009 are £0.3 million.

Further details of the UK pension scheme are disclosed on pages 81 to 84.

g Tangible Fixed Assets

	Total £m	Land and buildings £m	Motor vehicles £m	Equipment fixtures and fittings £m
Cost or valuation				
At 1 January 2008	3.6	3.0	0.1	0.5
Additions	-	-	-	-
At 31 December 2008	3.6	3.0	0.1	0.5
Depreciation				
At 1 January 2008	1.9	1.5	0.1	0.3
Charge for the year	0.1	-	-	0.1
At 31 December 2008	2.0	1.5	0.1	0.4
Net book value				
At 1 January 2008	1.7	1.5	-	0.2
At 31 December 2008	1.6	1.5	-	0.1

	2008 £m	2007 £m
Net book value of land and buildings at cost or valuation comprise the following		
Carried at valuation (open market basis-31.3.1989)	1.5	1.5
Freehold	1.5	1.5

The land and buildings shown above at a revalued net book value of £1.5 million would have been stated under historical cost at £0.7 million and a net book value of £0.1 million.

The revalued amount of the land and buildings has been retained as allowed for by the transitional provisions set out in FRS 15 Tangible Fixed Assets.

The Company had the following annual commitments under operating leases:

	Land and buildings	
	2008 £m	2007 £m
Expiring two to five years	0.1	0.1

h Fixed Asset Investments

Investments at cost or written down value

	Total £m	Investments in other shares £m	Loans £m
Cost			
At 1 January 2008	307.5	134.8	172.7
Transfers from loans	77.6	77.6	-
Transfers to investments/loan reductions	(49.2)	-	(49.2)
At 31 December 2008	335.9	212.4	123.5
Provision			
At 1 January 2008 and 31 December 2008	5.7	5.7	-
Net Book Value			
At 1 January 2008	301.8	129.1	172.7
At 31 December 2008	330.2	206.7	123.5

i Debtors

	2008 £m	2007 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	0.1	0.4
Other debtors	1.0	0.8
Derivative financial instruments - forward and option exchange contracts	6.7	0.7
Prepayments and accrued income	0.1	0.2
	7.9	2.1

j Creditors

	2008 £m	2007 £m
Amounts falling due within one year		
Bank overdrafts (unsecured)	4.2	3.2
Amounts owed to subsidiaries	0.1	0.4
Derivative financial instruments - forward and option exchange contracts	6.7	0.7
Other creditors	0.5	0.1
Accruals and deferred income	1.7	2.3
	13.2	6.7
Amounts falling due after more than one year		
Bank loans (unsecured)	64.9	43.4
Amounts owed to subsidiaries	75.9	64.0
	140.8	107.4

Notes to the Company Accounts continued

k Share Capital

The authorised share capital at 31 December 2008 consisted of 65,000,000 (2007: 65,000,000) shares of 20p each, of which 42,373,056 were allotted and fully paid. The movement during the year was:

	Shares	Issued share capital £m
At 1 January 2008	42,044,845	8.4
Purchase of treasury shares	(150,000)	-
Exercise of share options	478,211	0.1
At 31 December 2008	42,373,056	8.5

During 2008, the Company purchased 150,000 of its own shares at a cost of £0.7 million. These shares, known as Treasury Shares, have been deducted from the total number of shares allotted and fully paid.

i) Share based payments

Details of the share based payments can be found on page 78.

ii) Share option schemes

Details of the share option schemes can be found on page 78.

I Reserves	Share Premium account £m	Capital Redemption reserve £m	Revaluation reserve £m	Merger reserve £m	Other reserves £m	Profit and loss account £m
At 1 January 2008	7.0	1.6	0.9	9.7	44.0	124.0
Premium on new shares issued	1.2	-	-	-	-	-
Profit for the year	-	-	-	-	-	6.7
Dividends paid	-	-	-	-	-	(7.7)
Treasury shares	(0.7)	-	-	-	-	-
Equity settled transactions, net of tax	-	-	-	-	-	0.8
At 31 December 2008	7.5	1.6	0.9	9.7	44.0	123.8

Other reserves represents the capitalisation of the share premium account, £22.7 million in 1989 and £37.3 million in 1995, less £16.0 million of share repurchases in 1995.

m Financial Instruments

a) Financial liabilities

i) Analysis of borrowings

	2008 £m	2007 £m
Bank overdrafts	4.2	3.2
Bank loans	64.9	43.4
Gross financial liabilities	69.1	46.6

ii) Maturity profile

	2008 £m	2007 £m
Within one year or less	4.2	3.2
More than two years but not more than five years	64.9	43.4
	69.1	46.6

The total amount of bank loans and overdrafts any part of which falls due after five years is £nil (2007: £nil).

The Company had the following undrawn borrowing facilities at the end of the period:

	2008 £m	2007 £m
Expiring in one year or less		
- uncommitted facilities	15.0	13.9
More than two years but not more than five years		
- committed facilities	60.1	56.6
Total	75.1	70.5

On 8 August 2008 the Company signed a five year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate of six UK and European banks.

iii) Interest rate profile

Currency	Total £m	Floating rate borrowings £m
Yen	3.1	3.1
US\$	28.7	28.7
Euro	20.3	20.3
Sterling	17.0	17.0
At 31 December 2008	69.1	69.1
Yen	1.5	1.5
US\$	28.1	28.1
Euro	17.0	17.0
At 31 December 2007	46.6	46.6

The floating rate borrowings comprise bank loans and overdrafts bearing interest at rates based on LIBOR.

b) Financial assets

Currency	Floating rate 2008 £m	Floating rate 2007 £m
Sterling	10.2	3.3
US\$	-	0.8
Yen	0.1	-
	10.3	4.1

The floating rate financial assets comprise bank balances bearing interest at local bank rates.

Sterling, US\$, Euro and Yen balances within the UK can be offset as a result of the Group's Balance Offset Agreement with HSBC Bank plc.

c) Fair value of financial assets and liabilities

	Fair value and book value 2008 £m	Fair value and book value 2007 £m
Cash at bank and in hand	10.3	4.1
Bank overdraft	(4.2)	(3.2)
Floating rate borrowings	(64.9)	(43.4)
Forward exchange contracts - Assets	5.4	0.3
Forward exchange contracts - Liabilities	(5.4)	(0.3)
Option exchange contracts - Assets	1.3	1.0
Option exchange contracts - Liabilities	(1.3)	(1.0)
	(58.8)	(42.5)

Notes to the Company Accounts continued

m Financial Instruments continued

Market rates have been used to determine fair values.

The Company has equal and opposite internal foreign exchange contracts matching the external foreign exchange contracts the Company has taken out with financial institutions.

Estimation of Fair Values

Derivatives

Forwards are marked to market by calculating the contractual forward price and deducting the current spot rate. Options and cylinders are marked to market by obtaining quotes from banks of their market value as at 31 December.

d) Maturity profile of derivatives

	Within one year or less 2008 £m
Forward exchange contracts - Assets	0.7
Forward exchange contracts - Liabilities	(6.1)
Option exchange contracts - Liabilities	(1.3)
	(6.7)
	2007 £m
Forward exchange contracts - Assets	0.2
Forward exchange contracts - Liabilities	(0.5)
Option exchange contracts - Assets	1.0
	0.7

In 2008 option exchange contracts selling US Dollars and purchasing Euros, totalling US\$39.0 million (2007: US\$30.1 million) and selling US Dollars for Sterling, totalling US\$12.5 million (2007: US\$4.9 million) were taken out to cover anticipated US Dollar currency receipts covering the period January 2009 to October 2009. The unrecognised losses on these options at 31 December 2008, based on the exchange rates on that date, were £1.3 million (2007: £1.0 million gain). The Group's foreign exchange hedging policy is set out in the Financial Review.

Interest bearing loans and borrowings

All interest bearing loans and borrowings are at floating rates. Therefore, the fair value of these loans and borrowings is their carrying value.

n Related party transactions

As the results of the Company are being presented together with its consolidated financial statements, the Company has taken advantage of the extension contained in FRS 8 and has, therefore, not disclosed transactions or balances with entities which form part of the Group.

o Post Balance Sheet Events

There are no post balance sheet events to report.

Five Year Financial Summary

For the year ended 31 December

	2008	2007	2006	2005	2004
	£m	£m	£m	£m	£m
Revenue	337.7	273.8	222.3	194.9	185.4
Operating profit before significant items	38.4	32.6	25.2	20.0	17.8
Net interest on bank borrowings	(3.1)	(2.6)	(1.4)	(1.3)	(1.6)
Other financial income/(expense)	0.1	0.3	0.3	(0.3)	0.3
Profit before tax and significant items	35.4	30.3	24.1	18.4	16.5
Cash generated from operations	44.3	33.8	28.7	29.8	22.5
Net interest paid	(3.6)	(3.0)	(1.5)	(1.3)	(1.6)
Tax paid	(6.7)	(9.5)	(5.5)	(1.6)	(1.4)
Operating cashflow	34.0	21.3	21.7	26.9	19.5
Net capital expenditure on property, plant & equipment and software and development costs capitalised as intangible assets	(15.0)	(16.6)	(11.2)	(9.6)	(8.4)
Free cash flow⁽¹⁾	19.0	4.7	10.5	17.3	11.1
Capital employed					
Intangible fixed assets	71.6	55.5	34.1	19.9	12.8
Tangible fixed assets	63.6	45.6	35.1	33.6	30.7
Investment in equity-accounted investee	-	1.3	0.7	-	-
Other net assets	34.9	21.8	21.8	17.8	27.2
	170.1	124.2	91.7	71.3	70.7
Financed by					
Shareholders' funds - equity	133.4	97.3	76.8	70.6	64.2
Net debt	53.0	38.4	18.9	5.4	11.3
Deferred tax	(16.3)	(11.5)	(4.0)	(4.7)	(4.8)
	170.1	124.2	91.7	71.3	70.7
Statistics					
Operating profit (%) before significant items	11.4	11.9	11.3	10.2	9.6
Effective tax rate (%) before significant items	33.9	37.0	40.0	42.0	45.0
Adjusted basic earnings per share (p) ⁽²⁾	55.9	46.0	35.3	26.0	22.2
Basic earnings per share (p)	48.0	44.1	32.6	23.9	18.8
Dividends per share (p)	18.3	17.8	16.5	15.5	15.0
Year-end mid-market share price (p)	235.5	585.0	528.5	375.0	286.0

⁽¹⁾ Free cash flow is the cash generated from operations less interest, tax and capital expenditure on property, plant & equipment and capitalised software costs.

⁽²⁾ Differences between Adjusted basic and Basic earnings per share arise from significant items in the years in question.

Shareholder Information and Financial Calendar

Shareholder enquiries

For enquiries about your shareholding, such as dividends or loss of share certificate(s), please contact the Company's registrars, Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA, telephone 0871 664 0300 or if calling from overseas +44 (0)20 8639 2157.

Dividend reinvestment plan

The Company in conjunction with Capita Registrars has recently introduced a Dividend Reinvestment Plan that enables shareholders to reinvest cash dividends into additional shares in the Company. For shareholders to apply the Final Dividend for the year ended 31 December 2008 to the Dividend Reinvestment Plan, application forms must be received by the Registrars by no later than 27 April 2009. Details on the Dividend Reinvestment Plan can be obtained from Capita Registrars on 0871 664 0381 or if calling from overseas +44 (0)20 8639 3402 or alternatively you can email them at shares@capitaregistrars.com.

Online services and electronic voting

The Company has arranged with Capita Registrars to use its online services. By logging on to www.capitaregistrars.com and selecting Portal (Shareholders) you can make a transaction or dividend payment enquiry, add or change a dividend mandate or change your registered address.

The Company will again be making use of Capita Registrars' electronic voting facility. By logging on to www.capitaregistrars.com and selecting Portal (Shareholders) you will find details of the 2009 Annual General Meeting including the venue and text of resolutions. Shareholders have the facility to vote for, against or withhold and can split or restrict votes, appoint the Chairman of the meeting or a third party as their proxy and include any instruction text. The facility includes CREST voting for members holding their shares in uncertificated form. To use the above facilities, shareholders will need to input a unique User ID that can be applied for on your first visit to the site. To be allocated a User ID you will need your Investor Code, which can be found on your dividend stationery and share certificates. User IDs previously issued will still be valid.

Should you experience any difficulties using these facilities please contact the Capita Registrars helpline on the numbers given above.

International dividend payment service

Overseas shareholders may wish to consider electing to receive their dividends in a local currency instead of in Sterling. Details of this facility can be obtained from Capita Registrars either by calling telephone 0871 664 0300 or if calling from overseas +44 (0)20 8639 3399, visiting www.capitaregistrars.com/international/ or writing to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Any election to receive dividends in local currency in respect of the Final Dividend for the year ended 31 December 2008 payable on 22 May 2009 must be received by Capita Registrars no later than the record date for the final dividend, 24 April 2009.

Boiler room scams

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in UK companies or UK investments. These operations are commonly known as 'boiler rooms'.

It is not just the novice investor that has been duped in this way; many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:

- make sure you get the correct name of the person and organisation
- check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register/home.do
- report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneydeclared.fsa.gov.uk
- if the calls persist, hang up

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme.

More detailed information on this or similar activity can be found on the FSA website www.moneydeclared.fsa.gov.uk

Share price information

The middle market price of a share of The Vitec Group plc on 31 December 2008, the last dealing day of 2008, was 235.5p. During the year the share price fluctuated between 148p and 585p. The Company's share price is available from the Group's website www.vitecgroup.com, with a 15 minute delay, and from the Financial Times web site www.ft.com with a similar

delay. Up to date market information and the Company's share price are available from the Cityline service operated by the Financial Times by telephoning 0906 843 0000, keying 2 for share prices and entering Vitec's share code 4404.

The Company sends to its shareholders each year an Annual Report and copies of this and of public announcements and financial results are published on the Company's website www.vitecgroup.com. The Company has previously sent to shareholders a printed Interim Report covering its half year results. To save on the costs of production and postage, the Company will cease doing this going forward. Instead, shareholders will be able to view the half yearly results press release on the Company's website or request a copy of the press release from the Company Secretary.

Financial calendar

Ex-dividend date for 2008 final dividend	22 April 2009
Record date for 2008 final dividend	24 April 2009
Annual General Meeting	19 May 2009
Interim management statement	19 May 2009
Proposed 2008 final dividend payment date	22 May 2009
Announcement of 2009 half year results	August 2009
Proposed 2009 interim dividend payment date	October 2009
Interim management statement	November 2009

Analysis of shareholdings as at 31 December 2008

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	587	49.53	237,942	0.56
1,001 to 5,000	340	28.69	811,838	1.92
5,001 to 10,000	81	6.84	601,464	1.42
10,001 to 50,000	95	8.02	2,351,252	5.55
50,001 to 100,000	23	1.94	1,632,113	3.85
100,001 and over	59	4.98	36,738,447	86.70
	1,185	100.00	42,373,056	100.00
Institutions and companies	422	35.61	39,584,728	93.42
Individuals including directors and their families	763	64.39	2,788,328	6.58
	1,185	100.00	42,373,056	100.00

In addition to the above, The Vitec Group plc also holds 150,000 shares in treasury.



Back cover pictures:
Jürgen Killenberger at a Solar 23 solar plant project in Ndelle, Senegal using Sachtler's multi award winning S00M System.
Anton/Bauer's award winning CINE-VCLX battery and an OConnor 2575 Fluid Head being used on location by Sony Italy.