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

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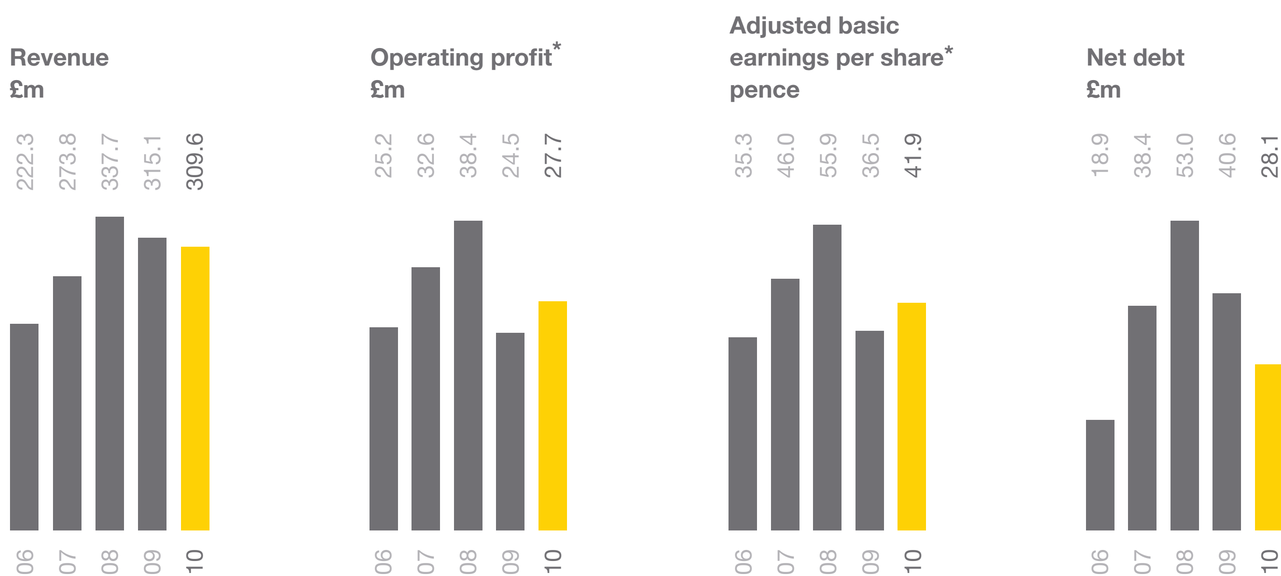
VITEC GROUP

Highlights

Key points

- Broadcast and video markets return to growth
- Underlying organic CER** revenue growth of 4.3%
- Operating profit* up 13.1% despite £7.9 million profit impact from the end of BAS contract
- Reported profit before tax before significant items* up by 17.6%, organic CER** up 6.9%
- IMT business focused on the MAG opportunity: Auction 66 contract wins
- Launch of Manfrotto Powerbrand products at Photokina
- Total dividend increased 3.8% to 19.0p per share; recommended final dividend of 11.4p per share



Revenue
£309.6m

Operating profit*
£27.7m

Adjusted basic earnings per share*
41.9p

Net debt
£28.1m

* 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 2010).
** Organic CER. At Constant Exchange Rates excluding year on year effect of acquisitions and disposals.

Investing for growth

The Group has reported a good set of results for 2010, with a recovery in our core markets and progress on our three market strategy.

Highlights of 2010 included:

- Broadcast and video markets return to growth
- Underlying organic CER** revenue growth of 4.3%
- Operating profit* up 13.1% despite £7.9 million profit impact from the end of BAS contract
- Reported profit before tax before significant items* up by 17.6%, organic CER** up 6.9%
- IMT business focused on the MAG opportunity: Auction 66 contract wins
- Launch of Manfrotto Powerbrand products at Photokina
- Total dividend increased 3.8% to 19.0p per share; recommended final dividend of 11.4p per share

Our purpose

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

Financial highlights

Revenue was £309.6 million (2009: £315.1 million). Revenue at organic constant currency** was 4.3% higher as our core markets recovered from the depressed levels of 2009. This, coupled with the full-year benefit of cost savings implemented in 2009, delivered profit before tax of £26.7 million (2009: £22.7 million) and basic earnings per share before significant items of 41.9p (2009: 36.5p).

Once again, there has been a strong focus on cash management across the Group, with free cash generation of £18.0 million (2009: £22.7 million) and further strengthening of the Group's balance sheet with net debt at 31 December 2010 totalling £28.1 million (2009: £40.6 million). This result has been achieved against the background of investment in the three market strategy.

The disposal of Clear-Com during the year resulted in cash consideration of £8.8 million and a profit on disposal of £2.2 million before tax.

Dividend

The Board has recommended a final dividend of 11.4p per share (2009: 10.9p). Subject to approval by the shareholders at the Annual General Meeting, the dividend will be paid on 20 May 2011 to shareholders on the register at the close of business on 26 April 2011. The full-year dividend of 19.0p (2009: 18.3p), equates to a dividend cover of 2.2 times (2009: 2.0 times) based on basic earnings per share before significant items*

Board changes and employees

Richard Cotton left the Group as Group Finance Director on 4 February 2011 and has been succeeded by Nick Humby as Interim Chief Financial Officer. The Board would like to thank Richard for his contribution towards the successful development of Vitec over the last two years.

The Board would also like to thank our employees for their commitment to and passion for the Company, particularly enabling excellent progress to be made on the three market strategy and delivering a good result for our shareholders in 2010. The Vitec Mindset remains central to our employees, notably product excellence, creative solutions, integrity, customer focus and collaboration.

Outlook

In 2010, we laid further foundations for future growth with major product launches for Manfrotto, key contract wins in MAG, the opening of facilities in Brazil and China and the consolidation of our Imaging operations in Italy and MAG operations in New Jersey, USA into new offices.

We will continue to invest in 2011 to develop our products and services to support the three market strategy of Broadcast and Video, Photographic and MAG. In particular, we will invest further in the Manfrotto Powerbrand. We continue to seek value adding acquisitions that are consistent with our three market focus.

We are confident that the successful execution of our strategy will enable us to capitalise on the market opportunities that we have identified and deliver increased shareholder value over the coming years.

Michael Harper
Chairman

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** Organic CER. At Constant Exchange Rates excluding year on year effect of acquisitions and disposals.

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

2010 saw the recovery of our core target markets from the depressed performance of 2009, the full year benefit of the cost savings initiated in 2009, and strong strategic execution of our three market strategy launched in October 2009.

Financial performance

In 2010 Vitec saw solid growth from a combination of recovery in the photographic and broadcast markets from 2009 and the launch of new products across the Group.

Revenue at organic constant exchange rates increased by 4.3%; reported revenues declined by 1.7%, to £309.6 million (2009: £315.1 million) reflecting the disposal of Clear-Com in April 2010, and IFF in 2009. Revenues were boosted by strong growth in the photographic and broadcast markets throughout the year which offset the expected impact of the end of the Broadcast Auxiliary Services (BAS) contract that reduced revenue in Videocom.

Reported operating profit* increased by 13.1% to £27.7 million (2009: £24.5 million), with organic growth of 3.2% at constant exchange rates. The 2009 cost saving initiatives delivered the expected annual benefit of £22 million in 2010 (2009: £17 million). The operating margin increased to 8.9% (2009: 7.8%). Reported Group profit before tax* increased by 17.6% to £26.7 million (2009: £22.7 million), or 6.9% in organic growth at constant exchange rates. Underlying Group Basic EPS* was up 14.8% at 41.9p (2009: 36.5p); Group Basic EPS after significant items was 42.8p (2009: 7.5p).

Cash generation was good, with free cash flow of £18.0 million (2009: £22.7 million), representing a cash flow conversion (before interest, tax and restructuring) of 93% (2009: 141%). This is after the start-up working capital investment (mainly inventories) for the Manfrotto Powerbrand, for which the first sales are due in the first half of 2011. Continuing working capital control resulted in a further reduction of the working capital to sales percentage to 16.2% (December 2009: 16.4%). The year also benefited from tax rebates in Germany and USA relating to prior years, reducing net tax paid to £0.9 million (2009: £4.3 million).

The Group's balance sheet has strengthened. Our Net Debt / EBITDA ratio was reduced to 0.7 times (31 December 2009: 1.0 times) with Net Debt at 31 December 2010 reduced to £28.1 million (31 December 2009: £40.6 million) and drawings under our £125 million committed banking facility (which extends to August 2013) reduced to £34.8 million, or 27.8% (31 December 2009: 42.2%).

Three market strategy

Following the launch of our new three market strategy in October 2009 we started to execute against this new strategic direction in 2010.

1 Broadcast and video

Vitec has leading brands in the broadcast and video market which comprises products and services aimed at television networks and production (broadcast), corporate, religious and educational markets (video).

In the broadcast sector we have continued to maintain our premium market position and share as this market recovered strongly in 2010. In the video sector we are developing products focused on the needs of the independent cameraman. We have successfully launched a new range of environmentally friendly LED lights for the studio customer (see page 38).

2 Photographic

Vitec has traditionally supplied its accessories (tripods, bags, heads and lighting supports) to professional photographers. In 2010 we continued to develop breakthrough products for this user group. We have also, however, developed products aimed at new

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consumer sectors among non-professional users and at Photokina in September 2010 we launched a full range of tripods, bags, lighting and clothing aimed at these users. The response from customers and retailers has been extremely encouraging.

3 Military, aerospace and government (MAG)
Having established our microwave technology as the brand leader in the US broadcast market we have leveraged this technology into the MAG market. We have had success in winning significant orders particularly in the law enforcement area and customer reaction confirms our technology is world leading.

Product development
We continue to invest in our development processes to improve the time to market of new products and to invest in research, development and engineering in support of our businesses. After adjusting for capitalised expenditure of £1.5 million (2009: £0.6 million) and expenditure incurred in the disposed Clear-Com business of £0.5 million (2009: £2.4 million), research, development and engineering expenditure on a like for like basis was £10.8 million (2009: £10.7 million) representing 4% of Group product sales (2009: 4%).

A global company
In addition to strategic product and market developments, the Group expanded its global reach with the opening of our new photographic distribution businesses in Hong Kong and China and our office in Sao Paulo, Brazil, ready for the 2014 FIFA World Cup and the 2016 Olympics, bringing the number of countries where the Group has a direct presence to 14. We have manufacturing facilities in lower labour cost countries such as Costa Rica, Slovakia and Mexico and outsourced operations in China. In total, the Group now has sales in over 100 countries. We consolidated our IMT operations into one facility in New Jersey, USA and the non-production elements of our Imaging business into one site in Bassano, Italy.

Cost reductions
The cost reductions implemented in 2009 yielded their full potential, delivering £22 million (2009: £17 million) of cost savings in 2010. This helped contribute to a stronger operating margin of 8.9% (2009: 7.8%) as we gained good operating leverage from the increased volume.

Collaboration
I am delighted at the increased collaboration across the Group. Examples include the use of Litepanels' technology to develop LED lights for the photographic market under the Manfrotto brand and the launch of the Vitec Ambassador Program, a series of events organised and managed by the Services Division designed to expose live event producers to the broad range of Group products from across all business units and divisions.

Acquisitions and disposals
Consistent with our purpose to provide products and services that support the capture of exceptional images, we divested our audio business, Clear-Com to HM Electronics for consideration of approximately £8.8 million and a profit on disposal of £2.2 million.

Environmental products
Our Litepanels products are helping our broadcaster customers tackle global warming. LED studio lighting delivers up to 95% energy savings over traditional lighting and our Litepanels range is the market leader in this technology. A single studio which adopts our LED technology can save 200,000 pounds of CO_2 entering the environment annually. 2010 saw a substantial increase in Litepanels sales to the broadcast and film industries. Yet only a small portion of studios worldwide currently utilise LED's so we have great opportunities in 2011 to grow this business and make a significant contribution towards reducing the industry's carbon footprint via our environmentally sustainable lighting products.

Stephen Bird
Group Chief Executive

3 market strategy >

1 broadcast & video market

2 photographic market

3 MAG market

1 Building within the Broadcast & video market

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

The market

The broadcast & video market comprises 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 around £430 million in 2010.
- 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 the market for Vitec's products and services was worth around £120 million in 2010.

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 6% per annum from 2011 until 2013.

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 with around half of the installed base of cameras still needing to be upgraded. 3D has emerged recently as another opportunity for further demand for Vitec's products as new, heavier supports are required 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 are all factors that have expanded the number of people producing high quality video. This is no longer the preserve of broadcasters, as corporate, religious and educational establishments and other entities produce their own content and thus require accessories which we supply.

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. As LEDs become more powerful, Litepanels will be able to supply an increasing number of television studios in the broadcast sector as well.

Broadcast robotics
Broadcast robotics provide cost-effective solutions in a wide variety of applications, from simple one or two camera studios, to complex networks. The latest commercial implementation of Vinten Radamec's total robotic solutions include Sky.

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.

3 market strategy

Key strategies

Vitec has leading brands in the broadcast & video market. Our strategy is to maintain our premium product offerings and market share in the broadcast segment whilst developing specific products and new channels focused on the needs of the independent cameraman in the video segment.

Growth opportunities in the broadcast & video market will come from:

- LED lighting (where the energy saving over traditional lighting is significant);
- Business and industry applications for our existing products;
- Microwave systems (outside the US using our global presence); and
- Robotics (as video production becomes more automated).

Progress during 2010

During 2010, we have:

- Launched Sola LED Fresnel lights, a major new product family that expands the addressable market for LEDs into major TV studios for the first time and delivers up to 95% energy savings over traditional lighting;
- Secured a major order for IMT HD microwave systems with a Russian sports broadcaster;
- Developed a range of video accessories to support hybrid DSLRs and compact camcorders aimed at business and industry applications; and
- Won significant orders for the new Vinten Radamec robotics range including at Sky's Harlequin facility, West London and Alberta Parliament.

Our world-class brands

Bags
Kata
Petrol

Equipment Rentals
Bexel
The Camera Store

Lighting
Anton/Bauer
Litepanels
Sachtler

Microwave Systems
MSC
Nucomm
RF Central

Mobile Power
Anton/Bauer

Prompters
Autoscript

Supports
Avenger
Manfrotto
OConnor
Sachtler
Vinten
Vinten Radamec

"This is a great example of true collaboration between broadcaster and supplier. We have worked together in partnership with Vitec, Litepanels and Trans Audio Video to achieve this solution."

Paul Vickerage
Head of Studios, Sky Italia regarding their installation for the Vancouver Winter Games

Vitec Group products are ready to meet the challenges of supporting Stereographic 3D (S3D) camera systems. High capacity fluid heads from industry-leading brands OConnor, Sachtler and Vinten easily handle the many possible camera system configurations for shooting in S3D and provide smooth movement essential for real-time 3D broadcast.

2 Snapping up interest in the Photographic market

Vitec currently supplies this market with a variety of accessories for the photographic camera. These include tripods, bags and lighting supports manufactured by Vitec, plus 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 LED lights under the Manfrotto brand name.

The market

The photographic market comprises 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 £380 million in 2010.
- 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 £470 million in 2010.

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 sector 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. The Camera and Imaging Products Association (CIPA), the trade association of Japanese camera manufacturers, forecasts volume growth of DSLRs in 2011 of 20% over 2010.

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 its Manfrotto and Gitzo brands, Vitec has the premier brands in photographic camera supports in both the professional and non-professional sectors. With our high quality and innovative products, we are the clear leader 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. Further growth in market share is expected as a result of using 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 also distributes third party flashes and lighting controls.

The very first dedicated HDSLR backpack.

Manfrotto joystick heads which won a TIPA award in 2010.

3 market strategy

Key strategies

In the photographic market, our strategy is to maintain our premium market position among professional and hobbyist photographers whilst leveraging the Manfrotto brand to enter new faster-growing segments among non-professional users.

Progress during 2010

During 2010, we have:

- Launched a fully integrated range of products targeted at new entry level DSLR users consisting of over 100 new products comprising supports, bags, LED lights and apparel;
- Developed the first range of Manfrotto LED photographic lights, to be delivered in the first half of 2011;
- Presented a full range of new bags under both the Manfrotto and Kata brands targeted at professionals and hobbyists, as well as a new Manfrotto range aimed at the non-professional segment and the new National Geographic "Africa" range; and
- Presented the integrated range of products to major buyers in the photographic market - traditional speciality stores, consumer electronics stores and e-tailers – with sales expected to begin in the first half of 2011.

Our world-class brands

Supports
Avenger
Gitzo
Manfrotto

Bags
Kata
Manfrotto
National Geographic*

* Manufactured and distributed under licence

"I use Manfrotto stuff because I can count on it. Whether it's digital imaging, camera supports, video… you know it's changing, but if you want to keep communicating visually, you have to keep adapting."

Joe McNally
Professional photographer

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 Signalling intent in the MAG market

Vitec currently supplies the military, aerospace and government (MAG) market with a variety of equipment. However, our primary focus in the future will be the supply of microwave equipment. This currently comprises transmitters and receivers manufactured by Vitec, (which enable video signals to be sent wirelessly for up to 30 miles) together with antennae and amplifiers manufactured by third parties.

The market

The MAG market comprises 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 supplied by Vitec was worth some £550 million in 2010.

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 to 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.

IMT's ruggedized COFDM 6-way diversity portable receiver/monitor.

IMT's New Head Office at Mount Olive.

3 market strategy

Key strategies

In the MAG market, our strategy is to leverage our microwave technology developed in the Broadcast market. We continue to see opportunities for our range of transmitters and receivers in military and law enforcement applications. Overall defence budgets are under pressure but demand for intelligence, surveillance and reconnaissance equipment remains a priority:

- In law enforcement where our products help police authorities improve their situational awareness (e.g. crowd control) and surveillance where our miniature products assist national agencies in covert operations; and
- In military vehicles where our video technology can be used in unmanned applications to assess threats and to minimise loss of human life.

Progress during 2010

During 2010, we have:

- Won two orders from the US Department of Justice (Auction 66) worth $10.8 million of which one third was shipped in 2010;
- Secured further law enforcement contracts with Pennsylvania State Police and Los Angeles County Sheriff's Department Airborne Unit;
- Continued product development with miniaturised HD transmitters/receivers and MPEG4 video compression; and
- Consolidated operations into a new purpose built facility in New Jersey.

Vitec brands for the MAG market

Microwave Systems
IMT

"IMT is in the midst of supplying and installing aviation microwave downlink systems for the State's fleet of helicopters. The customised downlink solution will enable uninterrupted broadcast of live aerial images which will provide an Incident Commander at the scene of an emergency with invaluable real-time information for situational awareness. With the fixed site IP backhaul capabilities, we can eventually offer real-time video of emergency situations to the 911 centres across the State providing them with an invaluable resource which they could never afford on their own."

Charles Brennan | Deputy Secretary
Pennsylvania State Office of Administration
Public Safety Radio

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

Strengthening the foundations for future growth

2010 results benefitted strongly from growth in the broadcast and photographic markets and the operating leverage created by the 2009 restructuring. Strong working capital discipline enabled net debt to be further reduced and allowed the business to invest in new product development.

Revenue

Revenue decreased by £5.5 million to £309.6 million, a decline of 1.7% in the year. After adjusting for £1.2 million (0.2%) of adverse foreign exchange, the £17.0 million (6.2%) impact of disposals and the £24.1 million (8.8%) impact of the end of the BAS contract, there was a £36.8 million (13.5%) increase in organic constant currency revenue. Management estimate that revenue in Videocom benefitted from £5 million of broadcast projects deferred from 2009.

Operating profit

The table opposite sets out an analysis of the factors increasing operating profit, before significant items*, between 2009 and 2010. The variances are based on management's best estimates and are not a statutory presentation.

Operating profit before significant items*

2009-10 Variance Analysis (£m)

2009 Operating profit*		**24.5**
Gross margin effects:		
- Volume, mix and efficiency	14.7	
- BAS contract	(7.9)	
- Sales price less cost inflation	1.1	
Operating expenses	(7.1)	
		0.8
Acquisitions/disposals		**0.7**
Foreign exchange effects:		
- Translation	(0.3)	
- Transaction after hedging	2.0	
		1.7
2010 Operating profit*		**27.7**

Operating profit before significant items* was £27.7 million, 13.1% higher than 2009. The Group's operating profit margin increased from 7.8% to 8.9%, reflecting the volume improvements and cost reductions actioned in 2009. Before beneficial foreign currency effects of £1.7 million over the year, the increase in operating profit* was 6.2%, 3.2% in organic CER.

Profit before tax and significant items* was £26.7 million, up from £22.7 million in 2009. Adjusted earnings per share before significant items* was 41.9p (2009: 36.5p).

Net financial expense

Net financial expense before significant items* totalled £1.0 million (2009: £1.8 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 33% (2009: 32%). 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

In 2010 these included a £2.1 million cost (2009: £nil) in relation to the exit from the Broadcast Auxiliary Services (BAS) relocation project (of which £1.3 million was in cost of goods sold), a £2.5 million gain (2009: £nil) for the curtailment of the UK defined benefit pension scheme (net of costs of closure) and £0.1 million impairment loss on property (2009: £1.5 million). In 2009 significant items also included restructuring costs of £10.9 million.

Group revenue
£309.6m
up 4%**

Group operating profit*
£27.7m
up 3%**

Group earnings per share*
41.9p
up 4%**

There was a £2.2 million gain on disposal of the Clear-Com business (2009: loss of £0.7 million on disposal of IFF).

The amortisation of acquired intangibles decreased to £7.6 million (2009: £8.5 million) mainly due to the intangibles acquired with IMT being fully amortised by the end of the first half of 2010. The annual impairment review of goodwill led to no impairment charge in 2010 (2009: £nil).

Finance income included in significant items* consisted of a £0.1 million gain (2009: £0.7 million gain) due to currency movements on loans not accounted for as net investment hedges.

The tax credit of £5.4 million (2009: £8.6 million) relates mainly to current year tax refunds (£3.2 million), the capitalisation of tax losses not previously recognised (£1.9 million) and effect of other items classified as significant (£0.3 million).

Acquisitions/disposal
There were no acquisitions in 2010 or 2009 but there were earn out payments relating to acquisitions made in prior years of £2.6 million (2009: £3.0 million). The payments in 2010 related to Litepanels.

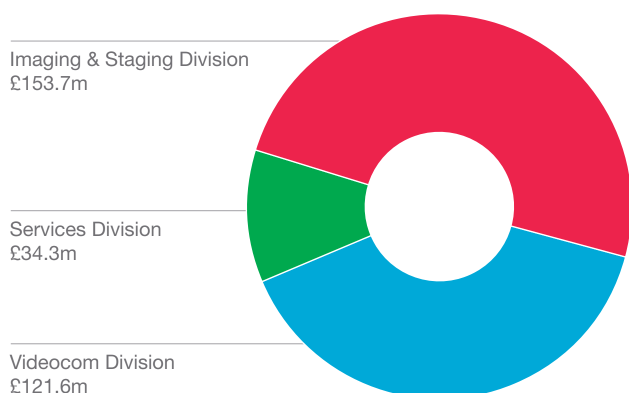
Clear-Com disposal
On 1 April 2010, Vitec sold its Clear-Com business to HM Electronics Inc. for a cash consideration of approximately £8.8 million. £8.0 million was received in cash at completion. Subsequently further cash of £0.4 million has been received arising from changes in working capital. Consideration of approximately £0.4 million is due in 2011, based on the actual turnover achieved during 2010. Receipts from the sale have been used to pay down borrowings and to invest in Vitec's future development.

The gross assets disposed of at the date of sale amounted to £10.0 million (net assets £5.9 million). A profit on disposal of £2.2 million before tax and £4.2 million after tax is recorded in significant items in the Income Statement, including the further potential consideration of £0.4 million.

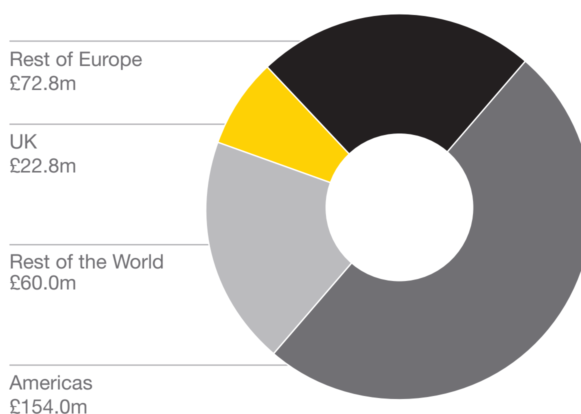
The sale of Clear-Com represents an important strategic move for the Group, as we focus on opportunities in our chosen core markets.

Figure1 - 2010 Revenue by division and destination

Revenue by Division



Revenue by destination



* 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 2010).
** Organic CER: At Constant Exchange Rates excluding year on year effect of acquisitions and disposals.

Cash flow and net debt
Cash generated from operations was strong at £34.6 million (2009: £42.8 million). The reduction compared with 2009 arises from increases in inventory and receivables in the last quarter as a result of higher revenue and inventory build up to fulfil new product orders. Working capital management remains a key focus.

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 16.2% (2009: 16.4%) due largely to tighter control.

Inventory rose £3.5 million to £55.4 million at the year-end, reflecting higher activity and holding levels; inventory days increased to 104 (2009: 97 days). Trade receivables decreased to £34.9 million as at the year end (2009: £35.0 million) and debtor days improved to 39 (2009: 41 days). Creditor days also improved to 44 (2009: 41 days). 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 £10.9 million 2009 cost reduction programme resulted in cash outflows of £4.4 million (2009: £5.5 million). The remainder will be spent in 2011 and beyond.

Capital expenditure, including capitalised development costs, totalled £16.5 million (2009: £15.3 million), of which £3.8 million (2009: £7.2 million) related to rental assets, partly financed by the proceeds from rental asset disposals of £1.4 million (2009: £1.5 million).

Net tax paid in 2010 of £0.9 million was significantly lower than 2009 (£4.3 million), mainly due to the tax refunds in Germany and USA.

Free cash flow decreased to £18.0 million reflecting the investments in working capital and increased capex which was partially offset by lower interest and tax payments.

The Group's strong free cash flow, together with adverse exchange movements on net debt of £1.7 million (2009: £0.1 million) resulted in a further decrease in Net Debt to £28.1 million (2009: £40.6 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 2010 set out in Figure 2 below.

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 current loan agreement involving five banks, expiring on 8 August 2013. At the end of December 2010 £34.8 million (2009: £52.7million) of the facility was utilised.

The average cost of borrowing for the year was 1.3% (2009: 1.4%) reflecting the continued low level of interest rates. Net interest cost (consisting of net interest payable and commitment fees) was £1.2 million (2009: £1.6 million), reflecting lower interest rates and lower debt over the year. Net interest cover (using operating profit before significant items*) remained high at 23 times (2009: 15 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 2010. 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. The Board will continue to look for alternative long term debt facilities to complement its existing facilities, which, if implemented, would marginally increase the annual interest cost.

Figure 2 – Currency hedging

(Currency)	December 2010	Average rate	December 2009	Average rate
US Dollars sold for Euros				
Forward contracts	$33.7m	1.37	$29.3m	1.37
Options	$nil	n/a	$7.3m	1.45
US Dollars sold for Sterling				
Forward contracts	$20.6m	1.55	$29.9m	1.59

Foreign Exchange
2010 operating profit benefitted from a £1.7 million favourable foreign exchange effect. The average £/$ and Euro/$ exchange rates were favourable compared to 2009 which, together with favourable £/$ and Euro/$ hedging contracts, gave rise to the gain.

UK pensions
Following consultation with active members and the scheme trustee, on 31 July 2010 the Group closed its UK defined benefit pension scheme, the Vitec Group Pension Scheme, to future accrual.

The closure of the scheme gave rise to the curtailment gain of £3.0 million in accordance with IFRS accounting standards and costs of closure of £0.5 million which are reflected in the significant items in the Income Statement.

Dividend
The directors have recommended a final dividend of 11.4p per share amounting to £4.9 million (2009: 10.9p, amounting to £4.6 million). The dividend subject to shareholder approval at the Annual General Meeting will be paid on 20 May 2011 to shareholders on the register at the close of business on 26 April 2011. This will bring the total dividend for the year to 19.0p per share (up 3.8 %).

Dividend Reinvestment plan
The Company has a Dividend Reinvestment Plan that allows shareholders to reinvest dividends to purchase additional shares in the Company. For shareholders to apply the proceeds of this and future dividends to the plan, application forms must be received by the Company's Registrar by no later than 26 April 2011. Existing participants in the plan will automatically have the final dividend reinvested. Details on the plan can be obtained from Capita Registrars at www.capitaregistrars.com.

Principal risks and uncertainties

US market
50% of 2010 revenue was from the Americas, principally the USA, 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 to 18 months forward on a rolling basis. In addition the Group seeks to outsource the manufacture of parts, where appropriate, to low-cost countries, whose currencies are frequently either dollar-denominated or linked to the dollar.

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

Imaging products are principally used by both professionals and hobbyists. Whilst sales of 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.

Nick Humby
Interim Chief Financial Officer

Imaging & Staging Division

The Imaging & Staging Division has a strong reputation with two main groups of creative professionals: photographers and videographers, who shoot commercially, independently or for pleasure and share images on-line; and also 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, showed good signs of recovery particularly in the hobbyist and consumer segments. According to CIPA, shipments of DSLR cameras in 2010 were up 30% on 2009 at around 13 million units. Camera volume growth is being driven primarily by the consumer segment upgrading obsolete pocket camera equipment, and by the rapid growth of the Chinese market, which is expected to become the second largest after the USA.

In other markets, supports for video, lighting and cine/film applications, volumes enjoyed double digit growth recovering from the marked contraction of 2009. The live and corporate events market, where our Staging business operates, continued to feel the effects of the economic downturn, with volumes remaining in line with 2009.

Operations

Revenue for 2010 was £153.7 million, an increase of 8.4% (an increase of 9.7% in organic constant currency). Operating profit* rose 6.8% to £18.9 million (an increase of 2.3% in organic constant currency) due to positive exchange rate effects, a reduction in capacity and cost containment across the businesses partially offset by the investment in the launch of the Manfrotto Powerbrand.

Our Supports business reported a 9% growth in sales underpinned by new products developed during 2009. During the year a new range of supports for the non-professional photographer was developed and launched at Photokina in September 2010. These were supplemented by the addition of new product families under the Manfrotto brand in photo bags, LED lights and apparel. In 2011, we will invest to support the distribution of these products through consumer retail channels.

In addition the Bags business benefited from growth in the Kata and National Geographic collections with sales up 20% in constant currency. Manfrotto Distribution reported solid growth with improved performance in the US and Japan.

In Staging, the live event market remained flat compared with 2009. We therefore undertook a further business review which resulted in the move of more production to Slovakia and re-organisation of the business unit under one managing director. The business is now well-placed to benefit from recovery.

Divisional sales
£153.7m

Up
+9.7%**

Key achievements

- Completed the new Manfrotto Powerbrand proposition and communication campaign;
- Further penetrated the fast-growing consumer electronic and e-tailing channels, including the implementation of a new web platform;
- Opened two new Manfrotto Distribution subsidiaries in Shanghai and Hong Kong;
- Completed consolidation and rationalisation of our supports manufacturing plants in Feltre, Italy;
- Manfrotto joysticks won the CIPA award for best 2010 photo accessory; and
- Kata's Bumblebee Ultra Light camera bag won the "Entertainment Technology and Cameras" category red dot award for design.

Case study 1: Gitzo Athena Head
Gitzo has unveiled the world's most advanced photographic head, which is capable of being remotely controlled. The Athena head reinforces the supremacy of Gitzo in pro-photo application, with the introduction of cutting edge robotic technology.

Case study 2: Manfrotto 504HD
Manfrotto stepped into a new dimension of film making with the introduction of its new 504HD system. Specifically designed for fast-growing freelance productions, the head delivers superior pro performance and durability, combined with advanced ergonomics, a lightweight format and a new slide plate, designed to host ancillary accessories for VDSLR applications.

Revenue

Operating profit*

Operating margin*

Our brands

Supports
Avenger
Gitzo
Manfrotto

Bags
Kata
Manfrotto
National Geographic*

Staging
Brilliant Stages
Litec
Tomcat

* Manufactured and distributed under licence

reddot design award
winner 2010

Case study 3: Kata
Kata introduced three collections under its 'lightweight protection' promise. The new collections, led by the flagship Ultra Light collection, feature a combination of technology, materials and design which embody the ultimate essence of lightweight protection without compromise. The collections, and especially the award-winning Bumblebee backpack, were accepted enthusiastically by markets worldwide. The launch of many more innovative products is planned for 2011.

* 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 2010).
** At constant exchange rates excluding year on year effect of acquisitions and disposals.

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 mission-critical visual communication and surveillance products have successfully entered the military, aerospace and government (MAG) markets.

Joop Janssen
Divisional Chief Executive

Markets

Broadcast and film markets across all continents showed some volume recovery after a sharp decline in 2009. This was assisted by the recovery in TV advertising revenue which grew 9% globally in 2010 and is forecast to continue to grow 6% per annum from 2011 until 2013. The broadcast and film markets were also underpinned by the continued transition to HDTV operations.

We expect the compelling return on investment benefits of LED lighting, which delivers up to 95% energy savings over traditional lighting, to be a major motivator for studios to change from their older and more inefficient lighting. Our Litepanels range is the global market leader in this technology and in 2010 saw a substantial increase in its sales to the broadcast and film industries.

The business and industry market in 2010 remained robust, driven by the growth of live entertainment, on-location shoots, corporate videos and education especially in the US.

The MAG market has seen increasing demand for video-enabled intelligence in both law enforcement and military unmanned vehicles and the demand for IMT's market leading technology remains good, despite well-publicised reductions in defence expenditure globally.

Operations

Revenue for 2010 was £121.6 million, a decrease of 17.3%, or 6.6% in organic constant currency after adjusting for the disposal of Clear-Com. Further excluding the effects of the end of the BAS contract at IMT of £24.1 million, underlying revenue grew by 14.5%.

The Camera Dynamics business benefited from a number of major customer orders and increased demand for our leading brands in both robotic and manual supports. Our profit from camera supports grew significantly reflecting cost saving measures undertaken in late 2008 and 2009.

Our Litepanels LED business increased revenue by 25% underpinned by orders for the Winter Olympics in Vancouver. We secured the first sales of our Sola studio product range from CNN.

Our IMT microwave systems business revenue grew in constant currency by 10%, excluding the £24.1 million impact of the cessation of the BAS project, which had a corresponding operating profit impact of £7.9 million. This was helped predominantly by wins in the MAG market, including the Department of Justice and the US Federal Government.

Anton/Bauer had a good year, helped by the recovery in the broadcast market and the supply of batteries and chargers to the medical market.

Globally, the Group's integrated approach across our leading brands helped us achieve record revenues in China and led a strong recovery in Asia for the Videocom Division.

Divisional sales
£121.6m

Up
+14.5%**

Key achievements

- Major wins for IMT in the MAG market: Los Angeles County Sheriff's Department Airborne unit, Pennsylvania State Police and the US Department of Justice;
- Vinten won major orders with Sky (in the UK and in Italy) and was recognised with the Queen's award for its continuous innovation;
- Vinten Radamec won leading robotics deals with its Fusion product range;
- An IMT HD wireless systems order for ANO Sports Broadcasting in Russia;
- The opening of the Brazil office and a new facility for our IMT business in New Jersey; and
- Anton/Bauer won major orders in the medical market including Yale-New Haven hospital in Connecticut.

Revenue

Operating profit*

Operating margin*

Our brands

Bags
Petrol

Equipment Rentals UK
The Camera Store

Lighting
Anton/Bauer
Litepanels
Sachtler

Microwave Systems
IMT
MSC
Nucomm
RF Central

Mobile Power
Anton/Bauer

Prompters
Autoscript

Supports
OConnor
Sachtler
Vinten
Vinten Radamec

Case study 1: Litepanels
Media giant CNN took advantage of the latest in lighting technology for its new US studio by specifying Litepanels LED fixtures, including the new and award-winning LED Sola 6 Fresnels. Along with extraordinary light quality, each Litepanels fixture features full remote control of dimming as well as focusing. Litepanels' proprietary LED technology also uses up to 95% less energy than conventional fixtures.

Case study 2:
Sachtler, Litepanels, Petrol, Anton/Bauer
Videocom businesses supported the 'Going south, cycling through the Americas' environmental film by cinematographer Milan Collin and Dutch production company Deepeei. Two cycling teams set out across the continent in search of exemplary climate projects. Sachtler supported them with Cine 30 HD and Video 15 SB support systems, while Litepanels MicroPro, Petrol camera bags and 6 DIONIC HCX batteries and 1 QUAD charger from Anton/Bauer were also used.

Case study 3: IMT
IMT supplied a comprehensive microwave downlink system for the Los Angeles County Sheriff's Department for its fleet of 14 new patrol helicopters. The customised solution enables inter-operability with the surveillance solutions of partner agencies and uninterrupted, ship-to-ground broadcast of live aerial images to provide ground personnel with real-time information at both fixed and portable receive sites.

* 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 2010).
** At constant exchange rates excluding year on year effect of acquisitions and disposals, and the effects of the end of the BAS contract.

Services Division

Our Services Division provides the highest quality broadcast equipment and engineering support for the most demanding broadcast and media productions. In 2010 it provided solutions for events ranging from the XXI Winter Olympic Games, the G8 Summit, the inaugural Youth Games and numerous top entertainment and awards shows. Its capabilities with broadcast, fibre optics, wireless audio and other technologies makes it a complete one-stop facility for top producers around the globe.

Jerry Gepner
Divisional Chief Executive

Markets

2010 was a year of recovery for the broadcast sports and entertainment marketplace. The XXI Winter Olympic Games, FIFA World Cup and other major entertainment and political events helped the rebound from lower levels of expenditure in 2009. The major broadcasters also continued to adopt high definition formats for the coverage of live events.

In addition, the emergence of a fledgling 3D television industry offered opportunities for experimentation at major events like the All-Star Baseball game, US Open Tennis Tournament, NASCAR racing and NHL Hockey.

Operations

Revenue for 2010 was £34.3 million, up 30.4% (29.4% in constant currency). Increases in broadcast advertising revenues helped fuel demand for broader and more sophisticated coverage of global events, creating an increased demand for broadcast kit at the venue.

Operationally, several departments were reorganised under fewer executives to provide efficiencies in sales, operations and engineering.

2010 also saw the launch of the Vitec Ambassador Program, a series of events designed to expose producers to the broad range of Vitec products from across all business units and divisions. The program resulted in follow-on sales for other Group brands such as Litepanels and IMT.

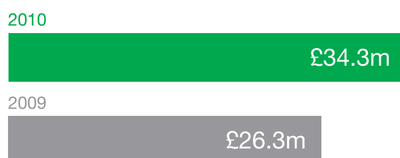
Divisional sales
£34.3m

Up
+29.4%**

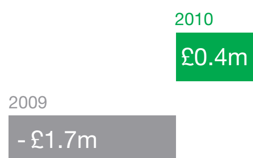
Key achievements

- Successful provision of the largest Olympic initiative in the division's history with the Winter Games. Facilities were provided for the host broadcaster (OBS) and also over a dozen other US and European broadcasters;
- Negotiation and execution of an exclusive multi-year agreement with Panasonic to provide 3D television services for a wide range of events;
- Completion of key additional exclusive distributor agreements for broadcast accessories and specialty manufacturers that provide a one-stop offering for our largest customers;
- The Vitec Ambassador Program resulted in Litepanels being selected by virtually all American football broadcasters for use in their on-air commentary booths; and
- Bexel, in partnership with Snøhetta, the Norwegian architectural firm, was selected by the City of New York to provide consulting and broadcast infrastructure services for a multi-year project designed to create a massive live-event venue in Times Square.

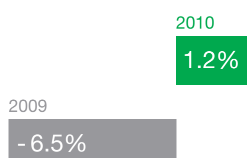
Revenue



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 XXI Winter Olympic Games
Bexel provided over 25 tonnes of broadcast technology for the 21st Winter Games, along with a team of highly trained technicians and engineers. Our equipment and personnel were key to the coverage provided by NBC, ZDF, NOK, as well as the host broadcaster OBS. Our fibre team also installed 48 miles of multi-strand optical cable and associated electronics to link alpine cameras and production systems with main editing and distribution points.

Case study 2: G8/G20 Summit – Toronto
Bexel provided the full worldwide distribution system for the 36th G8 Summit. The backbone of the system was a sophisticated switching and monitoring matrix, which handled hundreds of video and audio signals and fed radio, television and internet distributors around the world.

Case study 3: Ground-breaking 3D
Bexel used its refurbished mobile showroom and production facility to design and install a 3D control room to provide Turner Broadcasting with a full 3D production environment for coverage of the 4th July NASCAR race in Daytona Beach, Florida. In December, the same services were provided to the CBC for coverage of Hockey Night, one of the most watched sports programmes on Canadian television, and the first national telecast of an NHL event in 3D.

* 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 2010).
** At constant exchange rates excluding year on year effect of acquisitions and disposals.

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	2010	2009
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	**41.9p**	36.5p
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	**8.9%**	7.8%
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 2010 or 2009 Share price: 30 trading day average over the preceding 30 days	average compound annual growth %	Datastream	**6.7%**	(5.0%)
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	**18.0**	22.7
Controlling our working capital						
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	**16.2%**	16.4%
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	**104**	97
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	**39**	41
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	**44**	41
Innovation and growth						
Constant currency organic revenue growth	Monitor volume growth excluding effects of foreign exchange, acquisitions and divestments	Constant currency total revenue of the current financial year (excluding external revenue from acquired businesses) divided by total revenue of the prior financial year (excluding revenue from divested businesses) less 1 times 100% Constant currency: Prior year adjusted for foreign exchange translation, current year adjusted for foreign exchange transactions 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 Divested businesses: excludes external revenue for each month in the prior financial year with no comparative amount in the same month of the current financial year	%	Audited accounts and, for acquired businesses, monthly management accounts	**4.3%**	(19.5%)

KPI/Measure	Purpose	Definition/Calculation	Unit	Data source	2010	2009
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 Services Division and Brilliant Stages Exclude acquisitions in the financial year	% of revenue	Audited accounts and internal reports from Vitec Business Units	**46.8%**	39.2%
Monitoring our environmental impact[1]						
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[1]	Internal reports from Vitec Business Units	**32.68**	35.20
Usage of gas		Amount of gas consumed in the financial year divided by total revenue for the financial year	megawatt hours[1]		**26.66**	25.38
Usage of oil		Amount of heating oil consumed in the financial year divided by total revenue for the financial year	'000 litres[1]		**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[1]		**0.09**	0.10
Employees and safety						
Number of employee accidents[3]	Track changes in health and safety performance as it directly impacts hours worked per employee	Rate of non-fatal workplace injuries leading to absences from work of more than three days in the financial year	rate per 100,000 employees per year	Internal reports from Vitec Business Units	**525[3]**	511

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) Per £1.0m of the Group's revenue.

(2) There were no fatal workplace injuries in 2010 or 2009.

(3) Accidents were 10 in 2009 (representing 511 per 100,000 employees) and 10 in 2010 (representing 525 per 100,000 employees). At the Group's main operations in Italy, Imaging Support, the number of accidents is down from 3 in 2009 to 1 in 2010. The number of accidents at Videocom, Services, Manfrotto Distribution and Staging increased from 7 in 2009 to 9 in 2010.

* 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 2010).

Board of Directors

Michael Harper BSc Eng, MSc
Chairman, non-executive, British, aged 66, appointed to the Board on 14 June 2004, became Chairman on 1 November 2004; and Chairman of the Nominations Committee. Currently Chairman of BBA Aviation plc and Ricardo plc. Until June 2010, he was a director of Catlin plc and was formerly Chief Executive of Kidde plc, having previously held senior roles at both Williams plc and Vickers plc.

Stephen Bird MA
Group Chief Executive, British, aged 50, appointed to the Board on 14 April 2009. He is a non-executive director of Umeco plc. Previously he was Divisional Managing Director of Weir Oil & Gas, part of Weir Group plc. Prior to this he has worked in senior roles at Danaher Corporation, Black & Decker, Unipart Group, Hepworth PLC and Technicolor Group.

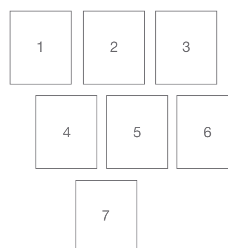
Jon Bolton FCIS, LLB
Group Company Secretary, British, aged 44, appointed on 1 October 2008. Previously Group Company Secretary of Waste Recycling Group. Prior to this he was Deputy Company Secretary at Cable & Wireless and worked at GlaxoSmithKline.

Simon Beresford-Wylie BA
Non-executive, independent, British, aged 52, appointed to the Board on 1 March 2006; member of the Audit Committee and the Nominations Committee and Chairman of the Remuneration Committee. Appointed Chief Executive Officer of Elster Group SE in 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.

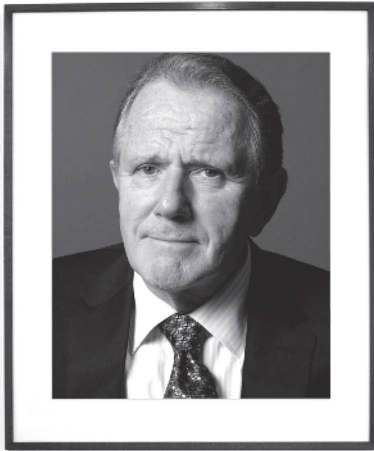
Nigel Moore FCA
Non-executive, independent, British, aged 66, appointed to the Board on 1 March 2004; Chairman of the Audit Committee, member of the Nominations Committee and of the Remuneration Committee. He is currently Chairman of The TEG Group plc, a director of Hochschild Mining plc, JKX Oil & Gas plc, Ascent Resources plc, Intelligent Comms Ltd, and Production Services Network Ltd. Formerly a London based partner of Ernst & Young, where he was client service partner for London International PLC and the UK operations of Coca Cola.

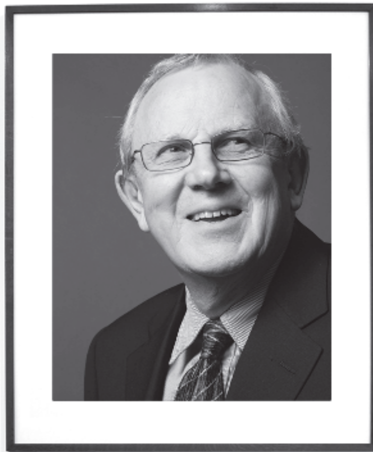
Maria Richter BA, JD
Non-executive, independent, dual American and Panamanian, aged 56, appointed to the Board on 28 February 2007; member of the Audit Committee, the Nominations Committee and the Remuneration Committee. She is currently a director of National Grid plc, The Pantry Inc and The Bessemer Group Incorporated. She is a director of Pro Mujer International and Chairman of the Board of Trustees of Pro Mujer UK. 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 69, appointed to the Board on 10 June 2002; Senior Independent Director; member of the Audit Committee, the Nominations Committee and the Remuneration Committee. He is 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 Chairman of the University of Arts and Chief Executive, BBC Broadcast and deputy to the Director General. Other posts within the BBC included Managing Director of Network Television and Head of Documentaries and Features.



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





"I love using my Manfrotto tripod - I have taken mine up mountains, rocks, on beaches, and through some seriously dusty locations. It has taken the weight of my large and medium format cameras and helped me create some of my most treasured images. It feels like it has been made to last... and it's done just that."

Jillian Edelstien | Photographer
Jillian was born and educated in Cape Town and began her career as a press photographer in Johannesburg. Since her arrival in London in 1985, she has produced portraits for some of the world's leading publications such as Vanity Fair and The New York Times. Her subjects have included Nelson Mandela, Woody Allen, Helena Bonham-Carter and Vanessa Redgrave to name but a few. The National Portrait Gallery currently hold over ninety of Jillian's portraits, and in 2009 held a solo exhibition of her work.

Directors

The directors throughout the year ended 31 December 2010 were Michael Harper, Stephen Bird, Richard Cotton (resigned with effect from 4 February 2011), Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt. 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 2010 represented 91% and 72% 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 2010, the last dealing day of 2010, which was 585p.

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 2010 and 1 January 2010. 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 this, there have been no other changes to these interests in the period from 31 December 2010 to 2 March 2011.

Directors' shareholdings	31 December 2010	1 January 2010
Chairman		
Michael Harper	35,000	35,000
Executive Directors		
Stephen Bird	56,185[1]	30,000[1]
Richard Cotton (resigned on 4 February 2011)	31,753[2]	13,196[2]
Non-executive Directors		
Simon Beresford-Wylie	4,143	4,000
Nigel Moore	15,470	15,470
Maria Richter	4,000	4,000
Will Wyatt	2,998	2,875
	149,549	104,541

[1] Includes 26,185 shares purchased in the market using funds supplied by Stephen Bird and held by EES Trustees International Limited, the trustee used to hold shares in respect of awards made under the Vitec Group 2005 Deferred Bonus Plan.

[2] Includes 18,228 shares purchased in the market using funds supplied by Richard Cotton and held by EES Trustees International Limited, the trustee used to hold shares in respect of awards made under the Vitec Group 2005 Deferred Bonus Plan.

Share capital

Details of shares issued during the year are set out in Note 23 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 2010, the last day of dealing in 2010, together with the range during the year, is also shown on page 104. For details of own shares held by the Company see Note 23 to the Consolidated Accounts.

Articles of Association

The Company's Articles of Association were updated at the Annual General Meeting held on 17 May 2010, to take account of the final implementation of the Companies Act 2006. The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

Substantial shareholdings

As at 2 March 2011, 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	6,473,479	15.00
Delta Lloyd Asset Management	5,155,085	11.94
Manfrotto S.A.	4,841,591	11.22
Franklin Templeton	4,778,121	11.07
M&G Investment Management	3,910,234	9.06
Schroder Investment Management	3,025,845	7.01
Legal & General	1,624,468	3.76

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 47.

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 2010, charitable donations totalling £44,030 (2009: £158,601) 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 36 and 37.

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 2011. For the financial year ended 31 December 2010, the Group paid its creditors on average within 44 days (2009: 41 days).

Annual General Meeting
The Annual General Meeting for 2011 will be held at 10.30am on Thursday 19 May 2011 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 re-appoint the auditors and to authorise the Board to agree their remuneration.

By order of the Board

Jon Bolton
Group Company Secretary

2 March 2011

Cautionary statement: Statements made in the Directors' Report (pages 1 to 27) contain forward-looking statements that are subject to risk factors associated with, among 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 19 May 2011 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 2010, the Remuneration Committee comprised Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt. With effect from 3 June 2010, Will Wyatt stood down after five years as Chairman of the Committee and Simon Beresford-Wylie was appointed in his place. As at the date of this report Will Wyatt continues to serve as a Non-Executive Director of the Company, the Senior Independent Director and also as a member of the Remuneration Committee.

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 the executive directors, the Committee also determines any compensation payments, after taking appropriate legal advice.

The Committee on behalf of the Board, within its terms of reference, oversees the framework of senior executive remuneration, including members of the Operations Executive, including terms of service, pay structure, annual cash bonus and share incentive arrangements and all other benefits.

The Chairman, Michael Harper, the Group Chief Executive, Stephen Bird, and the Group Company Secretary, Jon Bolton, attended meetings by invitation of the Committee in the year ended 31 December 2010. 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 44 and 45.

Remuneration policy
Remuneration packages are formulated to attract, retain and motivate executive 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 scale international operations. During the year ended 31 December 2010, the Committee received advice from Towers Watson as the Committee's appointed remuneration advisor. This advice related to disclosures in the 2009 Remuneration Report, measurement of performance conditions associated with long-term incentive arrangements, changes to performance conditions associated with long-term incentive arrangements, a proposal to re-balance the senior executive Annual Cash Bonus Plan and the Long Term Incentive Plan and general remuneration advice. The fee paid to Towers Watson for this service in 2010 was £47,578. Towers Watson also provides pensions advice and pensions administrative services to the Company. Towers Watson is a member of the Remuneration Consultants Group and is committed to the Group's voluntary code of practice for remuneration consultants in the UK. 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 and merged in 2005. The defined benefit pension scheme was closed to future accrual with effect from 31 July 2010 following consultation with the active members and trustee. All active members of the scheme were given the opportunity to join the Group personal pension plan. Up to the pensions earnings cap, retirement benefits are provided through an approved retirement benefit scheme.

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 basic fee of £35,000 per annum and an additional fee of £5,000 per annum as Chairman of the Remuneration Committee.

The Committee currently has no intention of amending the above stated policy for 2011, 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. 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 Company 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 the Group's pension scheme 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.

For 2010 under the Annual Cash Bonus Plan, the executive directors can receive for stretch performance up to 100% of basic salary, 75% of which is based on Company financial performance and 25% of which is based on individual performance measured against personal objectives set by the Board and Remuneration Committee. 50% of the total Annual Cash Bonus in 2010 is based upon the actual achievement of Group Profit Before Tax and 25% of the total is based upon the actual achievement of Group Working Capital to Sales target measured against the 2010 budget as set by the Board. The Remuneration Committee considers that these two financial performance targets have the most direct impact upon shareholder value. The Remuneration Committee does not publish specific details of these financial targets since it believes they are commercially sensitive and that it would not be in the Company's interests to do so. For both financial elements of the 2010 Annual Cash Bonus Plan the following trigger points were used:

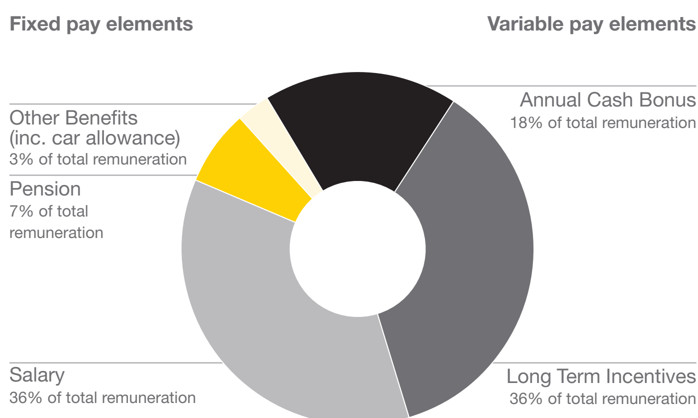
- 90% or less of budget – Threshold - resulting in no payout;
- 95% of budget – Target - resulting in half of the maximum paying out;
- 105% or more of budget – Stretch – resulting in maximum payout; and
- A straight line sliding scale operates between each of the above points.

The Remuneration Committee may use its absolute discretion in connection with the Annual Cash Bonus Plan, enabling it to reduce or increase payments up to the maximum limit in exceptional circumstances or where an outcome would have an undesirable effect.

The Remuneration Committee, when determining the executive directors' remuneration, takes into account remuneration and employment terms and conditions, including levels of pay for employees of the Company.

The following chart shows the balance between fixed and variable elements of the remuneration package for executive directors in 2011 assuming target performance:

Fixed and variable pay elements for 2011



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

Stephen Bird, appointed a director and Group Chief Executive of the Company on 14 April 2009, aged 50, 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. He also participates in the Annual Cash Bonus Plan for 2011 that may deliver a maximum bonus of 100% of salary. For 2011 the Annual Cash Bonus Plan for Stephen Bird is structured so that 70% of the total is based on achievement of financial results (two thirds based on Group Profit Before Tax and one third based on Group Working Capital to Sales targets measured against the 2011 budget as approved by the Board) and 30% of the total is based on achievement of personal objectives as set by the Board and based on achievement of strategic objectives. For 2011, the Remuneration Committee decided to increase the percentage of Annual Cash Bonus allocated to personal objectives to give greater focus to the achievement of specific strategic objectives particularly around achievement of the three market growth strategy. The financial targets are unchanged from those used in 2010 other than being set against the 2011 budget since they are considered to have the most direct impact upon shareholder value. For the financial results element the following trigger points will be used for Group Profit Before Tax:

- 95% or less of budget – Threshold - resulting in no payout;
- 100% of budget – Target - resulting in half of the maximum paying out;
- 110% of budget – Stretch – resulting in maximum payout; and
- A straight line sliding scale operates between each of the above points.

For the Working Capital to Sales element, the Stretch trigger point will be 107.5% of the 2011 budget.

Remuneration Report continued

The Remuneration Committee will retain an absolute discretion in connection with the Annual Cash Bonus Plan for 2011, enabling it to reduce or increase payments up to the maximum limit in exceptional circumstances or where an outcome would have an undesirable effect.

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.

Richard Cotton, appointed a director on 3 November 2008, aged 50, was employed during the year ended 31 December 2010 under a service contract dated 17 September 2008. The notice period by the Company under the contract is 12 months and notice by the employee to the Company is six months. Richard Cotton ceased to be a director and employee of the Company on 4 February 2011. 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. In connection with Richard Cotton's termination of employment, the Company will make 12 monthly payments of salary and pension contributions, subject to being stopped upon Richard Cotton finding alternative employment. Richard Cotton will also receive:

- 12 monthly payments of £400 per month in lieu of Private Health Insurance;
- A contribution of £5,621 for private healthcare cover;
- A company car with a value of £20,000;
- Outplacement support up to a value of £30,000;
- Long Term Incentive Plan and Deferred Bonus Plan awards will be pro rated to the date of leaving and subject to the satisfaction of performance conditions will vest on the third anniversary of each respective award; and
- Sharesave will be treated in accordance with the rules of that Scheme.

Salaries for Stephen Bird and Richard Cotton were increased to £371,000 and £265,000 respectively with effect from 1 January 2011. Salaries will be reviewed by the Remuneration Committee in December 2011 for 2012 taking into account several factors including Company and individual performance, pay increases for the Company's employees, market rates for executive directors' remuneration and prevailing economic conditions at that time.

Incentive arrangements

The Company has the following long-term incentive arrangements in place.

The 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 in 2010 were one times salary, based on the Company's share price at the date of award. The same level of award will be made in 2011. Awards for the Group's senior management are based on a specific number of shares, but which does not exceed one times salary.

The 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 2011 and future years.

The 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. No grants of share options under the Plan have been made since 2008 and none are currently planned.

The performance conditions for awards under the Long Term Incentive Plan, the Deferred Bonus Plan and under the 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.

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.

Performance targets and vesting levels are reviewed by the Remuneration Committee each time an award is made to ensure that they remain sufficiently demanding and are aligned with long-term shareholder interests.

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.

Long Term Incentive 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 Company Secretary can provide this detail if required. 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 from 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 made in 2010, 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. For awards to be made in 2011 the Remuneration Committee will consider EPS growth figures, taking into account market consensus figures, advice from its corporate broker and internal forecasts. The Remuneration Committee considers the constituents of the TSR comparator group and minimum and maximum EPS growth rates annually ahead of each award to ensure that they remain relevant and challenging.

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

Deferred Bonus Plan
Executive directors and members of the Operations Executive are required to defer a proportion 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. For bonuses earned in 2010 a minimum of 20% for executive directors and 15% for the Operations Executive members. 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.

Remuneration Report continued

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 from 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.

Clawback

The Remuneration Committee has introduced a clawback policy that applies to any award made under the Annual Bonus Plan, Long Term Incentive Plan, Deferred Bonus Plan or Share Option Plan for any awards made from 2011 onwards. Under the policy any executive director or senior executive found to have benefited from an award due to inappropriate behaviour or acts including material misstatement or misconduct or a material ethical breach against the Company's Code of Business Conduct may have the after-tax value of that award clawed back.

Sharesave Scheme and International Sharesave Plan

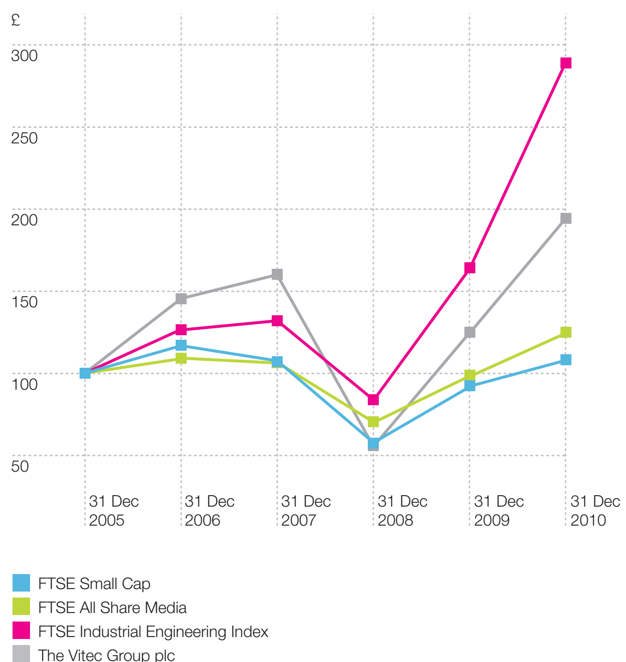
The Group operates a savings related share option Scheme in the UK and a similar international Plan in respect of overseas employees in certain countries. The Scheme and Plan are open to all the Group's employees in those countries, including the executive directors. Under the Scheme and Plan, participants 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.

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

The existing Rules for the Scheme and Plan were approved by shareholders in April 2002 and expire on the 10th anniversary. A renewal of the rules will therefore be sought from shareholders at the 2011 Annual General Meeting.

Five-year share price performance 2006-2010

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 re-invested 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 2006-2010, 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.

The following information has been audited.

Directors' remuneration

Michael Harper, Chairman, is currently paid a fee at the rate of £120,000 per annum. This was increased from £110,000 per annum on 1 July 2010. On 1 July 2010, the fee payable to the other non-executive directors was increased from £36,000 per annum to £40,000 per annum. The increase in fees was to reflect the time commitment required of each director in connection with the discharge of their duties, to reflect market rates and to be able to attract and retain directors of the right calibre. The chairmen of the Remuneration Committee and of the Audit Committee, Simon Beresford-Wylie and Nigel Moore respectively, receive an additional fee for their services as chairmen of those Committees. Simon Beresford-Wylie 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 additional fees were approved in June 2008 and were unaltered in 2010. Fees for the Chairman

and the other non-executive directors will be reviewed on an annual basis but there is no commitment to increase fees annually. The non-executive directors do not receive any other benefits from the Company.

Stephen Bird, Group Chief Executive, currently receives an annual salary of £371,000, increased from £360,500 with effect from 1 January 2011. 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 £355,994 in respect of 2010 based upon an assessment of the achievement of financial and personal objectives for 2010. The financial objectives represented 75% of the bonus and comprised Group Profit Before Tax representing 50% of the total and Group Working Capital to Sales targets representing 25% of the total measured against the 2010 budget. For both financial objectives, the following trigger points were used:

- 90% or less of budget - Threshold - resulting in no payout;
- 95% of budget - Target - resulting in half of the maximum paying out;
- 105% or more of budget - Stretch - resulting in maximum payout; and
- A straight line sliding scale operating between each of the above points.

Both financial targets were fully achieved. 25% of the bonus was set against personal objectives set by the Board and tied to achievement of Group strategy and the development of the senior management team and succession plans. These personal objectives were 95% achieved.

Stephen Bird will be eligible for a performance related bonus based on the Company's financial performance and personal objectives for the year ending 31 December 2011, of up to 100% of base salary.

Richard Cotton, Group Finance Director for the year under review, received an annual salary of £257,500. This was increased to £265,000 with effect 1 January 2011. Richard Cotton was not a member of the Group Personal Pension Plan, but had his own personal pension arrangement into which the Company contributed 20% of his basic salary. Richard Cotton was paid a bonus of £254,281 in respect of 2010 based upon an assessment of the achievement of financial and personal objectives for 2010. The financial objectives represented 75% of the bonus and were the same as described for Stephen Bird. These targets were fully achieved. 25% of the bonus was set against personal objectives set by the Board and tied to achievement of the Group strategy, improvements in the risk and control environment for the Group, development of investor relations and the re-structuring of UK pension arrangements. These personal objectives were 95% achieved.

Details of the directors' remuneration for 2010 with comparatives for 2009 are set out in the following tables:

	Salaries and fees		Benefits[1]		Performance related annual bonus		Pension related remuneration		Total	
Director's name	**2010 £**	2009 £	**2010 £**	2009 £	**2010 £**	2009 £	**2010 £**	2009 £	**2010 £**	2009 £
Chairman										
Michael Harper	**115,000**	110,000	**-**	-	**-**	-	**-**	-	**115,000**	110,000
Executive Directors										
Stephen Bird (joined on 14 April 2009)	**360,500**	250,568	**24,352**	14,336	**355,994**	172,069	**72,100**	50,114	**812,946**	487,087
Richard Cotton (left on 4 February 2011)	**257,500**	250,000	**17,376**	16,820	**254,281**	119,781	**51,500**	50,000	**580,657**	436,601
Alastair Hewgill (left on 14 October 2009)	**-**	206,957	**-**	18,118	**-**	150,219	**-**	23,860	**-**	399,154
Non-executive Directors										
Simon Beresford-Wylie	**40,917**	36,000	**-**	-	**-**	-	**-**	-	**40,917**	36,000
Nigel Moore	**46,000**	44,000	**-**	-	**-**	-	**-**	-	**46,000**	44,000
Maria Richter	**38,000**	36,000	**-**	-	**-**	-	**-**	-	**38,000**	36,000
Will Wyatt	**42,283**	43,200	**-**	-	**-**	-	**-**	-	**42,283**	43,200
Total	**900,200**	976,725	**41,728**	49,274	**610,275**	442,069	**123,600**	123,974	**1,675,803**	1,592,042

[(1)] The principal benefits are a Company vehicle or a cash allowance, fuel where a Company vehicle is provided, medical insurance and life assurance.

Remuneration Report continued

Directors' long term incentives

Directors' share options	Date of grant	At 1 January 2010 (shares)	Options exercised during year (shares)	Options lapsed during year (shares)	Options granted during year (shares)	At 31 December 2010 (shares)	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
Stephen Bird										
SAYE options	May 2009	6,984	-	-	-	**6,984**	131	-	Jul 2012	Dec 2012
Richard Cotton										
(left on 4 February 2011)										
SAYE options	May 2009	6,984	-	-	-	**6,984**	131	-	Jul 2012	Dec 2012
Alastair Hewgill [(1)]										
	Jun 2005	63,333	63,333	-	-	**-**	300	430	Jun 2008	Oct 2011
	Mar 2008	23,165	-	-	-	**23,165**	512	-	Oct 2009	Oct 2011
		100,466	63,333	-	-	**37,133**				

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.

(1) Alastair Hewgill, who left the Company on 14 October 2009, made a gain of £82,333 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.

Awards under the Long Term Incentive Plan	Date of award	Awards at 1 January 2010 (shares)	Awards exercised during the year (shares)	Awards lapsed during the year (shares)	Awards made during the year (shares)	At 31 December 2010 (shares)	Market price at award date (pence)	Market price at exercise date (pence)
Stephen Bird								
	Apr 2009	200,286	-	-	-	**200,286**	175	-
	Mar 2010	-	-	-	94,619	**94,619**	381	-
Richard Cotton								
(left on 4 February 2011)								
	Apr 2009	143,062	-	-	-	**143,062**	175	-
	Mar 2010	-	-	-	67,585	**67,585**	381	-
		343,348			162,204	**505,552**		

Awards under the Deferred Bonus Plan	Date of award	Awards at 1 January 2010 (shares)	Awards exercised during the year (shares)	Awards lapsed during the year (shares)	Awards made during the year (shares)	**At 31 December 2010 (shares)**	Market price at award date (pence)	Market price at exercise date (pence)
Stephen Bird								
	Mar 2010							
	Core	-	-	-	26,185	**26,185**	385	-
	Matching	-	-	-	26,185	**26,185**	385	-
Richard Cotton								
(left on 4 February 2011)								
	Mar 2010							
	Core	-	-	-	18,228	**18,228**	385	-
	Matching	-	-	-	18,228	**18,228**	385	-
					88,826	**88,826**		

[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.

Other than as disclosed in the table footnotes, there have been no other changes to these interests in the period from 31 December 2010 to 2 March 2011.

Approved by the Board of Directors on 2 March 2011 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 2010 compared to 2009.

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
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 have been 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 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.

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
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	7,996 (25.38)	11,091 (35.20)	30.9 (0.10)	£315.1m
2010	8,252 (26.66)	10,117 (32.68)	27.5 (0.09)	£309.6m

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

(2) The usage of gas has increased by 3.2% in 2010 and of electricity and water has decreased by 8.8% and 11.0% respectively when compared to 2009. The effects of the disposal of Clear-Com were offset by higher production and opening of new businesses in Hong Kong and China.

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. The Code sets out our expectation of how the Group and its employees behave. It notably covers human rights, respect for the individual, health and safety, conflicts of interest, internet usage, record keeping, ethical conduct, gifts, bribery, compliance with laws and the environment. A copy of the Code is available on the Company's website. 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 contains an express 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).

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 and detailed accident reports 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.

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.

In 2010, the Company and its subsidiaries donated £44,030 (2009 - £158,601) to charitable causes. Examples of donations in 2010 included: The Company's Head Office donated £14,000 to Kingston University's Television and Video Technology department. The donation has been used to buy new equipment to re-fit and improve the University's studio facility.

The Imaging & Staging Division donated €5,000 to Médecins Sans Frontières, who provide doctors who donate their holidays, in order to provide medical care for people in developing countries.

Anton/Bauer made various donations totalling $4,700 to local charities in the USA particularly focused on homeless shelters and local schools.

Corporate Social Responsibility Report continued

Litepanels: helping broadcasters tackle global warming
Vitec is now reaping the benefit of acquiring Litepanels LED technology which saw rapid growth in sales during 2010.

LED studio lighting delivers up to 95% energy savings over traditional tungsten lighting and a single studio adopting LED technology can save 200,000 pounds of CO_2 entering the environment annually. If even a third of the 25,000 medium to high power TV studios worldwide changed to Litepanels LED lighting, we would save 10 billion pounds of CO_2 entering the environment over the next 6 years, the typical life of a constantly used LED light. That is equivalent to the CO_2 absorbed by 208 million mature trees.

The environmental benefit is matched by a financial one. Studios fitted with Litepanels, based upon our internal estimates, can save between £600 and £4,000 in energy costs per studio per month. If a third of all studios adopted Litepanels, the collective average savings would be £8.3 million per month or £600 million over the next 6 years.

Although 2010 saw a very significant increase in Litepanels sales to the broadcast and film industries, only a small proportion of studios worldwide currently utilise LEDs. There are great opportunities to grow this business and make a significant contribution to reducing energy emissions.

Litepanels: changing the way studios look at energy
Our pioneering Litepanels LED range is revolutionising the way in which broadcast and film studios use energy. They are dramatically cutting the amount of energy used and so helping the industry make its contribution to combating global warming.

The dramatic benefits which Litepanels bring are:

- Energy consumption is reduced by up to 95% over conventional tungsten systems and up to 75% over fluorescent systems;
- Air conditioning bills and related energy emissions are also greatly reduced;
- Litepanels bulbs last 50 times as long as tungsten so replacement costs are reduced; and
- LEDs have no hazardous materials which make disposal difficult – such as the mercury in fluorescent tubes.

Litepanels are also smaller, lighter and much quicker to set up than traditional lighting. They produce flicker-free soft light with only a minimal colour-shift when dimmed.

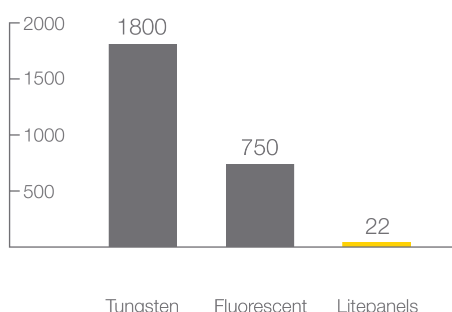
To date global market penetration of LED systems in broadcasting and film studios is under 10%. However, with the importance of environmental considerations growing and with the significant commercial benefits the system brings, Litepanels, as market leader, is ideally positioned to support customers in accelerating their transition to LED lighting systems.

An example which illustrates the industry's environmental drive, is BSkyB in the UK, which is planning a new studio centre – Harlequin 1 – which it claims will be the first carbon neutral broadcasting complex in the world. This is merely the latest and most ambitious initiative in the TV sector.

Some studios have already made the switch to low energy use.

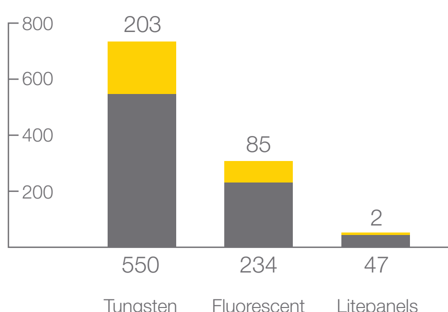
Coolest Running

Heat Generated (British Thermal Unit)



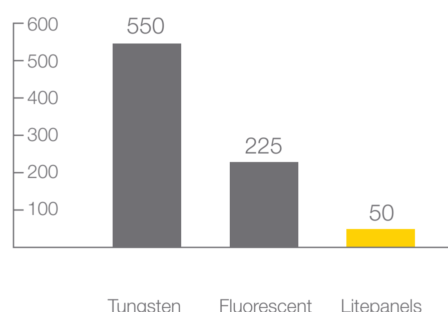
Requires Less Air Conditioning

Cooling Watts (Air Conditioning)
Consumption Watts



Lowest Power Consumption

(Watts)



CBS-12 in West Palm Beach was the first TV studio to install Litepanels lighting fixtures.

Using their traditional tungsten lighting, the electrical power load was 52KW. Using Litepanels, this has fallen to 3KW. The energy used in air conditioning has given an additional 20KW in savings.

A further saving is in the life of the bulb, or in the case of LEDs, the diode. High-wattage tungsten lights are good for about 250 hours. LEDs are expected to be good for at least 50,000 hours. So if the studio is lit for 10 hours per day, the LEDs will last well over 10 years.

Initially, there was scepticism about installing the LEDs. David Christopher, Executive News Director said:

"I did not think in a million years these lights would work. And so I was very very surprised. I could not believe how good the talent looked".

Paul Russell, Director of Engineering was impressed by the energy savings:

"It hits you in two ways, because you do not have the power consumption associated with the lights themselves drawing all that power, and number two, you do not have the air conditioning costs associated with supporting the kind of heat developed by tungsten lights".

CBS-12 TV Studio in West Palm Beach

In Croatia, Nova TV's news studio was re-equipped during 2010 to support HD quality transmissions. It chose Litepanels for its production, spot and flood lights in order to cut energy use and improve light quality.

Miljenko Logozar, Technical Director of Nova TV explained:

"Litepanels have definitely lived up to our expectations. No more excessive heating and huge savings in maintenance have created a better working environment for us and, just as importantly, reduced the power consumption from 17.8KW to only 900 W".

His colleague Mario Kralj, Head of Technical Engineering added:

"Since we started using Litepanels, our worries and troubles have just disappeared. Before, we needed to check our studio lights every day before transmission and then calibrate our cameras. Now, we just flick the switch and go".

Litepanels Nova TV 2

But Litepanels do not just revolutionise TV studio lighting. Their versatility is now recognised in a wide variety of settings:

- White House briefing room. Built some 40 years ago, the US Presidential briefing room was recently revamped and Litepanels installed to double the illumination and reduce power requirements and heat generated by 95%.
- Underwater filming. Sequences for the film "The Last Song" starring Miley Cyrus, were filmed using underwater Litepanels with its integrated battery pack. Not only was the light quality excellent, but no power cables were required, leaving the sharks and rays in the aquarium where the filming took place completely unharmed.
- Outdoor documentary filming. Keith O'Derek's acclaimed two year documentary "Barack Obama: Road to the White House" was filmed using Litepanels, including the small MiniPlus on top of the camera. "Where being spontaneous and natural are key to telling the story, Litepanels are a must" says Keith.

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.

The UK Corporate Governance Code applies to UK listed companies, including the Company, for financial years commencing on or after 29 June 2010. The Company will therefore report on compliance with the UK Corporate Governance Code in the 2011 Annual Report. However, where relevant, disclosures relating to the UK Corporate Governance Code are given to demonstrate the Company's current level of compliance with it.

Statement of compliance

The Board considers that it has complied with the Code throughout the year ended 31 December 2010. 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 19 May 2011. Details of this resolution and the other resolutions being put to the 2011 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 Act 2006, the Company may purchase its own shares. Authority was given at the 2010 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 2011 Annual General Meeting. A renewal of this authority is being sought at the 2011 Annual General Meeting. In 2008, the Company, under such an authority, acquired 150,000 shares, to be held in Treasury, at an average price of £4.53 per share. In December 2010, the 150,000 shares were transferred out of Treasury for nil consideration into the Vitec Employee Benefit Trust (the Vitec EBT). The Vitec EBT holds shares in the Company to meet awards of shares to the employees under the various share plans the Company has in place. Following the transfer, the Company holds no shares in Treasury.

The Board had six scheduled meetings during the year ended 31 December 2010 and one meeting 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, principally members of the Operations Executive, to gain a greater and more detailed understanding of the Group's operations. This practice will continue in the future. In addition, at least one Board meeting a year is held at an operational business, enabling the Board to view operations and meet management.

During the year, all directors attended the six scheduled Board meetings. Apart from the scheduled Board meetings, there was one Board meeting held at short notice. Due to short notice, Will Wyatt and Simon Beresford-Wylie were unable to attend this meeting. 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 in advance of the meeting.

Throughout the year ended 31 December 2010, the Board consisted of a Chairman (Michael Harper), a Group Chief Executive (Stephen Bird), a Group Finance Director (Richard Cotton) and four independent non-executive directors (Simon Beresford-Wylie, Nigel Moore, Maria Richter and Will Wyatt). Will Wyatt is also the Senior Independent Director. With effect from 4 February 2011, Richard Cotton ceased to be a director of the Company. The Company has appointed Nick Humby as Interim Chief Financial Officer to oversee the finance function pending the appointment of a permanent replacement. The search for this replacement by the Nominations Committee has commenced.

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.

The Group Chief Executive is responsible for the day-to-day operational performance of the business. The Operations Executive supports the Group Chief Executive in this duty and comprises the following senior executives of the Group:

- Joop Janssen – Chief Executive, Videocom Division
- Francesco Bernardi – Imaging and Staging Division
- Jerry Gepner – Services Division
- Martin Green – Head of Business Development
- Jon Bolton – Group Company Secretary
- Cathy Walkington – Group Head of HR
- Steve Shpock – Chief Executive, IMT

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 induction to the Group, including meeting with senior executives and advisors and visiting the Group's principal operations. 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. The Company Secretary is responsible for advising the Board, through the Chairman, on all governance matters.

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 with tailored training sessions. The Group Company Secretary maintains a register of training undertaken by directors to facilitate this discussion.

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 sufficiently detailed 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 Report, Group Finance Report 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.

All meetings of the Board and its committees (Audit, Remuneration and Nominations) are minuted. Minutes are circulated to all directors attending meetings and tabled for approval at the subsequent meeting.

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 reviewed at least annually 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.

Corporate Governance continued

Performance evaluations of each of the directors took place during 2010 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 2010 evaluation process concluded that the Board, its Committees and individual members were performing to a good standard with robust Board processes, governance and controls. Key areas identified for attention in 2011 concerned succession planning at Board and executive level and development of senior talent within the business. The Board has decided that in 2011 it will conduct an externally facilitated evaluation in accordance with the recommendations of the UK Corporate Governance Code. The key output from this will be reported in the 2011 Annual Report.

Audit Committee

The Committee is chaired by Nigel Moore, who has been the chairman of the committee since March 2004. He is currently Chairman of TEG Group plc, a director of Hochschild Mining plc, JKX Oil & Gas plc, Ascent Resources plc, Intelligent Comms Limited and Production Services Network Limited. Formerly a London based partner of Ernst & Young where he was client service partner for London International plc and the UK operations of Coca Cola. 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 2010, the Committee had three scheduled meetings and one meeting at short notice. All the members of the Committee attended all the Committee meetings, except for Simon Beresford-Wylie who was unable to attend the February 2010 meeting due to a conflicting commitment that arose at short notice. Despite this absence, Simon Beresford-Wylie provided feedback to the Committee Chairman on the meeting's business ahead of the meeting. The Company's external auditors, KPMG, are invited to attend meetings of the Committee on a regular basis and during 2010 they attended all meetings; in each case for part of the meeting. The Group Chief Executive, the Chief Financial Officer and the Group Risk Assurance Manager attend each meeting by invitation. Other members of the senior management team attend as required. 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.

During 2010, the Audit Committee considered, among other matters, the financial results and accounting disclosures in connection with the full-year results for the year ended 31 December 2009 and the half-year results for the period ended 30 June 2010. The Committee further monitored ongoing performance for internal controls for the Group. The Committee received regular reports from the external auditor on accounting issues and considered the scope and associated fee for the audit in connection with the year-end audit for 31 December 2010.

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

Whistleblowing and Fraud

Reviewing the adequacy and security of the Company's arrangements for its employees and contractors 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.

Reviewing the Company's systems and controls for the prevention of bribery and receiving reports on non-compliance.

Internal Audit

Overseeing the work of the internal audit function, including the planning of its internal audits, receiving regular reports on its work and reviewing its effectiveness.

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.

Corporate Governance continued

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. The Committee also has the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

Remuneration Committee
With effect from 3 June 2010, WIll Wyatt stood down as Chairman of the Remuneration Committee after five years in that post and Simon Beresford-Wylie was appointed in his place. As at the date of this Report, Will Wyatt continues to serve as a Non-Executive Director of the Company, as the Senior Independent Director and also as a member of the Remuneration Committee. The other members of the Committee are Nigel Moore and Maria Richter. Each member of the Committee is independent. During 2010, the Committee had three scheduled meetings and one meeting called at short notice. All members attended all the Committee meetings in 2010, except for Simon Beresford-Wylie who was unable to attend the February meeting due to a conflicting commitment that arose at short notice. Despite this absence, Simon Beresford-Wylie provided feedback to the Committee Chairman on the meeting's business ahead of the meeting.

During 2010, the Remuneration Committee considered, among other matters, the 2009 annual bonus plan outcome, the 2010 annual bonus plan structure including executive directors' personal objectives, long-term incentive awards, the 2009 Remuneration Committee report, the structure of the annual bonus plan and long-term incentives going forward, and the introduction of a clawback policy.

The Remuneration Report in respect of the year ended 31 December 2010 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. The remuneration of non-executive directors is a matter for the Chairman and the executive directors;
- in determining such policy, taking into account all factors which it deems necessary, including having regard to the remuneration trends across the Company. 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 the Chairman, 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, the UK Corporate Governance 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 and other directors of the Company;
- ensuring that all provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Reporting Regulations 2002, the Code and UK Corporate Governance 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, Will Wyatt and Stephen Bird. The independent non-executive directors must form a majority on the Committee.

There were three Committee meetings held during 2010 and all members of the Committee attended each meeting.

During the year, the Committee considered Board and senior executive succession planning. The Nominations Committee uses the services of an external search consultancy to facilitate the search for new directors, notably in connection with the recruitment of a new Finance Director.

Duties of the Nominations Committee:
- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) required of the Board in the future compared with 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, experience and diversity 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 and with regard for the benefits of diversity on the Board, including gender, 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. Appointments of non-executive directors may be extended beyond six years, with the approval of the Nominations Committee, the Board and the individual director concerned, if it is in the interests of the Group to do so. Under the Company's Articles of Association, each director is required to stand for annual re-election. Full details are included within the 2011 Annual General Meeting notice.

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, roadshows 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, the Senior Independent Director and Chairman of the Remuneration Committee 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 2011 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 Group Chief Executive Officer and Operations Executive. 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 Chief Executive Officer and Operations Executive and remedial action is taken where appropriate. Group tax and treasury is co-ordinated 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 2010, 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 2010. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 47, 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, and express an opinion on, 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 website 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 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 47, in relation to going concern;
- the part of the Corporate Governance Statement on pages 40 to 47 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Lynton Richmond (Senior Statutory Auditor)

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

2 March 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 Before significant items £m	2010 Significant items[1] £m	2010 Total £m	2009 Before significant items £m	2009 Significant items[1] £m	2009 Total £m
Revenue	3	309.6	-	309.6	315.1	-	315.1
Cost of sales	5	(183.1)	(1.3)	(184.4)	(191.2)	-	(191.2)
Gross profit		126.5	(1.3)	125.2	123.9	-	123.9
Other operating income	5	-	5.2	5.2	-	-	-
Operating expenses	4/5	(98.8)	(9.0)	(107.8)	(99.4)	(21.6)	(121.0)
Operating profit/(loss)	3/6	27.7	(5.1)	22.6	24.5	(21.6)	2.9
Finance income		3.1	0.1	3.2	2.4	0.3	2.7
Finance costs		(4.1)	-	(4.1)	(4.2)	0.4	(3.8)
Net finance expense	5/9	(1.0)	0.1	(0.9)	(1.8)	0.7	(1.1)
Profit/(loss) before tax		26.7	(5.0)	21.7	22.7	(20.9)	1.8
Taxation	10	(8.8)	5.4	(3.4)	(7.2)	8.6	1.4
Profit/(loss) for the year attributable to owners of the parent		17.9	0.4	18.3	15.5	(12.3)	3.2
Earnings per share	11						
Basic earnings per share				42.8p			7.5p
Diluted earnings per share				41.9p			7.4p
Average exchange rates							
Euro				1.17			1.12
US$				1.55			1.56

[1] See Note 5 to the Consolidated Accounts.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the year	**18.3**	3.2
Other comprehensive income		
Actuarial gain/(loss) on pension obligations, net of tax	**2.5**	(6.1)
Currency translation differences on foreign currency subsidiaries	**1.5**	(20.8)
Net (loss)/gain on designated effective net investment hedges	**(1.1)**	4.0
Amounts released to Income Statement in relation to cash flow hedges, net of tax	**(0.7)**	3.4
Effective portion of changes in fair value of cash flow hedges	**-**	0.9
Other comprehensive income for the year net of tax	**2.2**	(18.6)
Total comprehensive income for the year attributable to owners of the parent	**20.5**	(15.4)

Consolidated Balance Sheet

As at 31 December 2010

	Notes	2010 £m	2009 £m
Assets			
Non-current assets			
Intangible assets	12	**51.8**	58.2
Property, plant and equipment	13	**53.4**	54.6
Trade and other receivables	17	**0.4**	0.3
Deferred tax assets	15	**22.6**	18.1
		128.2	131.2
Current assets			
Inventories	16	**55.4**	51.9
Trade and other receivables	17	**45.4**	45.5
Derivative financial instruments	18	**0.9**	1.7
Current tax assets	19	**0.3**	-
Cash and cash equivalents	20	**7.7**	12.1
		109.7	111.2
Total assets		**237.9**	242.4
Liabilities			
Current liabilities			
Bank overdrafts	20	**1.0**	-
Trade and other payables	21	**51.2**	46.6
Derivative financial instruments	18	**1.0**	0.3
Current tax liabilities	19	**9.4**	6.6
Provisions	22	**4.6**	8.6
		67.2	62.1
Non-current liabilities			
Bank loans	18/20	**34.8**	52.7
Post-employment obligations	26	**7.0**	11.0
Provisions	22	**2.2**	4.4
Deferred tax liabilities	15	**2.4**	1.0
		46.4	69.1
Total liabilities		**113.6**	131.2
Net assets		**124.3**	111.2
Equity			
Share capital		**8.6**	8.6
Share premium		**9.6**	9.0
Translation reserve		**5.9**	5.5
Capital redemption reserve		**1.6**	1.6
Cash flow hedging reserve		**(0.1)**	0.6
Retained earnings		**98.7**	85.9
Total equity	23	**124.3**	111.2

Approved by the Board on 2 March 2011 and signed on its behalf.

Stephen Bird
Group Chief Executive

Consolidated Statement of Changes in Equity

As at 31 December 2010

	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 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, net of tax	-	-	-	-	-	(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, net of tax	-	-	-	-	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
Balance at 1 January 2010	**8.6**	**9.0**	**5.5**	**1.6**	**0.6**	**85.9**	**111.2**
Total comprehensive income for the year							
Profit for the year	**-**	**-**	**-**	**-**	**-**	**18.3**	**18.3**
Other comprehensive income							
Actuarial gain on pension obligations, net of tax	**-**	**-**	**-**	**-**	**-**	**2.5**	**2.5**
Currency translation differences on foreign currency subsidiaries	**-**	**-**	**1.5**	**-**	**-**	**-**	**1.5**
Net loss on designated effective net investment hedges	**-**	**-**	**(1.1)**	**-**	**-**	**-**	**(1.1)**
Amounts released to Income Statement in relation to cash flow hedges, net of tax	**-**	**-**	**-**	**-**	**(0.7)**	**-**	**(0.7)**
Total other comprehensive income net of tax	**-**	**-**	**0.4**	**-**	**(0.7)**	**2.5**	**2.2**
Total comprehensive income for the year	**-**	**-**	**0.4**	**-**	**(0.7)**	**20.8**	**20.5**
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(7.9)**	**(7.9)**
Own shares (Employee benefit trust) purchased	**-**	**-**	**-**	**-**	**-**	**(1.1)**	**(1.1)**
Equity-settled transactions	**-**	**-**	**-**	**-**	**-**	**1.0**	**1.0**
New shares issued	**-**	**0.6**	**-**	**-**	**-**	**-**	**0.6**
Total transactions with owners	**-**	**0.6**	**-**	**-**	**-**	**(8.0)**	**(7.4)**
Balance at 31 December 2010	**8.6**	**9.6**	**5.9**	**1.6**	**(0.1)**	**98.7**	**124.3**

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	2010 £m	2009 £m
Cash flows from operating activities:			
Profit for the year		18.3	3.2
Adjustments for:			
Taxation		3.4	(1.4)
(Profit)/loss on disposal of business	24	(2.2)	0.7
Depreciation		13.6	14.3
Impairment losses on property, plant and equipment		0.1	2.5
Impairment losses on intangible assets		0.1	-
Amortisation of acquired intangible assets		7.6	8.5
Amortisation of capitalised software and development costs		1.4	1.3
Net gain on disposal of property, plant and equipment		(1.3)	(1.0)
Net loss on disposal of capitalised software		0.2	-
Curtailment gain on UK Defined benefit pension scheme		(3.0)	-
Fair value (gains)/losses on derivative financial instruments		0.3	(0.6)
Cost of equity-settled employee share schemes		1.0	1.4
Financial income		(3.2)	(2.7)
Financial expense		4.1	3.8
Operating profit before changes in working capital and provisions		40.4	30.0
(Increase)/decrease in inventories		(6.9)	16.6
(Increase)/decrease in receivables		(2.6)	10.3
Increase/(decrease) in payables		7.7	(19.6)
(Decrease)/increase in provisions		(4.0)	5.5
Cash generated from operating activities		34.6	42.8
Interest paid		(1.2)	(2.1)
Tax paid		(0.9)	(4.3)
Net cash from operating activities		32.5	36.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		2.0	1.6
Purchase of property, plant and equipment		(13.8)	(13.6)
Capitalisation of intangible assets		(2.7)	(1.7)
Contingent consideration on acquisition of subsidiaries		(2.5)	(3.0)
Disposal of business	24	7.1	0.7
Net cash used in investing activities		(9.9)	(16.0)
Cash flows from financing activities			
Proceeds from the issue of shares		0.6	0.5
Purchase of own shares by Employee Benefit Trust		(1.1)	(0.6)
Repayment of bank loans and other borrowings		(19.0)	(11.2)
Dividends paid		(7.9)	(7.8)
Net cash used in financing activities		(27.4)	(19.1)
(Decrease)/increase in cash and cash equivalents	20	(4.8)	1.3
Cash and cash equivalents at 1 January		12.1	14.9
Effect of exchange rate fluctuations on cash held		(0.6)	(4.1)
Cash and cash equivalents at 31 December		6.7	12.1

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 2010 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 28.

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 on pages 1 to 27. 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 18 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.

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.

Revenue

Goods and services sold - Revenue from the sale of goods and services is measured at the fair value of the consideration received or receivable, net of value added tax, returns and allowances, trade discounts and volume rebates. It is recognised when the significant risks and rewards of ownership have been transferred to the buyer and the amount can be measured reliably. This is normally when title passes to the customer.

No revenue from goods and services sold 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.

Rental of assets - Revenue from rental of assets is recognised over the duration of the rental contract, on a straight line basis, at the gross amount billed to the customer.

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. When the outcome of a long term contract cannot be estimated reliably then contract revenue is only recognised to the value of contract costs incurred to date that are likely to be recoverable. 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 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 other comprehensive income. 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 IFRS1, 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.

Notes to the Consolidated Accounts continued

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 was based on Total Shareholder Returns (TSR). The scheme was changed in 2010 and is now based 50% on Total Shareholder Return (TSR) and 50% on Earnings Per Share (EPS) growth.

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 the Income Statement.

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.

Notes to the Consolidated Accounts continued

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 recommended 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.

The basis of organisation and types of products and services from which each reportable segment derives its revenues is disclosed in the Directors' report.

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

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

Change in accounting policies
The following amendments to published standards and interpretations are effective for the Group for the year ended 31 December 2010:

- IFRS 3 (revised 2008), Business Combinations;
- Amendment to IAS 27, Consolidated and Separate Financial Statements;
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement: Eligible Hedged Items;
- Amendment to IFRS 2, Share-based Payment: Group Cash-settled Share-based Payment Transactions;
- Improvements to IFRSs 2009;

The Group has reviewed the effect of these amendments and interpretations, and has concluded that they have no material impact on these consolidated financial statements.

New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

3 Segment reporting

Reportable segments

	Imaging & Staging		Videocom		Services		Corporate and unallocated		Consolidated	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Revenue from external customers:										
Sales	**153.7**	141.8	**121.3**	145.1	**7.2**	6.1	**-**	-	**282.2**	293.0
Services	**-**	-	**0.3**	1.9	**27.1**	20.2	**-**	-	**27.4**	22.1
Total revenue from external customers	**153.7**	141.8	**121.6**	147.0	**34.3**	26.3	**-**	-	**309.6**	315.1
Inter-segment revenue [1]	**0.4**	0.7	**2.9**	3.4	**0.2**	-	**(3.5)**	(4.1)	**-**	-
Total revenue	**154.1**	142.5	**124.5**	150.4	**34.5**	26.3	**(3.5)**	(4.1)	**309.6**	315.1
Operating profit before significant items	**18.9**	17.7	**8.4**	8.5	**0.4**	(1.7)	**-**	-	**27.7**	24.5
Profit/(loss) on disposal of business	**-**	(0.7)	**2.2**	-	**-**	-	**-**	-	**2.2**	(0.7)
Curtailment gain on UK Defined benefit pension scheme	**-**	-	**3.0**	-	**-**	-	**-**	-	**3.0**	-
Costs associated with UK Defined benefit pension scheme closure to future accrual	**-**	-	**(0.5)**	-	**-**	-	**-**	-	**(0.5)**	-
Exit costs on Broadcast Auxiliary Services (BAS) relocation project	**-**	-	**(2.1)**	-	**-**	-	**-**	-	**(2.1)**	-
Impairment losses on property	**(0.1)**	(1.5)	**-**	-	**-**	-	**-**	-	**(0.1)**	(1.5)
Restructuring costs	**-**	(2.3)	**-**	(8.2)	**-**	(0.4)	**-**	-	**-**	(10.9)
Amortisation of acquired intangible assets	**(2.5)**	(0.8)	**(5.1)**	(7.7)	**-**	-	**-**	-	**(7.6)**	(8.5)
Segment result	**16.3**	12.4	**5.9**	(7.4)	**0.4**	(2.1)	**-**	-	**22.6**	2.9
Net finance costs									**(0.9)**	(1.1)
Taxation									**(3.4)**	1.4
Profit for the year									**18.3**	3.2
Segment assets	**92.8**	84.0	**90.6**	102.2	**23.0**	24.7	**0.9**	1.3	**207.3**	212.2
Unallocated assets										
Cash and cash equivalents							**7.7**	12.1	**7.7**	12.1
Current tax assets							**0.3**	-	**0.3**	-
Deferred tax assets							**22.6**	18.1	**22.6**	18.1
Total assets									**237.9**	242.4
Segment liabilities	**30.4**	25.2	**29.2**	40.7	**1.9**	2.1	**4.5**	2.9	**66.0**	70.9
Unallocated liabilities										
Bank overdrafts							**1.0**	-	**1.0**	-
Bank loans							**34.8**	52.7	**34.8**	52.7
Current tax liabilities							**9.4**	6.6	**9.4**	6.6
Deferred tax liabilities							**2.4**	1.0	**2.4**	1.0
Total liabilities									**113.6**	131.2
Cash flows from operating activities	**15.6**	19.3	**4.2**	6.0	**4.2**	4.7	**8.5**	6.4	**32.5**	36.4
Cash flows from investing activities	**(7.5)**	(5.1)	**-**	(4.1)	**(2.4)**	(5.7)	**-**	(1.1)	**(9.9)**	(16.0)
Cash flows from financing activities	**-**	-	**-**	(2.8)	**-**	-	**(27.4)**	(16.3)	**(27.4)**	(19.1)
Capital expenditure										
Property, plant and equipment	**6.7**	4.1	**3.4**	2.3	**3.7**	7.2	**-**	-	**13.8**	13.6
Intangible assets	**1.1**	1.0	**1.5**	0.7	**0.1**	-	**-**	-	**2.7**	1.7

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

Notes to the Consolidated Accounts continued

3 Segment reporting continued

Geographical segments

	United Kingdom		The Rest of Europe		The Americas		The Rest of the World		Corporate and unallocated		Consolidated	
	2010 £m	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m	**2010 £m**	2009 £m
Revenue from external customers:												
by location of customer	**22.8**	21.6	**72.8**	74.9	**154.0**	167.1	**60.0**	51.5	**-**	-	**309.6**	315.1
Segment assets	**28.8**	31.5	**58.2**	52.1	**99.0**	108.9	**20.4**	18.4	**0.9**	1.3	**207.3**	212.2
Unallocated assets												
Cash and cash equivalents									**7.7**	12.1	**7.7**	12.1
Current tax assets									**0.3**	-	**0.3**	-
Deferred tax assets									**22.6**	18.1	**22.6**	18.1
Total assets											**237.9**	242.4
Cash flows from operating activities	**4.7**	8.2	**15.0**	14.7	**3.1**	5.4	**1.2**	1.7	**8.5**	6.4	**32.5**	36.4
Cash flows from investing activities	**(1.4)**	(1.0)	**(6.9)**	(3.5)	**(0.9)**	(10.1)	**(0.7)**	(0.3)	**-**	(1.1)	**(9.9)**	(16.0)
Cash flows from financing activities	**-**	-	**-**	-	**-**	(2.8)	**-**	-	**(27.4)**	(16.3)	**(27.4)**	(19.1)
Capital expenditure (including assets acquired within acquisitions)												
Property, plant and equipment	**0.6**	0.7	**6.1**	4.0	**6.5**	8.7	**0.6**	0.2	**-**	-	**13.8**	13.6
Intangible assets	**0.5**	0.1	**0.8**	0.5	**1.2**	0.9	**0.2**	0.2	**-**	-	**2.7**	1.7

4 Analysis of net operating expenses

	2010 £m	2009 £m
Analysis of net operating expenses		
Administrative expenses		
- Costs associated with UK Defined benefit pension scheme closure to future accrual	**0.5**	-
- Exit costs on Broadcast Auxiliary Services (BAS) Relocation Project	**0.8**	-
- Impairment losses on property, plant and equipment	**0.1**	1.6
- Restructuring costs	**-**	10.9
- Amortisation of acquired intangible assets	**7.6**	8.5
- Other administrative expenses	**44.5**	40.9
	53.5	61.9
Marketing, selling and distribution costs	**44.5**	45.9
Research, development and engineering costs [1]	**9.8**	12.5
Loss on disposal of business	**-**	0.7
Net operating expenses	**107.8**	121.0

[1] Research, development and engineering costs for 2009 include £2.4 million relating to the Clear-Com business which was sold in 2010.

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:

	2010 £m	2009 £m
(a) Cost of sales	**(1.3)**	-

£1.3 million of exit costs relating to the Broadcast Auxiliary Services (BAS) relocation project were included in cost of sales.

5 Significant items continued

(b) Other operating income	2010 £m	2009 £m
Profit on disposal of business	2.2	-
Curtailment gain on UK Defined benefit pension scheme	3.0	-
	5.2	-

(c) Operating expenses	2010 £m	2009 £m
Loss on disposal of business	-	(0.7)
Costs associated with UK Defined benefit pension scheme closure to future accrual	(0.5)	-
Exit costs on Broadcast Auxiliary Services (BAS) relocation project	(0.8)	-
Impairment loss on property	(0.1)	(1.5)
Restructuring costs	-	(10.9)
Amortisation of acquired intangible assets	(7.6)	(8.5)
	(9.0)	(21.6)

On 1 April 2010, the Group sold its Clear-Com business, giving rise to a profit of £2.2 million. On 27 March 2009, the Group sold the IFF Staging business which gave rise to a loss of £0.7 million. See Note 24

The closure of the UK Defined benefit pension scheme to future accrual on 31 July 2010 gave rise to a curtailment gain of £3.0 million (2009: £nil) and closure costs of £0.5 million (2009: £nil).

£0.8 million of exit costs were incurred relating to the Broadcast Auxiliary Services (BAS) Relocation Project.

An impairment loss on property of £0.1 million (2009: £1.5 million) arose in the Imaging & Staging division.

In 2009, restructuring costs of £10.9 million comprised £2.3 million within Imaging & Staging division, £8.2 million within Videocom division, and £0.4 million within Services division. These costs related to actions implemented or committed across all divisions in response to the severe downturn in market conditions.

(d) Finance income	2010 £m	2009 £m
Currency translation gains	0.1	0.3
Net fair value gains on financial instruments	-	0.4
	0.1	0.7

The currency translation differences which arise on certain intra-Group funding balances that do not meet the strict criteria for net investment hedging, but are very similar in nature, are recorded in significant items within finance 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 finance income or expense.

(e) Taxation	2010 £m	2009 £m
Current tax credit	4.2	3.1
Deferred tax credit	1.2	5.5
	5.4	8.6

The current tax credit of £4.2 million comprises mainly of tax refunds of £4.3 million (£2.3 million in Germany and £2.0 million in the US). £1.8m of the £2.3 million receipt in Germany arose due to a recalculation, by the German tax authorities, of the tax liabilities arising in respect of the operations of Camera Dynamics Limited in Germany. An additional £0.5 million was received from a decrease in the tax rate to 30% applied to the partnership operation of Camera Dynamics Limited in Germany. The £2.0 million tax refund in the US was received as a result of the surrender of losses incurred in the US operations in 2009 into the preceding years. £1.1 million of this loss was previously recognised as a deferred tax asset in the US and thus represents a transfer from deferred to current tax.

The deferred tax credit of £1.2 million arises mainly due to: the recognition of US deferred tax assets both on intangibles and in respect of the disposal of the Clear-Com business. This is offset by the non-recognition of US deferred tax assets due to a revision in the assessment of the recoverability of the full deferred tax asset. Additionally deferred tax assets have been recognised in the UK, offset by the reversal of deferred tax assets from various other jurisdictions, again due to a revised assessment of the recoverability of these tax losses.

Notes to the Consolidated Accounts continued

6 Operating profit

	2010 £m	2009 £m
The following items are included in operating profit		
Depreciation	13.6	14.3
Amortisation of acquired intangible assets	7.6	8.5
Amortisation of capitalised software and development costs	1.4	1.3
Net gain on disposal of property, plant and equipment	(1.3)	(1.0)
Net loss on disposal of capitalised software	0.2	-
Employee share-based incentive schemes	1.0	1.4
Net foreign exchange losses	1.0	1.7
Operating lease rental expense		
Plant, machinery and vehicles	0.4	0.5
Property	5.3	5.5
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	0.1	0.1
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	0.4
Other services relating to taxation	-	0.1
Other services	0.1	0.1

7 Employees

	2010 £m	2009 £m
Aggregate remuneration of all employees during the year		
Wages and salaries [1]	70.5	80.9
Employers' social security costs	9.5	10.6
Employers' pension costs - defined benefit schemes	(1.6)	2.3
Employers' pension costs - defined contribution schemes	1.2	1.1
Other employment benefits	2.9	4.2
Cost of equity-settled employee share schemes	1.0	1.4
	83.5	100.5

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

	2010 Total	2009 Total
Average number of employees during the year		
Imaging & Staging	895	869
Videocom	798	916
Services [2]	198	156
Head Office	16	16
	1,907	1,957

	2010 Total	2009 Total
Number of employees as at 31 December		
Imaging & Staging	915	810
Videocom	783	861
Services [2]	201	148
Head Office	17	16
	1,916	1,835

[2] The increase in the number of employees arises mainly from previously self-employed sub-contractors becoming employed under a contract of employment in 2010.

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:

	2010 £m	2009 £m
Fees for non-executive duties	**0.3**	0.2
Remuneration for executive duties	**1.4**	1.4
	1.7	1.6

9 Net financial expense

	2010 £m	2009 £m
Financial income		
Expected return on assets in the pension scheme	**2.8**	2.2
Net currency translation gains [(1)]	**0.4**	0.5
	3.2	2.7
Finance expense		
Interest payable on bank borrowings	**(1.2)**	(1.6)
Interest charge on pension scheme liabilities	**(2.8)**	(2.2)
Net fair value losses on financial instruments [(2)]	**(0.1)**	-
	(4.1)	(3.8)
Net finance expense	**(0.9)**	(1.1)

[(1)] Within this balance is a net currency translation gain of £0.1 million (2009: £0.3 million) which is recorded in significant items within finance income. See Note 5.

[(2)] Within this balance is the impact of 'time value' movements on the Group's options of £nil (2009: £0.4 million gain) which is recorded in significant items within finance income. See Note 5.

10 Tax

Recognised in the Income Statement

	2010 £m	2009 £m
Before Significant Items		
Current tax	**9.1**	3.6
Deferred tax	**(0.3)**	3.6
	8.8	7.2
Significant Items		
Current tax [1]	**(4.2)**	(3.1)
Deferred tax [2]	**(1.2)**	(5.5)
	(5.4)	(8.6)
Summarised in the Income Statement as follows		
Current tax	**4.9**	0.5
Deferred tax	**(1.5)**	(1.9)
	3.4	(1.4)

[1] Current tax credits of £4.2 million have been recognised with a corresponding credit to significant items. These are explained in Note 5.

[2] Deferred tax credits of £1.2 million have been recognised with a corresponding credit to significant items. These are explained in Note 5.

	2010 £m	2009 £m
Current tax expense		
Charge for the year	**8.4**	0.5
Adjustments in respect of prior years	**(3.5)**	-
	4.9	0.5

The UK current tax credit represents £1.3 million of the total Group current tax charge of £4.9 million, offset by a £6.2 million charge relating to overseas tax.

	2010 £m	2009 £m
Deferred tax expense		
Origination and reversal of temporary differences	**(1.5)**	(1.9)
Tax credits recognised in SOCIE [3]	**(2.3)**	-
	(3.8)	(1.9)

[3] Deferred tax credits of £2.3 million have been recognised in the SOCIE in respect of the deferred tax recognised on the UK defined benefit pension scheme.

There was £nil tax recognised on cash flow hedges.

The UK deferred tax credit represents £3.2 million of the total Group deferred tax credit of £3.8 million, with the remaining credit of £0.6 million relating to overseas tax.

Reconciliation of effective tax rate	2010 %	2010 £m	2009 %	2009 £m
Profit before tax		**21.7**		1.8
Income tax using the domestic corporation tax rate	**28%**	**6.1**	28%	0.5
Effect of tax rates in foreign jurisdictions	**(6%)**	**(1.3)**	4%	0.1
Non-deductible expenses	**8%**	**1.7**	11%	0.2
Impact of business disposal	**(12%)**	**(2.7)**	0%	-
Impact of tax credits in respect of prior years	**(21%)**	**(4.6)**	0%	-
Write down/non-recognition of deferred tax assets	**0%**	**-**	150%	2.7
Write down of current tax liabilities	**0%**	**-**	(170%)	(3.1)
Benefit of tax losses recognised	**(10%)**	**(2.1)**	(89%)	(1.6)
Impact of tax losses not recognised	**28%**	**6.0**	0%	-
Other	**1%**	**0.3**	(11%)	(0.2)
Total income tax expense/(credit) in Income Statement	**16%**	**3.4**	(77%)	(1.4)

11 Earnings per ordinary share

The calculation of basic earnings per share is based on profit after tax of £18.3 million (2009: £3.2 million) and on the weighted average number of shares in issue during the year of 42,754,835 (2009: 42,483,776).

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 2010 this profit was £17.9 million (2009: £15.5 million).

Reconciliation of earnings and effect on basic earnings per share

	Profit		Earnings per share	
	2010 £m	2009 £m	**2010 pence**	2009 pence
Profit for the financial year	**18.3**	3.2	**42.8**	7.5
Add back: significant items	**(0.4)**	12.3	**(0.9)**	29.0
Earnings before significant items	**17.9**	15.5	**41.9**	36.5

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 41.9p (2009: 7.4p) is based on profit after tax of £18.3 million (2009: £3.2 million) and on 43,721,329 (2009: 43,181,174) ordinary shares.

The calculation of diluted adjusted earnings per share of 41.0p (2009: 35.9p) is based on profit after tax but before significant items of £17.9 million (2009: £15.5 million) and on 43,721,329 (2009: 43,181,174) ordinary shares.

	Number of shares		Earnings per share		Adjusted earnings per share	
	2010	2009	**2010 pence**	2009 pence	**2010 pence**	2009 pence
Basic weighted average number of shares	**42,754,835**	42,483,776	**42.8**	7.5	**41.9**	36.5
Dilutive potential ordinary shares:						
Employee share options	**916,797**	683,823	**(0.9)**	(0.1)	**(0.9)**	(0.6)
Deferred bonus plan	**49,697**	13,575	**-**	-	**-**	-
Diluted weighted average number of shares	**43,721,329**	43,181,174	**41.9**	7.4	**41.0**	35.9

Notes to the Consolidated Accounts continued

12 Intangible assets

	Total £m	Acquired intangible assets [1] £m	Goodwill £m	Capitalised software £m	Capitalised development costs [4] £m
Cost					
At 1 January 2009	107.6	37.6	58.4	11.6	-
Currency translation adjustments	(10.3)	(4.3)	(5.3)	(0.7)	-
Additions	2.8	-	1.1	1.1	0.6
Disposals	(1.1)	-	-	(1.1)	-
At 31 December 2009	99.0	33.3	54.2	10.9	0.6
At 1 January 2010	**99.0**	**33.3**	**54.2**	**10.9**	**0.6**
Currency translation adjustments	**2.5**	**1.4**	**1.2**	**(0.1)**	**-**
Additions	**2.7**	**-**	**-**	**1.2**	**1.5**
Reductions [2]	**(0.1)**	**-**	**(0.1)**	**-**	**-**
Disposals	**(0.2)**	**-**	**-**	**(0.2)**	**-**
Disposals - on disposal of subsidiary	**(3.3)**	**(0.5)**	**(2.6)**	**(0.2)**	**-**
At 31 December 2010	**100.6**	**34.2**	**52.7**	**11.6**	**2.1**
Amortisation and impairment losses					
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	-
At 1 January 2010	**40.8**	**23.0**	**9.6**	**8.2**	**-**
Currency translation adjustment	**1.1**	**1.0**	**0.2**	**(0.1)**	**-**
Impairment charge [3]	**0.1**	**-**	**-**	**0.1**	**-**
Amortisation in the year	**9.0**	**7.6**	**-**	**1.2**	**0.2**
Disposals - on disposal of subsidiary	**(2.2)**	**(0.1)**	**(1.9)**	**(0.2)**	**-**
At 31 December 2010	**48.8**	**31.5**	**7.9**	**9.2**	**0.2**
Carrying amounts					
At 1 January 2009	71.6	20.6	47.8	3.2	-
At 31 December 2009 and 1 January 2010	58.2	10.3	44.6	2.7	0.6
At 31 December 2010	**51.8**	**2.7**	**44.8**	**2.4**	**1.9**

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

[2] The reduction in goodwill of £0.1 million relates to the return of funds on the expiry of the escrow account that was created on the acquisition of Tomcat.

[3] An impairment charge of £0.1 million was made to the capitalised software of the Staging business, in the Imaging & Staging division.

[4] The Group's policy on capitalisation of development costs is stated in Note 2.

12 Intangible assets continued

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

For the purpose of impairment testing, the Group's goodwill of £44.8 million (2009 £44.6 million) is allocated across 8 CGUs which are represented by some of the Group's trading businesses as shown in the table below. 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.

CGU	2010 £m	2009 £m
Camera Dynamics	9.9	9.8
IMT (formerly RF Extreme)	9.8	9.6
Manfrotto Bags	7.8	7.6
Litepanels	6.1	5.9
Staging Systems	5.2	5.3
Services	3.6	3.5
Manfrotto Distribution	1.2	1.2
Anton/Bauer	1.2	1.1
Clear Com	-	0.6
Total	**44.8**	44.6

Each individual CGU is assessed for impairment annually and whenever there is a specific indication of impairment.

Taking account of the current economic environment and other risks, a review of the goodwill has led to no change to the carrying values in the current period. There have also been no indications of impairment in 2010 as there are no indicators of permanent diminutions in business performance at CGU level.

Methodology and Key Assumptions

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 (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and specific risks.

The value in use calculations are principally sensitive to revenue growth, achievability of future margins, changes in working capital and the discount rate used in the present value calculation. The information used for valuation purposes takes into consideration past experience and the current economic environment, the ability to introduce price increases and new products and experience in controlling the underlying cost base.

The Group's methodology is to use a projection period, with five years being the maximum period over which detailed future cash flows for each CGU are prepared. These cash flow projections reflect the most recent board approved budget and strategic plans for 2011 to 2013 and projections for 2014 to 2015. For periods after 2015, a long term growth rate has been applied to derive a terminal value.

The long term growth rate has been calculated based principally on current growth rates of the relevant markets of the CGUs. Growth rates for the period beyond 2015 are assumed to be 2% which is considered to be at or below long-term market trends for each CGU.

Cash flow projections have been discounted to present value using the Group's post-tax weighted average cost of capital of 6.8% (calculated using market assumptions) adjusted for CGU-specific risk factors, including markets and size of business, of between an additional 0.5% points to 2.5% points. Pre-tax weighted average cost of capital is calculated at 12% to 14%.

12 Intangible assets continued

Sensitivities

The following specific individual sensitivities have been considered:

- a 1% point increase in the discount rate applied to each CGU; and
- a reduction in the long-term growth rate assumption to 1%.

No impairment in any CGU would arise from these sensitivities.

For Staging Systems and Services, the forecast cash flows used for impairment testing reflect an improvement in the performance of both businesses. If this improvement is not achieved then there is a risk that the goodwill and intangible assets of these businesses may require some impairment in future years.

Significant CGUs

Further disclosures in accordance with paragraph 134 of IAS 36, Impairment of Assets, are provided where the Group holds an individual goodwill item relating to a CGU that is significant, which the Group considers to be 20% of the total net book value, in comparison with the Group's total carrying value of goodwill.

The only CGUs that are significant are Camera Dynamics and IMT.

For both Camera Dynamics and IMT, a post-tax discount rate of 8.3% and a long term growth rate of 2% were used. Using the above methodology, the recoverable amount exceeded the total carrying value in the case of the Camera Dynamics CGU by £201.4 million and in the case of the IMT CGU by £35.9 million.

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 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)
At 31 December 2009	147.2	33.4	99.1	14.7
At 1 January 2010	**147.2**	**33.4**	**99.1**	**14.7**
Currency translation adjustments	**0.1**	**(0.5)**	**0.6**	**-**
Additions	**13.8**	**2.7**	**8.3**	**2.8**
Disposals	**(8.8)**	**(0.3)**	**(7.9)**	**(0.6)**
Disposals - on disposal of subsidiary	**(4.5)**	**(0.3)**	**(2.6)**	**(1.6)**
At 31 December 2010	**147.8**	**35.0**	**97.5**	**15.3**
Depreciation				
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
At 1 January 2010	**92.6**	**13.8**	**67.5**	**11.3**
Currency translation adjustments	**(0.1)**	**(0.3)**	**0.3**	**(0.1)**
Depreciation charge for the year	**13.6**	**1.2**	**11.1**	**1.3**
Impairment loss	**0.1**	**0.1**	**-**	**-**
Transfers between asset categories	**-**	**(0.1)**	**0.2**	**(0.1)**
Disposals	**(8.1)**	**(0.3)**	**(7.3)**	**(0.5)**
Disposals - on disposal of subsidiary	**(3.7)**	**(0.2)**	**(2.1)**	**(1.4)**
At 31 December 2010	**94.4**	**14.2**	**69.7**	**10.5**
Carrying amounts				
At 1 January 2009	63.6	22.9	34.5	6.2
At 31 December 2009 and 1 January 2010	54.6	19.6	31.6	3.4
At 31 December 2010	**53.4**	**20.8**	**27.8**	**4.8**

[1] Plant, machinery and vehicles includes broadcast equipment rental assets with an original cost of £43.9 million (2009: £44.0 million) and accumulated depreciation of £31.1 million (2009: £29.9 million).

An impairment loss of £0.1 million (2009: £2.5 million) comprises of £0.1 million (2009: £1.5 million) relating to property in the Imaging & Staging Division included within “Operating Expenses”, £nil (2009: £0.9 million) relating to obsolete broadcast equipment rental assets in the Services Division included within “Cost of Sales”, and £nil (2009: £0.1 million) relating to fixtures & fittings in the Videocom division included in “Operating Expenses”.

Notes to the Consolidated Accounts continued

14 Fixed asset investments

The Group's principal subsidiaries at 31 December 2010 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	Germany
Litepanels Inc	USA
Integrated Microwave Technologies LLC (previously RF Extreme LLC)	USA
Imaging & Staging	
Manfrotto Distribution Inc	USA
Gitzo SA	France
Vitecgroup Italia SpA	Italy
Manfrotto Bags Ltd (previously 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.

15 Deferred tax assets and liabilities

	2010 £m	Recognised in income £m	Recognised in reserves £m	Transferred to current tax £m	Exchange movements £m	2009 £m
Assets						
Inventories	2.2	0.4	-	-	-	1.8
Intangible assets	5.3	1.6	-	-	0.1	3.6
Tax value of loss carry-forwards recognised	3.6	(0.7)	-	(1.1)	0.1	5.3
Property, plant, equipment & other	11.5	1.7	2.3	-	0.1	7.4
	22.6	3.0	2.3	(1.1)	0.3	18.1
Liabilities						
Inventories	-	-	-	-	-	-
Intangible assets	(2.3)	(1.9)	-	-	0.1	(0.5)
Tax value of loss carry-forwards recognised	-	-	-	-	-	-
Property, plant, equipment & other	(0.1)	0.4	-	-	-	(0.5)
	(2.4)	(1.5)	-	-	0.1	(1.0)
Net	20.2	1.5	2.3	(1.1)	0.4	17.1

15 Deferred tax assets and liabilities continued

	2009 £m	Recognised in income £m	Recognised in reserves £m	Transferred to current tax £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						
Inventories	-	-	-	-	-	-
Intangible assets	(0.5)	-	-	-	-	(0.5)
Tax value of loss carry-forwards recognised	-	-	-	-	-	-
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

Unrecognised deferred tax assets

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

	2010 £m	2009 £m
Capital allowances	**-**	2.0
Short term timing differences	**-**	0.1
Losses	**4.8**	1.8
Temporary differences on share options	**1.2**	-
Temporary differences on pension scheme liabilities	**-**	0.8
Total	**6.0**	4.7

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.

Deferred tax assets totalling £14.1 million have been recognised in the US on the basis that future profits are expected to be made in the US businesses such that it is probable that these assets will be utilised in the foreseeable future. Deferred tax assets of £3.2 million have been recognised in the UK due to the continuing profitability of the UK businesses.

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 £67.0 million at 31 December 2010 (2009: £52.0 million). It is not practical to calculate the tax which would arise on remittance of these amounts and, as dividends remitted from overseas subsidiaries to the UK should be exempt from additional UK tax, no significant tax charges would be expected.

Notes to the Consolidated Accounts continued

16 Inventories

	2010 £m	2009 £m
Raw materials and components	14.7	11.7
Work in progress	9.6	9.3
Finished goods	31.1	30.9
Net inventories	55.4	51.9

Provisions against inventory obsolescence	2010 £m	2009 £m
Balance at 1 January	22.1	18.0
Increase during the year	2.0	6.7
Utilised during the year	(5.7)	(1.1)
Currency translation adjustments	0.5	(1.5)
Balance at 31 December	18.9	22.1

The provision for inventory obsolescence as at 31 December 2010 was £18.9 million (2009: £22.1 million). Management believe that this provision is adequate to cover the risk of inventory obsolescence.

17 Trade and other receivables

	2010 £m	2009 £m
Short term receivables		
Trade receivables, net of provisions	34.9	35.0
Other receivables	7.1	6.2
Prepayments and accrued income	3.4	4.3
	45.4	45.5
Long term receivables		
Other receivables	0.4	0.3
	0.4	0.3
Total receivables	45.8	45.8

Gross trade receivables - days overdue [1]	2010 £m	2009 £m
Current	30.0	24.6
1-30 days	5.2	8.0
31-60 days	1.5	2.9
61-90 days	0.8	1.6
over 90 days	2.1	2.7
Gross trade receivables	39.6	39.8

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

17 Trade and other receivables continued

Provisions against trade receivables	2010 £m	2009 £m
Balance at 1 January	**4.8**	4.2
Increased during the year	**4.0**	5.0
Utilised during the year	**(4.2)**	(4.1)
Currency translation adjustments	**0.1**	(0.3)
Balance at 31 December	**4.7**	4.8

The trade receivables impairment provision as at 31 December 2010 was £4.7 million (2009: £4.8 million) consisting of £2.8 million (2009: £3.3 million) for bad debts and £1.9 million (2009: £1.5 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.

18 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 £4.9 million (2009: £10.4 million) - see Note 17. 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 5 year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate of five UK and European banks. At 31 December 2010 only 28% of this committed borrowing facility was being utilised.

Interest rate risk

All the Group's borrowings and investments are at floating rates. 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.

18 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. Intercompany 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 2010, it is estimated that a general increase of 1% point in interest rates, increasing the Group's weighted average cost of borrowing to 2.3%, would decrease the Group's profit before tax by approximately £0.8 million. This reflects increased interest costs on the Group's borrowings.

Correspondingly it is estimated that a general decrease of 1% point in interest rates would decrease the Group's weighted average cost of borrowing to 0.3%. 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 about 0.95%. If interest rates did fall to this level it is estimated this would increase the Group's profit before tax by approximately £0.3 million. This reflects the decreased interest costs on the Group's borrowings.

It is estimated that a 1% point stronger US Dollar against Pound Sterling and Euro (i.e. 1.6 cents and 1.3 cents respectively) would have increased the Group's operating profit before significant items for the year ended 31 December 2010 by approximately £0.3 million and that a one percentage point weaker US Dollar against Pound Sterling and Euro (i.e. 1.6 cents and 1.3 cents respectively) would have decreased the Group's operating profit before significant items for the year ended 31 December 2010 by approximately £0.3 million.

Fair value

a) Fair value of financial assets and liabilities

The table below shows the fair values of financial assets and liabilities. Carrying values are not significantly different to the fair values.

	2010 Fair value £m	2009 Fair value £m
Forward exchange contracts - Assets	**0.9**	1.5
Forward exchange contracts - Liabilities	**(1.0)**	(0.3)
Option exchange contracts - Assets	**-**	0.2
Cash at bank and in hand	**7.7**	12.1
Net trade receivables	**34.9**	35.0
Trade payables	**(23.4)**	(21.8)
Floating rate borrowings [1]	**(35.8)**	(52.7)
	(16.7)	(26.0)

Market rates have been used to determine fair values.

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

Estimation of fair values

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

Derivatives

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 2010.

18 Financial instruments continued

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 12 months. The maturity profile of derivatives is shown below.

	Total 2010 £m	Within six months £m	From six months to one year £m
Forward exchange contracts - Assets	0.9	0.3	0.6
Forward exchange contracts - Liabilities	(1.0)	(0.7)	(0.3)
	(0.1)	(0.4)	0.3

	2009 £m	£m	£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

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

	Currency	Millions 2010	Average exchange rate of contracts 2010	Millions 2009	Average exchange rate of contracts 2009
USD / EUR option exchange contracts	USD	-	-	7.3	1.45
USD / GBP forward exchange contracts	USD	20.6	1.55	29.9	1.59
USD / EUR forward exchange contracts	USD	33.7	1.37	29.3	1.37
EUR / GBP forward exchange contracts	EUR	10.2	1.11	12.7	1.13
GBP / EUR forward exchange contracts	GBP	5.7	0.83	-	-
JPY / GBP forward exchange contracts	JPY	262	138.00	291	148.00
JPY / EUR forward exchange contracts	JPY	288	121.00	375	130.00

Cash at bank and in hand

The fair value of cash has been determined based on the actual position reported by the financial institution, adjusted for reconciling items as at 31 December 2010. 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 2010.

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.

18 Financial instruments continued

Fair value hierarchy

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.

b) Financial liabilities

i) Analysis of liabilities

	2010 £m	2009 £m
Bank overdraft	**1.0**	-
Bank loans	**34.8**	52.7
Total borrowings	**35.8**	52.7
Trade payables	**23.4**	21.8
Forward exchange contracts	**1.0**	0.3
Gross financial liabilities	**60.2**	74.8

ii) Maturity profile of liabilities

The following are the contractual maturities of financial liabilities, including undiscounted future interest payments:

	2010 Carrying amount £m	**Contractual cash flows £m**	**Within one year £m**	**From one to five years £m**
Unsecured bank loans/overdrafts	**35.8**	**(38.3)**	**(2.5)**	**(35.8)**
Trade payables	**23.4**	**(23.4)**	**(23.4)**	**-**
Forward exchange contracts	**1.0**	**(1.0)**	**(1.0)**	**-**
	60.2	**(62.7)**	**(26.9)**	**(35.8)**

	2009 Carrying amount £m	Contractual cash flows £m	Within one year £m	From one to five years £m
Unsecured bank loans	52.7	(60.0)	(2.0)	(58.0)
Trade payables	21.8	(21.8)	(21.8)	-
Forward exchange contracts	0.3	(0.3)	(0.3)	-
	74.8	(82.1)	(24.1)	(58.0)

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 1.3% (2009: 1.4%).

The total amount of bank loans and overdrafts any part of which falls due after 5 years is £nil (2009: £nil).

18 Financial instruments continued

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

	2010 £m	2009 £m
Expiring in one year or less		
- uncommitted facilities	**15.3**	15.0
More than two years but not more than five years		
- committed facilities	**90.2**	72.3
Total	**105.5**	87.3

iii) Interest rate profile

Currency	Floating rate borrowings £m
Yen	**2.4**
US Dollar	**25.6**
Euro	**6.8**
Sterling	**1.0**
At 31 December 2010	**35.8**
Yen	2.0
US Dollar	29.1
Euro	11.6
Sterling	10.0
At 31 December 2009	52.7

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

c) Financial assets

Currency	2010 £m	2009 £m
US Dollar	**18.7**	21.3
Euro	**18.0**	19.4
Sterling	**-**	4.7
Other	**5.9**	1.7
Total cash and receivable balances	**42.6**	47.1
Forward exchange contracts	**0.9**	1.5
Option exchange contracts	**-**	0.2
Gross financial assets	**43.5**	48.8

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 contracts all mature within twelve 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 exchange rates significant to the Group applied during the year:

	Year end rate 2010	Average rate 2010	Year end rate 2009	Average rate 2009
US Dollar	**1.566**	**1.551**	1.615	1.562
Euro	**1.167**	**1.165**	1.126	1.118

Notes to the Consolidated Accounts continued

19 Current tax

The current tax liability of £9.4 million (2009: £6.6 million) represents the amount of income taxes payable in respect of current and prior periods. The current tax asset of £0.3 million (2009: nil) represents the income taxes repayable by various tax authorities.

20 Reconciliation of decrease in cash and cash equivalents to movement in net debt

	2010 £m	2009 £m
(Decrease)/increase in cash and cash equivalents	(4.8)	1.3
Net repayment of loans and other borrowings	19.0	11.2
Decrease in net debt resulting from cash flows	14.2	12.5
Effect of exchange rate fluctuations on cash held	(0.6)	(4.1)
Effect of exchange rate fluctuations on debt held	(1.1)	4.0
Effect of exchange rate fluctuations on net debt	(1.7)	(0.1)
Movements in net debt in the year	12.5	12.4
Net debt at 1 January	(40.6)	(53.0)
Net debt at 31 December	(28.1)	(40.6)
Cash and cash equivalents	7.7	12.1
Bank overdrafts	(1.0)	-
Bank loans	(34.8)	(52.7)
Net debt at 31 December	(28.1)	(40.6)

21 Trade and other payables

	2010 £m	2009 £m
Current trade and other payables		
Payments received on account	2.4	1.8
Trade payables	23.4	21.8
Other tax and social security costs	2.6	3.0
Other payables	10.3	6.6
Advanced payments received, accruals and deferred income	12.5	13.4
	51.2	46.6

22 Provisions

	Total £m	Restructuring £m	Warranty and claims £m	Contingent consideration on acquisition of subsidiaries £m
At 1 January 2010	13.0	6.5	2.1	4.4
Provisions transferred on disposal of subsidiary	(0.7)	(0.2)	(0.2)	(0.3)
Provisions utilised during the year	(7.3)	(4.4)	(0.3)	(2.6)
Charged to the Income Statement	1.6	-	1.6	-
Currency translation adjustments	0.2	(0.1)	-	0.3
At 31 December 2010	6.8	1.8	3.2	1.8
Current	4.6	1.1	2.5	1.0
Non-current	2.2	0.7	0.7	0.8
	6.8	1.8	3.2	1.8

22 Provisions continued

The contingent consideration on acquisition of subsidiaries of £1.8 million relates to the following acquisitions:

- *Litepanels* - In 2010, a payment of US$4.0 million (£2.6 million) was made in relation to some of the 2009 profitability targets having been achieved. Management's estimate at 31 December 2010 of a likely payout for 2011 profitability target is US$1.3 million (£0.8 million).

- *Integrated Microwave Technology ("IMT", previously RF Extreme)* - Management's estimate at 31 December 2010 of a likely payout is US$1.5 million (£1.0 million). This is the maximum potential contingent consideration payable, conditional on the achievement of profitability targets for 2010.

The remaining provisions comprise warranty provisions of £2.4 million (2009: £2.1 million), provisions for claims of £0.8 million (2009: £nil) and provision for restructuring of £1.8 million (2009: £6.5 million).

Provisions for warranties are based on the probability of goods requiring repair or replacement calculated using historical warranty data and the best estimate of the costs to be incurred in respect of defective products, and are recognised when the underlying products or services are sold on or before the reporting date. The provision is expected to be utilised over a period of up to 5 years. Management are confident that these provisions are adequate to cover the risk of warranty claims against the Group.

The provision for claims relates to the exit costs on the Broadcast Auxiliary Services (BAS) Relocation Project at IMT.

The restructuring provision relates to a programme that was fully committed to at 31 December 2009, and includes an amount in respect of an onerous lease. The provision will be utilised by 2015.

23 Share capital and reserves

Authorised share capital

As agreed by the shareholders at the 2010 Annual General Meeting, the Company's Articles of Association were amended with effect from 17 May 2010 to remove the requirement for the Company to have an authorised share capital, the concept of which was abolished under the Companies Act 2006.

	Number of Shares	Nominal value £m
Issued and fully paid		
At 1 January 2010	42,949,175	8.6
Exercise of share options	203,159	-
At 31 December 2010	43,152,334	8.6

At 31 December 2010 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	616,461	131p-491p	2011-2015
International SAYE schemes	865,110	131p-522p	2011-2015
Executive schemes	248,775	298p-525p	2011-2018
	1,730,346		

Please see Note 26a for share based payments.

23 Share capital and reserves continued
On 8 March 2010, awards over an aggregate of 613,578 shares in the Company were made to 65 senior Group executives under the Company's 2005 Long Term Incentive Plan. The total number of shares outstanding at 31 December 2010 under the Company's 2005 Long Term Incentive Plan was 1,662,019 (2009: 1,515,564), taking into account the lapsing of awards granted in 2008 because the performance condition over 2008, 2009 and 2010 was not met and assuming that achievement of the performance condition for the awards granted in 2009 and 2010 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 9 March 2010, Core awards over an aggregate of 55,029 shares in the Company were made to seven 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 2010 under the Company's 2005 Deferred Bonus Plan was 78,888 (2009: 31,919). The terms of the awards and the related performance conditions are described in the Remuneration Report.

Translation reserve
The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, including gains or losses arising on net investment hedges.

Capital redemption reserve
The capital redemption 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 cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

During the year, the £0.7 million relating to derivatives in cash flow hedging relationships was released to the Income Statement in Cost of sales.

Own shares
Own shares held, including treasury shares and shares held by the Vitec Employee Benefit Trust (the Vitec EBT), are recognised as a deduction from retained earnings.

Treasury shares - As at 31 December 2009, 150,000 ordinary shares of 20p each at a cost of £0.7 million were held in Treasury. During the year these were transferred into the Vitec Employee Benefit Trust for £nil consideration. As at 31 December 2010, the Company holds no ordinary shares in Treasury.

Own shares (Employee benefit trust) - The own shares reserve represents the cost of ordinary shares in The Vitec Group plc purchased in the market and held by the Vitec Employee Benefit Trust (the Vitec EBT) to satisfy options under the Group's share award plans (see Note 26a).

As at 31 December 2010, the Vitec EBT held 699,755 (2009: 289,755) ordinary shares of 20p each at a cost of £2.4 million (2009: £0.6 million), representing 1.6% of the issued share capital.

During 2010, 150,000 ordinary shares were transferred from Treasury for £nil consideration and 260,000 ordinary shares were acquired by the Company at a cost of £1.1 million.

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.

	2010 £m	2009 £m
11.4p per share (2009: 10.9p)	**4.9**	4.6

24 Disposal of business

On 1 April 2010, the Group sold its Clear-Com business, which was previously included in the Videocom division. This is not a discontinued operation because it does not represent a separate major line of business or geographical area of operations. Management committed to a plan to sell this business early in 2010 following a strategic decision to place greater focus on opportunities in the Group's chosen core markets.

The total consideration was £6.7 million, net of transaction expenses. There is a further estimated contingent consideration of £0.4 million in 2011 based on the actual turnover achieved in 2010.

A summary of the gain on disposal is set out below.

Summary of gain on sale of disposed operation	2010 £m
Consideration received, satisfied in cash	8.4
Transaction expenses	(1.7)
Net cash inflow before contingent consideration	6.7
Contingent consideration	0.4
Net cash inflow	7.1
Foreign exchange recycled to the Income Statement on disposal	1.0
Net assets disposed [1]	(5.9)
Gain on sale of disposed operation	2.2
Taxation on gain on sale of disposed operation	2.0
Gain on sale of disposed operation, after tax	4.2
[1] **Net assets disposed**	
Property, plant and equipment	0.8
Intangible assets	1.1
Inventories	4.5
Trade and other receivables	3.6
Trade and other payables	(3.4)
Provisions	(0.7)
Net assets disposed	5.9

In March 2009, the Group sold the IFF Staging business which gave rise to a loss of £0.7 million.

25 Operating leases

Gross leasing commitments	Land and buildings £m	Other £m	Total 2010 £m	2009[1] £m
Expiring within one year	0.7	0.1	0.8	1.6
Expiring two to five years	7.8	0.9	8.7	9.9
Expiring after five years	9.8	-	9.8	9.1
	18.3	1.0	19.3	20.6

[1] Leasing commitments at 31 December 2009 comprised £19.7 million of land and buildings and £0.9 million of other commitments. Included in the leasing commitments is an amount of £0.9 million which relates to the Clear-Com business.

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 2010, £5.7 million (2009: £6.0 million) of operating lease rental payments and £nil (2009: £0.2 million) of rental income from subleases were recognised in the Income Statement.

26 Employee benefits

26a 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 IFRS2 have not been applied to awards granted before 7 November 2002 in accordance with the transitional provisions in IFRS1 and IFRS2.

Share option plans

The share option plans currently operated by the Group are:

2002 Sharesave Scheme and International Sharesave Plan (SAYE)

This is a share option plan. Employees can elect at the outset to save a fixed amount of up to £250 (or foreign currency equivalent) per month into the Sharesave Scheme. 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, of no more than 20%, 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 third anniversary but before the tenth anniversary of the date of grant.

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

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

26a Share based payments continued

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 threshold. If EPS growth is less than cumulative RPI + 9%, no award will vest. This performance condition has not been achieved and awards have lapsed.

No awards under the USOP have been granted since 2008.

Awards are settled with shares.

Share award plans

2005 Long Term Incentive Plan (2005 LTIP)

The 2005 LTIP is also subject to performance conditions. For awards under the 2005 LTIP made before 2010, this was based on Total Shareholder Return (TSR) of the Company over a three year period compared to the TSR of comparator companies over the same 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 over the performance period 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 vest. Below the 50th percentile, no awards vest.

For awards made under the 2005 LTIP in 2010 and onwards, 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 (EPS) excluding exceptional or extraordinary items. Each performance condition is entirely independent from the other performance condition.

For awards subject to the EPS performance condition made in 2010, 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.

Employees are entitled to dividends on the awarded shares that are paid over the performance period. These are paid either as cash or the equivalent number of shares at the vesting date. Awards are settled with shares.

2005 Deferred Bonus Plan (DBP)

Under the 2005 DBP, employees can exchange up to 100% of their annual cash bonus in a financial period for core shares of the same value. These awards will vest 3 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 3 year vesting period. The number of matching shares is dependent on the outcome of a market performance condition. These are exactly the same as described above for the 2005 LTIP. For awards made before 2010 that are solely subject to the TSR performance condition, 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 awards made in 2010, 50% of the award is subject to TSR and vesting of matching shares as described above. 50% of the award is subject to EPS growth of the Company, after adjustments for exceptional or extraordinary items.

If this EPS growth:

- Is 4% (Compound Average Growth Rate), one matching share for every three core shares is awarded at the end of the performance period.
- Is 8% or more (Compound Average Growth Rate), one matching share for every one core share is awarded at the end of the performance period.

26a Share based payments continued

The amount recognised in the Income Statement for share-based payment transactions with employees for the year ended 31 December 2010 was £1.5 million (2009: £1.5 million), of this £1.0 million (2009: £1.4 million) related to equity settled share based payment transactions and £0.5 million (2009: £0.1 million) related to employers' tax liability.

The outstanding employers' tax liability recognised in the Balance Sheet for UK awards as at 31 December 2010 was £0.8 million (2009: £0.4 million) and for non-UK awards £0.4 million (2009: £0.4 million).

Options outstanding under the 2002 Sharesave Plan and Unapproved Share Option Plan as at 31 December 2010, 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	1,189,335	1.33	2.40
£2.71 - £2.90	7,528	2.81	1.17
£2.91 - £3.00	89,087	3.00	4.32
£3.01 - £4.00	282,419	3.50	2.81
£4.01 - £4.50	4,611	4.11	1.00
£4.51 - £5.00	5,394	4.91	1.24
£5.01 - £5.50	151,972	5.14	6.93
Total	1,730,346	2.13	2.95

Options granted, exercised and lapsed during the years ended 31 December 2009 and 2010 under these share options plans were as follows:

	Sharesave	Weighted average exercise price (£)	USOP	Weighted average exercise price (£)
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	-	0.00
Awards at 31 December 2009	1,472,840	1.59	476,730	4.18
Exercised during 2010	57,608	1.77	141,884	3.36
Lapsed during 2010	149,363	2.35	86,071	5.13
Granted during 2010	215,702	3.49	-	-
Awards at 31 December 2010	1,481,571	1.76	248,775	4.32
Awards exercisable at 31 December 2010	6,987	4.51	117,658	3.43

The weighted average share price at the date of exercise for share options exercised during the year was £4.75 (2009: £3.85).

26a Share based payments continued

Arrangement	2002 UK and International Sharesave Plan 3 Year	2002 UK and International Sharesave Plan 5 Year	2005 Long Term Incentive Plan	2005 Deferred Bonus Plan
Nature of arrangement	Save as you earn scheme	Save as you earn scheme	Share award plan	Share award plan
Date of Grant	05 May 2010	05 May 2010	08 March 2010	08 March 2010
Number of Instruments granted	196,351	19,351	613,578	55,029 Core/ 55,029 Matching
Exercise Price	£3.42/£3.63 [1]	£3.42/£3.63 [1]	n/a	n/a
Share price at date of grant	£4.21	£4.21	£3.80	£3.80
Contractual Life (yrs)	3.5	5.5	4	4
Expected Option Life (yrs)	3.25	5.25	4	4
Vesting conditions	3 year service period and savings requirement	5 year service period and savings requirement	Relative TSR performance against comparator group, EPS growth and 3 year service period	3 year service period, relative TSR performance and EPS growth for matching awards
Settlement	Shares	Shares	Shares	Shares
Expected Volatility [2]	41.0%	41.0%	48.2%	48.2%
Risk free interest rate	1.80%	2.70%	n/a	n/a
Expected Dividend Yield	5.00%	5.00%	n/a	n/a
Expected departures (per annum from grant date)	5%	5%	5%	0%
Expected outcome of non-market based related performance condition	n/a	n/a	100%	100%
Fair value per granted instrument determined at the grant date	£1.17/£1.09 [1]	£1.26/£1.20 [1]	£1.73	£3.80/£1.73 [3]
Valuation Model	Black Scholes	Black Scholes	Monte Carlo [4]	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 prices 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 2005 and DBP matched award, a Monte-Carlo simulation has been used. Under this valuation method, the share price for Vitec is projected at 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.

Notes to the Consolidated Accounts continued

26b 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	2010 £m	2009 £m
Plan assets		
Equities	30.6	26.8
Bonds	9.9	9.5
Other	4.1	4.7
Total fair value of plan assets	44.6	41.0
Present value of defined benefit obligation	(51.6)	(52.0)
Net (deficit) recognised in the Group balance sheet	(7.0)	(11.0)

Analysis of net recognised deficit	2010 £m	2009 £m
UK pension fund	(2.3)	(6.1)
Total funded plans	(2.3)	(6.1)
Italian pension scheme	(2.3)	(2.4)
Other unfunded plans	(2.4)	(2.5)
Total unfunded plans	(4.7)	(4.9)
Liability recognised on the Group balance sheet	(7.0)	(11.0)

Amounts recognised in the Group Income Statement

	2010 £m	2009 £m
Amounts in net operating costs		
Current service cost – defined benefit schemes	1.6	2.5
Past service gain – defined benefit schemes	(0.1)	(0.1)
Settlement gain – defined benefit schemes	(0.1)	-
Curtailment gain – defined benefit schemes	(3.0)	-
Employers' pension costs – defined contribution schemes	1.2	1.1
	(0.4)	3.5
Amounts in net financial expense		
Expected return on plan assets	(2.8)	(2.2)
Interest cost	2.8	2.2
	-	-
Total amounts charged to the Income Statement	(0.4)	3.5

Movements since 2006 on defined benefit schemes	2010	2009	2008	2007	2006
Plan assets	44.6	41.0	34.8	44.4	42.5
Defined benefit obligation	(51.6)	(52.0)	(40.7)	(47.2)	(47.5)
Total deficit	(7.0)	(11.0)	(5.9)	(2.8)	(5.0)
Net actuarial gain/(loss)	0.2	(6.1)	(1.8)	2.5	2.2
Experience gain/(loss)	-	-	(0.1)	(0.4)	-

26b Post-employment obligations continued

UK pension scheme

At the end of 2003 the Group closed both of its UK defined benefit schemes to new members. Since 2004 a Group personal pension plan has been made available for new employees with Standard Life. In November 2005 the defined benefit schemes were merged. The Scheme was then closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Group are now offered membership of a money purchase arrangement separate to the UK defined benefit scheme. Total scheme members were 645 (2009: 645).

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

1) Assumptions used to determine defined benefit obligation

	31 Dec 2010 % pa	31 Dec 2009 % pa	31 Dec 2008 % pa	31 Dec 2007 % pa
Price inflation (RPI)	**3.5**	3.6	2.8	3.3
Price inflation (CPI)	**2.8**	n/a	n/a	n/a
Expected rate of salary increases [(1)]	**n/a**	5.1	4.3	5.3
Rate of increase of pensions in payment [(2)]				
- discretionary (pre - 6 April 1997 accrual in excess of GMP)	**3.4**	3.6	2.8	3.3
- guaranteed LPI 5% (6 April 1997 - 30 June 2008)	**3.4**	3.6	2.8	3.3
- guaranteed LPI 2.5% (accrual from 1 July 2008)	**2.5**	2.5	2.5	n/a
Rate of increase for deferred pensions [(3)]	**2.8**	3.6	2.8	3.3
Discount rate	**5.5**	5.7	6.3	5.8

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

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

[(3)] Increases of 2.5% per annum for post – 5 April 2009 accrual.

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 21.7 to 24.3 years
- Non-pensioners currently aged 45: ranging from 23.6 years to 26.2 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 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 2010 £m	Expected long term rate of return at 31 Dec 2010 % pa	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
Equities	**30.6**	**8.0**	26.8	8.0	21.9	8.2	29.5	8.0
Bonds	**9.9**	**4.5**	9.5	4.7	8.8	4.4	11.3	4.8
Property	**1.9**	**7.4**	1.3	7.7	1.5	6.9	1.9	6.7
Cash/NCA	**1.5**	**4.0**	2.8	4.4	2.0	3.8	1.0	5.2
Insurance policies	**0.7**	**5.5**	0.6	5.7	0.6	6.3	0.7	5.8
Total value of assets	**44.6**		41.0		34.8		44.4	

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

26b Post-employment obligations continued

3) Reconciliation of funded status at 31 December

	2010 £m	2009 £m	2008 £m	2007 £m
Present value of defined benefit obligation	**(46.9)**	(47.1)	(35.2)	(43.2)
Assets at fair value	**44.6**	41.0	34.8	44.4
Funded status	**(2.3)**	(6.1)	(0.4)	1.2
Unrecognised past service cost	**-**	-	-	-
Unrecognised net gain/(loss)	**-**	-	-	-
Effect of asset ceiling	**-**	-	-	-
Defined benefit (liability)/asset	**(2.3)**	(6.1)	(0.4)	1.2

4) Pension expense for year to 31 December

i) Components of pension expense

	2010 £m	2009 £m
Group service cost	**0.9**	1.0
Interest cost	**2.6**	2.1
Expected return on assets	**(2.8)**	(2.2)
Past service costs	**(0.1)**	(0.1)
Curtailments	**(3.0)**	-
Settlements	**(0.1)**	-
Total pension (income)/expense	**(2.5)**	0.8

ii) Statement of Changes in Equity (SOCIE)

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Actuarial gain/(loss) recognised in SOCIE during the period	0.2	(5.8)	(1.8)	2.1	2.0
Cumulative actuarial gain/(loss) recognised at beginning of period	(3.0)	2.8	4.6	2.5	0.5
Cumulative actuarial gain/(loss) recognised at end of period	(2.8)	(3.0)	2.8	4.6	2.5

The cumulative actuarial gains/(losses) shown reflect periods since 1 January 2006 only.

The decrease in UK liabilities due to changes in assumptions includes a benefit of £1.9 million arising from the change from the Retail Price Index to the Consumer Price Index as the measure of price inflation for the purposes of determining the revaluation of deferred benefits for leavers.

5) Return on assets for year to 31 December

	2010 £m	2009 £m
Expected return on assets	2.8	2.2
Actuarial gain/(loss) on assets	1.8	4.4
Actual return on assets	**4.6**	**6.6**

26b Post-employment obligations continued

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

	2010 £m	2009 £m
Present value of DBO at start of year	47.1	35.2
Group service cost	0.9	1.0
Interest cost	2.6	2.1
Employee contributions	0.2	0.4
Actuarial (gain)/loss on change of assumptions	(1.4)	10.2
Experience (gain)/loss	3.0	-
Actual benefit payments and expenses	(2.3)	(1.7)
Past service costs	(0.1)	(0.1)
Curtailments	(3.0)	-
Settlements	(0.1)	-
Present value of DBO at end of year	**46.9**	47.1

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

	2010 £m	2009 £m
Fair value of assets at start of year	41.0	34.8
Expected return on assets	2.8	2.2
Actuarial gain/(loss) on plan assets	1.8	4.4
Group contributions	1.1	0.9
Employee contributions	0.2	0.4
Actual benefit payments	(1.8)	(1.4)
Administration expenses paid	(0.5)	(0.3)
Curtailments	-	-
Settlements	-	-
Fair value of assets at end of year	**44.6**	41.0

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

	2010 £m	2009 £m
Defined benefit asset/(liability) at start of year	(6.1)	(0.4)
Total pension (expense)/income	2.5	(0.8)
Employer contributions actually paid	1.1	0.9
Benefits paid directly by Group	-	-
Gain/(loss) recognised in SOCIE	0.2	(5.8)
Gain/(loss) due to exchange rate movements	-	-
Defined benefit asset/(liability) at end of year	**(2.3)**	(6.1)

26b Post-employment obligations continued

9) Expected 2011 contributions

As at the date of approval of the Balance Sheet, the Company had not reached agreement with the Vitec Group Pension Scheme Trustee on the 5th April 2010 actuarial valuation and the associated employer contribution to the Scheme.

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

From 1 January 2007, Italian companies were required to pay monthly payments relating to employees' TFR's 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 1 January 2007. Italian companies are still required to pay employees the portion of their TFR that relates to service prior to 1 January 2007.

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

Assumptions used to determine defined benefit obligation:

	2010	2009
Inflation rate	2%	2%
Expected rate of salary increases	0%	0%
Expected salary increase on promotion	0%	0%
Discount rate	3.85%	4.50%

Pension expense for year to 31 December	2010 £m	2009 £m
Service cost	0.8	1.0
Interest cost	0.1	0.1
Total	0.9	1.1

26b Post-employment obligations continued

Actuarial loss in SOCIE	2010 £m	2009 £m
Recognised in period	**0.1**	0.1

Reconciliation of present value of defined benefit obligation (DBO) for the year to 31 December	2010 £m	2009 £m
Brought forward	**(2.4)**	(3.4)
Service cost	**(0.8)**	(1.0)
Interest cost	**(0.1)**	(0.1)
Actuarial loss	**(0.1)**	(0.1)
Contributions paid	**1.0**	1.9
Foreign exchange gain	**0.1**	0.3
Carried forward	**(2.3)**	(2.4)

27 Post balance sheet event
There are no post balance sheet events to report.

28 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 12 contains information about the assumptions and their risk factors relating to goodwill impairment. In Note 18 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.

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.

Warranty provisions
A number of accounting estimates and judgements are incorporated within the provisions for warranty. These are described in more detail in Note 22.

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 26a.

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 26b.

Identity of related parties
The Group has a related party relationship with its subsidiaries (principal subsidiaries are listed in Note 14 on page 70), with its key management personnel and directors of subsidiary entities. Key management personnel are deemed to be the directors (including the non-executive directors) and the members of the Operations Executive as set out on page 41.

29 Related Party Transactions

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 2010 totalled €522,834, £448,631 (2009: €250,038, £223,328). At 31 December 2010, there was €79,282, £68,030 outstanding, payable by Alu Spa (2009: €79,629, £71,218). Purchases of Alu products and services by Gruppo Manfrotto companies in 2010 totalled €25,084, £21,524 (2009: €14,313, £12,801). At 31 December 2010, there was €6,006, £5,154 outstanding and payable to Alu Spa (2009: €3,621, £3,239).

Warren Parece, who was Operations Manager of the IMT business unit during 2010, is the owner of WJP LLC, the landlord at 15 Thornton Avenue, Haverhill, Massachusetts from which Microwave Service Corporation operates. The lease was terminated in 2010. In 2010, up to the point of termination, the total value of the transaction was $52,500, £33,860 (2009: $90,000, £57,630). At 31 December 2010, there were no amounts outstanding and payable to WJP LLC (2009: £nil).

Craig Schiller is General Manager of Bexel Broadcast Services and also inventor of a computer-based process named Sharp Shot which was provided to the broadcast market through Bexel. Craig Schiller was, in turn, compensated by Bexel for the provision. Payments to Craig Schiller in 2010 totalled $3,000, £1,935 (2009: £nil). This agreement was terminated in 2010.

Jeffrey Winemiller was Senior Vice President of Strategy and Business Development of the IMT business unit. He is also joint 80% owner of PSEN LLC and PMNI LLC, companies to which IMT companies provide products and services. Sales of products and services to PSEN LLC and PMNI LLC in 2010 totalled $9,600, £6,192 (2009: $21,525, £13,783). At 31 December 2010, there was $800, £516 outstanding and payable by PSEN LLC (2009: $800, £512).

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 2010 totalled €142,000, £121,847 (2009: €205,000, £183,347). At 31 December 2010, there were no amounts outstanding (2009: £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 2010 totalled €5,400, £4,634 (2009: €5,400, £4,830). At 31 December 2010, there were no amounts outstanding (2009: £nil).

Greg Cooney is Managing Director of Manfrotto Distribution UK Ltd. Mr Cooney's son, Philip, provides office cleaning and occasional administration services to Manfrotto Distribution UK. During 2010, £5,560 was paid to Philip Cooney in respect of these services (2009: £5,270). At 31 December 2010, there was £nil outstanding and payable (2009: £nil).

Transactions with key management personnel

In the year ended 31 December 2010, the Group Chief Executive, Stephen Bird, and the Group Finance Director, Richard Cotton, were directors of the Company and also members of the Operations Executive. 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 0.2% (2009: 0.101 %) of the shares of the Company.

Non-executive directors control 0.142% (2009: 0.143%). Members of the Operations Executive control 0.275% (2009: 0.25%) 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 2010 was: salaries £966,170 (2009: £905,404); performance-related bonuses £680,804 (2009: £343,577); and short term employee benefits (company car and medical insurance) £63,650 (2009: £60,660).

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 2010 arising from share incentive awards was £686,000 (2009: £629,000).

Company Balance Sheet

As at 31 December 2010

	Notes	2010 £m	2009 £m
Fixed assets			
Tangible assets	g	1.3	1.4
Investments	h	293.2	319.3
		294.5	320.7
Current assets			
Debtors	i	1.9	3.0
Cash at bank and in hand		2.9	5.7
		4.8	8.7
Creditors - due within one year	j	(8.2)	(11.9)
Net current liabilities		(3.4)	(3.2)
Total assets less current liabilities		291.1	317.5
Creditors - due after more than one year	j	(95.8)	(117.1)
Net assets		195.3	200.4
Capital and reserves			
Called up share capital	k	8.6	8.6
Share premium account	l	9.6	9.0
Capital redemption reserve	l	1.6	1.6
Revaluation reserve	l	0.9	0.9
Merger and other reserves	l	53.7	53.7
Profit and loss account	l	120.9	126.6
Shareholders' funds - equity		195.3	200.4

Approved by the Board on 2 March 2011 and signed on its behalf.

Stephen Bird
Group Chief Executive

The Vitec Group plc
Registered in England no. 227691

Reconciliation of Movements in Shareholders’ Funds

For the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the financial year	2.3	11.2
Dividends	(7.9)	(7.8)
Retained profit for the year	(5.6)	3.4
Equity settled transactions	1.0	0.7
Reserve for own shares	(1.1)	(0.6)
New share capital subscribed	0.6	0.9
Net increase in shareholders’ funds	(5.1)	4.4
Opening shareholders’ funds	200.4	196.0
Closing shareholders’ funds	195.3	200.4

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.

b) Accounting policies continued
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.

There are further disclosures regarding employee share schemes in Note 2 and Note 26a of the Group's Accounts.

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 18 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.

c) Employees

Aggregate remuneration of all employees during the year	2010 £m	2009 £m
Wages and salaries	**2.2**	2.2
Employers' social security costs	**0.2**	0.2
Employers' pension costs	**0.2**	0.2
	2.6	2.6

	2010	2009
Average number of employees during the year	**16**	16

The above tables include the Company's two executive directors.

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

d) Audit fees

The audit fee in respect of the parent company was £0.1 million.
Further details of the Group audit fee can be in Note 6 of the Consolidated Accounts.

e) Dividends

The aggregate amount of dividends comprises:	2010 £m	2009 £m
Final dividends paid in respect of prior year but not recognised as liabilities in that year	4.6	4.7
Interim dividends paid in respect of the current year	3.3	3.1
Aggregate amount of dividends paid in the financial year	7.9	7.8

A final 2010 dividend of 11.4p 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 FRS17 'Retirement benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme. At 31 December 2010, the UK scheme had a deficit of £2.3 million (2009: £6.1 million deficit). The Scheme closed to future benefit accrual with effect from 31 July 2010.

The contributions paid by the Company in the year amounted to £0.1 million (2009: £0.2 million). The expected Company contributions in 2011 are £0.2 million.

Further details of the UK pension scheme are disclosed on pages 86 to 91.

g) Tangible fixed assets

	Total £m	Land and buildings £m	Equipment, fixtures and fittings £m
Cost or valuation			
At 1 January 2010 and 31 December 2010	3.2	3.0	0.2
Depreciation			
At 1 January 2010	1.8	1.6	0.2
Charge for the year	0.1	0.1	-
At 31 December 2010	1.9	1.7	0.2
Net book value			
At 1 January 2010	1.4	1.4	-
At 31 December 2010	1.3	1.3	-

	2010 £m	2009 £m
Net book value of land and buildings at cost or valuation comprise the following		
Carried at valuation (open market basis - 31 March 1989)	1.3	1.4
Freehold	1.3	1.4

The land and buildings shown above at a re-valued net book value of £1.3 million would have been stated under historical cost at £0.7 million and a net book value of £0.1 million.

Notes to the Company Accounts continued

g) Tangible fixed assets continued

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	
	2010 £m	2009 £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 2010	**325.0**	**212.4**	**112.6**
Reduction in year	**(5.5)**	**(5.5)**	**-**
Disposals	**(2.0)**	**(2.0)**	**-**
Loan reductions	**(24.3)**	**-**	**(24.3)**
At 31 December 2010	**293.2**	**204.9**	**88.3**
Provision			
At 1 January 2010	**5.7**	**5.7**	**-**
Decrease in year	**(3.7)**	**(3.7)**	**-**
Disposal in year	**(2.0)**	**(2.0)**	**-**
At 31 December 2010	**-**	**-**	**-**
Net Book Value			
At 1 January 2010	**319.3**	**206.7**	**112.6**
At 31 December 2010	**293.2**	**204.9**	**88.3**

i) Debtors

	2010 £m	2009 £m
Amounts falling due within one year		
Amounts owed by subsidiaries	**0.9**	0.7
Other debtors	**0.4**	0.7
Derivative financial instruments - forward and option exchange contracts	**0.1**	1.4
Deferred tax asset	**0.2**	-
Prepayments and accrued income	**0.3**	0.2
	1.9	3.0

The deferred tax asset arose on recognition of temporary differences in respect of losses and fixed assets.

j) Creditors

	2010 £m	2009 £m
Amounts falling due within one year		
Bank overdraft (unsecured)	-	1.6
Amounts owed to subsidiaries	5.1	7.2
Derivative financial instruments - forward and option exchange contracts	0.1	1.4
Other creditors	0.4	0.1
Accruals and deferred income	2.6	1.6
	8.2	11.9
Amounts falling due after more than one year		
Bank loans (unsecured)	34.8	52.7
Amounts owed to subsidiaries	61.0	64.4
	95.8	117.1

Contingent liabilities

There are no contingent liabilities at 31 December 2010 (2009: £nil).

k) Share capital

As agreed by the shareholders at the 2010 Annual General Meeting, the Company's Articles of Association were amended with effect from 17 May 2010 to remove the requirement for the Company to have an authorised share capital, the concept of which was abolished under the Companies Act 2006.

	Number of shares	Nominal value £m
Issued and fully paid		
At 1 January 2010	42,949,175	8.6
Exercise of share options	203,159	-
At 31 December 2010	43,152,334	8.6

i) Share based payments

Details of the share based payments can be found on pages 82 to 85.

ii) Share option schemes

Details of the share option schemes can be found on pages 82 to 85.

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 2010	9.0	1.6	0.9	9.7	44.0	126.6
Dividends paid	-	-	-	-	-	(7.9)
Own shares (Employee benefit trust) purchased	-	-	-	-	-	(1.1)
Own shares (Employee benefit trust) - transferred from Treasury	-	-	-	-	-	(0.7)
Own shares (Treasury) - transferred to the Vitec employee benefit trust	-	-	-	-	-	0.7
Equity settled transactions	-	-	-	-	-	1.0
Premium on new shares issued	0.6	-	-	-	-	-
Profit for the year	-	-	-	-	-	2.3
At 31 December 2010	9.6	1.6	0.9	9.7	44.0	120.9

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

	2010 £m	2009 £m
Bank overdrafts	-	1.6
Bank loans	34.8	52.7
Gross financial liabilities	34.8	54.3

ii) Maturity profile of liabilities

	2010 £m	2009 £m
Within one year	-	1.6
More than one years, but not more than five years	34.8	52.7
	34.8	54.3

The total amount of bank loans and overdrafts any part of which falls due after 5 years is £nil (2009: £nil).

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

	2010 £m	2009 £m
Expiring in less than one year		
- uncommitted facilities	15.3	15.0
More than one year but not more than five years		
- committed facilities	90.2	72.3
Total	105.5	87.3

On 8 August 2008 the Company signed a 5 year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate of five UK and European banks.

iii) Interest rate profile

Currency	Floating rate borrowings £m
Yen	2.4
US$	25.6
Euro	6.8
Sterling	-
At 31 December 2010	**34.8**
Yen	2.3
US$	30.4
Euro	11.6
Sterling	10.0
At 31 December 2009	54.3

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

m) Financial instruments continued

b) Financial assets

Currency	Floating rate 2010 £m	Floating rate 2009 £m
Sterling	2.7	5.4
Euro	0.2	0.3
	2.9	5.7

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

Sterling, US$ and Euro 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

The table below shows the fair values of financial assets and liabilities. Carrying values are not significantly different to the fair values.

	Fair value 2010 £m	Fair value 2009 £m
Cash at bank and in hand	2.9	5.7
Bank overdraft	-	(1.6)
Floating rate borrowings	-	(52.7)
Forward exchange contracts - Assets	0.1	1.2
Forward exchange contracts - Liabilities	(0.1)	(1.2)
Option exchange contracts - Assets	-	0.2
Option exchange contracts - Liabilities	-	(0.2)
	2.9	(48.6)

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 exchange contracts are marked to market by obtaining quotes from banks of their market value as at 31 December.

Notes to the Company Accounts continued

m) Financial instruments continued

i) Maturity profile of derivatives

	2010 Within one year £m
Forward exchange contracts - Assets	**0.9**
Forward exchange contracts - Liabilities	**(1.0)**
	(0.1)

	2009 £m
Forward exchange contracts - Assets	1.5
Forward exchange contracts - Liabilities	(0.3)
Option exchange contracts - Assets	0.2
	1.4

The Group's foreign exchange hedging policy is set out in the Financial Review and Note 18 of the Consolidated Accounts.

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

The Company has a related party relationship with its directors and key management personnel as disclosed in the Remuneration Report and Note 29 of the Consolidated Accounts.

There are no other related party transactions to disclose.

o) Post Balance Sheet Events

The financial statements were authorised for issue by the Board on 2 March 2011. There were no events after the balance sheet date that require disclosure.

Five Year Financial Summary

Year ended 31 December 2010

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Revenue	**309.6**	315.1	337.7	273.8	222.3
Operating profit before significant items	**27.7**	24.5	38.4	32.6	25.2
Net interest on bank borrowings	**(1.2)**	(1.6)	(3.1)	(2.6)	(1.4)
Other financial income/(expense)	**0.2**	(0.2)	0.1	0.3	0.3
Profit before tax and significant items	**26.7**	22.7	35.4	30.3	24.1
Cash generated from operating activities	**34.6**	42.8	44.3	33.8	28.7
Net interest paid	**(1.2)**	(2.1)	(3.6)	(3.0)	(1.5)
Tax paid	**(0.9)**	(4.3)	(6.7)	(9.5)	(5.5)
Operating cashflow	**32.5**	36.4	34.0	21.3	21.7
Net capital expenditure on property, plant and equipment and intangible assets excluding goodwill	**(14.5)**	(13.7)	(15.0)	(16.6)	(11.2)
Free cash flow [1]	**18.0**	22.7	19.0	4.7	10.5
Capital employed					
Intangible fixed assets	**51.8**	58.2	71.6	55.5	34.1
Tangible fixed assets	**53.4**	54.6	63.6	45.6	35.1
Investment in equity-accounted investment	**-**	-	-	1.3	0.7
Other net assets	**27.0**	21.9	34.9	21.8	21.8
	132.2	134.7	170.1	124.2	91.7
Financed by					
Shareholders' funds - equity	**124.3**	111.2	133.4	97.3	76.8
Net debt	**28.1**	40.6	53.0	38.4	18.9
Deferred tax	**(20.2)**	(17.1)	(16.3)	(11.5)	(4.0)
	132.2	134.7	170.1	124.2	91.7
Statistics					
Operating profit (%) before significant items	**8.9**	7.8	11.4	11.9	11.3
Effective tax rate (%) before significant items	**33.0**	31.7	33.9	37.0	40.0
Adjusted basic earnings per share (p)[2]	**41.9**	36.5	55.9	46.0	35.3
Basic earnings per share (p)	**42.8**	7.5	48.0	44.1	32.6
Dividends per share (p)	**19.0**	18.3	18.3	17.8	16.5
Year-end mid-market share price (p)	**585.0**	389.0	235.5	585.0	528.5

[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, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Telephone 0871 664 0300 (Calls cost 10p per minute plus any network extras. Lines are open from 8.30am-5.30pm Monday to Friday) or if calling from overseas +44 (0)20 8639 3399.

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 2010 to the Dividend Reinvestment Plan, application forms must be received by the Registrars by no later than 26 April 2011. Details on the Dividend Reinvestment Plan can be obtained from Capita Registrars on 0871 664 0300 (Calls cost 10p per minute plus any network extras. Lines are open from 8.30am-5.30pm Monday to Friday) or if calling from overseas +44 (0)20 8639 3399. 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.capitashareportal.com and selecting The Vitec Group plc you will find details of the 2011 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. Shareholders who hold their shares through CREST may use the CREST voting facility as provided by Euroclear UK & Ireland Limited. 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 0871 664 0300 (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 2010 payable on 20 May 2011 must be received by Capita Registrars no later than the record date for the final dividend, 26 April 2011.

Share price information
The middle market price of a share of The Vitec Group plc on 31 December 2010, the last dealing day of 2010, was 585p. During the year, the share price fluctuated between 375p and 590p. 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 also available from the Cityline service operated by the Financial Times by telephoning 09058 171 690.

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 2010 final dividend	20 April 2011
Record date for 2010 final dividend	26 April 2011
Annual General Meeting	19 May 2011
Interim management statement	19 May 2011
2010 final dividend payment date	20 May 2011
Announcement of 2011 half year results	16 August 2011
Proposed 2011 interim dividend payment date	October 2011
Interim management statement	November 2011

Analysis of shareholdings as at 31 December 2010

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	546	50.42	209,709	0.49
1,001 to 5,000	313	28.90	733,023	1.70
5,001 to 10,000	66	6.09	500,426	1.16
10,001 to 50,000	80	7.39	1,732,491	4.01
50,001 to 100,000	20	1.85	1,537,316	3.56
100,001 and over	58	5.35	38,439,369	89.08
	1,083	100.00	43,152,334	100.00
Institutions and companies	367	33.89	40,751,180	5.56
Individuals including directors and their families	716	66.11	2,401,154	94.44
	1,083	100.00	43,152,334	100.00

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