The Vitec Group plc Annual Report & Accounts 2009

Focused on growth

Capture the moment™

The Vitec Group plc

Vitec is an international group principally serving customers in the broadcast, photographic and military, aerospace and government (MAG) markets. Vitec is based on strong, well known premium brands on which its customers worldwide rely. Vitec is organised in three Divisions: Imaging & Staging, Videocom and Services.

Imaging & Staging designs, manufactures and distributes equipment and accessories for professionals and keen amateurs in photography, video and events.

Videocom designs and distributes systems and products used in broadcasting and live entertainment, film and video production and MAG.

Services provides equipment rental, workflow design and technical support for camera, video, audio, fibre optic and wireless technology used by TV production teams and film crews.

More information can be found at our website:
www.vitecgroup.com

Directors' Report

Highlights	01
Chairman's Statement	02
Group Chief Executive's Review	04
Financial Review	12
Imaging & Staging Division	16
Videocom Division	18
Services Division	20
Key Performance Indicators and Other Measures	22
Board of Directors	24

Remuneration Report	28
Corporate Social Responsibility Report	36
Corporate Governance	40
Independent Auditors' Report	47

Consolidated Accounts 2009

Consolidated Income Statement	48
Consolidated Statement of Comprehensive Income	49
Consolidated Balance Sheet	50
Consolidated Statement of Changes in Equity	51
Consolidated Statement of Cash Flows	52
Notes to the Consolidated Accounts	53

Company Accounts 2009

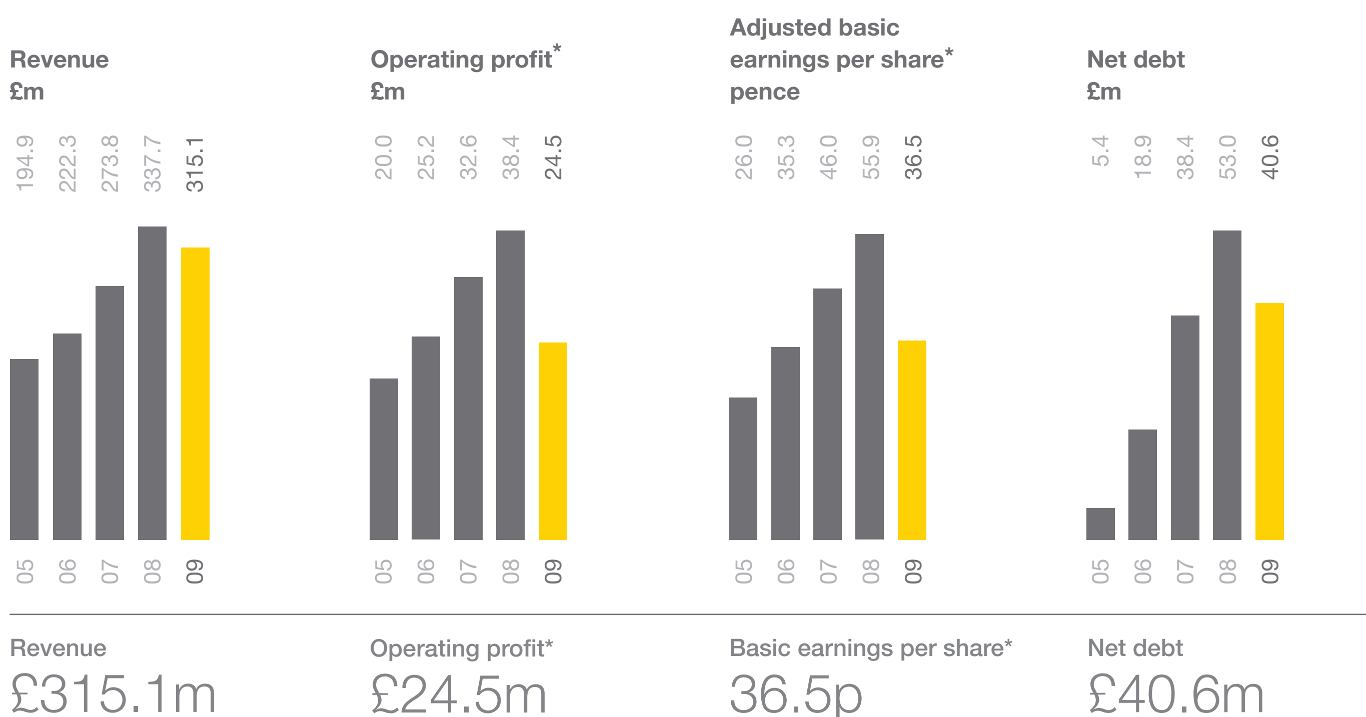
Company Balance Sheet	92
Reconciliation of Movements in Shareholders' Funds	93
Notes to the Company Accounts	94
Five Year Financial Summary	103
Shareholder Information and Financial Calendar	104

VITEC GROUP

Highlights

Key points

- Resilient performance in Imaging business, helped by growth in camera bags and the premium Gitzo brand
- Videocom Division severely affected by economic downturn, although Litepanels LED business continued growth trend
- £21.9 million cost reduction programme fully implemented - at a cost of £10.9 million
- Excellent cash performance from enhanced working capital management
- Strong balance sheet: net debt reduced from £53.0 million to £40.6 million
- Final dividend maintained at 10.9p; full year dividend maintained at 18.3p
- Launch of three core market strategy



Revenue
£315.1m

Operating profit*
£24.5m

Basic earnings per share*
36.5p

Net debt
£40.6m

* 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 (see Note 5 to the Consolidated Accounts 2009)

A Group full of potential

The Group has responded well to very challenging market conditions leading to lower volumes by reducing costs promptly and improving cash control. At the same time the new executive team has prepared for the future by examining the structure of the Group and setting out its strategic direction in readiness for improving markets.

Highlights of the year included:

- Resilient performance in Imaging business, helped by growth in camera bags and the premium Gitzo brand
- Videocom Division severely affected by economic downturn, although Litepanels LED business continued growth trend
- £21.9 million cost reduction programme fully implemented - at a cost of £10.9 million
- Excellent cash performance from enhanced working capital management
- Strong balance sheet: net debt reduced from £53.0 million to £40.6 million
- Final dividend maintained at 10.9p; full year dividend maintained at 18.3p
- Launch of three core market strategy

Our purpose

We provide vital products and services that support the capture of exceptional images

Financial highlights

Revenue was £315.1 million (2008: £337.7 million). In constant currency revenue was 19% lower due particularly to weak broadcasting markets, the effect of which on both gross margin and operating profit was mitigated strongly and decisively by the cost reduction actions costing £10.9 million and delivering annualised benefits of £21.9 million across the Group.

Adjusted earnings per share* was down 35% at 36.5p (2008: 55.9p).

The focus on cash management across the Group has resulted in strong free cash generation of £22.7 million (2008: £19.0 million), further strengthening the Group's balance sheet. Net debt at 31 December 2009 was £40.6 million (2008: £53.0 million).

Dividend

The Board is recommending an unchanged final dividend of 10.9p per share (2008: 10.9p). Subject to approval by shareholders at the Annual General Meeting, the dividend will be paid on 20 May 2010 to shareholders on the register at the close of business on 23 April 2010. This brings the full year dividend to 18.3p (2008: 18.3p).

Board changes and employees

Stephen Bird joined the Group as Group Chief Executive in April 2009, and has successfully worked with Richard Cotton who joined as Group Finance Director in November 2008. Together they have formed a strong executive leadership team, which has provided operational focus and a good performance in a difficult trading environment during 2009, as well as the new strategic direction, purpose and priorities clearly articulated at our Strategy Day in October 2009.

The Group was well served by the former executive team of Gareth Rhys Williams (Group Chief Executive) and Alastair Hewgill (Group Finance Director). We are particularly grateful for Alastair's support during the transition between management teams.

Throughout the Group, decisive actions have been taken by our committed teams and this has delivered a good performance in difficult conditions. Decisions regarding our employment levels during the year have been addressed with fairness and integrity. We thank all employees for their endurance and continuing commitment and service to our shareholders and customers.

The Vitec Mindset

Our people are the key to Vitec's future. They make the difference not only by what they do, but by how they do it. Their attitude and abilities, talent and commitment create a Vitec culture that naturally supports product excellence, creative solutions and integrity. But alone these are not enough. In order to be successful, it is imperative that we also increase our levels of customer focus and collaboration.

Together with our purpose they form the Vitec Mindset, governing the actions, decisions and business practices of the organisation and all those who work within it.

Outlook

2009 was a challenging year. However, we produced a very good cash performance, implemented our cost reduction programme and launched a new focused strategy which will leverage our existing strengths and capabilities into higher growth markets.

The last quarter of 2009 saw our markets stabilise, following a significant decline in activity in the first half and this stabilisation has continued into the current financial year.

We believe that the opportunities in our three core markets will allow us to replace the shortfall arising from the end of the BAS contract, but we expect that the trading environment will remain challenging in 2010. However, the prompt action we took last year to manage our cost base, combined with our strong balance sheet and clear strategic direction, will ensure that the Group is well positioned to benefit from a recovery in our markets.

Michael Harper
Chairman

* 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 (see Note 5 to the Consolidated Accounts 2009).

Our values

Product excellence
Everything we make and do is exceptional.

Creative solutions
We are constantly looking to break new ground.

Integrity
What you see is what you get.

Customer focus
We are nothing without our customers.

Collaboration
We work better when we work together.

A focused approach to growth

In 2009 we restructured our cost base, increased the focus on cash management and developed a clear growth strategy focused on three key markets. We continued to invest in product development and, with our strong products and brands, believe we are well positioned to take advantage of a market recovery.

Financial performance

Reported revenue declined by 7% to £315.1 million, a fall of 19% in constant currency, as markets contracted as a result of general economic weakness. The decline impacted our broadcast markets most severely, resulting in a 25.8% constant currency decline in Videocom, and a 24.2% constant currency decline in Services revenues. Within our Imaging & Staging Division, Staging's markets were also strongly impacted but Imaging's markets proved more resilient, with the Division down by only 9.4% in constant currency and Imaging down only 2.4%.

Operating profit* reduced to £24.5 million (2008: £38.4 million) as volumes remained under pressure throughout the year. The impact was mitigated by timely attention to cost reductions and careful focus on gross margins which reduced by only 1.3 points to 39.3%. Profit before tax* was £22.7 million, down from £35.4 million in 2008. Adjusted earnings per share* were 36.5p (2008: 55.9p). EBITDA* reduced to £40.1 million (2008: £51.2 million) reflecting the decline in operating profit*, partially offset by an increase in depreciation to £15.6 million (2008: £12.8 million).

Cash generation was very strong. Deliberate action to reduce working capital levels, careful deferral of capital investments and prudent management of our tax positions ensured that free cash of £22.7 million (2008: £19.0 million) was generated. This includes the outflow of £5.5 million of the committed £10.9 million in restructuring costs.

The Group's balance sheet has strengthened, although our net debt/EBITDA ratio remained unchanged at 1.0 times. Net debt at 31 December 2009 reduced to £40.6 million (2008: £53.0 million) and drawings under our £125 million committed banking facility (which extends to 2013) were reduced to £52.7 million, or 42.1% (2008: 51.9%).

Management processes

Through the development of our management processes we have created a stronger degree of autonomy and self determination in our businesses and Divisions with enhanced accountability and responsibility. We are already seeing the benefits of improved management focus and leadership in our businesses. Weekly reporting underpins this increased control in the business.

Clear evidence of this is in strong cash flow performance, which has resulted from the implementation of weekly cash reporting and forecasting, and tighter reporting and management of working capital.

I am pleased with the overall improvement in Group cohesion. We are developing a common sense of purpose and mutual commitment as an executive team. We are well advanced in the development of detailed execution plans to realise our strategic goals.

Cost reduction

Management has acted decisively to restructure the business and reduce costs to mitigate the effect of lower volumes, and to make it leaner and more efficient. Great care has been taken to protect our product development and sales capabilities, and not to damage our ability to take full advantage of the market recovery when it comes.

In aggregate, the Group delivered restructuring plans this year which will save £21.9 million per annum, approximately £17.0 million of which has benefitted 2009 and all of which will benefit 2010. The measures cost a total of £10.9 million – all of which was charged as significant items

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in 2009. Of the £10.9 million, £5.5 million was expended in 2009 and the balance will be expended in 2010 and beyond.

Some of the cost savings were capacity driven, where direct and indirect headcount was reduced as far as possible in line with volume reductions. Further cost savings arose following a fresh look at the cost structure and will allow the business to be run more effectively and efficiently in the future. These savings will be maintained when the market recovers. Other savings were a result of reductions in discretionary expenditure, for example marketing expenses, related to weaker economic conditions.

Product development

In 2009, despite tough market conditions and restructuring of the business, we have managed to preserve our spend of approximately 4% of sales on research and development and we will continue this level of commitment, but we will improve the process to derive greater value from this investment. We are focusing our finite resources more carefully on our strategic aims, whilst reducing the amount of minor incrementalist product development which adds less value to customers.

Three market strategy

Following a reappraisal of available markets, we unveiled our new strategic direction at a Strategy Day in London on 22 October 2009 (materials and video are available on our website, www.vitecgroup.com).

The essence of this strategic direction is a focus on three markets which will provide us with significant growth opportunities from the organic development of our existing capabilities and strengths. Those three markets are:

1 Broadcast & video

Vitec has leading brands in the broadcast & video market which comprises products and services aimed at television networks and production (broadcast) and corporate, religious and educational markets (video). In the broadcast segment, we will continue to maintain our premium market position and share. In the video segment, which we expect to grow faster, we will develop specific products focused on the needs of the independent cameraman.

2 Photographic

Vitec has traditionally supplied its accessories (tripods, bags, heads and lighting supports) to professional and serious amateur photographers. We will continue to maintain our premium market position and market share among that user group. However, recognising that most of the growth in digital SLR sales is likely to be among non-professionals, Vitec will enter new segments leveraging the Manfrotto brand. This will entail the development of an integrated range of accessories targeting new consumers and channels.

3 Military, aerospace and government (MAG)

Having established our microwave technology as the brand leader in the US broadcast market in the last two years, we intend to leverage this technology into the MAG market, which we have identified as an attractive opportunity for the Group given the market size, forecast growth rates and technology fit.

Stephen Bird
Group Chief Executive

3 > market strategy

Broadcast & video market

Expected growth rate
2010-2012
5%

Photographic market

Expected growth rate
2010-2012
2-4%

MAG market

Expected growth rate
2010-2012
9%

1 Opening up the Broadcast & video market

Vitec currently supplies this market with a variety of accessories for the video camera. This consists of camera supports, bags and teleprompters; batteries and chargers; microwave systems; LED lighting and intercom systems. These products are primarily used in the acquisition and capture segments of the broadcast production chain.

The market

The broadcast & video market consists of products and services sold into two main sectors:

- Broadcast – used primarily in television and film production. The end customer is often a television network or systems integrator acting on their behalf or an independent production company. We estimate the market for Vitec's products and services was worth £550 million in 2008 but fell 25% in 2009 to around £420 million. For 2010-12, we expect this sector to grow 2-3% per annum.
- Video – used in video production where the end customer is not a broadcaster but a corporate, educational, religious, legislative or live event entity or an independent videographer. We estimate this market was worth around £200 million in 2008 and fell 10% in 2009 to around £180 million. For 2010-12, we expect this sector to grow at least 10% per annum.

The market drivers

Advertising
In the broadcast sector, advertising is the main source of revenue for commercial broadcasters. Television remains the largest advertising medium and is forecast to grow 4% per annum for 2010-12.

HD transition and 3D
The HD transition in the broadcast sector has led to television studios and outside broadcast trucks being upgraded to handle HD cameras and signals. This process still has some way to go as more than half of the installed base of cameras still need to be upgraded. 3D has emerged recently as another opportunity for further demand for Vitec's products as new heavier supports are needed for 3D cameras.

Proliferation of video creation and consumption
Cost-effective production technologies, the increase in video-enabled broadband and mobile devices and the growth in independent content producers and owners have widened the number of people producing high quality video. It is no longer the preserve of broadcasters as corporate, religious and educational establishments and other entities produce their own content.

Vitec market position

Supports
With our multiple brands, Vitec has the premium position and largest market share in camera supports in both the broadcast and the video sectors.

Mobile power
Anton/Bauer remains the leading brand with a number one position in the after-market for camera batteries and chargers in the broadcast sector.

Microwave systems
Our three businesses had the leading position in the final stages of the now completed BAS relocation project in the US broadcast sector. They also occupy the number one position in the US video sector where the equipment is used in sports and entertainment venues.

LED lighting
Litepanels led the way in the adoption of LED lighting especially in "on location" shots in the broadcast sector and in the video sector, assisted by patents in the US. As LEDs become more powerful, Litepanels will be able to supply an increasing number of television studios in the broadcast sector.

Communications
Clear-Com is the leader in live performance (the video sector) and is now well positioned to roll out its VoIP technology to the broadcast sector where it is number three globally.

3 market strategy

Expected market growth rate

2010-2012 = 5%

"We need to maximise our resources while minimising manual operation of the equipment – but at the same time, we insist on providing our viewers with top quality and exciting programming. Vinten Radamec is helping us to achieve just that, especially in the case of live sports broadcasts, which demand fast and reliable operation. Back in the studio, another robotics advantage is precise movement control for planned shots. We have found that Vinten Radamec Fusion robotic systems are the best fit for all aspects of our operation – from payload and effective remote control to general ease of operation."

Dominic Leung
Managing Director of Television & Content, PCCW

Key strategies

In the broadcast sector, our strategies are to:

- maintain our market-leading positions;
- grow market share with our acquisitions in LED lighting, microwave systems (outside the US), and in supports (in robotics and teleprompters); and
- develop an enhanced service and spares business.

In the video sector, our strategies are to:

- expand our distribution in new markets such as corporate and educational establishments; and
- introduce further new products tailored to meet the needs of the independent cameraman.

Progress since October 2009

Since our Strategy Day in October 2009, we have:

- continued to broaden the range of LED products supplied and identified further opportunities in the broadcast & video market that will be addressed by product launches at the NAB trade show in April 2010;
- grown our microwave systems business outside the US with key wins in Brazil and China and recruited a Vice President of Asia Sales in Singapore; and
- recruited a specific team to develop a range of "small camera accessories" targeted at the growing demand for ergonomic solutions around the camera, which will also be launched at the NAB trade show in April.

Our world class brands

Bags
Petrol Bags

Camera Accessories
OConnor

Communications
Clear-Com

Equipment Rentals UK
The Camera Store

Lighting
Anton/Bauer
Litepanels
Sachtler

Microwave Systems
Microwave Service Company
Nucomm
RF Central

Mobile Power
Anton/Bauer

Prompters
Autoscript

Supports
Manfrotto
OConnor
Sachtler
Vinten
Vinten Radamec

LED lighting
LED lighting is leading the way in transforming the way HD video is shot. The ability to control precisely lighting characteristics and in-built features together with energy savings over traditional lighting will ensure continued growth in LEDs.

Robotics
Robotics are at the forefront in the drive for greater efficiency in the broadcast markets. The ability to control multiple cameras remotely provides sustainable competitive advantage for Vinten Radamec.

2 The macro potential of the Photographic market

Vitec currently supplies this market with a variety of accessories for the photographic camera. This currently consists of tripods, bags and lighting supports manufactured by Vitec and third party products (flashes and lighting controls such as umbrellas and reflectors) distributed by Vitec. In future the range of accessories made by Vitec is likely to expand to include other items such as lights under the Manfrotto brand name.

The market

The photographic market consists of products sold into two main sectors:

- Professional – where imaging accessories are sold to a photographer whose business is taking photographs for a living. We estimate that the professional sector for the imaging accessories supplied by Vitec was worth some £375 million in 2008 and a similar size in 2009. We expect the professional market to grow at 2% per annum for 2010-12.
- Non-professional – where imaging accessories are sold to photographers who have a keen interest in photography or simply want to record images. We estimate that the non-professional sector for the imaging accessories supplied by Vitec was worth some £455 million in 2008 and a similar size in 2009. We expect the non-professional market to grow at 4% per annum for 2010-12.

The market drivers

Digital SLR unit sales
In recent years, digital SLR unit sales have been driven by the professional sector as photographers have moved from analogue to digital cameras. For the next few years this market will continue to enjoy moderate growth driven by innovation such as the ability to shoot high definition video. The non-professional sector is growing more quickly driven by a new generation of consumers upgrading to digital SLR cameras which are becoming simpler and cheaper.

Technology and social trends
Digital technology is facilitating the growth of photography as a hobby. Image sharing is becoming more accessible and popular and social networking internet sites have enabled images to be easily transferred among users. In addition, there is an increasing take up of photography as a record of images especially by women.

Vitec market position

Supports
With our Manfrotto and Gitzo brands, Vitec has the premier brands in photographic camera supports in both the professional and non-professional sectors. With its high quality and innovative products, it also holds clear leadership in terms of market share (by value).

Bags
Currently sold under the Kata name and, under licence, under the National Geographic name, Vitec's brands are gaining share in this large product category in both the photographic and non-photographic sectors. Further growth in market share is expected as a result of utilising the Manfrotto brand in this product category as part of our strategy for the photographic market.

Lighting
This comprises lighting supports and LED lighting. In lighting supports, which are predominantly used in the professional sector, the Manfrotto brand is the market leader. Sales of LED lighting into the photographic market are in their infancy as the industry continues to rely on traditional lighting technologies. Vitec currently distributes third party flashes and lighting controls.

3 market strategy

Expected market growth rate

2010-2012 = 2-4%

"Manfrotto has been my trusted partner over thirty years of pro activity, delivering the best accessories in the market. Now I am collaborating with Manfrotto to develop new exciting products to bring the Manfrotto experience to a wider range of enthusiastic photographers."

Bill Frakes
Professional photographer

Key strategies

In the professional sector, our strategies are to:

- maintain our market position with professionals; and
- expand geographically our own distribution (under Manfrotto Distribution).

In the non-professional sector, our strategies are to:

- grow the Manfrotto brand into adjacent products to the existing camera supports by producing an integrated range of photographic accessories (camera supports, bags and LED lighting) under its name; and
- increase the penetration of photographic accessories among this sector by expanding sales in newer channels (such as consumer electronics chains and online retailers) and developing products relevant to their needs.

Progress since October 2009

Since our Strategy Day in October 2009, we have:

- conducted further research with focus groups to refine the product and brand positioning needed to broaden our customer reach, which has confirmed our view of the market potential; and
- started the development of an integrated range of tripods, bags and lighting products under the Manfrotto brand.

Our world class brands

Supports
Avenger
Gitzo
Manfrotto

Bags
Kata
Manfrotto
National Geographic*

Distribution
Manfrotto Distribution

* Manufactured and distributed under licence

Manfrotto
Proven Professional

Manfrotto powerbrand
The Manfrotto brand capitalises on 40 years of experience in the professional photo and video accessory markets. It is now launching new consumer-friendly products across multiple categories to help people express their creativity by making qualitative digital image capturing easier and more fun, whatever their level of technical expertise.

3 Targeting the MAG market

Vitec currently supplies the military, aerospace and government (MAG) market with a variety of equipment but our primary focus in future will be on the supply of microwave equipment. This currently consists of transmitters and receivers manufactured by Vitec that enable video signals to be sent wirelessly for up to 30 miles.

The market

The MAG market consists of products sold into the following main sectors:

- **Law enforcement** - where microwave equipment is sold to police forces and other similar agencies to enable them to receive and transmit video signals from, for example, helicopters to mobile command centres and ground patrols; and
- **Military vehicles** - where microwave equipment is used in both manned and unmanned applications to recognise and assess threats more effectively.

We estimate that the global MAG market for the microwave equipment currently manufactured by Vitec was worth some £500 million in 2009. We expect this sector to grow at 9% per annum for 2010-12.

The market drivers

Law enforcement
The ability of police forces to assess situations and thus act accordingly is enhanced by the use of video, for example during disasters or crowd control.

Another major driver of growth will be the supply of various US agencies with surveillance equipment over the next three years.

Military vehicles
The main growth drivers in this sector are:

- Increased use of unmanned vehicles, whether in the air, on the ground or in the water to minimise loss of human life when assessing potential threats; and
- Increased situational awareness for armed forces in manned vehicles (for example in convoys) where video enhances the ability to deploy troops more effectively.

Vitec market position

Whilst Vitec served the MAG market opportunistically through its supports and communications business units within the Videocom Division, it has increased its capabilities with the acquisition of the RF Extreme microwave businesses in 2007.

Although it is in its infancy in serving the MAG market with microwave equipment, we believe we have the competencies to succeed in the market, namely:

- Technological superiority – with the highest quality video with robust reception and compact design solution;
- Corporate track record – with significant traction gained from approximately $10 million of orders in the first year;
- Knowledge of the industry, its players and their needs – with the recruitment of a specific team with over 150 man years of experience in the MAG market; and
- Specialist development capability – with rapid custom prototyping built on an easily scalable technology platform.

3 market strategy

Expected market growth rate

2010-2012 = 9%

"We are seeing a significant growth in our micro and small unmanned ground systems business thanks to our teaming efforts with Vitec Group's RF Extreme."

Chris Vilter
Vice President, MacroUSA & Force Products Group, Inc.

Key strategies

In the law enforcement sector, our strategies are to:

- expand our initial contract wins to other police departments around the US; and
- supply to various agencies miniature versions of our microwave technology.

In the military vehicle sector, our strategies are to:

- enhance our range of microwave products aimed at this sector; and
- focus on certain projects, especially unmanned ground vehicles (robots).

Progress since October 2009

Since our Strategy Day in October 2009, we have:

- undertaken a further review of actual and potential military programmes, which has confirmed our confidence in the potential market for our products;
- supplied our products for use in an unmanned vehicle application by a military customer, and continued to showcase our technology to a variety of governmental agencies, armed forces and purchasers to develop credibility in the military markets; and
- continued to supply to a variety of law enforcement agencies in the US.

Vitec brands for the MAG market

Microwave Systems
Nucomm
RF Central

Law enforcement
Under the Nucomm and RF Central brands Vitec is leading the technology development in ever increasing video quality, robust and low-latency transmission and secure encryption demands in mission critical applications such as police surveillance.

Pulling out all the stops

In 2009 we responded decisively to the economic downturn with a £10.9 million cost reduction programme generating £21.9 million of annualised benefits. We also tightened our cash and working capital management, which contributed to a £12.4 million reduction in net debt.

Revenue

Revenue decreased by £22.6 million to £315.1 million, a decline of 6.7% in the year. After deducting £51.7 million (12.4%) for favourable foreign exchange, there was a £75.9 million (19.5%) decrease in organic revenue. Acquisitions made part way through 2008 contributed £1.6 million (0.4%), net of the IFF disposal.

Operating profit

The table below sets out an analysis of the decline in operating profit before significant items* between 2008 and 2009. The variances are based on management's best estimates and are not a statutory presentation.

Operating profit before significant items*

2008-09 Variance Analysis (£m)

2008 Operating profit*	**38.4**
Gross margin effects:	
- Volume, mix and efficiency	(40.4)
- Sales price less cost inflation	2.7
Operating expenses	13.0
	(24.7)
Acquisitions/disposal	**0.3**
Foreign exchange effects:	
- Translation	6.6
- Transaction after hedging	3.9
	10.5
2009 Operating profit*	**24.5**

Operating profit before significant items* was £24.5 million, 36.2% lower than 2008. The Group's operating profit margin fell from 11.4% to 7.8%, reflecting the volume reductions from weaker markets, notably broadcasting. Before beneficial foreign currency effects of £10.5 million over the year, the decrease in operating profit* was 54.2%.

Profit before tax before significant items* was £22.7 million, down from £35.4 million in 2008. Adjusted earnings per share before significant items* was 36.5p (2008: 55.9p).

Net financial expense

Net financial expense before significant items* totalled £1.8 million (2008: £3.0 million) and decreased principally because of low interest rates and lower levels of borrowing across the year.

Taxation

The effective taxation rate on operating profit after net finance expense but before significant items* was 32% (2008: 34%). The Group's tax charge is higher than the UK statutory rate because the majority of its profits arise in overseas jurisdictions with higher tax rates.

Significant items

These comprise restructuring costs of £10.9 million (2008: £nil) in line with estimates announced earlier in the year, office relocation expenses of £1.5 million (2008: £nil) and loss on disposal of IFF of £0.7 million (2008: £nil).

Group revenue	Group operating profit*	Group earnings per share*
£315.1m	£24.5m	36.5p
down 7%	down 36.2%	down 35%

The amortisation of acquired intangibles increased to £8.5 million (2008: £7.1 million) mainly due to the full-year effect of Litepanels (acquired in August 2008) and has been included in significant items*. The annual impairment review of goodwill led to no impairment charge in 2009 (2008: £2.1 million for Tomcat Global).

There was no provision charged against equity accounted investments in 2009 (2008: £1.3 million for Media Numerics) nor profit on sale of property (2008: £0.3 million) which were also included in significant items* in the prior year.

Finance income included in significant items* consisted of a £0.7 million gain (2008: £0.3 million gain) due to currency movements on loans not accounted for as net investment hedges.

The tax credit of £8.6 million (2008: £6.6 million) relates to deferred tax.

Acquisitions/disposal

There were no acquisitions in 2009 (2008: £9.7 million) but there were earn out payments relating to acquisitions made in prior years of £3.0 million (2008: £2.1 million). These payments are detailed in Figure 1. The disposal of IFF generated £0.7 million net proceeds (2008: £nil).

Figure 1 – Earn out payments for previous acquisitions

Business	Division	Acquisition date	Acquisition consideration for cash £m	Earn out period
Autoscript	Videocom	31 Oct 06	1.0	2007-08
Staging SK	Imaging & Staging	01 Feb 07	0.1	2007-08
Litepanels	Videocom	21 Aug 08	1.8	2008-11
Talkdynamics	Videocom	10 Oct 08	0.1	2008-11
Total acquisition consideration in 2009			**3.0**	

Cash flow and net debt

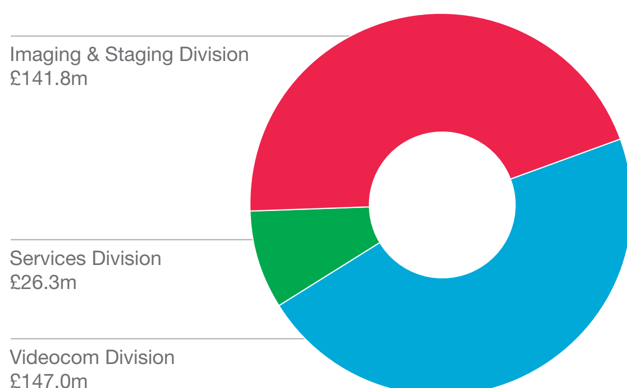
Cash generated from operations was strong at £42.8 million (2008: £44.3 million), despite weaker sales and operating margin and restructuring costs, as working capital management was enhanced and delivered strong cash benefits.

Improvements in working capital were the main contributors to the increased free cash flow of £22.7 million (2008: £19.0 million) which also benefitted from lower capital expenditure and lower tax payments.

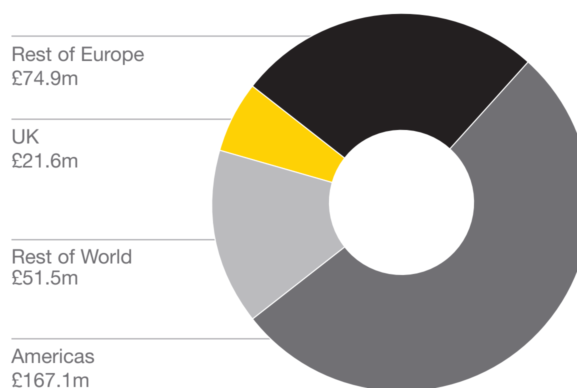
EBITDA* reduced to £40.1 million (2008: £51.2 million) reflecting the decline in operating profit*, partially offset by an increase in depreciation to £15.6 million (2008: £12.8 million).

Working capital (Q4 average inventory, trade and other receivables, trade and other payables, derivative financial instruments and current provisions) decreased as a percentage of annualised Q4 revenue to 16.4% (2008: 17.7%) due largely to enhanced controls, more than offsetting the unwinding of RF Extreme's BAS deferred revenue.

Revenue by Division



Revenue by destination



* 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 (see Note 5 to the Consolidated Accounts 2009).

Inventory decreased by £24.5 million to £51.9 million at the year end, reflecting lower activity and holding levels - inventory days reduced to 97 (2008: 118 days). Trade receivables decreased with the lower revenue and were £35.0 million as at the year end (2008: £46.6 million) and debtor days improved to 41 (2008: 44 days). Creditor days also reduced to 41 (2008: 44). Inventory, debtor and creditor days are stated in constant currency at year end exchange rates; inventory and creditor days are based on Q4 cost of sales (excluding exchange gains/losses) while debtor days are based on Q4 revenue.

The cost reduction programme costing £10.9 million in the year resulted in cash outflows of £5.5 million in 2009. The remainder will be spent in 2010 and beyond.

Capital expenditure including capitalised development costs and financial investments totalled £15.3 million (2008: £17.6 million), of which £7.2 million (2008: £4.7 million) related to rental assets, partly financed by the proceeds from rental asset disposals of £1.5 million (2008: £1.7 million).

Tax paid in 2009 of £4.3 million was significantly lower than 2008 (£6.7 million), mainly due to the lower profit and timing effects.

The Group's strong free cash flow resulted in a material decrease in net debt to £40.6 million (2008: £53.0 million).

Treasury
Financing, currency hedging and tax planning are managed centrally. Hedging activities are designed to protect profits, not to speculate. Any substantial changes which are planned to the financial structure of the Group or to its treasury practice are first 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, with the US Dollar contracts as at 31 December 2009 in Figure 2.

The Group does not hedge the translation of 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 2009 £52.7 million (2008: £64.9 million) of the facility was utilised.

The average cost of borrowing for the year was 1.4% (2008: 4.0%) reflecting the worldwide downward movement in interest rates. Net interest cost (consisting of net interest payable and commitment fees) was £1.6 million (2008: £3.1 million), reflecting lower interest rates and lower debt over the year. Net interest cover (using operating profit before significant items*) remained high at 15 times (2008: 12 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 2009. The Board believes the current capital structure is appropriate for the Group, bearing in mind its current strong cash generation, dividend policy and its typical ongoing level of acquisition activity.

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 2009 the number of active members in the merged scheme was 130 (2008: 158). Total scheme members were 645 (2008: 643).

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

Figure 2 – Currency hedging

(Currency m)	December 2009	Average rate	December 2008	Average rate
US Dollars sold for Euros				
Forward contracts	$29.3	1.37	$10.0	1.26
Options [1]	$7.3	1.45	$24.7	1.50
US Dollars sold for Sterling				
Forward contracts	$29.9	1.59	$8.3	1.51
Options	$nil	-	$6.7	1.85

[1] Includes cylinder options in 2008, where the mid-point of range is taken

The Group's UK defined benefit pension liabilities under IAS 19 (amended) as at 31 December 2009 were estimated by the Group's actuaries to be £47.1 million (2008: £35.2 million) with a deficit of £6.1 million (2008: £0.4 million). Whilst the asset value has grown to £41.0 million (2008: £34.8 million), the pension liabilities have increased by a greater amount due largely to lower bond yield rates assumed in the discounting assumptions.

Post balance sheet events

The financial statements were authorised for issue by the Board on 1 March 2010. There were no events after the balance sheet date that required disclosure.

Principal risks and uncertainties

US market

53% of 2009 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. In addition, 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 Videocom and Services 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 Extreme, the Group has benefitted from the BAS relocation project, which entails the conversion of part of the microwave spectrum that broadcasters use, from analogue to digital technology. Whilst there was further revenue from this project in 2009, product shipments on the project have now completed and the business will need to generate other revenue 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 digital cameras are 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.

Strategy

The business growth opportunities outlined in the strategic direction communicated by the Group in October 2009 are based on market research commissioned by the Group with external experts. There is the risk that the sampling data used in this research is unrepresentative of the population. Success with the MAG strategy is significantly dependent on continuing government funding in the targeted areas. In both the photographic and MAG strategies there is execution risk in successful delivery of appropriate products to the market.

Richard Cotton
Group Finance Director

Imaging & Staging Division

The Imaging & Staging Division has a strong reputation with two main groups of creative professionals: photographers and videographers, whether they are shooting commercially, independently or for pleasure; live and corporate event production and touring bands who need versatile trussing and staging sets.

Francesco Bernardi
Divisional Chief Executive

Markets

The photographic market – the primary market for the Division – proved more resilient than others, particularly in the hobbyist/keen amateur segments. Our camera supports business saw a marginal reduction in volumes, although the premium Gitzo brand delivered growth and our bags business grew more than 20% compared with last year, as it continued to expand sales and take market share. According to the Japanese Camera and Imaging Products Association (CIPA), shipment of digital SLR cameras in 2009 was up just 2% on 2008, at around 10 million pieces, after several years of growth of over 30% year on year. CIPA forecasts the digital SLR market to resume expansion in 2010, growing by 11%.

In other markets – supports for video, lighting and cine/films applications – volumes were affected more by economic weakness, although we retained our market shares. Expenditure in the live and corporate events market, where our Litec and Tomcat brands operate, was significantly affected by the economic downturn with a consequent reduction of our volumes. However, the touring industries sector proved resilient, enabling our Brilliant Stages business to make significant gains.

Operations

Revenue for 2009 was £141.8 million, an increase of 4.4% over 2008 (a decrease of 9.4% in constant currency). Operating profit* rose 13.5% to £17.7 million (a decrease of 10.8% in constant currency) due to the positive exchange rate effect, a reduction in capacity and cost containment implemented across the businesses.

The Division delivered strong cash generation especially from working capital management, in particular inventory, as a consequence of logistics centralisation.

The Supports business held up well in difficult market conditions by taking advantage of its strengthened lightweight compact systems offer, which is particularly suited to compact digital SLR and HD video cameras. It launched 22 new products throughout the year, with the new MY tripod family, new Manfrotto centre ball heads and Gitzo Ocean offerings being particularly well received.

The Bags business delivered another year of strong growth, successfully expanding the Kata and National Geographic collections and increasing market penetration in both existing and new regions. The business continued to introduce successful models and leveraged existing distribution synergies within the Division.

Manfrotto Distribution (previously known as Bogen Imaging) reported a growth in sales due to favourable exchange rates and good results in Europe. Manfrotto Distribution UK had an outstanding year despite the economy, while Japan and the US held up well, operating in markets particularly affected by the general economic climate.

It was a difficult year for Staging, with the live event market which it serves experiencing a sharp decline. We undertook decisive restructuring action to reduce the operating cost base. This resulted in a significant reduction in the direct and indirect workforce, as we positioned the business optimally for the recovery of the market. This process included the disposal of IFF in March and the move of more production to Slovakia.

Divisional sales
£141.8m

Up
+4.4%

Key achievements

- Review of our current strategy resulted in the ‘Manfrotto Powerbrand’ plan.
- Successful penetration of fast-growing consumer electronic and e-tailing channels.
- Italian plant relocation and rationalisation, as well as consolidation of European logistics.
- Kata 3N1-30 won Best Camera Bag in Gear of the Year Awards organised by the two biggest UK photo magazines.
- Two new own-distribution companies will start operations in 2010 in China and Hong Kong.

Revenue

Operating profit*

Operating margin*

Our brands

Supports
Avenger
Gitzo
Manfrotto

Bags
Kata
Manfrotto
National Geographic*

Distribution
Manfrotto Distribution

Staging
Brilliant Stages
Litec
Tomcat

* Manufactured and distributed under licence

Case study 1: Gitzo Ocean tripod
Gitzo has unveiled the world’s first stainless steel tripod. Perfect for extreme climates and adverse elements, the Ocean Traveler combines new features expressly designed to handle hostile environments – like salt water, sand, mud and high humidity levels – with all the compactness of the Traveler family.

Case study 2: Manfrotto at MoMA (NY)
The Museum of Modern Art (MoMA) in New York has recently acquired two of Manfrotto’s historical products (Autopole® and Superclamp®) for its collection. For Manfrotto it is a significant distinction and an important example of premium quality integrated with Italian design.

Case study 3: Kata Bags
Given the difficult market conditions for 2009, the Kata results are a great achievement. Main growth engines for 2009 were the DPS collection with its best seller bag - 3N1 - and the new National Geographic collection Walkabout. In the Far East distributors succeeded in penetrating into the consumer electronics channels and sales increased by 60%.

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Videocom Division

Our Videocom Division specialises in the design and distribution of high quality equipment principally for professionals engaged in producing and transporting video content for the global media industries – broadcast, film, live events and education. More recently, our world-leading products and technologies have successfully entered the military, aerospace and government (MAG) market, where our mission-critical visual communication and surveillance products are increasingly sought after.

Joop Janssen
Divisional Chief Executive

Markets

Broadcast and film markets across all continents suffered from reduced advertising revenues which in turn reduced opex and capex spend. In particular, H1 was very challenging, with many planned studio upgrades (mostly high definition migration) suspended. The market also saw state broadcasters adopt a 'wait-and-see' approach. H2 saw some signs of stabilisation with a limited number of suspended projects coming off hold and presenting us with the opportunity to make some gains. Brazil and Central/Southern America has proved to be more resilient and we have seen growth in these markets. The business and industry market was more robust, driven by the live entertainment (especially US) and independent videographer segments. The MAG market has seen increasing demand for video systems in law enforcement and unmanned vehicles, as well as in the miniaturisation of transmitting technologies.

Operations

Revenue for 2009 was £147.0 million, a decrease of 14.8% on 2008 (25.8% in constant currency). Despite difficult Broadcast markets, our Litepanels business increased its revenue by 33% in 2009, moving to new, larger facilities to support this. This growth was both domestic and international, including a key contract win in Vietnam.

As part of the ongoing drive for greater efficiency, our OConnor business consolidated into the existing Burbank site, allowing the subsequent closure of the Costa Mesa facility. Due to the effect of the economic downturn on our studio and outside broadcast vans business, we reacted decisively by restructuring fixed costs to protect profitability.

In RF Extreme, equipment sales for the BAS project finished in late Q3 with the BAS integration activity expected to finish in H1 2010. Over the past two and a half years, RF Extreme has delivered on all BAS project expectations set out at the time of acquisition, in addition to increasing market share and profitability, and becoming the market leader in this area. RF Extreme continues to consolidate its activities in the Hackettstown area and new product introductions have been specifically targeting higher margin opportunities.

Divisional sales
£147m

Down
-14.8%

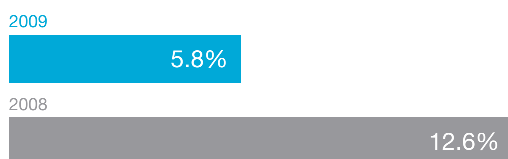
Key achievements

- Litepanels successfully entered the broadcast studio market with projects at CBS in Florida and Vietnam and at Bloomberg in London. New products, such as the 1x1 series bi-colour, flood and spot models, performed well in the market. Litepanels also received the first technical Emmy award for excellence in broadcast lighting for 60 years.
- Anton/Bauer showed growth in revenues, due mainly to successes in the cine power supply line and medical cart power systems (for example, Yale hospital).
- RF Extreme grew in US law enforcement with a high-profile and flexible wireless video surveillance system implemented on helicopters used by the Houston Police. It won a multi-million Dollar wireless video links contract for a military customer - with most of the shipments in 2010. Additionally, RF Extreme enjoyed some major success in the Broadcast market in Brazil.

Revenue

Operating profit*

Operating margin*



Our brands

Bags
Petrol Bags

Camera Accessories
OConnor

Communications
Clear-Com

Equipment Rentals UK
The Camera Store

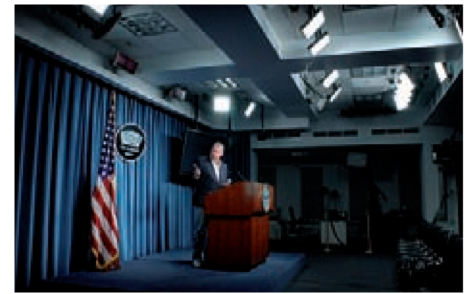
Lighting
Anton/Bauer
Litepanels
Sachtler

Microwave Systems
Microwave Service Company
Nucomm
RF Central

Mobile Power
Anton/Bauer

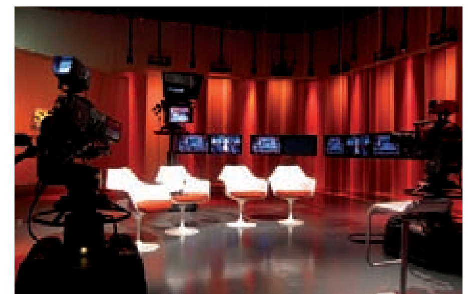
Prompters
Autoscript

Supports
OConnor
Sachtler
Vinten
Vinten Radamec



Case study 1:
Litepanels US Pentagon briefing room
Litepanels' pioneering LED lighting fixtures have been installed in the briefing room at the Pentagon. Their low power consumption, long life and their ability to be controlled accurately while dimming gave them the edge over conventional tungsten/fluorescent lighting. This success is another example of how the pioneering technology of Litepanels is gaining critical acclaim.

Case study 2:
RF Extreme Houston Police project
In 2009, RF Extreme shipped $2.5 million worth of equipment to the City of Houston Police Department and also managed the entire installation and integration of the contract. The new equipment created an advanced, helicopter-based digital microwave system designed to deliver both standard-definition and high-definition encrypted video simultaneously to mobile command posts, as well as to hand-held receivers and monitors.



Case study 3: Sky Italia robotics
Sky Italia has invested in robotic camera systems from Vinten Radamec to achieve high production values while keeping operational expenditure under control for its flagship Sky Sport 24 round-the-clock sports news channel, which includes around 19 hours of live HD content each day. Although the channel broadcasts from Milan, the control system can also be used to manipulate robotic camera heads installed in a secondary studio 600km away in Rome.

* 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 (see Notes 3 and 5 to the Consolidated Accounts 2009).

Services Division

Our Services Division provides rental equipment and technical support for the most demanding broadcast productions, from the world's first in-flight concert to a Papal visit. We are also an integrator/dealer for high-end audio equipment, provide comprehensive maintenance services and offer fibre optic systems design and installation services along with resale of used broadcast hardware.

Jerry Gepner
Divisional Chief Executive

Markets

The first half of 2009 saw a sharp decline in overall television advertising expenditure. This resulted in a reduction in the amount of hardware used in the coverage of many live or recorded broadcast events, with a corresponding decline in hardware rental and service offerings. However, large appointment-viewing events provided an opportunity for our major event unit to capture market share, winning contracts to support the US Tennis Open and the Miss Universe pageant. Several large events saw increased audience size in 2009 and in turn, required more and sophisticated hardware and engineering support.

The second half saw some market stabilisation. With the advent of the US autumn sports seasons, core equipment rentals saw some improvement and the run-up to the Winter Olympic Games in Vancouver provided support for the fibre optic operation.

Operations

Revenue for 2009 was £26.3 million, a decrease of 10.2% over 2008 (a decrease of 24.2% in constant currency). Coupled with a non-Olympic year, this decline closely mirrors the overall drop in broadcast advertising revenues, the key driver of TV programme production. Rental margins were driven down by increased price pressure from the more competitive marketplace.

The decrease in revenue resulted in cost reductions and restructurings that provided material savings in 2009. Bexel closed two branches in Orlando and Las Vegas - both regions are now served by other nearby branches. In spite of the decisive cost reduction actions taken, the Division generated an operating loss* of £1.7 million. However the cost reductions have re-aligned the business for current activity levels. In addition 2009 saw the implementation of several new processes designed to improve margins and efficiencies.

Our fibre optic unit picked up several new clients in markets such as theme parks, houses of worship and academics. The professional audio unit was more sought after for large project consulting and major systems design, resulting in a constant performance compared with 2008. The major event unit achieved its revenue goals in 2009, confirming our strategy to focus more on major event support and long-term relationships.

Divisional sales
£26.3m

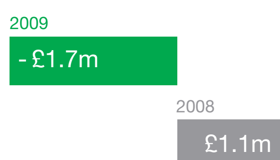
Down
-10.2%

Key achievements

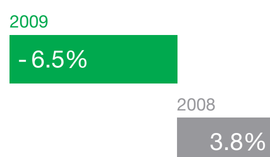
- Award of a multi-year agreement to provide facilities to the host broadcaster for the Olympics, OBS, providing guaranteed revenue and significant additional rental potential.
- Contract with Sony Broadcast & Professional Products Division to serve as the engineering and logistics agency for the introduction of two new products to the US marketplace.
- Supported Litepanels to break into live sport and entertainment market. Secured the specification of Clear-Com intercom and RF Extreme microwave products, now in use on rentals to major reality shows and televised sporting events.

Revenue

Operating profit/loss*



Operating margin*



Our services

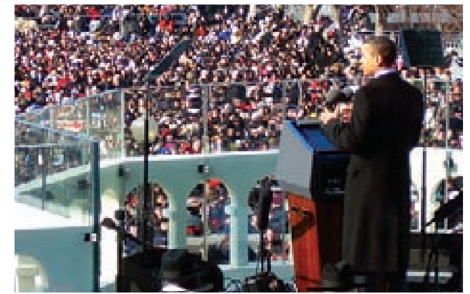
Production equipment rentals

Used production equipment sales

Major event systems and services

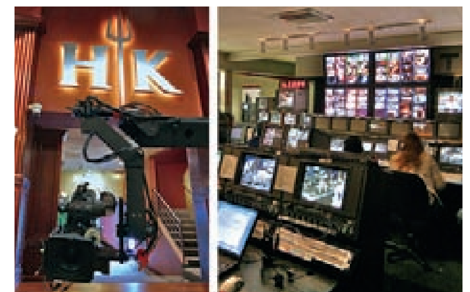
Professional audio services and sales

Fibre optic solutions



Case study 1: The Inauguration
In January 2009, Bexel helped bring the election of Barack Obama to a worldwide audience by providing fibre-based press distribution, rental cameras and other ENG hardware, as well as wireless audio and communications systems, to a host of global broadcasters. The now famous images of President Obama walking the parade route were captured for CBS using six top-line HD cameras and lenses supplied by Bexel.

Case study 2: US Open Tennis on ESPN
In August 2009, ESPN premiered its first year of coverage of the US Open Tennis tournament with a complete broadcast infrastructure designed and installed by Bexel's BBS team. A complete workflow was designed and constructed in Flushing Meadows, which included over a dozen ingest and playout servers, multiple control rooms and dozens of editing and graphics stations.



Case study 3: Hell's Kitchen
In December 2009, Bexel was challenged to provide a fully integrated production system comprising 56 remote controlled cameras, 30 miniature point-of-view cameras, 19 videotape recorders and a distribution system capable of providing over 9,000 connections for arguably one of the most complex and technically demanding reality TV shows. It was Bexel's eighth season as facilities provider for Gordon Ramsay's Hell's Kitchen series.

* 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 (see Notes 3 and 5 to the Consolidated Accounts 2009).

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	2009	2008
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 divided by weighted average number of shares in issue during the financial year	pence per share	Audited accounts	**36.5p**	55.9p
Return on sales*	Provide a measure of overall operational efficiency	Operating profit before significant items for the financial year divided by total revenue for the financial year	% of revenue	Audited accounts	**7.8%**	11.4%
Total shareholder return (TSR)	Monitor and measure of investment return for shareholders	Share price growth plus dividends paid over the three year period ended on 31 December 2009 or 2008 Share price: 30 trading day average over the preceding 30 days	average compound annual growth %	Datastream	**(5.0%)**	(17.4%)
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 after net capital expenditure, net interest and tax paid in the financial year	£m	Audited accounts	**22.7**	19.0
Controlling our working capital[1]						
Working capital %	Provide an indication of the efficient utilisation of working capital resources	Average Quarter 4 (Q4) working capital divided by annualised Q4 revenue Working capital comprises Inventories, Trade and other receivables, Trade and other payables, Derivative financial instruments and current provisions Q4 comprises October, November and December	% of revenue	Audited accounts Monthly management accounts	**16.4%**	17.7%
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 divided by Q4 cost of sales (before exchange gains/losses) times number of days in Q4	days	Audited accounts Monthly management accounts	**97**	118
Debtor days	Provide an indication of how long it takes on average for Vitec to receive payments on accounts receivables	Trade receivables at the end of the financial year divided by Q4 revenue times number of days in Q4	days	Audited accounts Monthly management accounts	**41**	44
Creditor days	Provide an indication of how long it takes on average for Vitec to settle its accounts payables	Trade payables at the end of the financial year divided by Q4 cost of sales (before exchange gains/losses) times number of days in Q4	days	Audited accounts Monthly management accounts	**41**	44
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 divided by total revenue of the prior financial year less 1 times 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 Excludes disposal (for 2009)	%	Audited accounts and, for acquired businesses, monthly management accounts	**(7.2%)**	15.6%

KPI/Measure	Purpose	Definition/Calculation	Unit	Data source	2009	2008
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 divided by total product revenue of the financial year times 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 Videocom Division and Brilliant Stages Exclude acquisitions in the financial year	% of revenue	Audited accounts and internal reports from Vitec Business Units	**39.2%**	36.3%
Monitoring our environmental impact[2]						
Usage of electricity	Monitor electricity, gas, oil and water consumption	Amount of electricity consumed in the financial year divided by total revenue for the financial year	megawatt hours[2]	Internal reports from Vitec Business Units	**34.85**	37.03
Usage of gas		Amount of gas consumed in the financial year divided by total revenue for the financial year	megawatt hours[2]		**23.43**	25.50
Usage of oil		Amount of heating oil consumed in the financial year divided by total revenue for the financial year	'000 litres[2]		**0.03**	0.03
Usage of water		Amount of water consumed in the financial year divided by total revenue for the financial year Excludes 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[2]		**0.10**	0.11
Employees and safety[5]						
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	**511[4]**	723

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 £1.0m of the Group's revenue.

[3] There were no fatal workplace injuries in 2009 or 2008.

[4] Accidents have reduced from 16 in 2008 (representing 723 per 100,000 employees) to 10 in 2009 (representing 511 per 100,000 employees). At Videocom, the number of accidents have increased from 2 in 2008 to 3 in 2009. At the Group's main operations in Italy, Imaging Support, the number of accidents is down from 7 in 2008 to 3 in 2009. Tomcat, Bogen Imaging Italy, Staging and Services had 7 accidents in 2008 but 4 in 2009.

[5] The number of training days has not been reported this year as the measure is not relevant due to the restructuring programme undertaken during the year.

* 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 (see Note 5 to the Consolidated Accounts 2009).

Board of Directors

Michael Harper BSc Eng, MSc
Chairman, non-executive, British, aged 65, appointed to the Board in June 2004, became Chairman on 1 November 2004; Chairman of the Nominations Committee. Currently Chairman of BBA Aviation plc and Ricardo plc and a non-executive director and Senior Independent Director of Catlin Group Limited.

Stephen Bird MA
Group Chief Executive, British, aged 49, 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.

Richard Cotton BA, FCMA
Group Finance Director, British, aged 49, appointed to the Board in 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), Alcoa Europe, British Aluminium, BTR PLC, JFP Products and Thomson CSF.

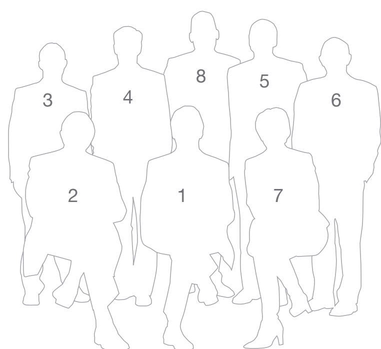
Simon Beresford-Wylie BA
Non-executive, independent, British, aged 51, appointed to the Board in March 2006; member of the Audit Committee, the Nominations Committee and the Remuneration Committee. Appointed Chief Executive Officer of Elster Group GmbH with effect from 1 November 2009. Previously Chief Executive Officer 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 65, appointed to the Board in 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, JKX 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 55, appointed to the Board in 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. She 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 68, appointed to the Board in 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
Group Company Secretary, British, aged 43, appointed October 2008. Previously Group Company Secretary of Waste Recycling Group. Prior to this he was Deputy Company Secretary at Cable & Wireless and worked at GlaxoSmithKline.



1 Stephen Bird
2 Michael Harper
3 Richard Cotton
4 Simon Beresford-Wylie
5 Nigel Moore
6 Will Wyatt
7 Maria Richter
8 Jon Bolton

Directors' Report continued

Directors

The directors throughout the year ended 31 December 2009 were Michael Harper, Richard Cotton, Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt. Alastair Hewgill stood down as a director at the conclusion of the Annual General Meeting on 19 May 2009 and Stephen Bird joined as a director and Group Chief Executive on 14 April 2009. The remuneration of the directors is set out in the Remuneration Report on pages 28 to 35. Photographs and biographies of the current directors are set out on pages 24 and 25.

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 Operations Executive are also encouraged to do so. The value of holdings by the executive directors at 31 December 2009 represented 33% and 21% of the base salaries of Stephen Bird and Richard Cotton respectively, calculated by reference to the closing middle market price of a share of the Company on 31 December 2009, the last dealing day of 2009, which was 389p.

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 2009 and 1 January 2009 (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 28 to 35. Other than as disclosed in the footnote, there have been no other changes to these interests in the period from 31 December 2009 to 24 March 2010.

Directors' shareholdings	31 December 2009	1 January 2009 or subsequent date of appointment
Chairman		
Michael Harper	35,000	35,000
Executive Directors		
Stephen Bird	30,000[1]	-
Richard Cotton	13,196[1]	12,500
Non-executive Directors		
Simon Beresford-Wylie	4,000	2,000
Nigel Moore	15,470	9,395
Maria Richter	4,000	1,000
Will Wyatt	2,875	2,875
	104,541	62,770

[1] On 9 March 2010, Stephen Bird's interests increased to 56,185 shares with the purchase of 26,185 shares and Richard Cotton's interests increased to 31,424 shares with the purchase of 18,228 shares. Both purchases form the core awards under The Vitec Group 2005 Deferred Bonus Plan with the shares held by EES Trustees International Limited.

Share capital

Details of shares issued during the year are set out in Note 24 to the Consolidated Accounts. An analysis of shareholdings is shown on page 104. The closing middle market price of a share of the Company on 31 December 2009, the last day of dealing in 2009, together with the range during the year, is also shown on page 104. For details of own shares held by the Company see Note 24 to the Consolidated Accounts.

Substantial shareholdings

As at 24 March 2010, 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	5,984,894	14.03
Aviva plc	4,400,483	10.28
Prudential plc	3,997,892	9.33
Baring Trustees (Guernsey) Ltd	2,698,374	6.58
Manfrotto SA	2,478,374	6.05
Franklin Templeton Institutional LLC	2,178,223	5.09
Artisan Partners Limited Partnership	2,167,373	5.06
Aberforth Partners LLP	2,129,169	5.04
Schroders plc	2,112,294	5.02
Axa SA	2,065,145	4.93

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 36 to 39. 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 28 to 35.

Corporate Governance
The Group's report on Corporate Governance is on pages 40 to 46.

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 2009 charitable donations totalling £158,601 (2008: £139,941) 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 pages 38 and 39.

Payments to creditors
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 2010. For the financial year ended 31 December 2009, the Group paid its creditors on average within 41 days (2008: 44 days restated).

Annual General Meeting
The Annual General Meeting for 2010 will be held at 2.30pm on Monday 17 May 2010 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 be making use of the electronic voting facility provided by its registrars, Capita Registrars. The facility includes 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 104.

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. Separate resolutions 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
Group Company Secretary

24 March 2010

Cautionary statement: Statements made in the Directors' Report (pages 1 to 27) 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 2008 Combined Code on Corporate Governance and under the Directors' Remuneration Report Regulations 2002. A resolution to approve the Report will be proposed at the 2010 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 2009, 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 2009. The former Interim Chief Executive, Alastair Hewgill, also attended meetings by invitation of the Committee up until 25 February 2009 and Stephen Bird, as Group Chief Executive, attended meetings from 14 April 2009 onwards. The Group Company Secretary also attended all meetings in 2009. The executive directors or the Group Company Secretary 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 governance for the Remuneration Committee see pages 43 and 44.

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 2009, the Committee received advice from Watson Wyatt (now Towers Watson) as the Committee's appointed remuneration advisors. This advice related to disclosure of content in the 2008 Remuneration Report, measurement of performance conditions associated with incentive arrangements, proposed changes to performance conditions associated with incentive arrangements and general remuneration advice. The fee paid to Watson Wyatt for this service in 2009 was £51,498.

Towers Watson also provides pensions advice and services to the Company. The Committee also received advice and administrative support from the Group Company Secretary, Jon Bolton.

Since 2004 the Company has made available to all UK based 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 page 32 and the table entitled Pensions related remuneration on page 33.

Executive directors' service contracts do not provide for pre-determined 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 both for the individual and the Company 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. Stephen Bird is a non-executive director of Umeco plc a position he has held since October 2006. In this capacity Stephen Bird receives a fee of £30,000 per annum.

The Committee currently has no intention of amending the above stated policy for 2010, 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.

Executive directors
The executive directors' remuneration comprises a basic salary, an annual cash bonus, long term 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 Stephen Bird has been made since his appointment on 14 April 2009 and a similar arrangement was available to Alastair Hewgill before his resignation and is available to Richard Cotton. Under the Annual Cash Bonus Plan, the executive directors can normally receive up to 100% of basic salary based on a combination of Company financial 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 Alastair Hewgill's appointment as Interim Chief Executive with effect from 1 October 2008, his bonus limit was increased to 150% of basic salary in respect of the year ended 31 December 2009, until either he left the Company or was appointed permanent Chief Executive. 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. Alastair 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. Under the long term share incentives, each executive director can normally receive up to 100% of basic salary in the form of an annual award of Long Term Incentives under the Long Term Incentive Plan that are subject to the satisfaction of performance conditions.

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

Alastair Hewgill, Interim Chief Executive until 14 April 2009 and a director until 19 May 2009, aged 55, was employed under a service contract dated 17 April 2002 (superseded in September 2008 on his appointment as Interim Chief Executive). The notice period by the Company under his contract was six months and notice by the employee to the Company was six months. Under the contract the Company, in the event of termination of employment, would 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 was entitled to receive under his service contract but excluding pension contributions. In addition, the period of notice would be taken into account for any bonus due. The bonus arrangements for 2009 would potentially 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 objectives set by the Board.

Richard Cotton, appointed a director on 3 November 2008, aged 49, 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 2010 may deliver a maximum bonus of 100% of salary with 75% based on achievement of financial results (reported Group profit before tax and Group working capital to sales measured against the 2010 budget) and 25% based on performance against personal objectives 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.

Stephen Bird was appointed a director and Group Chief Executive of the Company on 14 April 2009. He is aged 49 and is 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 received a salary of £350,000 per annum for 2009. He also participates in the annual bonus arrangements for 2010 that may deliver a maximum bonus of 100% of salary with 75% based on achievement of financial results (reported Group profit before tax and Group working capital to sales measured against the 2010 budget) and 25% based on performance against personal objectives 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.

The Remuneration Committee has decided that with effect from 1 January 2010 the salaries for Stephen Bird and Richard Cotton be increased to £360,500 and £257,500 respectively. This increase is against the background of no increases in 2009. Salaries will be reviewed for 2011 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 Operations Executive and also to the Group's senior management below the level of the Operations Executive as envisaged when shareholder approval was received. The level of awards for the executive directors and Operations Executive 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 Annual Cash Bonus Plan and will be used in 2010 and future years.

Remuneration Report continued

The 2002 Unapproved Share Option Plan was approved by shareholders at the Annual General Meeting in 2002 and grants of share options were made in June 2005 and March 2008 to the executive directors and the other members of the Operations Executive. At the time of these grants, the Committee reviewed and revised the performance condition applicable to the grant. No grants of share options under the Plan are currently planned.

The performance conditions for awards under the 2005 Long Term Incentive Plan, the 2005 Deferred Bonus Plan and under the 2002 Unapproved Share Option Plan are set out in detail below.

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. The Chairman and the 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 condition. 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 was set at 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. No options have been awarded under the Plan since 2008.

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. For awards made before 2010 under the Plan this performance condition is based on 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, Towers Watson, annually ahead of awards to determine that it is relevant and sufficiently demanding.

For awards made in 2010 the Remuneration Committee, having consulted with major shareholders, decided to amend the performance condition to provide a more meaningful measure of performance. 50% of an award will continue to be measured based upon TSR as described above. However 50% of an award is subject to growth in the Company's earnings per share, excluding exceptional or extraordinary items. Each performance condition is entirely independent from the other performance condition.

Performance condition: For that part of an award measured against TSR, 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 that element of an award may vest. The full element of an 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. For that part of an award measured against EPS growth, if the percentage growth in the EPS of the Company, after adjustments for exceptional or extraordinary items, exceeds the percentage growth in RPI over the three year performance period by 4% (Compound Average Growth Rate), 35% of that element of an award may vest. Full vesting of an award occurs if the growth in EPS over the performance period exceeds growth in RPI by 8% (Compound Average Growth Rate) or greater. There is pro rata straight line vesting between these two points. An award lapses if the lower point under both performance conditions is not achieved during the performance period and there is no re-testing of performance under either performance condition. The Remuneration Committee will also consider the underlying financial performance of the Company before it confirms vesting.

Dividends that would have been paid on the vesting shares during the performance period will be re-invested in additional shares.

2005 Deferred Bonus Plan
Executive directors and members of the Operations Executive are required to defer a proportion (currently a minimum of 20% for executive directors and 15% for other Operations Executive 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 EES Trustees International Ltd until exercise. Dividends that would have been paid on the core award of shares and the actual matching shares that vest during the performance period are re-invested in additional shares.

Performance condition: For awards under the Plan made before 2010, 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:

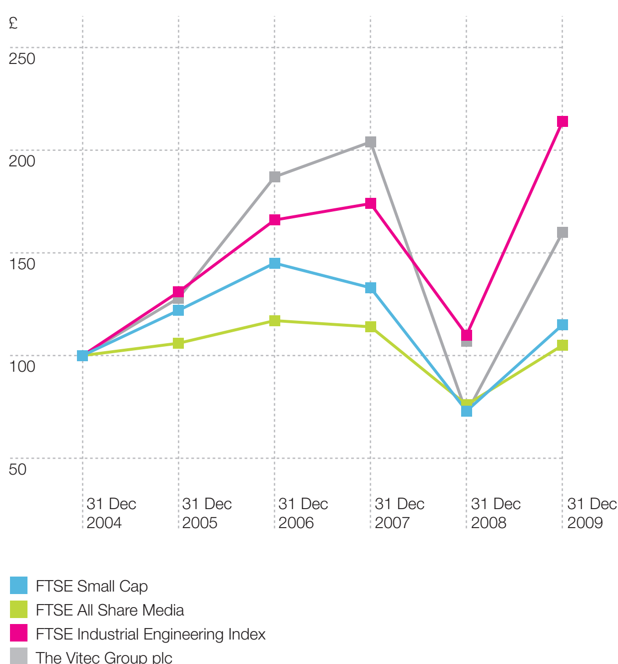
- one share for every three shares at median performance; and
- one share for every one share within the top 20% performance.

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.

For awards under the Plan made in 2010 the performance condition has changed to the same as applies to the Long Term Incentive Plan. There is no re-testing of performance under either performance condition.

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 for either a three year or five year term 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 2005-2009
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 2005-2009, assuming an initial investment of £100.



To produce a 'fair value' each point is a 30 trading day average of the indices. TSR data is taken from Datastream.

Remuneration Report continued

The following information has been audited.

Directors' remuneration
Michael Harper, Chairman, is currently paid a fee at the rate of £110,000 per annum. The fee payable to the other non-executive directors is £36,000 per annum. 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. Will Wyatt receives an additional £5,000 per annum and Nigel Moore receives an additional £8,000 per annum. An additional fee of £2,200 is also paid to the Senior Independent Director, Will Wyatt. These fees were approved in June 2008, are 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 resigned as a director on 31 October 2008. Although he received no remuneration during the year ended 31 December 2009, he made a gain on the exercise of 95,000 share options at a price of 300p per share of £52,488. This exercise was in accordance with the terms of his severance agreement.

Alastair Hewgill's annual salary as at 19 May 2009, the date of his resignation as a director of the Company, was £300,000. Alastair Hewgill was a member of the Vitec Group Pension Scheme contributing 10% 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 were paid by the Company into Alastair Hewgill's Group Personal Pension Plan.

Alastair Hewgill was eligible for a performance related bonus of up to 150% of base salary for the year ended 31 December 2009. This was calculated on a pro rata basis up until his departure date as an employee of the Company on 14 October 2009. Half of this bonus was dependent upon satisfaction of financial performance targets based upon actual reported Group profit before tax and working capital, measured against the Company's 2009 budget. The remaining half of the bonus was dependent upon performance against personal objectives set by the Board and aligned to achieving agreed strategic objectives. Alastair Hewgill was therefore paid a bonus of £150,219 in respect of 2009 based upon assessments of achievement against financial performance targets and personal objectives (2008: £170,508).

Richard Cotton, Group Finance Director, currently receives an annual salary of £257,500, increased from £250,000 with effect from 1 January 2010. Richard 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. Richard Cotton was paid a bonus of £119,781 in respect of 2009 based upon an assessment of the achievement of financial and personal objectives for 2009. Richard Cotton has decided to defer 100% of this bonus into the Deferred Bonus Plan. Richard Cotton did not receive a bonus in respect of 2008 having joined the Company in November 2008.

Richard Cotton will be eligible for a performance related bonus based on the Company financial performance and personal objectives for the year ending 31 December 2010, of up to 100% of base salary.

Stephen Bird, Group Chief Executive, currently receives an annual salary of £360,500, increased from £350,000 with effect from 1 January 2010. Stephen Bird is not a member of the Group Personal Pension Plan, but receives a contribution of 20% of his basic salary in the form of an alternative pension contribution. Stephen Bird was paid a bonus of £172,069 in respect of 2009 based upon an assessment of the achievement of financial and personal objectives for 2009. Stephen Bird has decided to defer 100% of this bonus into the Deferred Bonus Plan. Stephen Bird did not receive a bonus in respect of 2008 having joined the Company on 14 April 2009.

Stephen Bird will be eligible for a performance related bonus based on the Company financial performance and personal objectives for the year ending 31 December 2010, of up to 100% of base salary.

For Stephen Bird's and Richard Cotton's 2009 bonus arrangements, the Remuneration Commitee set separate financial objectives for H1 and H2 2009 given the very challenging market conditions. These were split between profitability, cash performance and working capital management.

Details of the directors' remuneration for 2009 with comparatives for 2008 are set out in the following tables:

Director's name	Salaries and fees 2009 £	2008 £	Benefits[1] 2009 £	2008 £	Performance related annual bonus 2009 £	2008 £	Pension related remuneration 2009 £	2008 £	Total 2009 £	2008 £
Chairman										
Michael Harper	**110,000**	102,500	**-**	-	**-**	-	**-**	-	**110,000**	102,500
Executive Directors										
Alastair Hewgill (left on 14 October 2009)	**206,957**	243,540	**18,118**	20,926	**150,219**	170,508	**23,860**	65,234	**399,154**	500,208
Richard Cotton (joined on 3 November 2008)	**250,000**	41,667	**16,820**	32,645	**119,781**	-	**50,000**	8,333	**436,601**	82,645
Gareth Rhys Williams (left on 31 October 2008)	**-**	283,550	**-**	19,328	**-**	100,000	**-**	102,237	**-**	505,115
Stephen Bird (joined on 14 April 2009)	**250,568**	-	**14,336**	-	**172,069**	-	**50,114**	-	**487,087**	-
Non-executive Directors										
Simon Beresford-Wylie	**36,000**	33,000	**-**	-	**-**	-	**-**	-	**36,000**	33,000
Nigel Moore	**44,000**	40,250	**-**	-	**-**	-	**-**	-	**44,000**	40,250
Maria Richter	**36,000**	33,000	**-**	-	**-**	-	**-**	-	**36,000**	33,000
Will Wyatt	**43,200**	39,600	**-**	-	**-**	-	**-**	-	**43,200**	39,600
	976,725	817,107	**49,274**	72,899	**442,069**	270,508	**123,974**	175,804	**1,592,042**	1,336,318

(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 Richard Cotton, he received relocation expenses in 2008 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, Alastair Hewgill was provided with chauffeur driven transportation from his home to the Company's head office and accommodation in Greater London.

Pensions related remuneration

	Accrued pension at 31 December* 2009 £	2008 £	Increase in accrued pension (in excess of price inflation) during 2009 £	2008 £	Member contributions towards pension 2009 £	2008 £	Transfer value of the increase in accrued pension net of member contributions 2009 £	2008 £	Transfer value of accrued pension at 31 December* 2009 £	2008 £	Increase in transfer value over year to 31 December* net of member contributions 2009 £
Alastair Hewgill	**25,836**	22,132	**2,597**	3,006	**8,208**	10,476	**74,824**	50,349	**579,159**	361,488	**209,463**
Gareth Rhys Williams	**-**	20,335	**-**	2,511	**-**	8,712	**-**	26,074	**-**	222,446	**-**

* For Gareth Rhys Williams, figures are calculated to his date of leaving of 31 October 2008. For Alastair Hewgill, figures are calculated to his date of leaving on 14 October 2009.

This table should be read in conjunction with the information given on page 32.

Remuneration Report continued

Directors' share options	Date of grant	At 1 January 2009 (shares)	Options exercised during year (shares)	Options lapsed during year (shares)	Options granted during year (shares)	At 31 December 2009 (shares)	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
Alastair Hewgill										
2002 Unapproved	Jun 2005	63,333	-	-	-	63,333	300	-	Jun 2008	Oct 2011
	Mar 2008	43,891	-	20,726	-	23,165**	512	-	Oct 2009	Oct 2011
Gareth Rhys Williams										
2002 Unapproved [1]	Jun 2005	95,000	95,000	-	-	-	300	355.25	Jun 2008	Oct 2009
	Mar 2008	18,460*	-	18,460	-	-	512	-	Oct 2008	Oct 2009
Stephen Bird										
SAYE options	May 2009	-	-	-	6,984	6,984	131	-	Jul 2012	Dec 2012
Richard Cotton										
SAYE options	May 2009	-	-	-	6,984	6,984	131	-	Jul 2012	Dec 2012
		220,684	95,000	39,186	13,968	100,466				

(1) Gareth Rhys Williams made a gain of £52,488 on the exercise of his June 2005 Unapproved Share Options. The gain was calculated as the difference between the market price and the option price, multiplied by the number of shares at the exercise date.

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

**Remaining after original award pro rated down to reflect service period up until 14 October 2009.

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 104.

Directors' long term incentives

Awards under the Long Term Incentive Plan	Date of award	Awards at 1 January 2009 (shares)	Awards exercised during the year (shares)	Awards lapsed during the year (shares)	Awards made during the year (shares)	At 31 December 2009 (shares)	Market price at award date (pence)	Market price at exercise date (pence)
Alastair Hewgill								
	Jun 2005	56,645	56,645	-	-	-	300	156
	Apr 2006	38,095	-	38,095	-	-	525	-
	Jun 2007	35,041	-	35,041	-	-	602	-
	Mar 2008	44,854	-	44,854	-	-	501	-
Stephen Bird								
	Apr 2009	-	-	-	200,286	200,286	175	-
Richard Cotton								
	Apr 2009	-	-	-	143,062	143,062	175	-
		174,635	56,645	117,990	343,348	343,348		

(1) Alastair Hewgill made a gain of £88,366 on the exercise of his June 2005 LTIP award. The gain was calculated as the market price multiplied by the number of shares at the exercise date.

(2) On 8 March 2010 the following awards of shares under the Long Term Incentive Plan were made to the executive directors:

- Stephen Bird - 94,619
- Richard Cotton - 67,585

Awards under the Deferred Bonus Plan	Date of award	Awards at 1 January 2009 (shares)	Awards exercised during the year (shares)	Awards lapsed during the year (shares)	Awards made during the year (shares)	At 31 December 2009 (shares)	Market price at award date (pence)	Market price at exercise date (pence)
Alastair Hewgill								
	May 2006							
	Core	2,948	2,948	-	-	-	505	169.5
	Matching	2,948	-	2,948	-	-	505	-
	June 2007							
	Core	17,420	17,420	-	-	-	605	360
	Matching	17,420	-	17,420	-	-	605	-
	April 2008							
	Core	5,216	5,216	-	-	-	452	360
	Matching	5,216	-	5,216	-	-	452	-
		51,168	25,584	25,584	-	-		

(1) There is a performance condition attached to the matching awards. For the purposes of this table and footnotes, where the award has not yet been finally performance tested, 100% vesting is assumed.

(2) Alastair Hewgill earned 4,077 dividend shares on his core award shares from 2006, 2007 and 2008.

(3) On 8 March 2010, the following awards of shares under the Deferred Bonus Plan were made to the executive directors:

- Stephen Bird - 26,185 core award shares
  - 26,185 matching award shares
- Richard Cotton - 18,228 core award shares
  - 18,228 matching award shares

Other than as disclosed in the table footnotes, there have been no other changes to these interests in the period from 31 December 2009 to 24 March 2010.

Approved by the Board of Directors on 24 March 2010 and signed on its behalf by

Jon Bolton
Group Company Secretary

Corporate Social Responsibility Report

Vitec has a considered approach to Corporate Social Responsibility surrounding its business activities worldwide. The Group continues to assess its responsibilities at local, national and global levels. We recognise that Corporate Social Responsibility is central to sustainable growth, particularly as investors, customers and other stakeholders 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.

Key areas of focus for Vitec's Corporate Social Responsibility are the environment, business ethics and human rights, health and safety and employment and community giving.

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 Group 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.

We report on our gas, electricity, 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 pages 22 and 23 sets out our performance in 2009 compared to 2008.

We are keen to receive feedback from all of our stakeholders and we will use their comments and views to shape our future Corporate Social Responsibility policies and practices. Please get in touch with us at info@vitecgroup.com with your 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 products introduced to our markets 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 2009 Anton/Bauer forwarded to RBRC 11,496kg (2008: 18,439kg) of nickel cadmium, lithium ion and nickel metal hydride batteries returned to the Company for recycling. The decrease is believed to be associated with customers holding onto batteries for longer due to the economic downturn. Anton/Bauer actively encourages its customers to recycle batteries and is a member of the 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.

The Services Division, based in Burbank, California is a rental operation and consequently its scope for reducing emissions and usage of resources that is already low is very limited. In 2009, the Division streamlined timekeeping and record keeping systems within its HR Department, eliminating timesheets and other HR forms for over 150 employees.

The Imaging Supports business within the Imaging & Staging Division invested €7,000 in 2009 with Enel Energy SpA for the "Energia Pulita" programme, whereby all energy was supplied to its facilities in Bassano and Feltre in Italy from certified sustainable and renewable sources under the Renewable Energy Certificates System.

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.

Year	Gas	Electricity	Water	Group revenue
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	8,102 (29.6)	11,082 (40.5)	33.2 (0.12)	£273.8m
2008	8,613 (25.5)	12,505 (37.0)	36.3 (0.11)	£337.7m
2009	7,384 (23.43)	10,981 (34.9)	30.9 (0.10)	£315.1m

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

(2) The usage of gas, electricity and water in 2009 decreased by 14.3%, 12.2% and 14.8% respectively when compared to 2008. This is mainly due to lower production and reduced headcount (decrease of 11.6% from 2,214 in 2008 to 1,957 in 2009).

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

Policy
The Vitec Code of Business Conduct (the Code) covers the way in which we deal with employees, suppliers, customers, shareholders and our responsibility to society and is 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. Communication material on Expolink has been translated for each area of operation and is published on site notice boards and on the Group intranet. Reports through Expolink are independently investigated without fear of adverse consequences.

Vitec's Code includes supply chain requirements. Suppliers are required to confirm compliance with Vitec's 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 Organisation's core conventions on labour standards (addressing forced labour, freedom of association, discrimination and child labour).

Actions
In 2009, the Company set out its purpose – to provide vital products and services that support the capture of exceptional images. To support this purpose five key values, collectively forming the Vitec Mindset, were adopted. These values are:

- Product excellence – everything we make and do is exceptional;
- Creative solutions – we are constantly looking to break new ground;
- Integrity – what you see is what you get;
- Customer focus – we are nothing without our customers; and
- Collaboration – we work better when we work together.

The Code of Business Conduct will be re-launched to all employees in 2010 to reflect this purpose and values.

Health and 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 Operations Executive, held monthly, and are reported to the main Board directors as part of their monthly management pack. Training is regularly carried out to educate employees on health and safety matters and safe systems of work.

Vitec has 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 hold OHSAS 18001 Occupational Health and Safety certification, ISO 9001 Quality and ISO 14001 Environment certification. The companies employ over 500 employees at five manufacturing sites in Italy.

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.

Corporate Social Responsibility Report continued

The Services Division implemented a drug and alcohol testing programme in 2009 in the Operations Department. The Division recognises its commitment to employees, customers and the public to take reasonable steps to ensure safety in the workplace and in the community.

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 2009 we targeted a 10% reduction for the year in accidents. A 38% reduction was achieved in 2009 with accidents reducing from 16 (representing 723 per 100,000 employees) in 2008 to 10 (representing 511 per 100,000 employees) in 2009 (see Note 4 on page 23). There were no fatal accidents during 2009 (2008: nil). A similar targeted reduction has been set for 2010.

Year	Accident rate	Fatalities	Average number of employees
2005	1,040	Nil	1,538
2006	835	Nil	1,676
2007	976	Nil	2,049
2008	723	Nil	2,214
2009	511	Nil	1,957

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 Chief Executives, 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 agree to save a set amount 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 concentrate 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 2009 donations totalling £158,601 (2008: £139,941) were made by Group companies. Some of the support given by Group companies during 2009 included the following.

The Clear-Com business based in Alameda, US, encouraged its employees to enter a sponsored walk in 2009 to raise money to support children with cancer at the Children's Hospital and Research Centre in Oakland. 30 employees participated and the Company matched each employee's contribution and raised $2,465.

The same business also supported the Alameda Food Bank whereby employees donated food and two hours of their time to sort food. At the same time employees gave an online donation to the shelter and raised $2,000 which was matched by the business.

The Bogen Café

The Bogen Café continued its annual series of two-day workshops and lectures in the US by professional photographers and educators at 10 universities and colleges designed to help support their photo curriculum and the students. During 2009 equipment and the services provided by Bogen Imaging totalled $170,000.

Manfrotto Supports held free photography courses for several schools for grade four students in Campese, Italy. The courses were aimed at introducing children to basic photography techniques and educating them about the images produced. 2009's theme was self portraits and classmate portraits. In addition the courses examined the aesthetic models imposed by the media and their negative effects. At the end of the course a book of the students' work was produced, printed and distributed to the students. The scope of the project was to generate new interest in photography whilst adding value to children's lessons and increasing awareness about a local company with a worldwide reputation for quality. The donation to support this was €5,000.

Manfrotto Supports further offered photography courses for employees in 2009 following the success of similar courses in 2008. Whilst the cost of this was low, the value in raising employees' awareness and enthusiasm for the sector in which they work was far greater.

Bogen Imaging (now Manfrotto Distribution) in the US loaned equipment to two military bases, Fort Lewis and Fort Hood, to support the Portraits of Love project which aims to send 10,000 free family portraits to soldiers deployed overseas.

The Services Division has continued its relationship with the City of Burbank BEST Program. The Burbank Employment and Student Training Program (BEST) provides an opportunity for local businesses to invest in the youth of Burbank, California and provide practical work experience and exposure to business. The programme is a temporary, part-time work training programme and the Services Division employs several students through it during the year.

The Services Division continued its support for The V Foundation for Cancer Research at the ESPY Celebrity Golf Classic. The Division sponsored a hole at the tournament for $10,000 and provided $5,000 worth of equipment and manpower for the audio visual requirements of the event.

The Services Division further donated $1,500 to Doctors without Borders at the Group's Technology Forum that was matched by guests at the Forum for a total of $6,000.

Students of Kingston University using equipment bought through the Company's donation.

The Head Office of the Company entered into a two-year agreement with Kingston University donating £14,000 to support the University's Television and Video Technology department. The donation is being used to buy new equipment including many of the Company's products to re-fit and improve the University's studio facility. Part of the donation was also used to provide prize money for final year students in recognition of the best course work produced. The courses run by the department cover around 300 students.

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 2008 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 2009. 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 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 robust and 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 authorise the directors to allot further securities by ordinary resolution. A resolution seeking to authorise the directors to allot securities is being put to the Company's Annual General Meeting on 17 May 2010. Details of this resolution and the other resolutions being put to the 2010 Annual General Meeting are set out in the Notice of the Annual General Meeting that accompanies this Annual Report. 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 2009 Annual General Meeting for the Company to make market purchases of up to 2.1 million shares. That authority expires at the conclusion of the 2010 Annual General Meeting. A renewal of this authority is being sought at the 2010 Annual General Meeting. The Company currently holds 150,000 shares in treasury that were acquired in 2008 under this authority at an average price of £4.53 per share.

The Board had six scheduled meetings during the year ended 31 December 2009 and three meetings at short notice. There is a formal schedule of matters and levels of authority which are delegated to the executive directors, with 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. At several Board meetings, the directors are joined by other senior executives apart from the executive directors to gain a greater and more detailed understanding of the Group's operations. This practice will continue in the future.

During the year, all directors attended all six scheduled Board meetings. Apart from the scheduled Board meetings, there were three Board meetings held at short notice. Due to short notice, Will Wyatt, Maria Richter, Nigel Moore and Simon Beresford-Wylie were unable to attend one of these meetings. Despite this, each of the directors unable to attend that meeting had been briefed on the proposal being put to that meeting and had given their feedback and support to the proposal to the Chairman.

At 1 January 2009, the Board consisted of a Chairman (Michael Harper), an Interim Chief Executive (Alastair Hewgill), a Group Finance Director (Richard Cotton) and four non-executive directors (Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt). Will Wyatt is also the Senior Independent Director. On 14 April 2009, Alastair Hewgill stood down as Interim Chief Executive and was replaced with the appointment of Stephen Bird as Group Chief Executive. Alastair Hewgill continued as a director of the Company until 19 May 2009. As at 31 December 2009 the Board comprised a Chairman (Michael Harper), a Group Chief Executive (Stephen Bird), a Group Finance Director (Richard Cotton) and four non-executive directors (Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt).

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 Group Chief Executive are separate and they each have a clear written division of responsibilities approved by the Board. Full details of this 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. Non-executive directors are also encouraged to visit the Group's operations on a continuing basis to further develop their understanding of the Group's business. 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 Group Company Secretary and from external bodies such as KPMG and Towers Watson. 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. Each Board member receives on a monthly basis management reports including a Group Chief Executive's, Group Finance Director's and Group Company Secretary's Report plus a Health and Safety Report covering the ongoing performance of the business. 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 2009 in accordance with the provision contained in the Combined Code. In the case of the executive directors this evaluation is undertaken by the Chairman and 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 taking into account the views of the other Board members. 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 2009 evaluation process concluded that the Board, its Committees and individual members were performing to a good standard particularly given the difficult business environment and against the context of changes in executive management. Key areas identified for improvement in 2010 concerned succession planning at Board and executive level and development of senior talent within the business. Risk culture would also require further attention in 2010 including the roll-out of the Group Basic Controls Manual. 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 Nigel Moore has the most recent and relevant financial experience. During 2009 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 2009 they attended all three meetings; in each case for part of the meeting. At two 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 Audit 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 are 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 2009, the Company established its own internal audit function which is more fully explained in the Internal control and risk management section on page 45. The Committee oversees the work of this new internal function.

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; and
- 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 the Vitec Group policy. The type of work includes reporting accountant services, compliance services (including fraud and money laundering), transaction work (mergers and 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.

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 Group 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. This includes training provided by the Company's auditors particularly on changes in accounting policies and standards.

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.

At least once a year, the Committee reviews 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 2009, the Committee had three scheduled meetings and two meetings called at short notice. All members attended all the Committee meetings in 2009.

The Remuneration Report in respect of the year ended 31 December 2009 is set out on pages 28 to 35.

Duties of the Remuneration Committee:
- determining and agreeing with the Board the framework or broad policy for the remuneration of the Company's Chairman, the executive directors, the Group Company Secretary and such other members of the Operations Executive 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 Group 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 Group 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. Whilst not a member of the Committee, the Group Chief Executive, Stephen Bird attends meetings of the Nominations Committee by invitation.

There were two Committee meetings held during 2009 and all members of the Committee attended each meeting.

During the year, the Committee considered the selection of a new Group Chief Executive. The selection of a new Group 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 Group Chief Executive. The Board subsequently approved the appointment of Stephen Bird as Group Chief Executive with effect from 14 April 2009.

The Committee also considered the current composition of the Board including independence of non-executive directors, Board composition including balance between executive and non-executive members, skills represented on the Board and succession plans and talent development within the Group both at Board level and for senior executives in the Group. The Committee has agreed actions to address these issues during 2010.

Duties of the Nominations 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;
- 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 available 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 current 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. After taking account of the debate on this aspect of corporate governance, the Board has decided that commencing with the forthcoming 2010 Annual General Meeting that all directors will stand for annual re-election. Full details are included within the 2010 Annual General Meeting circular.

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.

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 2010 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 Group 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 implemented an internal audit function in August 2009, replacing the third party audit consultants. Ten audits took place in 2009, the details of which have been reported to the Audit Committee.

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).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. 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 IFRS 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 adequate accounting records that are sufficient to show and explain the parent company's transactions and 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 2006. 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 complies 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 418(2) of the Companies Act 2006) 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 financial statements of The Vitec Group plc for the year ended 31 December 2009. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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

As explained more fully in the Directors' Responsibilities Statement set out on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 46, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 40 to 46 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Lynton Richmond (Senior Statutory Auditor)

for and on behalf of
KPMG Audit Plc
Statutory Auditor
Chartered Accountants
London

1 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

		2009			2008		
	Notes	Before significant items £m	Significant items[1] £m	Total £m	Before significant items £m	Significant items[1] £m	Total £m
Revenue	3	315.1		315.1	337.7		337.7
Cost of sales		(191.2)		(191.2)	(200.6)		(200.6)
Gross profit		123.9		123.9	137.1		137.1
Operating expenses	4/5	(99.4)	(21.6)	(121.0)	(98.7)	(10.2)	(108.9)
Operating profit/(loss)	3/6	24.5	(21.6)	2.9	38.4	(10.2)	28.2
Finance income		2.4	0.3	2.7	3.4	0.7	4.1
Finance costs		(4.2)	0.4	(3.8)	(6.4)	(0.4)	(6.8)
Net finance expense	5/9	(1.8)	0.7	(1.1)	(3.0)	0.3	(2.7)
Profit/(loss) before tax		22.7	(20.9)	1.8	35.4	(9.9)	25.5
Taxation	11	(7.2)	8.6	1.4	(12.0)	6.6	(5.4)
Profit/(loss) for the year (attributable to Equity Shareholders)		15.5	(12.3)	3.2	23.4	(3.3)	20.1
Earnings per share	12						
Basic earnings per share				7.5p			48.0p
Diluted earnings per share				7.4p			47.9p

[1] See Note 5 to the Consolidated Accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 £m	2008 £m
Profit for the year	**3.2**	20.1
Other comprehensive income		
Actuarial loss on pension obligations	**(6.1)**	(1.8)
Revaluation reserve on property	**-**	(0.2)
Currency translation differences on foreign currency subsidiaries	**(20.8)**	30.7
Net gain/(loss) on designated effective net investment hedges	**4.0**	(2.6)
Amounts released to Income Statement in relation to cash flow hedges	**3.4**	(0.3)
Effective portion of changes in fair value of cash flow hedges	**0.9**	(3.7)
Other comprehensive income for the year net of tax	**(18.6)**	22.1
Total comprehensive income for the year (attributable to Equity Shareholders)	**(15.4)**	42.2

Consolidated Balance Sheet

As at 31 December 2009

	Notes	2009 £m	2008 £m
Assets			
Non-current assets			
Property, plant and equipment	13	**54.6**	63.6
Intangible assets	14	**58.2**	71.6
Trade and other receivables	18	**0.3**	1.2
Deferred tax assets	16	**18.1**	17.8
		131.2	154.2
Current assets			
Inventories	17	**51.9**	76.4
Trade and other receivables	18	**45.5**	60.2
Derivative financial instruments	19	**1.7**	0.7
Current tax assets	20	**-**	0.8
Cash and cash equivalents		**12.1**	14.9
		111.2	153.0
Total assets		**242.4**	307.2
Liabilities			
Current liabilities			
Bank loans and other borrowings		**-**	3.0
Trade and other payables	22	**46.5**	71.5
Derivative financial instruments	19	**0.3**	7.4
Current tax liabilities	20	**6.6**	9.7
Provisions	23	**8.6**	4.1
		62.0	95.7
Non-current liabilities			
Bank loans	19	**52.7**	64.9
Other payables	22	**0.1**	0.1
Post-employment obligations	27	**11.0**	5.9
Provisions	23	**4.4**	5.7
Deferred tax liabilities	16	**1.0**	1.5
		69.2	78.1
Total liabilities		**131.2**	173.8
Net assets		**111.2**	133.4
Equity			
Share capital		**8.6**	8.5
Share premium		**9.0**	7.5
Translation reserve		**5.5**	22.3
Capital redemption reserve		**1.6**	1.6
Cash flow hedging reserve		**0.6**	(3.7)
Retained earnings		**85.9**	97.2
Total equity	24	**111.2**	133.4

Approved by the Board on 1 March 2010 and signed on its behalf.

Richard Cotton
Group Finance Director

Consolidated Statement of Changes in Equity

As at 31 December 2009

	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2008	8.4	7.0	(5.8)	1.6	0.3	85.8	97.3
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	20.1	20.1
Other comprehensive income							
Actuarial loss on pension obligations	-	-	-	-	-	(1.8)	(1.8)
Revaluation reserve on property	-	-	-	-	-	(0.2)	(0.2)
Currency translation differences on foreign currency subsidiaries	-	-	30.7	-	-	-	30.7
Net loss on designated effective net investment hedges	-	-	(2.6)	-	-	-	(2.6)
Amounts released to Income Statement in relation to cash flow hedges	-	-	-	-	(0.3)	-	(0.3)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(3.7)	-	(3.7)
Total other comprehensive income net of tax	-	-	28.1	-	(4.0)	(2.0)	22.1
Total comprehensive income for the year	-	-	28.1	-	(4.0)	18.1	42.2
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(7.7)	(7.7)
Own shares (Treasury) purchased	-	(0.7)	-	-	-		(0.7)
Own shares (Employee Benefit Trust) purchased	-	-	-	-	-	0.2	0.2
Equity-settled transactions	-	-	-	-	-	0.8	0.8
New shares issued	0.1	1.2	-	-	-		1.3
Total transactions with owners	0.1	0.5	-	-	-	(6.7)	(6.1)
Balance at 31 December 2008	8.5	7.5	22.3	1.6	(3.7)	97.2	133.4
Balance at 1 January 2009	**8.5**	**7.5**	**22.3**	**1.6**	**(3.7)**	**97.2**	**133.4**
Total comprehensive income for the year							
Profit for the year	**-**	**-**	**-**	**-**	**-**	**3.2**	**3.2**
Other comprehensive income							
Actuarial loss on pension obligations	**-**	**-**	**-**	**-**	**-**	**(6.1)**	**(6.1)**
Currency translation differences on foreign currency subsidiaries	**-**	**-**	**(20.8)**	**-**	**-**	**-**	**(20.8)**
Net gain on designated effective net investment hedges	**-**	**-**	**4.0**	**-**	**-**	**-**	**4.0**
Amounts released to Income Statement in relation to cash flow hedges	**-**	**-**	**-**	**-**	**3.4**	**-**	**3.4**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**0.9**	**-**	**0.9**
Total other comprehensive income net of tax	**-**	**-**	**(16.8)**	**-**	**4.3**	**(6.1)**	**(18.6)**
Total comprehensive income for the year	**-**	**-**	**(16.8)**	**-**	**4.3**	**(2.9)**	**(15.4)**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(7.8)**	**(7.8)**
Own shares (Treasury) purchased	**-**	**0.7**	**-**	**-**	**-**	**(0.7)**	**-**
Own shares (Employee Benefit Trust) purchased	**-**	**-**	**-**	**-**	**-**	**(0.6)**	**(0.6)**
Equity-settled transactions	**-**	**-**	**-**	**-**	**-**	**0.7**	**0.7**
New shares issued	**0.1**	**0.8**	**-**	**-**	**-**	**-**	**0.9**
Total transactions with owners	**0.1**	**1.5**	**-**	**-**	**-**	**(8.4)**	**(6.8)**
Balance at 31 December 2009	**8.6**	**9.0**	**5.5**	**1.6**	**0.6**	**85.9**	**111.2**

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	Note	2009 £m	2008 £m
Cash flows from operating activities:			
Profit for the year		**3.2**	20.1
Adjustments for:			
Taxation		**(1.4)**	5.4
Depreciation		**14.3**	11.6
Impairment losses on property, plant and equipment		**2.5**	-
Net gain on disposal of property, plant and equipment		**(1.0)**	(1.6)
Amortisation of acquired intangible assets		**8.5**	7.1
Amortisation of capitalised software and development costs		**1.3**	1.2
Goodwill impairment		**-**	2.1
Loss on disposal of business	25	**0.7**	-
Provision against equity-accounted investment		**-**	1.3
Fair value (gains)/losses on derivative financial instruments		**(0.6)**	0.4
Cost of equity-settled employee share schemes		**1.4**	1.7
Financial income		**(2.7)**	(4.1)
Financial expense		**3.8**	6.8
Operating profit before changes in working capital and provisions		**30.0**	52.0
Decrease in inventories		**16.6**	8.7
Decrease in receivables		**10.3**	3.8
Decrease in payables		**(19.6)**	(21.0)
Increase in provisions		**5.5**	0.8
Cash generated from operating activities		**42.8**	44.3
Interest paid		**(2.1)**	(3.7)
Tax paid		**(4.3)**	(6.7)
Net cash from operating activities		**36.4**	33.9
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**1.6**	2.6
Purchase of property, plant and equipment		**(13.6)**	(16.4)
Software costs capitalised as intangible assets		**(1.1)**	(0.9)
Development costs capitalised as intangible assets		**(0.6)**	-
Purchase of other intangible assets		**-**	(0.3)
Acquisition of subsidiaries, net of cash acquired		**(3.0)**	(11.8)
Disposal of business	25	**0.7**	-
Interest received		**-**	0.1
Net cash used in investing activities		**(16.0)**	(26.7)
Cash flows from financing activities			
Proceeds from the issue of shares		**0.5**	0.5
Purchase of own shares by Employee Benefit Trust		**(0.6)**	-
Purchase of Treasury shares		**-**	(0.7)
(Repayment)/borrowing of bank loans and other borrowings		**(11.2)**	4.1
Dividends paid		**(7.8)**	(7.7)
Net cash used in financing activities		**(19.1)**	(3.8)
Increase in cash and cash equivalents	21	**1.3**	3.4
Cash and cash equivalents at 1 January		**14.9**	7.3
Effect of exchange rate fluctuations on cash held		**(4.1)**	4.2
Cash and cash equivalents at 31 December		**12.1**	14.9

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 2009 comprise the Company and its subsidiaries (together referred to as the Group).

1b. Basis of Preparation
The financial statements are presented in Sterling with the functional currency of the legal entities of the Group generally being that of the local country. The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- Derivative financial instruments.

- The Group's defined benefit asset is recognised as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligations.

The preparation of financial statements in conformity with International Financial Reporting Standards as adopted by the EU (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 29.

1c. 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 Directors' Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12 to 15. 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.

1d. Statement of Compliance
The Group financial statements have been prepared and approved by the directors in accordance with IFRS. 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% to 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 the Income Statement.

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 non-financial assets on the balance sheet are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit (CGU) 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 post-tax discount rate that reflects current market assessments of the time value of money and the specific risks.

Key assumptions in the cash flow forecasts are:

- Pre-tax WACC is 12-13%, adjusted specifically for the relevant CGU is used;

- Future profit projections – the first three years are based on budgets which have been presented to the Board. These budgets are based on past experience, the current economic environment and knowledge of the CGU; and

- Growth rate beyond five years – based principally on inflation of the relevant country.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU").

The principal CGUs of the Group for the purposes of impairment testing of intangible assets are:

- RF Extreme

- Staging Systems

- Litepanels

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts 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, on a straight line basis, 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.

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.

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 Changes in Equity. 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 and 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 and 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 and fittings	10% – 33⅓% on cost
Rental equipment	20% – 33⅓% on cost

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. In accordance with IFRS 1, 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% – 33% on cost
Customer relationships	6.7% – 33% on cost
Technology	6.7% – 20% on cost
Software licences	20.0% – 33% 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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these transaction costs 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:

- 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 and 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.

A provision for impairment is established when there is objective evidence that amounts due will not be collected according to the original terms of the receivables. Significant financial difficulties of the debtor and default or delinquency in payments are considered indicators that the trade receivable is impaired.

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 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.

Segment reporting
An operating segment is identified by IFRS 8 as a component of an entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the same entity; whose operating results are reviewed regularly by the entity's Chief Operating Decision Maker in order to allocate resources and assess its performance; and for which discrete financial information is available.

The Group is managed through three Divisions, which represent reporting segments that are compliant with IFRS 8.

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 in 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.

Change in accounting policies
Determination and presentation of operating segments
IFRS 8 Operating Segments has been adopted during the year. IFRS 8 is materially different in its requirements to IAS 14, its predecessor standard. The Group has therefore undertaken a thorough review of IFRS 8's requirements, in particular the nature and composition of information that is laid before the Chief Operating Decision Maker. The Group continues to be managed through three Divisions, which represent reporting segments that are compliant with IFRS 8. Each of these Divisions supplies a range of products to customers operating in diverse markets. The performance of the three Divisions is assessed by reference to operating profit before significant items and this also represents the segment results for the purposes of reporting in accordance with IFRS 8. Accordingly, on the adoption of IFRS 8, no changes were required to be made to segment revenue, profit or other results previously presented in accordance with IAS 14 Segment Reporting.

Presentation of financial statements
The Group applies revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the Consolidated Statement of Changes in Equity all owner changes in equity, whereas all non-owner changes in equity are presented in the Consolidated Statement of Comprehensive Income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Fair value measurement disclosures
Additional disclosures have been made in respect of the amendments to IFRS 7 Financial Instruments: Disclosures.

Other
No other standards/interpretations had a material impact on the financial statements.

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2009 and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the Group, except for Eligible Hedged Items – Amendment to IAS 39 Financial Instruments: Recognition and Measurement, which clarifies the existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendment, which becomes mandatory for the Group's 2010 consolidated financial statements, is not expected to have a significant impact on the consolidated financial statements.

3 Segment reporting

Reportable segments

	Imaging & Staging		Videocom		Services		Corporate and unallocated		Consolidated	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Revenue from external customers:										
Sales	**141.8**	135.8	**145.1**	171.0	**6.1**	6.3	**-**	-	**293.0**	313.1
Services	**-**	-	**1.9**	1.6	**20.2**	23.0	**-**	-	**22.1**	24.6
Total revenue from external customers	**141.8**	135.8	**147.0**	172.6	**26.3**	29.3	**-**	-	**315.1**	337.7
Inter-segment revenue [(1)]	**0.7**	2.3	**3.4**	2.0	**-**	-	**(4.1)**	(4.3)	**-**	-
Total revenue	**142.5**	138.1	**150.4**	174.6	**26.3**	29.3	**(4.1)**	(4.3)	**315.1**	337.7
Operating profit before significant items	**17.7**	15.6	**8.5**	21.7	**(1.7)**	1.1	**-**	-	**24.5**	38.4
Other operating income	**-**	0.3	**-**	-	**-**	-	**-**	-	**-**	0.3
Provision against equity-accounted investment	**-**	-	**-**	-	**-**	-	**-**	(1.3)	**-**	(1.3)
Amortisation of acquired intangible assets	**(0.8)**	(0.7)	**(7.7)**	(6.4)	**-**	-	**-**	-	**(8.5)**	(7.1)
Impairment of goodwill	**-**	(2.1)	**-**	-	**-**	-	**-**	-	**-**	(2.1)
Restructuring costs	**(2.3)**	-	**(8.2)**	-	**(0.4)**	-	**-**	-	**(10.9)**	-
Impairment losses on property	**(1.5)**	-	**-**	-	**-**	-	**-**	-	**(1.5)**	-
Loss on disposal of business	**(0.7)**	-	**-**	-	**-**	-	**-**	-	**(0.7)**	-
Segment result	**12.4**	13.1	**(7.4)**	15.3	**(2.1)**	1.1	**-**	(1.3)	**2.9**	28.2
Net finance costs									**(1.1)**	(2.7)
Taxation									**1.4**	(5.4)
Profit for the year									**3.2**	20.1
Segment assets	**84.0**	104.2	**102.2**	140.2	**24.7**	27.3	**1.3**	2.0	**212.2**	273.7
Unallocated assets										
Cash and cash equivalents							**12.1**	14.9	**12.1**	14.9
Current tax assets							**-**	0.8	**-**	0.8
Deferred tax assets							**18.1**	17.8	**18.1**	17.8
Total assets									**242.4**	307.2
Segment liabilities	**25.2**	31.0	**40.7**	51.4	**2.1**	1.9	**2.9**	10.4	**70.9**	94.7
Unallocated liabilities										
Bank loans							**52.7**	67.9	**52.7**	67.9
Current tax liabilities							**6.6**	9.7	**6.6**	9.7
Deferred tax liabilities							**1.0**	1.5	**1.0**	1.5
Total liabilities									**131.2**	173.8
Cash flows from operating activities	**19.3**	8.4	**6.0**	15.7	**4.7**	3.2	**6.4**	6.6	**36.4**	33.9
Cash flows from investing activities	**(5.1)**	(6.0)	**(4.1)**	(1.2)	**(5.7)**	(3.0)	**(1.1)**	(16.5)	**(16.0)**	(26.7)
Cash flows from financing activities	**-**	-	**(2.8)**	-	**-**	-	**(16.3)**	(3.8)	**(19.1)**	(3.8)
Capital expenditure (including assets acquired within acquisitions)										
Property, plant and equipment	**4.1**	5.6	**2.3**	6.5	**7.2**	4.7	**-**	-	**13.6**	16.8
Intangible assets	**1.0**	0.6	**0.7**	7.9	**-**	-	**-**	-	**1.7**	8.5

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

3 Segment reporting continued

Geographical segments

	The rest of Europe		United Kingdom		The Americas		The rest of the world		Corporate and Unallocated		Consolidated	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
Revenue from external customers:												
by location of customer	**74.9**	87.8	**21.6**	20.6	**167.1**	178.0	**51.5**	51.3	**-**	-	**315.1**	337.7
Segment assets	**52.1**	67.0	**31.5**	40.4	**108.9**	143.1	**18.4**	21.2	**1.3**	2.0	**212.2**	273.7
Unallocated assets												
Cash and cash equivalents									**12.1**	14.9	**12.1**	14.9
Current tax assets									**-**	0.8	**-**	0.8
Deferred tax assets									**18.1**	17.8	**18.1**	17.8
Total assets											**242.4**	307.2
Cash flows from operating activities	**14.7**	13.5	**8.2**	5.6	**5.4**	4.9	**1.7**	3.3	**6.4**	6.6	**36.4**	33.9
Cash flows from investing activities	**(3.5)**	(5.5)	**(1.0)**	(3.7)	**(10.1)**	(11.5)	**(0.3)**	(1.2)	**(1.1)**	(4.8)	**(16.0)**	(26.7)
Cash flows from financing activities	**-**	-	**-**	-	**(2.8)**	-	**-**	-	**(16.3)**	(3.8)	**(19.1)**	(3.8)
Capital expenditure (including assets acquired within acquisitions)												
Property, plant and equipment	**4.0**	5.7	**0.7**	3.5	**8.7**	7.5	**0.2**	0.1	**-**	-	**13.6**	16.8
Intangible assets	**0.5**	0.5	**0.1**	1.5	**0.9**	6.5	**0.2**	-	**-**	-	**1.7**	8.5

4 Analysis of net operating expenses

	2009 £m	2008 £m
Analysis of net operating expenses		
Administrative expenses		
- restructuring costs	**10.9**	-
- impairment losses on property, plant and equipment	**1.6**	-
- impairment of goodwill	**-**	2.1
- amortisation of acquired intangible assets	**8.5**	7.1
- other administrative expenses	**40.9**	43.4
	61.9	52.6
Marketing, selling and distribution costs	**45.9**	42.8
Research, development and engineering costs	**12.5**	12.5
Loss on disposal of business	**0.7**	-
Provision against equity-accounted investment	**-**	1.3
Profit on the sale of property assets	**-**	(0.3)
Net operating expenses	**121.0**	108.9

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:

(a) Operating expenses	2009 £m	2008 £m
Loss on disposal of business	(0.7)	-
Provision against equity-accounted investment	-	0.3
Profit on the sale of property assets	-	(1.3)
Restructuring costs	(10.9)	-
Impairment loss on property	(1.5)	-
Impairment of goodwill	-	(2.1)
Amortisation of acquired intangible assets	(8.5)	(7.1)
	(21.6)	(10.2)

On 27 March 2009, the Group divested the IFF Staging business. The disposal gave rise to a loss of £0.7 million. See Note 25.

Restructuring costs of £10.9 million comprise £2.3 million within Imaging & Staging Division, £8.2 million within Videocom Division and £0.4 million within Services Division. These costs relate to actions implemented or committed across all Divisions in response to the severe downturn in market conditions.

An impairment loss on property of £1.5 million arose in the Imaging & Staging Division.

(b) Other financial income/(expense)	2009 £m	2008 £m
Currency translation gains	0.3	0.7
Net fair value gains/(losses) on financial instruments	0.4	(0.4)
	0.7	0.3

The currency translation differences which arise on certain intra-Group funding balances are recorded in significant items within other financial income.

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 income or expense.

(c) Taxation	2009 £m	2008 £m
Current tax credit	3.1	-
Deferred tax credit	8.2	8.8
Deferred tax charge	(2.7)	(2.2)
	8.6	6.6

Liabilities provided for tax exposures arising in prior years amounting to £3.1 million are no longer required.

The deferred tax assets recognised in the period under significant items were £8.2 million (2008: £8.8 million) as follows:

(a) Deferred tax assets were generated during the year as a result of the restructuring activities that took place within the Group. This has resulted in a deferred tax credit of £5.2 million (2008: £nil).
(b) A deferred tax asset of £2.8 million (2008: £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.
(c) A deferred tax asset of £0.2 million (2008: nil) has been recognised to offset deferred tax liabilities, recognised in the Consolidated Statement of Comprehensive Income, arising on unrecognised gains on cash flow hedges.

Certain deferred tax assets have been written down to nil, reflecting an assessment of their likely future recoverability. This has resulted in a deferred tax charge of £2.7 million (2008: £nil).

Notes to the Consolidated Accounts continued

6 Operating profit

	2009 £m	2008 £m
The following items are included in operating profit		
Goodwill impairment	-	2.1
Amortisation of acquired intangible assets	8.5	7.1
Amortisation of capitalised software and development costs	1.3	1.2
Depreciation	14.3	11.6
Net gain on disposal of property, plant and equipment	(1.0)	(1.6)
Impairment losses on property, plant and equipment	2.5	-
Employee share based incentive schemes	1.4	1.8
Loss on disposal of business	0.7	-
Redundancy and restructuring costs	10.9	1.6
Operating lease rental expense		
Plant, machinery and vehicles	0.5	0.4
Property	5.5	4.7
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	0.1	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	0.4	0.3
Other services relating to taxation	0.1	0.1
Other services relating to employee benefits	0.1	-

7 Employees

	2009 £m	2008 £m
Aggregate remuneration of all employees during the year		
Wages and salaries [1]	80.9	73.2
Employers' social security costs	10.6	9.6
Employers' pension costs - defined benefit schemes	2.3	2.8
Employers' pension costs - defined contribution schemes	1.1	0.8
Other employment benefits	4.2	2.7
Cost of equity-settled employee share schemes	1.4	1.7
Cost of cash-settled employee share schemes	-	0.1
	100.5	90.9

[1] Wages and salaries for 2009 include £4.1 million of redundancy payments made as part of the restructuring.

	2009 Total	2008 Total
Average number of employees during the year		
Imaging & Staging	869	1,015
Videocom [2]	916	1,018
Services	156	167
Head Office	16	14
	1,957	2,214

[2] A reduction in the average number of employees of 102 comprises of a decrease of 162 due to restructuring and an increase of 60 due to the effect of acquisitions in 2008.

	2009 Total	2008 Total
Number of employees as at 31 December		
Imaging & Staging	810	957
Videocom	861	998
Services	148	172
Head Office	16	15
	1,835	2,142

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 28 to 35.

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

	2009 £m	2008 £m
Fees for non-executive duties	**0.2**	0.2
Remuneration for executive duties	**1.4**	1.1
	1.6	1.3

9 Net financial expense

	2009 £m	2008 £m
Financial income		
Interest income	-	0.1
Expected return on assets in the pension scheme	**2.2**	3.1
Other financial income:		
Net foreign exchange gains [1]	**0.5**	0.9
	2.7	4.1
Financial expense		
Interest payable on bank borrowings	**(1.6)**	(3.2)
Interest charge on pension scheme liabilities	**(2.2)**	(2.5)
Other financial expense:		
Net fair value losses on financial instruments [2]	-	(1.1)
	(3.8)	(6.8)
Net financial expense	**(1.1)**	(2.7)

[1] Currency translation differences, which arise on long term intra-Group funding loans that are similar in nature to equity, are charged/credited to reserves. However, £0.3 million (2008: £0.7 million) of currency translation gains 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.

[2] 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. This amounts to a gain of £0.4 million (2008: £0.4 million loss).

10 Net foreign exchange (losses)/gains

The net exchange (losses)/gains charged to the Income Statement are included as follows:

	2009 £m	2008 £m
Cost of goods sold	**(1.7)**	0.8
Other financial income	**0.5**	0.9
Total net foreign exchange (losses)/gains	**(1.2)**	1.7

11 Tax

Recognised in the Income Statement

	2009 £m	2008 £m
Current tax expense		
Current year before significant items	**3.6**	7.5
Significant items [(1)]	**(3.1)**	-
	0.5	7.5
Deferred tax expense		
Current year before significant items	**3.6**	4.5
Significant items [(2)]	**(5.5)**	(6.6)
	(1.9)	(2.1)
Summarised in the Income Statement as follows		
Current tax before significant items	**3.6**	7.5
Deferred tax before significant items	**3.6**	4.5
	7.2	12.0
Significant items (see Note 5)	**(8.6)**	(6.6)
Total income tax expense in Income Statement	**(1.4)**	5.4

[(1)] Liabilities provided for tax exposures arising in prior years amounting to £3.1 million are no longer required.

[(2)] Deferred tax assets of £5.5 million (2008: £6.6 million) have been recognised, with a corresponding credit to significant items. This comprises:
- [(a)] A deferred tax asset of £2.8 million (2008: £2.3 million) recognised as a result of timing differences between the amortisation for accounting purposes of intangible assets acquired on the acquisition of RF Extreme and Litepanels in the US and the amortisation of these assets for tax purposes.
- [(b)] Deferred tax assets of £5.2 million (2008: £nil) recognised in relation to restructuring costs.
- [(c)] A deferred tax asset of £0.2 million (2008: £nil) recognised in relation to previously unrecognised losses, to offset deferred tax liabilities arising on unrecognised gains on cash flow hedges.
- [(d)] A write-down of £2.7 million of deferred tax assets to nil (2008: £nil), reflecting an assessment of their likely future recoverability.

Reconciliation of effective tax rate	2009 %	2009 £m	2008 %	2008 £m
Profit before tax		**1.8**		25.5
Income tax using the domestic corporation tax rate	**28%**	**0.5**	28.5%	7.3
Effect of tax rates in foreign jurisdictions	**4%**	**0.1**	6%	1.5
Non-deductible expenses	**11%**	**0.2**	1%	0.2
Write down of deferred tax assets	**150%**	**2.7**	-	-
Write down of current tax liabilities	**(170%)**	**(3.1)**	-	-
Benefit of tax losses recognised	**(89%)**	**(1.6)**	(14%)	(3.6)
Other	**(11%)**	**(0.2)**	-	-
Total income tax (credit)/expense in Income Statement	**(77%)**	**(1.4)**	21%	5.4

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 £3.2 million (2008: £20.1 million) and on the weighted average number of shares in issue during the year of 42,483,776 (2008: 41,886,616).

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 2009 this profit was £15.5 million (2008: £23.4 million).

Reconciliation of earnings and effect on basic earnings per share

	Profit		Earnings per share	
	2009 £m	2008 £m	2009 pence	2008 pence
Profit for the financial year	3.2	20.1	7.5	48.0
Add back: significant items	12.3	3.3	29.0	7.9
Earnings before significant items	15.5	23.4	36.5	55.9

Reconciliation of shares and 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 7.4p (2008: 47.9p) is based on profit after tax of £3.2 million (2008: £20.1 million) and on 43,181,174 (2008: 41,997,908) ordinary shares.

The calculation of diluted adjusted earnings per share of 35.9p (2008: 55.7p) is based on profit after tax but before significant items of £15.5 million (2008: £23.4 million) and on 43,181,174 (2008: 41,997,908) ordinary shares.

	Number of shares		Earnings per share		Adjusted earnings per share	
	2009	2008	2009 pence	2008 pence	2009 pence	2008 pence
Basic weighted average number of shares	42,483,776	41,886,616	7.5	48.0	36.5	55.9
Dilutive potential ordinary shares:						
Employee share options	683,823	111,292	(0.1)	(0.1)	(0.6)	(0.2)
Deferred bonus plan	13,575	-	-	-	-	-
Diluted weighted average number of shares	43,181,174	41,997,908	7.4	47.9	35.9	55.7

Notes to the Consolidated Accounts continued

13 Property, plant and equipment

	Total £m	Land and buildings £m	Plant, machinery and vehicles [1] £m	Equipment, fixtures and fittings £m
Cost				
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
At 1 January 2009	**162.5**	**34.8**	**108.1**	**19.6**
Currency translation adjustments	**(13.6)**	**(2.6)**	**(9.7)**	**(1.3)**
Additions	**13.6**	**1.4**	**11.5**	**0.7**
Transfers between asset categories	**-**	**(0.1)**	**0.6**	**(0.5)**
Disposals	**(15.3)**	**(0.1)**	**(11.4)**	**(3.8)**
Revaluation surplus/(deficit)	**-**	**-**	**-**	**-**
At 31 December 2009	**147.2**	**33.4**	**99.1**	**14.7**
Depreciation				
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
At 1 January 2009	**98.9**	**11.9**	**73.6**	**13.4**
Currency translation adjustments	**(8.4)**	**(0.8)**	**(6.6)**	**(1.0)**
Depreciation charge for the year	**14.3**	**1.4**	**11.5**	**1.4**
Impairment loss	**2.5**	**1.5**	**0.9**	**0.1**
Transfers between asset categories	**-**	**-**	**0.2**	**(0.2)**
Disposals	**(14.7)**	**(0.2)**	**(12.1)**	**(2.4)**
At 31 December 2009	**92.6**	**13.8**	**67.5**	**11.3**
Carrying amounts				
At 1 January 2008	45.6	18.2	22.4	5.0
At 31 December 2008 and 1 January 2009	63.6	22.9	34.5	6.2
At 31 December 2009	**54.6**	**19.6**	**31.6**	**3.4**

[1] Plant, machinery and vehicles includes broadcast equipment rental assets with an original cost of £44.0 million (2008: £51.1 million) and accumulated depreciation of £29.9 million (2008: £33.5 million).

Capital commitments at 31 December 2009 for which no provision has been made in the accounts amount to £nil (2008: £0.4 million).

An impairment loss of £1.5 million relating to property in the Imaging & Staging Division is included within operating expenses, £0.9 million relating to obsolete broadcast equipment rental assets in the Services Division is included within Cost of sales, and £0.1 million relating to fixtures and fittings in the Videocom Division is included in operating expenses.

14 Intangible assets

	Total £m	Acquired intangible assets [1] £m	Goodwill £m	Capitalised software £m	Capitalised development costs £m
Cost					
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)	0.9	-
Acquisitions	12.1	7.3	4.8	-	-
At 31 December 2008	107.6	37.6	58.4	11.6	-
At 1 January 2009	**107.6**	**37.6**	**58.4**	**11.6**	**-**
Currency translation adjustment	**(10.3)**	**(4.3)**	**(5.3)**	**(0.7)**	**-**
Additions	**2.8**	**-**	**1.1**	**1.1**	**0.6**
Disposals	**(1.1)**	**-**	**-**	**(1.1)**	**-**
Acquisitions	**-**	**-**	**-**	**-**	**-**
At 31 December 2009	**99.0**	**33.3**	**54.2**	**10.9**	**0.6**
Amortisation and impairment losses					
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	-	-
Amortisation in the year	8.3	7.1	-	1.2	-
At 31 December 2008	36.0	17.0	10.6	8.4	-
At 1 January 2009	**36.0**	**17.0**	**10.6**	**8.4**	**-**
Currency translation adjustment	**(3.9)**	**(2.5)**	**(1.0)**	**(0.4)**	**-**
Amortisation in the year	**9.8**	**8.5**	**-**	**1.3**	**-**
Disposals	**(1.1)**	**-**	**-**	**(1.1)**	**-**
At 31 December 2009	**40.8**	**23.0**	**9.6**	**8.2**	**-**
Carrying amounts					
At 1 January 2008	55.5	14.6	38.1	2.8	-
At 31 December 2008 and 1 January 2009	71.6	20.6	47.8	3.2	-
At 31 December 2009	**58.2**	**10.3**	**44.6**	**2.7**	**0.6**

[1] Acquired intangible assets are primarily customer relationships, brand names, intellectual property and patents.

Impairment tests for cash-generating units (CGUs) containing goodwill

The goodwill and intangible assets carried by the Group are held by a number of CGUs, most of which have a carrying value of goodwill which is below £5.0 million. At 31 December 2009 management have assessed that the following CGUs carried an amount of goodwill considered significant in comparison with the total value of the Group's goodwill:

Unit	2009 £m	2008 £m
Staging Systems	**5.3**	5.9
RF Extreme	**9.6**	10.7
Litepanels	**5.9**	4.2

Management have considered the key sensitivities that impact the forecasted cash flow positions. Because of the broad nature of the Group's activities described in the Directors' Report, there are numerous assumptions that are considered when undertaking the impairment analysis, which are disclosed in Note 2. The key assumption on which value in use calculations are dependent is market demand.

15 Fixed asset investments
The Group's principal subsidiaries at 31 December 2009 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*
Videocom	
ALC Broadcast Limited	UK
Anton/Bauer Inc	USA
Camera Dynamics Limited	UK*
Camera Dynamics Limitada	Costa Rica
Camera Dynamics Inc	USA
LCB Beteiligungs GmbH (previously Camera Dynamics GmbH & Co KG)	Germany
Litepanels Inc	USA
RF Extreme LLC (previously RF Central LLC & Nucomm Inc)	USA
Vitec Group Communications LLC	USA
Vitec Group Communications Limited	UK*
Imaging & Staging	
Manfrotto Distribution Inc (previously Bogen Imaging Inc)	USA
Gitzo SA	France
Vitecgroup Italia SpA	Italy
Kata Vitec I Limited	Israel
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.

16 Deferred tax assets and liabilities

	2009 £m	Recognised in income £m	Recognised on acquisition £m	Exchange movements £m	2008 £m
Assets					
Inventories	**1.8**	**(0.9)**	**-**	**(0.3)**	3.0
Intangible assets	**3.6**	**(2.0)**	**-**	**(0.5)**	6.1
Tax value of loss carry-forwards recognised	**5.3**	**2.4**	**-**	**(0.2)**	3.1
Property, plant, equipment & other	**7.4**	**2.4**	**-**	**(0.6)**	5.6
	18.1	**1.9**	**-**	**(1.6)**	17.8
Liabilities					
Intangible assets	**(0.5)**	**-**	**-**	**-**	(0.5)
Property, plant, equipment & other	**(0.5)**	**-**	**-**	**0.5**	(1.0)
	(1.0)	**-**	**-**	**0.5**	(1.5)
Net	**17.1**	**1.9**	**-**	**(1.1)**	16.3

	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					
Intangible assets	(0.5)	-	-	(0.1)	(0.4)
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

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2009 £m	2008 £m
Capital Allowances	**2.0**	0.2
Short term temporary differences	**0.1**	-
Losses	**1.8**	1.1
Temporary differences on share options	**-**	-
Temporary differences on pension scheme liabilities	**0.8**	0.8
Total	**4.7**	2.1

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 £52.0 million at 31 December 2009 (2008: £66.0 million). It is not practical to calculate the tax which would arise on remittance of these amounts; however it would be substantially lower than statutory rates after giving effect to the Finance Act 2009 which made dividends remitted from overseas subsidiaries exempt from tax.

17 Inventories

	2009 £m	2008 £m
Raw materials and components	**11.7**	17.4
Work in progress	**9.3**	12.1
Finished goods	**30.9**	46.9
	51.9	76.4

Provisions against inventory obsolescence	2009 £m	2008 £m
Balance at 1 January	**18.0**	12.0
Increase during the year	**6.7**	5.8
Utilised during the year	**(1.1)**	(3.0)
Currency translation adjustments	**(1.5)**	3.2
Balance at 31 December	**22.1**	18.0

The provision for inventory obsolescence as at 31 December 2009 was £22.1 million (2008: £18.0 million). Management believe that this provision is adequate to cover the risk of inventory obsolescence.

18 Trade and other receivables

	2009 £m	2008 £m
Short term receivables		
Trade receivables	**35.0**	46.6
Other receivables	**6.2**	10.8
Prepayments and accrued income	**4.3**	2.8
	45.5	60.2
Long term receivables		
Other receivables	**0.3**	1.2
	0.3	1.2
Total receivables	**45.8**	61.4

Gross trade receivables - days overdue [1]	2009 £m	2008 £m
Current	**18.4**	32.2
1-30 days	**14.2**	9.1
31-60 days	**2.9**	3.5
61-90 days	**1.6**	1.8
over 90 days	**2.7**	4.2
Gross trade receivables	**39.8**	50.8

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

Provisions against trade receivables	2009 £m	2008 £m
Balance at 1 January	4.2	3.0
Increased during the year	5.0	4.2
Reversed during the year	-	(0.1)
Utilised during the year	(4.1)	(3.7)
Currency translation adjustments	(0.3)	0.8
Balance at 31 December	4.8	4.2

The trade receivables impairment provision as at 31 December 2009 was £4.8 million (2008: £4.2 million) consisting of £3.3 million (2008: £2.9 million) for bad debts and £1.5 million (2008: £1.3 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. Trade receivable balances are reviewed regularly for cash flow forecasting purposes and to ensure that overdue receivables are followed up on a timely basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Trade receivables past their due date but not impaired amount to £16.6 million at 31 December 2009 (see Note 18). The Group does not require collateral in respect of financial assets.

Transactions involving derivative financial instruments are only with 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.

Liquidity risk

On 8 August 2008 the Group signed a five year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate of five UK and European banks. At 31 December 2009 only 42% of this committed borrowing facility was being utilised.

Interest rate risk

All the Group's borrowings and investments are at floating rates with the exception, in the prior year, 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 Dollar, 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.

19 Financial instruments continued

Hedge of net investment in foreign subsidiary

The Group's US Dollar 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 2009, it is estimated that a general increase of one percentage point in interest rates, increasing the Group's weighted average cost of borrowing to 2.4%, would decrease the Group's profit before tax by approximately £1.0 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 would decrease the Group's weighted average cost of borrowing to 0.4%. However due to the margin charged on the loans drawn down from the Group's loan facility the lowest weighted average interest rate the Group could incur is 0.95%. If interest rates did fall to this level it is estimated this would increase the Group's profit before tax by approximately £0.4 million. This reflects the decreased interest costs on the Group's borrowings.

It is estimated that a one percentage point stronger US Dollar against Pound Sterling and Euro (ie, 1.55 cents and 1.40 cents respectively) would have increased the Group's operating profit before significant items for the year ended 31 December 2009 by approximately £0.2 million and that a one percentage point weaker US Dollar against Pound Sterling and Euro (ie, 1.55 cents and 1.40 cents respectively) would have decreased the Group's operating profit before significant items for the year ended 31 December 2009 by approximately £0.2 million.

In accordance with amendments to IFRS 7, the following additional disclosures are being made:

The fair value of forward exchange and option exchange contracts have been determined based on spot exchange rates and quoted rates as at 31 December 2009. Forward exchange contracts are marked to market by calculating the contractual forward price and deducting the current spot rate. Option exchange contracts are marked to market by obtaining quotes from banks of their market value as at 31 December 2009.

The fair value of cash and borrowings has been determined based on the actual position reported by the financial institution, adjusted for reconciling items as at 31 December 2009. Where these financial instruments are denominated in a foreign currency, the fair value in Sterling has been determined at spot exchange rates as at 31 December 2009.

The fair value of trade receivables and trade payables have been determined based on invoice values, less credit loss provisions. Where these financial instruments are denominated in a foreign currency, the fair value in Sterling has been determined at spot exchange rates as at 31 December 2009.

IFRS 7 requires that for fair value measurements recognised in the statement of financial position, an entity shall disclose for each class of financial instruments the level in the fair value hierarchy into which the fair value measurements are categorised in their entirety.

The fair value hierarchy is defined by IFRS 7 as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie, as prices) or indirectly (ie, derived from prices)

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. All financial instruments are deemed Level 2 and there have been no significant transfers between Level 1 and Level 2.

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

	2009 Fair value* £m	2008 Fair value* £m
Forward exchange contracts - Assets	**1.5**	0.7
Forward exchange contracts - Liabilities	**(0.3)**	(6.1)
Option exchange contracts - Assets	**0.2**	-
Option exchange contracts - Liabilities	**-**	(1.3)
Cash at bank and in hand	**12.1**	14.9
Net trade receivables	**35.0**	46.6
Trade payables	**(21.8)**	(28.5)
Other borrowings	**-**	(3.0)
Floating rate borrowings [(1)]	**(52.7)**	(64.9)
	(26.0)	(41.6)

Market rates have been used to determine fair values.

* Carrying values are not significantly different to the 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
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

Derivatives
Forward exchange contracts are marked to market by calculating the contractual forward price and deducting the current spot rate. Option exchange contracts are marked to market by obtaining quotes from banks of their market value as at 31 December.

i) Maturity profile of derivatives
All derivatives mature within the next 13 months.

	Total 2009 £m	Within less than six months 2009 £m	Within six months to one year £m	More than one year £m
Forward exchange contracts - Assets	**1.5**	**1.3**	**0.2**	**-**
Forward exchange contracts - Liabilities	**(0.3)**	**(0.1)**	**(0.2)**	**-**
Option exchange contracts - Assets	**0.2**	**-**	**0.2**	**-**
	1.4	**1.2**	**0.2**	**-**

	2008 £m	£m	£m	£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)	-

19 Financial instruments continued

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

	Millions 2009	Average exchange rate of contracts 2009	Millions 2008	Average exchange rate of contracts 2008
US Dollar/Euro option exchange contracts US Dollar	**7.3**	**1.45**	39.0	1.45
US Dollar/Sterling option exchange contracts US Dollar	**-**	**-**	12.5	1.94
US Dollar/Sterling forward exchange contracts US Dollar	**29.9**	**1.59**	23.3	1.74
US Dollar/Euro forward exchange contracts US Dollar	**29.3**	**1.37**	10.0	1.26
Euro/Sterling forward exchange contracts Euro	**12.7**	**1.13**	9.7	1.27
Yen/Sterling forward exchange contracts Yen	**291**	**148**	415	187
Yen/Euro forward exchange contracts Yen	**375**	**130**	472	150

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.

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 liabilities

	2009 £m	2008 £m
Other borrowings [1]	**-**	3.0
Bank loans	**52.7**	64.9
Total borrowings	**52.7**	67.9
Trade payables	**21.8**	28.5
Option exchange contracts	**-**	1.3
Forward exchange contracts	**0.3**	6.1
Gross financial liabilities	**74.8**	103.8

[1] Other borrowings consisted of a mortgage on the property occupied by Anton/Bauer in Shelton, Connecticut. This was repaid in July 2009.

ii) Maturity profile

	2009 £m	2008 £m
Within one year or less	**24.1**	40.5
More than one year but not more than two years	**2.0**	2.0
More than two years but not more than five years	**56.0**	70.2
	82.1	112.7

The maturity profile includes gross financial liabilities and estimates of undiscounted future interest expense.

On 8 August 2008 the Group signed a five year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate of five UK and European banks. During the year the weighted average cost of borrowing was 1.4% (2008: 4.0%).

The total amount of bank loans and overdrafts any part of which falls due after five years is £nil (2008: £nil).

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

	2009 £m	2008 £m
Expiring in one year or less		
- uncommitted facilities	**15.0**	15.0
More than two years but not more than five years		
- committed facilities	**72.3**	60.1
Total	**87.3**	75.1

iii) Interest rate profile

Currency	Total £m	Floating rate borrowings £m	Fixed rate borrowings £m
Yen	**2.0**	**2.0**	**-**
US Dollar	**29.1**	**29.1**	**-**
Euro	**11.6**	**11.6**	**-**
Sterling	**10.0**	**10.0**	**-**
At 31 December 2009	**52.7**	**52.7**	**-**
Yen	3.1	3.1	-
US Dollar	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

The floating rate borrowings comprise bank borrowings bearing interest at rates based on LIBOR.

c) Financial assets

Currency	2009 £m	2008 £m
US Dollar	**21.3**	31.3
Euro	**19.4**	17.0
Sterling	**4.7**	9.6
Other	**1.7**	3.6
Total cash and receivable balances	**47.1**	61.5
Forward exchange contracts	**1.5**	0.7
Option exchange contracts	**0.2**	-
Gross financial assets	**48.8**	62.2

Sterling, US Dollar, Euro and Yen balances within the UK can be offset as all the balances are held within a single facility.

The forward exchange and option contracts all mature within 13 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.

The following significant exchange rates applied during the year:

	Reporting date rate 2009	Average rate for year 2009	Reporting date rate 2008	Average rate for year 2008
US Dollar	**1.615**	**1.562**	1.438	1.850
Euro	**1.126**	**1.118**	1.034	1.264

Notes to the Consolidated Accounts continued

20 Current tax

The current net tax liability of £6.6 million (2008: £8.9 million) represents the amount of income taxes payable in respect of current and prior periods.

21 Reconciliation of decrease in cash and cash equivalents to movement in net debt [1]

	2009 £m	2008 £m
Increase in cash and cash equivalents	1.3	3.4
Net repayment/(borrowing) of loans	11.2	(4.1)
Decrease/(Increase) in net debt resulting from cash flows	12.5	(0.7)
Effect of exchange rate fluctuations on cash held	(4.1)	4.2
Effect of exchange rate fluctuations on debt held	4.0	(18.1)
Effect of exchange rate fluctuations on net debt	(0.1)	(13.9)
Movements in net debt in the year	12.4	(14.6)
Net debt at 1 January	(53.0)	(38.4)
Net debt at 31 December	(40.6)	(53.0)

[1] Net debt constitutes cash and cash equivalents, bank overdrafts and bank loans & other borrowings.

22 Trade and other payables

	2009 £m	2008 £m
Current trade and other payables		
Payments received on account	1.8	5.6
Trade payables	21.8	28.5
Other tax and social security costs	3.0	4.6
Other payables	6.5	10.9
Advanced payments received, accruals and deferred income [1]	13.4	21.9
	46.5	71.5
Non current trade and other payables		
Accruals and deferred income	0.1	0.1
	0.1	0.1

[1] £3.4 million (2008: £9.1 million) of advanced payments received relate to RF Extreme, which is part of the Videocom Division.

23 Provisions

	Total £m	Restructuring £m	Warranty £m	Contingent consideration on acquisition of subsidiaries £m	Other £m
At 1 January 2009	9.8	1.2	1.7	6.8	0.1
Provisions created during the year	1.1	-	-	1.1	-
Provisions utilised during the year	(9.1)	(5.4)	(0.6)	(3.0)	(0.1)
Charged to the Income Statement	12.1	10.9	1.2	-	-
Currency translation adjustments	(0.9)	(0.2)	(0.2)	(0.5)	-
At 31 December 2009	13.0	6.5	2.1	4.4	-
Non-current	4.4	1.0	0.3	3.1	-
Current	8.6	5.5	1.8	1.3	-
	13.0	6.5	2.1	4.4	-

The contingent consideration on acquisition of subsidiaries of £4.4 million relates to the following acquisitions:

- *Litepanels* - The maximum potential contingent consideration payable is US$50.0 million (£31.0 million), conditional on the achievement of profitability targets in 2009 to 2011. As at 31 December 2008, management's estimate of the realistic likely payout was US$6.3 million (£4.3 million). In 2009, this estimate was increased by US$1.7 million (£1.1 million), and a payment of US$2.7 million (£1.8 million) was made. Effects of translation reduced the provision by £0.4 million. Management's estimate at 31 December 2009 of a likely payout is US$5.3 million (£3.2 million).

- *Vitec Group RF Systems* - The maximum potential contingent consideration payable is US$1.5 million (£0.9 million), conditional on the achievement of profitability targets for 2009 and 2010. As at 31 December 2008, management's estimate of the likely payout was US$1.5 million (£1.0 million). In 2009, effects of translation decreased the provision by £0.1 million. Management's estimate at 31 December 2009 of a likely payout is US$1.5 million (£0.9 million).

- *Clear Com Research Inc (Talkdynamics)* - The maximum potential contingent consideration payable is C$0.7 million, conditional on the achievement of profitability targets in 2009 to 2011. As at 31 December 2008, management's estimate of the realistic likely payout was C$0.7 million (£0.4 million). In 2009, a payment of C$0.3 million (£0.1 million) was made. Management's estimate at 31 December 2009 of a likely payout is C$0.4 million (£0.3 million).

- *Staging SK* - As at 31 December 2008, management's estimate of the realistic likely payout was £0.1 million which was paid in 2009. As at 31 December 2009, no further consideration is payable.

- *Autoscript* - As at 31 December 2008, management's estimate of the realistic likely payout was £1.0 million which was paid in 2009. As at 31 December 2009, no further consideration is payable.

The remaining provisions comprise warranty provisions of £2.1 million (2008: £1.7 million) and provision for restructuring of £6.5 million (2008: £1.2 million). The warranty provision is calculated based on the sale of products under warranty and is expected to be utilised over a period of up to five years. Management are confident that these provisions are adequate to cover the risk of warranty claims against the Group. The restructuring provision relates to a programme fully committed to at 31 December 2009 and will be utilised during 2010 and beyond.

24 Share capital and reserves

The authorised share capital at 31 December 2009 consisted of 100,000,000 (2008: 65,000,000) ordinary shares of 20p each, of which 42,949,175 were allotted and fully paid. The authorised share capital was increased following approval at the Annual General Meeting on 19 May 2009. The movement in issued share capital during the year was:

	Shares	Issued share capital £m
At 1 January 2009	42,523,056*	8.5
Exercise of share options	426,119	0.1
At 31 December 2009	42,949,175	8.6

* Restated following a prior year correction

At 31 December 2009 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	655,860	131p-491p	2010-2014
International SAYE schemes	803,139	139p-522p	2010-2014
Executive schemes	456,004	298p-549p	2010-2018
	1,915,003		

Please see Note 27a for share based payments.

On 14 April 2009, awards over an aggregate of 1,269,941 shares in the Company were made to 73 senior Group executives under the Company's 2005 Long Term Incentive Plan. The total number of shares outstanding at 31 December 2009 under the Company's 2005 Long Term Incentive Plan was 1,515,564 (2008: 936,428), taking into account the lapsing of the awards granted in 2007 because the performance condition over 2007, 2008 and 2009 was not met and assuming that achievement of the performance condition for the awards granted in 2008 and 2009 will be 100% to show the maximum number of awards that could possibly vest. The terms of the awards and the related performance conditions are described in the Remuneration Report.

On 14 April 2009, core awards over an aggregate of 13,575 shares in the Company were made to four 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 2009 under the Company's 2005 Deferred Bonus Plan was 31,919 (2008: 52,191). The terms of the awards and the related performance conditions are described in the Remuneration Report.

Translation reserve

The translation reserve comprises all currency translation differences arising from the translation of the financial statements of foreign subsidiaries, 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 £3.4 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 £0.9 million at the end of the year. The total movement in the cash flow hedging reserve during the year was therefore £4.3 million.

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

In 2008, 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.

In 2009 the Company acquired 271,703 ordinary shares of 20p each, representing 0.6% of the called up share capital of the Company at an average price of 219.2p per share. These shares are being held in trust by EES Trustees International Ltd.

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.

	2009 £m	2008 £m
10.9p per share (2008: 10.9p)	4.6	4.6

25 Disposal of business
On 27 March 2009, the Group divested the IFF Staging business, which was previously included in the Imaging & Staging Division.

The total consideration was £0.7 million, net of transaction expenses. The disposal gave rise to a loss of £0.7 million, recognised within operating expenses.

The assets disposed of by the Group are as follows:

	2009 £m
Consideration received, satisfied in cash	1.2
Transaction expenses	(0.5)
Net cash inflow	0.7
Inventory	1.3
Property, plant and equipment	0.1
Net assets disposed of	1.4
Loss on disposal of business	(0.7)

26 Operating leases

Gross leasing commitments	Land and buildings £m	Other £m	Total 2009 £m	2008[1] £m
Expiring within one year	1.5	0.1	1.6	1.0
Expiring two to five years	9.0	0.9	9.9	7.6
Expiring after five years	9.1	-	9.1	9.6
	19.6	1.0	20.6	18.2

[1] Leasing commitments at 31 December 2008 comprised £17.3 million of land and buildings and £0.9 million of other commitments.

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 2009, £6.0 million (2008: £5.1 million) was recognised as an expense in respect of operating leases and £0.2 million (2008: £0.2 million) was recognised as income in respect of sub leases in the Income Statement.

Leasing income	2009 £m	2008 £m
Expiring within one year	-	0.1
Expiring two to five years	0.5	0.7
Expiring after five years	-	-
	0.5	0.8

The future minimum lease payments under non-cancellable leases were £0.5 million, expiring between two to five years. Leasing income relates to sub rental of land and buildings.

27 Employee benefits

27a 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 (maximum £250) 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 the 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 and subsequent years (until replaced or varied by the Remuneration Committee), 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 to 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 is 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 measured against the comparator group. 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 vest. For the 2009 awards, the performance period commenced on 1 January 2009.

Employees are entitled to dividends on the awarded shares that are paid over the performance period. These are settled with shares.

2005 Deferred Bonus Plan (DBP)

Under the 2005 DBP, employees can exchange up to 100% of their annual cash bonus in a financial period for core shares of the same value. These awards will vest three years after the date of grant (or immediately if the employee leaves the Company).

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 based on Total Shareholders Return (TSR) of the Company over a three year period compared to the TSR of comparator companies over a similar period.

If in that period the Company's TSR relative to the 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; and
- one share for every one share within the top 20% performance. There is straight line vesting between these points. For 2009 awards, the performance period commenced on 1 January 2009.

The amounts recognised in the Income Statement for share based payment transactions with employees for the year ended 31 December 2009 was £1.5 million (2008: £1.6 million), of this £1.4 million (2008: £1.7 million) related to equity settled share based payment transactions.

The outstanding liability recognised in the balance sheet for cash settled UK awards as at 31 December 2009 was £0.4 million (2008: £0.1 million).

The total intrinsic value as at 31 December 2009 for cash settled awards which had vested by this date was £55,000.

27a Share based payments continued

Options outstanding under the 2002 Sharesave Plan and Unapproved Share Option Plan as at 31 December 2009, 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
£1.30 - £1.40	1,324,567	1.34	3.32
£2.61 - £2.80	12,434	2.72	2.74
£2.81 - £3.00	206,066	2.99	5.20
£3.01 - £4.00	108,611	3.54	2.93
£4.01 - £4.50	9,612	4.13	2.87
£4.51 - £5.00	16,027	4.91	1.72
£5.01 - £5.50	272,253	5.18	4.37
Total	1,949,570	2.22	3.62

Options granted, exercised and lapsed during the years ended 31 December 2008 and 2009 under these share options plans were as follows:

	Price (£) Sharesave	Weighted average exercise price (£)	USOP	Weighted average exercise price (£)
Awards at 31 December 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 December 2008	351,527	3.84	719,773	4.07
Exercised during 2009	6,006	2.83	145,886	3.00
Lapsed during 2009	251,007	3.33	97,157	5.12
Granted during 2009	1,378,326	1.34	-	-
Awards at 31 December 2009	1,472,840	1.59	476,730	4.18
Awards exercisable at 31 December 2009	1,324	2.68	324,887	3.74

The weighted average share price at the date of exercise for share options exercised during the year was £3.85 (2008: £4.47).

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	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 award plan	Share award plan
Date of grant	01 May 2009	01 May 2009	01 May 2009	14 April 2009	14 April 2009
Number of instruments granted	1,161,087	211,230	6,009	1,269,941	13,575 Basic/ 13,575 Matching
Exercise price	£1.31/£1.39 [(1)]	£1.31/£1.39 [(1)]	£1.31	n/a	n/a
Share price at date of grant	£2.43	£2.43	£2.43	£1.92	£1.92
Contractual life (years)	3.5	5.5	7.5	4	4
Expected option life (years)	3.25	5.25	7.25	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	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
Expected volatility [(2)]	37.4%	37.4%	37.4%	44.0%	44.0%
Risk free interest rate	2.60%	3.10%	3.40%	n/a	n/a
Expected dividend yield	5.00%	5.00%	5.00%	n/a	n/a
Expected departures (per annum from grant date)	5%	5%	5%	5%	0%
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	n/a	n/a
Fair value per granted instrument determined at the grant date	£0.99/£0.94 [(1)]	£0.95/£0.91 [(1)]	£0.91	£0.24	£1.92/£0.24 [(3)]
Valuation model	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. Due to significant fluctuations in Vitec's share price during the year a uniform rate has been used for all the SAYE options as a reasonable estimate of volatility going forward.

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

[(4)] For the LTIP 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.

27b Post-employment obligations

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

The Group has defined benefit pension plans in the UK, Italy, Germany and Japan. The UK and Italian pension plans are significant, and are individually disclosed below after the Group disclosures.

Amounts recognised on the Group balance sheet	2009 £m	2008 £m
Plan assets		
Equities	**26.8**	21.9
Bonds	**9.5**	8.8
Other	**4.7**	4.1
Total fair value of plan assets	**41.0**	34.8
Present value of defined benefit obligation	**(52.0)**	(40.7)
Net (deficit) recognised in the Group balance sheet	**(11.0)**	(5.9)

Analysis of net recognised deficit	2009 £m	2008 £m
UK pension fund	**(6.1)**	(0.4)
Total funded plans	**(6.1)**	(0.4)
Italian pension scheme	**(2.4)**	(3.4)
Other unfunded plans	**(2.5)**	(2.1)
Total unfunded plans	**(4.9)**	(5.5)
Liability recognised on the Group balance sheet	**(11.0)**	(5.9)

Amounts recognised in the Group Income Statement

	2009 £m	2008 £m
Amounts in net operating costs		
Current service costs – defined benefit schemes	**2.4**	2.8
Employers' pension costs – defined contribution schemes	**1.1**	0.8
	3.5	3.6
Amounts in net financial expense		
Expected return on plan assets	**(2.2)**	(3.1)
Interest cost	**2.2**	2.5
	-	(0.6)
Total amounts charged to the Income Statement	**3.5**	3.0

Movements since 2005 on defined benefit schemes	2009	2008	2007	2006	2005
Plan assets	**41.0**	34.8	44.4	42.5	38.9
Defined benefit obligation	**(52.0)**	(40.7)	(47.2)	(47.5)	(46.4)
Total deficit	**(11.0)**	(5.9)	(2.8)	(5.0)	(7.5)
Net actuarial gain/(loss)	**(6.1)**	(1.8)	2.5	2.2	0.5
Experience gain/(loss)	**-**	(0.1)	(0.4)	-	0.1

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 2009 the number of active members in the merged scheme was 18% lower at 130 (2008: 158). Total scheme members were 645 (2008: 643).

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

1) Assumptions used to determine defined benefit obligation

	31 Dec 2009 % pa	31 Dec 2008 % pa	31 Dec 2007 % pa	31 Dec 2006 % pa
Inflation rate	**3.6**	2.8	3.3	3.0
Expected rate of salary increases [1]	**5.1**	4.3	5.3	5.0
Rate of increase of pensions in payment [2]				
- pre-1 August 2008 accruals in excess of GMP	**3.6**	2.8	3.3	3.0
- post-31 July 2008 accruals	**2.5**	2.5	n/a	n/a
Rate of increase for deferred pensions	**3.6**	2.8	3.3	3.0
Discount rate	**5.7**	6.3	5.8	5.2

[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.

2) 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 Dec 2009 £m	**Expected long term rate of return at 31 Dec 2009 % pa**	Fair value at 31 Dec 2008 £m	Expected long term rate of return at 31 Dec 2008 % pa	Fair value at 31 Dec 2007 £m	Expected long term rate of return at 31 Dec 2007 % pa	Fair value at 31 Dec 2006 £m	Expected long term rate of return at 31 Dec 2006 % pa
Equities	**26.8**	**8.0**	21.9	8.2	29.5	8.0	29.6	7.8
Bonds	**9.5**	**4.7**	8.8	4.4	11.3	4.8	10.3	4.7
Property	**1.3**	**7.7**	1.5	6.9	1.9	6.7	2.1	6.2
Cash/NCA	**2.8**	**5.7**	2.0	3.8	1.0	5.2	-	4.8
Insurance policies	**0.6**	**5.7**	0.6	6.3	0.7	5.8	0.5	5.2
Total value of assets	**41.0**		34.8		44.4		42.5	

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

27b Post-employment obligations continued

3) Reconciliation of funded status at 31 December 2009

	31 Dec 2009 £m	31 Dec 2008 £m	31 Dec 2007 £m	31 Dec 2006 £m
Present value of defined benefit obligation	**(47.1)**	(35.2)	(43.2)	(43.5)
Assets at fair value	**41.0**	34.8	44.4	42.5
Funded status	**(6.1)**	(0.4)	1.2	(1.0)
Unrecognised past service cost	**-**	-	-	-
Unrecognised net "gain/(loss)"	**-**	-	-	-
Effect of asset ceiling	**-**	-	-	-
Defined benefit "asset (liability)"	**(6.1)**	(0.4)	1.2	(1.0)

4) Pension expense for year to 31 December 2009

i) Components of pension expense

	Year ending 31 Dec 2009 £m	Year ending 31 Dec 2008 £m
Group service cost	**1.0**	1.5
Interest cost	**2.1**	2.5
Expected return on assets	**(2.2)**	(3.1)
Past service costs	**(0.1)**	-
Curtailments	**-**	-
Settlements	**-**	-
Total pension expense (income)	**0.8**	0.9

ii) Consolidated Statement of Changes in Equity (CSOCE)

	Year ending 31 Dec 2009 £m	Year ending 31 Dec 2008 £m	Year ending 31 Dec 2007 £m	Year ending 31 Dec 2006 £m
Actuarial "gain/(loss)" recognised in CSOCE during the year	**(5.8)**	(1.8)	2.1	2.0
Cumulative actuarial "gain/(loss)" recognised at beginning of year	**2.8**	4.6	2.5	0.5
Cumulative actuarial "gain/(loss)" recognised at end of year	**(3.0)**	2.8	4.6	2.5

Note: the cumulative actuarial "gains/(losses)" shown reflect periods since 1 January 2006 only.

5) Return on assets for year to 31 December 2009

	Year ending 31 Dec 2009 £m	Year ending 31 Dec 2008 £m
Expected return on assets	**2.2**	3.1
Actuarial "gain/(loss)" on assets	**4.4**	(12.5)
Actual return on assets	**6.6**	(9.4)

6) Reconciliation of present value of defined benefit obligation (DBO) for the year to 31 December 2009

	31 Dec 2009 £m	31 Dec 2008 £m
Present value of DBO at start of year	35.2	43.2
Group service cost	1.0	1.5
Interest cost	2.1	2.5
Employee contributions	0.4	0.4
Actuarial (gain)/loss on change of assumptions	10.2	(10.5)
Experience (gain)/loss	-	(0.2)
Actual benefit payments and expenses	(1.7)	(1.7)
Past service costs	(0.1)	-
Curtailments	-	-
Settlements	-	-
Present value of DBO at end of year	**47.1**	35.2

7) Reconciliation of the fair value of assets for the year to 31 December 2009

	31 Dec 2009 £m	31 Dec 2008 £m
Fair value of assets at start of year	34.8	44.4
Expected return on assets	2.2	3.1
Actuarial gain/(loss) on plan assets	4.4	(12.5)
Group contributions	0.9	1.1
Employee contributions	0.4	0.4
Actual benefit payments	(1.4)	(1.5)
Administration expenses paid	(0.3)	(0.2)
Curtailments	-	-
Settlements	-	-
Fair value of assets at end of year	**41.0**	34.8

8) Reconciliation of change in funded status for the year to 31 December 2009

	Year to 31 Dec 2009 £m	Year to 31 Dec 2008 £m
Defined benefit asset (liability) at start of year	(0.4)	1.2
Total pension (expense)/income	(0.8)	(0.9)
Employer contributions actually paid	0.9	1.1
Benefits paid directly by Group	-	-
Gain/(loss) recognised in CSOCE	(5.8)	(1.8)
Gain/(loss) due to exchange rate movements	-	-
Defined benefit asset (liability) at end of year	(6.1)	(0.4)

27b Post-employment obligations continued

9) Expected 2010 contributions

	Year commencing 1 Jan 2010 £m
Group contributions	0.9
Employee contributions	0.3

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. 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).

When an employee leaves the company, he is entitled to his total TFR. The company is then not liable for any further pension obligations in respect of that employee. After eight years of service, an employee can ask his employer to advance up to 70% of his total TFR. If so, the employee will receive the remaining balance of the TFR when the employee leaves the company.

Prior to 1st January 2007, Italian companies were not required to fund employees' TFRs until they left the company. Therefore most Italian companies (including the Group's Italian companies) accounted for employees' TFRs as an unfunded liability.

From 1st January 2007, Italian companies were required to pay monthly payments relating to employees' TFRs either into the National Social Security Pension Fund (Fondo Tesoreria INPS) or into private pension funds, depending on the choice of the employee. The relevant pension fund then pays to the employee the portion of their TFR that relates to service after 1st January 2007. Italian companies are still required to pay employees the portion of their TFR that relates to service prior to 1st January 2007.

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

Assumptions used to determine defined benefit obligation:

	2009	2008
Inflation rate	2%	2%
Expected rate of salary increases	0%	0%
Expected salary increase on promotion	0%	0%
Discount rate	4.50%	4.30%

Pension expense for year to 31 December 2009	2009 £m	2008 £m
Service cost	1.0	1.1
Interest cost	0.1	-
Total	1.1	1.1

Actuarial gain/loss in CSOCE	2009 £m	2008 £m
Recognised in year	**(0.1)**	-

Reconciliation of present value of defined benefit obligation for the year to 31 December 2009	2009 £m	2008 £m
Brought forward	**(3.4)**	(2.8)
Service cost	**(1.0)**	(1.1)
Interest cost	**(0.1)**	-
Actuarial gain/(loss)	**(0.1)**	-
Contributions paid	**1.9**	1.3
Foreign exchange gain/(loss)	**0.3**	(0.8)
Carried forward	**(2.4)**	(3.4)

28 Post balance sheet event

The financial statements were authorised for issue by the Board on 1 March 2010. There were no events after the balance sheet date that required disclosure.

29 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.

Key sources of estimation uncertainty

Note 2 and Note 14 contain 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 2, Trade and other receivables.

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 2, Inventories.

Warranty provisions

A number of accounting estimates and judgements are incorporated within the provisions for warranty. These are described in more detail in Note 23.

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 27a.

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 27b.

30 Related party transactions

Identity of related parties

The Group has a related party relationship with its subsidiaries (principal subsidiaries are listed in Note 15 on page 68), 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 Gruppo Manfrotto products and services to Alu in 2009 totalled €250,038, £223,328 (2008: €479,125, £379,055). At 31 December 2009, there was €79,629, £71,218 outstanding, payable by Alu Spa (2008: €118,428, £93,693). Purchases of Alu products and services by Gruppo Manfrotto companies in 2009 totalled €14,313, £12,801 (2008: €26,867, £21,256). At 31 December 2009, there was €3,621, £3,239 outstanding and payable to Alu Spa (2008: €4,568, £3,614).

Warren Parece, who was Operations Manager of the RF Extreme business unit during 2009, is the owner of WJP LLC, the landlord at 15 Thornton Avenue, Haverhill, Massachusetts from which Microwave Service Corporation operates. The lease term expires 30 June 2012. In 2009, the total value of the transaction was $90,000, £57,630 (2008: $102,201, £55,232). At 31 December 2009, there were no amounts outstanding and payable to WJP LLC.

Craig Schiller is General Manager of Bexel Broadcast Services and also inventor of a computer-based process named Sharp Shot which allows still photographs taken at sporting events to be developed and transmitted rapidly, so that they can be used as an ancillary visual component of broadcasts. Although Sharp Shot is only indirectly related to Bexel's main broadcast rental business, it does give Bexel leverage advantages. Sharp Shot was provided to The NFL Network during its 2007-08 season, aided by Craig Schiller and also Bexel's equipment and staff. Bexel compensated Craig Schiller, in this initial case, for his efforts and his inventor's role by paying him a standard technician's amount for the time that he worked on this project. Those payments to Craig Schiller in 2008 totalled $12,000, £6,485. Bexel and Craig Schiller entered into a contract that makes Bexel the exclusive provider of Bexel-owned ancillary gear, for at least three years, to a company founded by Craig Schiller, which now offers Sharp Shot to the NFL and possibly will expand to other customers going forward. No payments were made in 2009 in regards to this contract and there are currently no pending projects that will utilise Sharp Shot, although we expect that the NFL will want to use it again during future seasons.

Craig Schiller is also owner of Broadcast Accessories, a company from which Bexel rents equipment. In 2009, payments for rental of equipment totalled $23,114, £14,801 (2008: $24,204, £13,080). At 31 December 2009, there was $1,372, £878 outstanding and payable to Broadcast Accessories (2008:$15,168, £8,197).

Jeffrey Winemiller is Senior Vice President of Strategy and Business Development of the RF Extreme business unit. He is also joint 80% owner of PSEN LLC and PMNI LLC, companies to which RF Extreme companies provide products and services. Sales of products and services to PSEN LLC and PMNI LLC in 2009 totalled $21,525, £13,783 (2008: $48,570, £26,346). At 31 December 2009, there was $800, £512 outstanding and payable by PSEN LLC (2008: £nil).

Jürgen Sommer is Director of Business Development of Camera Dynamics GmbH and brother of the owner of Sommer Kommunikation, a company which provides marketing material and services to Camera Dynamics GmbH. Sales of products and services to Camera Dynamics GmbH in 2009 totalled €205,000, £183,347 (2008: €200,000, £158,228). At 31 December 2009, there were no amounts outstanding (2008: £nil).

Stefano Finessi is EMEA Sales Director of Camera Dynamics GmbH and son and nephew-in-law of Alberto and Ermanno Fumagalli who rent office space in Milan to a Camera Dynamics operation. Rent paid to Alberto and Ermanno Fumagalli in 2009 totalled €5,400, £4,830 (2008: €5,200, £4,114). At 31 December 2009, there were no amounts outstanding (2008: £nil).

Greg Cooney is Managing Director of Manfrotto Distribution UK. Mr Cooney's son, Philip, provides office cleaning services to Manfrotto Distribution UK. During 2009, £5,270 was paid to Philip Cooney in respect of these services (2008: £4,690). At 31 December 2009, there was £nil outstanding and payable (2008: £nil).

Transactions with key management personnel
Key management personnel are classed as the directors (including the non-executive directors) and the members of the Operations Executive. The Group Chief Executive, Stephen Bird, and the Group Finance Director, Richard Cotton, are directors of the Company and are also members of the Operations Executive. Alastair Hewgill was a director of the Company and a member of the Operations Executive 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 Operations Executive.

Executive directors of the Company and their immediate relatives control 0.101% (2008: 0.355%) of the shares of the Company. Non-executive directors control 0.143% (2008: 0.119%). Members of the Operations Executive control 0.25% (2008: 0.280%) of the shares of the Company.

The remuneration of the directors is set out on pages 28 to 35. The remuneration of the members of the Operations Executive in 2009 was: salaries £905,404 (2008: £923,512); performance-related bonuses £343,577 (2008: £254,313); short term employee benefits (company car and medical insurance) £60,660 (2008: £68,239).

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 Operations Executive is based. Members of the Operations Executive 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 2009 arising from share incentive awards was £629,000 (2008: £986,000).

Company Balance Sheet

As at 31 December 2009

	Notes	2009 £m	2008 £m
Fixed assets			
Tangible assets	g	1.4	1.6
Investments	h	319.3	330.2
		320.7	331.8
Current assets			
Debtors	i	3.0	7.9
Cash at bank and in hand		5.7	10.3
		8.7	18.2
Creditors - due within one year	j	(11.9)	(13.2)
Net current assets/(liabilities)		(3.2)	5.0
Total assets less current liabilities		317.5	336.8
Creditors - due after more than one year	j	(117.1)	(140.8)
Net assets		200.4	196.0
Capital and reserves			
Called up share capital	k	8.6	8.5
Share premium account	l	9.0	7.5
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	126.6	123.8
Shareholders' funds - equity		200.4	196.0

Approved by the Board on 1 March 2010 and signed on its behalf.

Richard Cotton
Group Finance Director

The Vitec Group plc
Registered in England no. 227691

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2009

	2009 £m	2008 £m
Profit for the financial year	**11.2**	6.7
Dividends	**(7.8)**	(7.7)
Retained profit for the year	**3.4**	(1.0)
Equity settled transactions	**0.7**	0.8
Reserve for own shares	**(0.6)**	-
New share capital subscribed	**0.9**	0.6
Net increase in shareholders' funds	**4.4**	0.4
Opening shareholders' funds	**196.0**	195.6
Closing shareholders' funds	**200.4**	196.0

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 408 of the Companies Act 2006 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% – 33⅓% on cost
Equipment, fixtures and fittings	10% – 33⅓% 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 account 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 (see also Note 19 of the Consolidated Accounts).

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 if the foreign operation is sold.

The following amendments to existing standards are not yet effective:

- amendment to FRS 25 Financial Instruments Presentation (mandatory for periods starting on or after 1 January 2010);
- amendment to FRS 20 (IFRS 2) Group Cash-settled Share based Payment (mandatory for periods starting on or after 1 January 2010).

Notes to the Company Accounts continued

c) Employees

Aggregate remuneration of all employees during the year	2009 £m	2008 £m
Wages and salaries	**2.2**	1.9
Employers' social security costs	**0.2**	0.2
Employers' pension costs	**0.2**	0.3
	2.6	2.4

	2009	2008
Average number of employees during the year	**16**	14

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:	2009 £m	2008 £m
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**4.7**	4.6
Interim dividends paid in respect of the current year	**3.1**	3.1
Aggregate amount of dividends paid in the financial year	**7.8**	7.7

A final 2009 dividend of 10.9p per share has been recommended by the Board.

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 FRS 17 Retirement Benefits, the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. At 31 December 2009, the UK scheme had a deficit of £6.1 million (2008: £0.4 million surplus).

The contributions paid by the Company in the year amounted to £0.2 million (2008: £0.3 million). The expected Company contributions in 2010 are £0.2 million.

Further details of the UK pension scheme are disclosed on pages 84 to 89.

g) Tangible fixed assets

	Total £m	Land and buildings £m	Motor vehicles £m	Equipment fixtures and fittings £m
Cost or valuation				
At 1 January 2009	3.6	3.0	0.1	0.5
Disposals	(0.3)	-	-	(0.3)
At 31 December 2009	3.3	3.0	0.1	0.2
Depreciation				
At 1 January 2009	2.0	1.5	0.1	0.4
Disposals	(0.3)	-	-	(0.3)
Charge for the year	0.2	0.1	-	0.1
At 31 December 2009	1.9	1.6	0.1	0.2
Net book value				
At 1 January 2009	1.6	1.5	-	0.1
At 31 December 2009	1.4	1.4	-	-

	2009 £m	2008 £m
Net book value of land and buildings at cost or valuation comprise the following		
Carried at valuation (open market basis - 31 March 1989)	1.4	1.5
Freehold	1.4	1.5

The land and buildings shown above at a re-valued net book value of £1.4 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	
	2009 £m	2008 £m
Expiring in two to five years	0.1	0.1

h) Fixed asset investments

Investments at cost or written down value	Total £m	Investment in other shares £m	Loans £m
Cost			
At 1 January 2009	335.9	212.4	123.5
Transfers to investments/loan reductions	(10.9)	-	(10.9)
At 31 December 2009	325.0	212.4	112.6
Provision			
At 1 January 2009 and 31 December 2009	5.7	5.7	-
Net Book Value			
At 1 January 2009	330.2	206.7	123.5
At 31 December 2009	319.3	206.7	112.6

i) Debtors

	2009 £m	2008 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	0.7	0.1
Other debtors	0.7	1.0
Derivative financial instruments - forward and option exchange contracts	1.4	6.7
Prepayments and accrued income	0.2	0.1
	3.0	7.9

j) Creditors

	2009 £m	2008 £m
Amounts falling due within one year		
Bank overdrafts (unsecured)	1.6	4.2
Amounts owed to subsidiaries	7.2	0.1
Derivative financial instruments - forward and option exchange contracts	1.4	6.7
Other creditors	0.1	0.5
Accruals and deferred income	1.6	1.7
	11.9	13.2
Amounts falling due after more than one year		
Bank loans (unsecured)	52.7	64.9
Amounts owed to subsidiaries	64.4	75.9
	117.1	140.8

k) Share capital

The authorised share capital at 31 December 2009 consisted of 100,000,000 (2008: 65,000,000) ordinary shares of 20p each, of which 42,949,175 were allotted and fully paid. The authorised share capital was increased following approval at the Annual General Meeting on 19 May 2009. The movement in issued share capital during the year was:

	Shares	Issued share capital £m
At 1 January 2009	42,523,056*	8.5
Exercise of share options	426,119	0.1
At 31 December 2009	42,949,175	8.6

* Restated following a prior year correction

i) Share based payments

Details of the share based payments can be found on pages 80 to 83.

ii) Share option schemes

Details of the share option schemes can be found on pages 80 to 83.

l) 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 2009	7.5	1.6	0.9	9.7	44.0	123.8
Premium on new shares issued	0.8	-	-	-	-	-
Profit for the year	-	-	-	-	-	11.2
Own shares (Treasury) purchased	0.7	-	-	-	-	(0.7)
Dividends paid	-	-	-	-	-	(7.8)
Own shares (Employee benefit trust) purchased	-	-	-	-	-	(0.6)
Equity settled transactions	-	-	-	-	-	0.7
At 31 December 2009	9.0	1.6	0.9	9.7	44.0	126.6

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.

Notes to the Company Accounts continued

m) Financial instruments

a) Financial liabilities

i) Analysis of borrowings

	2009 £m	2008 £m
Bank overdraft	1.6	4.2
Bank loans	52.7	64.9
Gross financial liabilities	54.3	69.1

ii) Maturity profile

	2009 £m	2008 £m
Within one year or less	1.6	4.2
More than two years but not more than five years	52.7	64.9
	54.3	69.1

The total amount of bank loans and overdrafts any part of which falls due after five years is £nil (2008: £nil).

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

	2009 £m	2008 £m
Expiring in one year or less		
- uncommitted facilities	15.0	15.0
More than two years but not more than five years		
- committed facilities	72.3	60.1
Total	87.3	75.1

On 8 August 2008 the Company signed a five year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate of five UK and European banks.

iii) Interest rate profile

Currency	Total £m	Floating rate borrowings £m
Yen	2.3	2.3
US Dollar	30.4	30.4
Euro	11.6	11.6
Sterling	10.0	10.0
At 31 December 2009	54.3	54.3
Yen	3.1	3.1
US Dollar	28.7	28.7
Euro	20.3	20.3
Sterling	17.0	17.0
At 31 December 2008	69.1	69.1

The floating rate borrowings comprise bank loans bearing interest at rates based on LIBOR.

b) Financial assets

Currency	Floating rate 2009 £m	Floating rate 2008 £m
Sterling	5.4	10.2
Euro	0.3	-
Yen	-	0.1
	5.7	10.3

The floating rate financial assets comprise bank balances bearing interest at rates based on local money market rates.

Sterling, US Dollar, 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 2009 £m	Fair value and book value 2008 £m
Cash at bank and in hand	5.7	10.3
Bank overdraft	(1.6)	(4.2)
Floating rate borrowings	(52.7)	(64.9)
Forward exchange contracts - Assets	1.2	5.4
Forward exchange contracts - Liabilities	(1.2)	(5.4)
Option exchange contracts - Assets	0.2	1.3
Option exchange contracts - Liabilities	(0.2)	(1.3)
	(48.6)	(58.8)

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
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

Derivatives
Forward exchange contracts are marked to market by calculating the contractual forward price and deducting the current spot rate. Options and exchange contracts are marked to market by obtaining quotes from banks of their market value as at 31 December 2009.

Notes to the Company Accounts continued

m) Financial instruments continued
i) Maturity profile of derivatives

	2009 Within one year or less £m
Forward exchange contracts - Assets	**1.5**
Forward exchange contracts - Liabilities	**(0.3)**
Option exchange contracts - Assets	**0.2**
Option exchange contracts - Liabilities	**-**
	1.4

	2008 £m
Forward exchange contracts - Assets	0.7
Forward exchange contracts - Liabilities	(6.1)
Option exchange contracts - Assets	-
Option exchange contracts - Liabilities	(1.3)
	(6.7)

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
The financial statements were authorised for issue by the Board on 1 March 2010. There were no events after the balance sheet date that required disclosure.

Five Year Financial Summary

Year ended 31 December 2009

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
Revenue	**315.1**	337.7	273.8	222.3	194.9
Operating profit before significant items	**24.5**	38.4	32.6	25.2	20.0
Net interest on bank borrowings	**(1.6)**	(3.1)	(2.6)	(1.4)	(1.3)
Other financial income/(expense)	**(0.2)**	0.1	0.3	0.3	(0.3)
Profit before tax and significant items	**22.7**	35.4	30.3	24.1	18.4
Cash generated from operating activities	**42.8**	44.3	33.8	28.7	29.8
Net interest paid	**(2.1)**	(3.6)	(3.0)	(1.5)	(1.3)
Tax paid	**(4.3)**	(6.7)	(9.5)	(5.5)	(1.6)
Operating cashflow	**36.4**	34.0	21.3	21.7	26.9
Net capital expenditure on property, plant and equipment and intangible assets excluding goodwill	**(13.7)**	(15.0)	(16.6)	(11.2)	(9.6)
Free cash flow [(1)]	**22.7**	19.0	4.7	10.5	17.3
Capital employed					
Intangible fixed assets	**58.2**	71.6	55.5	34.1	19.9
Tangible fixed assets	**54.6**	63.6	45.6	35.1	33.6
Investment in equity-accounted investment	**-**	-	1.3	0.7	-
Other net assets	**21.9**	34.9	21.8	21.8	17.8
	134.7	170.1	124.2	91.7	71.3
Financed by					
Shareholders' funds - equity	**111.2**	133.4	97.3	76.8	70.6
Net debt	**40.6**	53.0	38.4	18.9	5.4
Deferred tax	**(17.1)**	(16.3)	(11.5)	(4.0)	(4.7)
	134.7	170.1	124.2	91.7	71.3
Statistics					
Operating profit (%) before significant items	**7.8**	11.4	11.9	11.3	10.2
Effective tax rate (%) before significant items	**31.7**	33.9	37.0	40.0	42.0
Adjusted basic earnings per share (p)[(2)]	**36.5**	55.9	46.0	35.3	26.0
Basic earnings per share (p)	**7.5**	48.0	44.1	32.6	23.9
Dividends per share (p)	**18.3**	18.3	17.8	16.5	15.5
Year-end mid-market share price (p)	**389.0**	235.5	585.0	528.5	375.0

[(1)] Free cash flow is the cash generated from operations less interest, tax and capital expenditure on property, plant and equipment and intangible assets excluding goodwill.

[(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 lost 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 offers 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 2009 to the Dividend Reinvestment Plan, application forms must be received by the Registrars by no later than 25 April 2010. 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 2010 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 2009 payable on 20 May 2010 must be received by Capita Registrars no later than the record date for the final dividend, 23 April 2010.

Share price information
The middle market price of a share of The Vitec Group plc on 31 December 2009, the last dealing day of 2009, was 389p. During the year the share price fluctuated between 154.25p and 405p. 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 website www.ft.com with a similar delay. Up to date market information and the Company's share price is 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.

Financial calendar

Ex-dividend date for 2009 final dividend	21 April 2010
Record date for 2009 final dividend	23 April 2010
Annual General Meeting	17 May 2010
Interim management statement	17 May 2010
2009 final dividend payment date	20 May 2010
Announcement of 2010 half year results	August 2010
Proposed 2010 interim dividend payment date	October 2010
Interim management statement	November 2010

Analysis of shareholdings as at 31 December 2009

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

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