vitec

VITEC GROUP

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: Videocom, Imaging & Staging and Services.

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

Imaging & Staging designs, manufactures and distributes equipment and accessories for photography, video and events.

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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Key Performance Indicators (KPIs)
The Board and Operations Executive monitor a number of financial and non-financial KPIs to measure our performance over time. Details of our KPIs can be found on the following pages:

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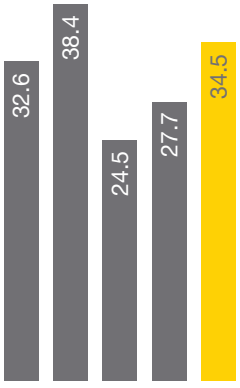
Highlights

Key points

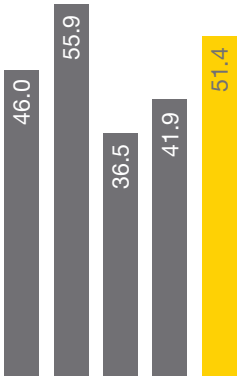
- Revenue growth of 13.4% and a 24.5% increase in operating profit*
- Growth in Broadcast and Video markets
- Manfrotto Powerbrand products selling ahead of our expectations
- Acquisition and successful integration of the Lastolite lighting accessories business
- Completion of Haigh-Farr acquisition to complement our MAG activities
- Profit before tax* rose by 23.6% to £33.0 million
- Recommended 9.6% increase in final dividend to 12.5 pence per share gives rise to a full year dividend of 20.5 pence per share

Revenue
£m

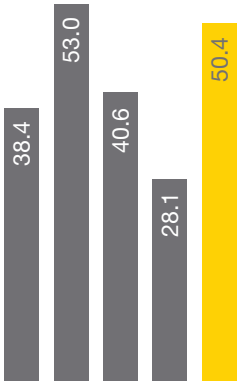
Operating profit*
£m



Adjusted basic earnings per share*
pence



Net debt
£m



Revenue
£351.0m

Operating profit*
£34.5m

Adjusted basic earnings per share*
51.4p

Net debt
£50.4m

* 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 2.2 to the consolidated financial statements 2011).

The Group at a glance

Videocom Division

Premium broadcast equipment
Supports / LED lighting / mobile power / bags / prompters

LITE PANELS®

Vinten

sachtler®

autoscript a clearer picture

Vinten RADAMEC BROADCAST ROBOTICS

anton bauer

oconnor

PETROL BAGS™

tcs equipment hire

Law enforcement and defence microwave video solutions
Video transmission / receive systems / speciality antennae

IMT INTEGRATED MICROWAVE TECHNOLOGIES

HAIGH-FARR

TV news & broadcast microwave video solutions
Video transmission / receive systems

Nucomm

MICROWAVE SERVICE COMPANY

RF CENTRAL

Vitec benefits significantly from the wide geographical spread of its business. In 2011, 45% of our revenues by destination came from North America, with the remainder split between Europe (33%), Asia Pacific (17%) and Rest of World (5%). Only 7% of our revenue is derived from the UK. We currently have a direct presence in 14 countries around the world: the UK, USA, Mexico, Brazil, Costa Rica, France, Germany, Italy, Netherlands, Slovakia, Israel, Japan, China and Singapore.

Imaging & Staging Division

Premium photographic equipment
Supports / bags / LED lighting / lighting accessories

Manfrotto
Imagine More

GITZO

KATA Lightweight Protection

NATIONAL GEOGRAPHIC *

Lastolite™ Professional

AVENGER

Colorama

Staging systems

BRILLIANT STAGES

TOMCAT
STAGING, LIGHTING AND SUPPORT SYSTEMS

LITEC

* Manufactured and distributed under licence

Services Division

Broadcast production support
Equipment rental and used equipment sales / fibre optic integration and installation

bexel

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Chairman Michael Harper looks ahead with confidence

The Group has achieved strong results for 2011 despite an uncertain economy, building on our Three Market Strategy with both organic growth and the acquisitions of Lastolite and Haigh-Farr.

Revenue was £351.0 million compared to £309.6 million in 2010 (13.4% higher). We are pleased to have delivered profit before tax* of £33.0 million compared to £26.7 million in 2010. Basic earnings per share before Significant items are 51.4 pence compared to 41.9 pence in 2010. This result has been delivered against the background of continuing uncertainty in the global economy and investment in our business, notably the Manfrotto Powerbrand initiative. Your Company is well positioned and the Board is confident in the prospects for future growth with a clear strategy, excellent products, a focused and dedicated management team and an appropriate level of committed finance to support delivery.

The Board has recommended a final dividend of 12.5 pence per share (2010: 11.4 pence per share) that will be subject to approval at the Company's Annual General Meeting to be held on Tuesday, 8 May 2012. If approved, the final dividend will be paid on Friday, 11 May 2012 to shareholders on the register at the close of business on Friday, 20 April 2012. The full year dividend of 20.5 pence per share (2010: 19.0 pence per share) equates to a dividend cover of 2.5 times (2010: 2.2 times) based on basic earnings per share before Significant items. We will again be offering the Dividend Reinvestment Plan for the final dividend to enable shareholders to reinvest their dividend into Vitec shares should they wish.

Your Company is well positioned and the Board is confident in the prospects for future growth with a clear strategy, excellent products, a focused and dedicated management team and an appropriate level of committed finance to support delivery.

Significant progress has been made in 2011 on the growth strategy. The broadcast and video market continued to recover. Our product businesses have each performed strongly, especially in the Asian and Middle East markets. In the photographic market, we began to see the benefits of improved sales thanks to the launch of an integrated range of products under the Manfrotto brand. This range was only fully distributed throughout our key markets from September 2011 and we have gained market share since then. The MAG market has proven more challenging given the background of potential defence spending constraints but law enforcement remains resilient. We continue to pursue significant acquisition opportunities in this market with our proven technology.

To support our growth strategy we made two acquisitions in 2011. In March 2011 we acquired Lastolite for consideration of up to £9.8 million. This UK based business is a leading designer, manufacturer and supplier of lighting control accessories and backgrounds for the photo, video and cinema industry. Since acquisition this business has been successfully integrated into the Group and is performing in line with expectations. In mid-December 2011, we acquired Haigh-Farr, a world leader in the design, development and manufacture of flight body antennae for simple and sophisticated communication applications for an initial cash consideration of $31.0 million (£20.0 million). Haigh-Farr will complement the existing MAG activities of the Group.

The Board has undergone a series of changes in 2011. Will Wyatt stood down from the Board after nine years' service at the conclusion of the Annual General Meeting on 19 May 2011. I would like to place on record the Board's thanks to Will who gave valuable service during this period, notably to the Remuneration Committee and in the role of Senior Independent Director. Nigel Moore has succeeded Will as Senior Independent Director. Following Richard Cotton leaving as Group Finance Director on 4 February 2011 we have appointed Paul Hayes as Group Finance Director with effect from 13 June 2011. Nick Humby acted as Interim Chief Financial Officer in the period between these changes and provided excellent support to the Board in this role. The Board has also focused on succession amongst the independent Non-Executive Directors taking into account the need for the right skills and diversity. The Board appointed John Hughes with effect from 11 March 2011 and Carolyn Fairbairn with effect from 1 February 2012 as independent Non-Executive Directors. Both bring excellent skills to the Board particularly in the MAG and Broadcast sectors and listed company environment.

During 2011 the Board has undertaken its first externally facilitated evaluation in compliance with the UK Corporate Governance Code. The output is summarised in greater detail in the Corporate Governance section of the Annual Report, however the headline output is that the Board is highly capable, effective and compliant, and has strong governance in place. The Board further considered the issue of diversity in light of Lord Davies' report on Women on Boards and the need for companies to report on the issue of diversity. We published our diversity statement in September 2011 and are working in accordance with it.

Finally, on behalf of the Board I would like to thank our employees for their commitment to, and passion for, the Company, particularly enabling significant progress on the Three Market Strategy and delivering a good result for 2011.

Michael Harper
Chairman

* Before Significant items. Significant items are those items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the underlying trading and financial performance achieved by the Group (see Note 2.2 to the consolidated financial statements 2011).

Group Chief Executive Stephen Bird reviews performance and strategy

Group revenue
£351.0m

Up
+13.4%

Revenue £m

Our strong performance in 2011 was driven by sales of established products, the launch of new products including Manfrotto Powerbrand and an earnings enhancing acquisition.

Financial performance
Vitec delivered strong profitable growth in 2011 as we continued to execute our Three Market Strategy.

Reported revenue rose by 13.4%, to £351.0 million (2010: £309.6 million) including contributions for part of the year from Lastolite acquired in March 2011 and Haigh-Farr acquired in December 2011. Revenue was boosted by strong growth in our broadcast and photographic equipment markets and continued progress in a lumpy MAG market.

Reported operating profit* increased by 24.5% to £34.5 million (2010: £27.7 million), with organic growth of 18.0% at constant exchange rates. The operating margin increased to 9.8% (2010: 8.9%). Reported Group profit before tax* was 23.6% higher at £33.0 million or 16.8% on an organic basis at constant exchange rates. Underlying Group basic earnings per share* was up 22.7% at 51.4 pence per share (2010: 41.9 pence per share).

Cash generation was good and as planned, with free cash flow of £17.3 million (2010: £18.0 million) after increases in inventory and receivables to support sales growth and new product launches including Manfrotto Powerbrand. The working capital to sales ratio remained steady at 15.9% (31 December 2010: 15.8%).

Net debt at 31 December 2011 was £50.4 million (31 December 2010: £28.1 million) with the increase primarily reflecting £28.7 million of acquisitions made in the year. This was financed by £24.4 million of drawings under our £100 million revolving credit facility and $50 million (£32.2 million) drawn from a new $75 million Private Placement shelf facility that was put in place during the year. Vitec's balance sheet remains strong with a year-end net debt to EBITDA ratio of 1.0 times (31 December 2010: 0.7 times).

Three Market Strategy
We continued to execute successfully our Three Market Strategy in 2011.

Broadcast and video
We have leading brands in the broadcast and video market which comprises products and services aimed at television networks and studios (broadcast) and corporate, religious and educational entities (video).

In the broadcast sector we have continued to maintain our premium market position and believe that we have increased our share of this market through our ability to bundle products for broadcast studios and on-location needs. In the video sector we launched a major new range of supports, the Sachtler Ace, designed for the needs of the independent cameraman.

* 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 2.2 to the consolidated financial statements 2011).

Photographic
We continued to supply our range of products (tripods, heads, bags, and lighting supports and controls) to the professional photographic segment. We have also invested in and launched a new range of tripods, bags, lighting and other photographic products to the consumer segment as part of our Manfrotto Powerbrand sales initiative.

In the professional segment, we continued to serve the traditional photographic speciality stores. In the consumer segment, we increased our penetration in consumer electronics stores and in mass merchandiser outlets as well as online. Based on independent research data, we have increased our market share in the US and in Europe in tripods and bags.

Military, aerospace and government (MAG)
We continue to leverage our broadcast microwave technology into the MAG market. We have had success in winning significant orders particularly in the law enforcement segment and have begun to make inroads in the defence segment, especially for unmanned applications, though the precise timing of future orders remains uncertain.

Product development
We continue to invest in new products and enhancements to our existing range and in our research, development and engineering capabilities. After adjusting for capitalised expenditure of £0.1 million (2010: £1.5 million) and amortisation of £0.5 million (2010: £0.2 million), research, development and engineering expenditure on a like-for-like basis was £11.8 million (2010: £10.6 million). This represents an investment equal to 4% of Group product sales (2010: 4%) after adjusting for £0.5 million of expenditure incurred in the Clear-Com business which was sold in 2010.

Acquisitions and disposals
We acquired Lastolite in March 2011 for a total potential consideration of £9.8 million to augment our range of lighting accessories for the photographic market. Lastolite supplies a market-leading range of lighting controls such as reflectors and has been successfully integrated into our Imaging & Staging Division.

As part of our growth into the MAG market, we acquired Haigh-Farr in mid-December 2011 for an initial cash consideration of $31.0 million (£20.0 million) subject to working capital adjustments. Haigh-Farr designs, develops and manufactures high performance antennae for defence, space and commercial applications and we are confident that it will enhance our penetration into these markets.

Our people
We continue to invest in the development of our people as the capability and capacity of our organisation is a core component of our strategy. In 2012 we will continue to focus on attracting and engaging the very best talent.

Opportunities for 2012 and beyond
We have good short, mid and long-term prospects in our three main markets. The broadcast market is anticipated to benefit from continued changes in camera technology and has become less dependent on advertising revenue as subscription television gains in popularity. Whilst cost pressures in the MAG market continue and the timing of the awards of large contracts remains variable, we believe that we are well-placed given our focus on intelligence, surveillance and reconnaissance, especially on unmanned applications. Photography continues to attract new customers as the number and type of image-taking devices increases and the distribution of images via social media becomes more popular.

Summary and outlook
In 2011 we achieved strong sales growth in the Broadcast market where Vitec has an extensive global presence with well-established market leading products. We have continued to invest in new product development and early sales of our Manfrotto Powerbrand have exceeded expectations. We have added market leading products and technologies through our Lastolite and Haigh-Farr acquisitions and made encouraging progress in the lumpy MAG market.

Although the macroeconomic environment is uncertain, we are investing in three core markets that we believe have good underlying growth drivers. We therefore anticipate another year of progress in 2012.

Stephen Bird
Group Chief Executive

3 market strategy >

Vitec supplies the broadcast market with a variety of products and services to assist in the capture and transmission of video images. The products manufactured or sourced by Vitec are camera supports (pedestals, tripods and heads), bags, LED lights, prompters, mobile power (batteries and chargers) and microwave systems. The services provided by Vitec include broadcast equipment rental and installation.

We estimate that the broadcast and video market for products and services supplied by Vitec was worth around £750 million in 2011. This includes the traditional broadcast and film markets as well as the video production market.

Broadcast & video market update

THE GROWTH DRIVERS

Increase in video

There has been a significant increase in the amount of video being shot globally. This has been stimulated by the ease with which videographers can capture, edit and distribute content (for example, over the internet on YouTube and a greater popularity of hand-held devices). It has also grown thanks to the increased video capabilities of photographic cameras.

Broadcasters capital expenditure

Broadcasters are currently able to afford capital expenditure projects such as the construction or refurbishment of studios. Those broadcasters reliant on subscription income such as Sky and ESPN have performed well despite the downturn between 2009 and 2011 and have expanded with new operations globally. Likewise in emerging markets such as Brazil, China and the states of the former Soviet Union, there is a desire to upgrade old facilities and there is now the financial capability to do so. The savings offered by LED lighting compared with traditional lighting over the life of the product drive the replacement of those products too.

Higher production values

There is a continued trend towards higher production values and image quality in broadcast which is shortening camera replacement cycles. The first wave of high definition (1K) is well underway but there are further waves (2K and 4K) to come. In addition the need for creative differentiation has encouraged the development of new cameras which can offer a different image, for example a "film look" to a TV show.

3 market strategy

VITEC MARKET POSITION

Supports

With our multiple brands (comprising Vinten, Sachtler, OConnor, Vinten Radamec and Manfrotto) covering broadcast manual supports and robotic systems and supports for the video segment, we have the premium position and largest market share.

Lighting

Litepanels led the way in the adoption of LED lighting in the video segment and “on location” for broadcast. It is now also the leader in the use of LEDs for use in broadcast studios.

Bags

With our Petrol and Kata brands, we are the number one (by value) in the supply of bags for the video segment.

Mobile Power

Anton/Bauer is the leading brand with a number one position (by value) in the after-market for camera batteries and chargers in the broadcast sector.

Prompting

With our Autoscript brand, we are the number one (by value) for prompting equipment to the broadcast market.

Microwave Systems

IMT is the number two in the broadcast segment and the number one in the US video segment, where its equipment is also used in sports and entertainment applications.

Vitec has the **premium position** and largest market share

OUR STRATEGY

Broadcast equipment

To maintain our share and position in manual camera supports and portable power and to grow our share in robotic camera systems, in LED lighting and in microwave systems outside the US. We are investing in increasing our service offering to customers by creating bespoke one-stop solutions.

Broadcast services

To focus on large events where higher production values are most needed and to secure multi-year contracts for those events.

Video

To develop new products and new sales channels to grow our share of this fast growing segment which we serve primarily with our Sachtler and Manfrotto brands. We also bundle our products to offer a compelling package for this segment.

Other markets

Where attractive and feasible, we will leverage our products from the Broadcast market into other markets. An example of this is the use of our batteries and chargers for the US medical carts market.

Vitec supplies this market with a variety of products for the photographic camera. These comprise products manufactured or sourced by Vitec and third party products distributed by Vitec. The equipment manufactured or sourced by Vitec are camera supports (tripods and heads), bags, lighting supports, LED lights and lighting controls (for example, umbrellas and reflectors). The primary third party product distributed by Vitec is flash lights.

We estimate that the photographic market for product categories supplied or distributed by Vitec was worth around £830 million in 2011. Of this market, approximately half is purchased by professional photographers who we have supplied historically and whose business is taking images. The remainder are sold to consumers, that we are now actively serving, who have a keen interest in photography or, increasingly, a new population of photographers who simply want to record and share images.

Photographic market update

THE GROWTH DRIVERS

Continued growth in sales of cameras

There has been continued growth in sales of cameras: digital SLR unit sales have been growing at over 20% per annum. Further growth of SLR volumes is expected due to the improved video capability of the latest models as video and photography converge. A new type of camera, known as compact inter-changeable or compact system cameras, has also been heavily promoted by manufacturers. These cameras are priced significantly higher than the old "point and shoot" camera and thus should generate demand for accessories.

The new social recorders

There is a new population of photographers who are interested in recording images. These "social recorders" are using smart phones with high mega-pixel lenses (such as the iPhone 4S) to take images and share them using social media networks. The emergence of a new middle class in BRIC countries has contributed significantly to this new population of photographers.

New distribution channels

The emergence of new distribution channels (such as online and in consumer electronics stores) for photographic products has helped stimulate demand from new consumers.

VITEC MARKET POSITION

Supports

With its high quality and innovative products sold under the Manfrotto and Gitzo names, we have the premier brands in photographic camera tripods and heads. We are the clear leader in terms of market share (by value) globally.

Bags

Sold under the Manfrotto, Kata and (under licence) the National Geographic brands, we continue to gain share in this large product category. We are a leader in the global market in terms of market share (by value).

Lighting

In lighting supports, which are primarily used in the professional sector, Manfrotto is the market leader (by value). In lighting controls such as umbrellas and reflectors, Lastolite is the market leader in EMEA and gaining share in the USA. In lighting, the use of LEDs is gaining prominence as a more efficient replacement for traditional lighting and Manfrotto is at the forefront of the introduction of LEDs.

Vitec has the **premier brands** in photographic camera tripods and heads

OUR STRATEGY

Professionals

To maintain our leadership in the professional and keen amateurs segments with our range of Manfrotto and Gitzo camera supports.

Consumers

To grow the Manfrotto brand and its market share by leveraging its strength into adjacent products (such as bags and lights), into premium consumer segments and into new distribution channels (such as consumer electronics stores and online).

To increase penetration of photographic products into the market by explaining better the benefits of the products and by engaging with customers.

To deliver an integrated range of accessories from the same manufacturer (Manfrotto): we are able to accompany a photographer throughout his entire imaging experience.

Vitec manufactures and supplies the MAG market with microwave transmitters and receivers and now antennae via Haigh-Farr, our most recent acquisition.

Vitec serves:

- **Law enforcement** agencies such as police departments – for example to send video signals from helicopters to ground patrols
- **3-letter agencies** such as the US Department of Justice who use microwave equipment for surveillance purposes
- **Defence** customers where microwave systems are used to recognise and assess threats more effectively

We estimate that the MAG market for products supplied by Vitec was worth around £400 million in 2011.

MAG market update

THE GROWTH DRIVERS

There is an increasing demand for real-time high quality video images to be transmitted and received wirelessly by law enforcement agencies and military users. This technology provides users with greater situational awareness, for example, for crowd control, and, in unmanned applications, minimises the potential loss of human life.

OUR STRATEGY

- To expand our product offering to include other major products in a microwave system besides transmitters and receivers
- To build on our leading market position in the law enforcement segment by continuing to offer the latest technology
- To leverage our good relationship with the US Department of Justice to win orders from other three letter agencies
- To become more widely known in the military segment and focus on unmanned applications

3 market strategy

ACQUISITION: HAIGH-FARR

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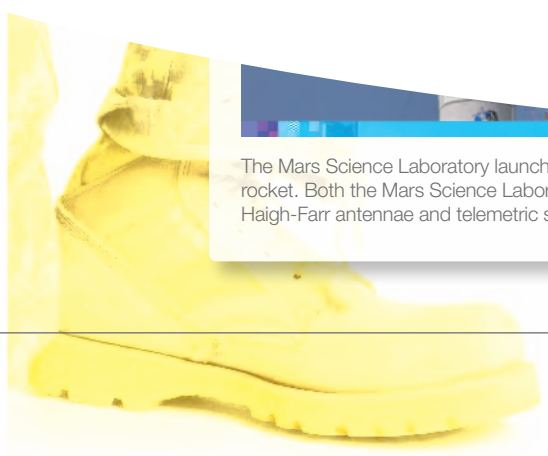


The Mars Science Laboratory launched in November 2011 by an Atlas V rocket. Both the Mars Science Laboratory and the rocket are installed with Haigh-Farr antennae and telemetric systems.

Group Finance Director Paul Hayes reviews performance

Vitec has continued to strengthen its business. The 2011 results have benefitted from market growth and the launch of new products. We have integrated Lastolite successfully into the Group and acquired Haigh-Farr. We continue to maintain strong control over our working capital.

Revenue
The Group's reported revenue increased by £41.4 million to £351.0 million which was a rise of 13.4% in the year. Acquisitions added £5.8 million and these were partly offset by the loss of £5.3 million of revenue from Clear-Com that was sold in the prior year. On an underlying basis, excluding the impact of £4.1 million of adverse changes in exchange rates and the net impact of acquisitions and disposals, revenue grew by £45.0 million or 15.0%.

Operating profit
Operating profit* rose by £6.8 million to £34.5 million with the Group's operating margin increasing by 90 basis points to 9.8%. The growth in operating profit consisted of a £5.0 million or 18.0% underlying increase, a £1.3 million net contribution from acquisitions/disposal and a £0.5 million benefit from favourable foreign exchange movements after a £1.8 million year-on-year benefit from hedging. There has been an increase in operating expenditure to support the launch of Manfrotto Powerbrand and the increase in sales volume across the Group. Our estimate of these main drivers are summarised in the following table:

Operating profit before Significant items*
2010-11 Variance Analysis (£ million)

2010 Operating profit*		27.7
Gross margin effects:		
- Volume, mix and efficiency	19.6	
- Sales price less cost inflation	(0.3)	
Operating expenses	(14.3)	
		5.0
Acquisitions/disposal		1.3
Foreign exchange effects:		
- Translation	(0.3)	
- Transaction after hedging	0.8	
		0.5
2011 Operating profit*		34.5

Net financial expense
Net financial expense before Significant items* totalled £1.5 million (2010: £1.0 million). Interest payable was £1.9 million (2010: £1.2 million) and was covered 26 times (2010: 36 times) by earnings before interest, tax, depreciation and amortisation. The higher finance costs reflect the level of debt and include the impact of a $50 million draw-down against the new $75 million Private Placement shelf facility which was put in place during the year.

Profit before tax
Profit before tax* increased by £6.3 million to £33.0 million (2010: £26.7 million). On an organic constant exchange rate basis this represents 16.8% growth. The reported profit before tax and after Significant items was up by 9.7% to £23.8 million.

Taxation
The effective taxation rate on operating profit after net finance expense but before Significant items* remained unchanged at 33% (2010: 33%). Our tax charge is higher than the UK statutory rate because the majority of our profits arise in overseas jurisdictions with higher tax rates.

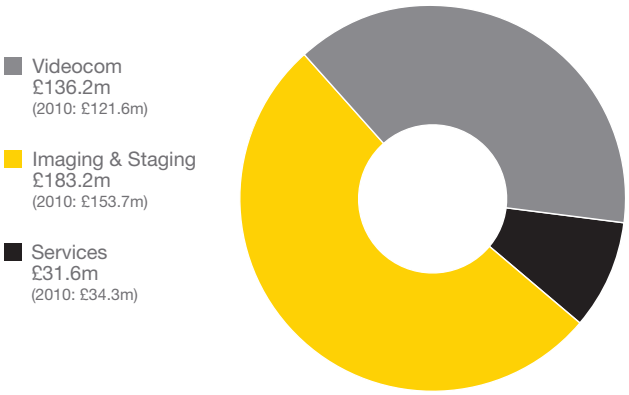
Earnings per share
Basic earnings per share* was 51.4 pence per share (2010: 41.9 pence per share) representing growth of 22.7%. This reflects the growth in operating profit* partly offset by a higher net finance expense and a higher weighted average number of shares. The basic earnings per share after Significant items was 34.7 pence per share (2010: 42.8 pence per share).

Group revenue
£351.0m
up 13.4%

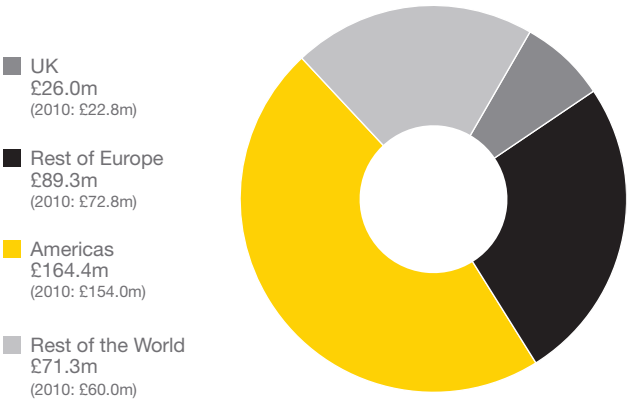
Group operating profit*
£34.5m
up 24.5%

Group basic earnings per share*
51.4p
up 22.7%

Revenue by Division



Revenue by Destination



Financial Key Performance Indicators

The Board and Operations Executive monitor a number of financial key performance indicators (KPIs), to measure our performance over time. Targets for these KPIs are set annually during our budgetary process, in line with our strategic objectives and may be subject to refinement in accordance with the needs of the business. Details of our performance against each of our finance related KPIs is set out below:

KPI Measure	2011	2010	Definition/Calculation
Delivering value to shareholders			
Basic earnings per share*	51.4p	41.9p	Profit for the financial year after tax, before Significant items divided by the weighted average number of shares in issue during the financial year.
Return on sales*	9.8%	8.9%	Operating profit for the financial year before Significant items, divided by revenue for the financial year.
Free cash flow	£17.3m	£18.0m	Cash generated from operations in the financial year after net capital expenditure (including capitalised software and development costs), interest and tax paid in the financial year.
Controlling our working capital:			
Working capital to sales	15.9%	15.8%	Working capital at the end of the financial year divided by annualised Q4 (October, November and December) revenue. Working capital at the end of the financial year comprises net inventories, trade and other receivables and trade and other payables.
Inventory days	109 days	104 days	Inventory, net of impairment provisions, at the end of the financial year divided by Q4 cost of sales (before exchange gains/losses) times number of days in Q4.
Trade receivable days	38 days	39 days	Trade receivables, net of impairment provisions, at the end of the financial year divided by Q4 revenue times number of days in Q4.
Trade payable days	49 days	44 days	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.
Growing the business			
Constant currency organic revenue growth	15.0%	4.3%	Constant currency 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 organic operating profit growth*	18.0%	3.2%	Constant currency operating profit of the current financial year (excluding operating profit from acquired businesses) divided by operating profit of the prior financial year (excluding operating profit 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 and operating profit for each month in the current financial year with no comparative amount in the same month of the prior financial year. **Divested businesses:** exclude external revenue and operating profit for each month in the prior financial year with no comparative amount in the same month of the current financial year.

* Before Significant items. Significant items are those items of financial performance that the Directors consider should be separately disclosed to assist in the understanding of the underlying trading and financial performance achieved by the Group (see Note 2.2 to the consolidated financial statements 2011).

Significant items
The 2011 Significant items relate to our acquisition activities and amortisation of previously acquired intangibles. The amortisation of acquired intangibles decreased to £3.2 million (2010: £7.6 million) mainly due to the intangibles acquired with IMT being fully amortised by the end of the first half of 2010.

There is a one-off £5.2 million goodwill impairment charge relating to the Group's full impairment of its investment in the Staging business (2010: £nil). While the business was trading in line with expectations in 2011, we have reassessed its longer-term prospects and concluded that these do not support the carrying value of goodwill.

Other Significant items in operating profit are acquisition costs of £0.8 million relating to the acquisitions of Lastolite and Haigh-Farr. There was no other significant net income during 2011 (2010: £2.5 million gain relating predominantly to the UK pension scheme curtailment).

Finance income included in Significant items is £nil (2010: £0.1 million gain due to currency movements on loans not accounted for as net investment hedges).

There was a tax credit of £2.0 million on these Significant items (2010: £5.4 million).

Acquisitions
We made two acquisitions during the year. In March 2011, we acquired Lastolite in the UK for an initial consideration of £8.8 million. It produces highly innovative products for amateur and professional photographers and also owns the Colorama brand of paper backgrounds. This business has been successfully integrated into the Imaging & Staging Division and is performing in line with pre-acquisition expectations. During December 2011, we also completed the acquisition of Haigh-Farr for an initial cash consideration of $31.0 million (£20.0 million). Haigh-Farr is a world leader in the design, development and manufacture of flight-body antennae for simple and sophisticated communication applications and represents an excellent complement to our current MAG focussed activities.

Cash flow and net debt
Cash generated from operating activities was £39.9 million (2010: £34.6 million). The positive cash generation this year is despite the investment made 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 within the Group.

We use the percentage of working capital to sales, inventory days, receivable days and payable days as key performance indicators of our control over working capital. For 2011 the ratios presented exclude Haigh-Farr as it was acquired in the last month of the year. The working capital to sales metric, which now excludes provisions and derivative instruments, has remained steady at 15.9% (31 December 2010: 15.8%).

Inventory rose £11.0 million to £66.4 million at the year-end, reflecting higher activity and holding levels and £2.8 million from acquired businesses. Inventory days increased to 109 (2010: 104 days). Trade receivables increased to £38.7 million (2010: £34.9 million), including £1.7 million from acquisitions, and trade receivable days improved to 38 (2010: 39 days). Trade payable days also improved to 49 (2010: 44 days). Inventory, trade receivable and trade payable days are stated at year-end balances; inventory and trade payable days are based on Q4 cost of sales (excluding exchange gains/losses) while trade receivable days are based on Q4 revenue.

Capital expenditure, including capitalised software and development costs, totalled £16.1 million (2010: £16.5 million), of which £6.4 million (2010: £3.8 million) related to rental assets, partly financed by the proceeds from rental asset disposals of £2.9 million (2010: £1.4 million). Overall capital expenditure was equivalent to 1.1 times depreciation (2010: 1.1 times).

Free cash flow

	Year ended 2011 £m	Year ended 2010 £m
Cash generated from operating activities	39.9	34.6
Purchase of property, plant and equipment	(13.7)	(13.8)
Capitalisation of intangible assets[+]	(2.4)	(2.7)
Proceeds from sale of property, plant and equipment	6.4	2.0
Net interest paid	(1.8)	(1.2)
Tax paid	(11.1)	(0.9)
Free cash flow	17.3	18.0

Net debt

	Year ended 2011 £m	Year ended 2010 £m
Free cash flow	17.3	18.0
Acquisitions and disposals[++]	(28.7)	4.6
Net cash used in financing activities	10.9	(27.4)
Decrease in cash and cash equivalents	(0.5)	(4.8)
(Proceeds from)/repayment of bank loans	(21.6)	19.0
Net cash (outflow)/inflow	(22.1)	14.2
Effect of exchange rate fluctuations on net debt	(0.2)	(1.7)
Net debt at 1 January	(28.1)	(40.6)
Net debt at 31 December	(50.4)	(28.1)

[+] Relates to capitalised software and development costs.

[++] Includes acquisitions of businesses, net of cash acquired; contingent consideration on acquisition of subsidiaries and proceeds from disposal of businesses.

Net tax paid in 2011 of £11.1 million was significantly higher than 2010 (£0.9 million), mainly due to tax refunds relating to Germany and the US that were received in 2010 and higher payments in Italy and the UK in 2011.

Free cash flow at £17.3 million (2010: £18.0 million) reflects the investment in working capital and increased interest and tax payments.

£28.7 million was spent on acquisitions during the year. Dividends paid to shareholders totalled £8.2 million (2010: £7.9 million) and there was a net cash outflow in respect of shares purchased and issued of £2.5 million (2010: £0.5 million). The net cash outflow for the Group was £22.1 million (2010: £14.2 million inflow) which, after £0.2 million adverse exchange (2010: £1.7 million) increased the net debt to £50.4 million (2010: £28.1 million).

Treasury
We manage our financing, hedging and tax planning activities centrally to ensure that the Group has an appropriate structure to support our geographically diverse business. We have clearly defined policies and procedures with any substantial changes to the financial structure of the Group, or to our treasury practice, referred to the Board for approval. We operate strict controls over all treasury transactions including clearly defined currency hedging processes to reduce risks from volatility in exchange rates.

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 2011 set out below:

We do not hedge the translation of our foreign currency profits. A portion of our foreign currency net assets are hedged using normal Group borrowings and in 2010 forward contracts were also used.

Financing activities
Our principal financing facility is a five-year £100 million committed multicurrency revolving loan agreement involving five banks, expiring on 8 August 2013. At the end of December 2011 £24.4 million (2010: £34.8 million) of the facility was utilised.

We expect to agree a new revolving credit facility by the end of 2012. Our cost of borrowing under this facility will reflect the prevailing lending rates at that time, an increase from the favourable rates available when the expiring facility was negotiated in August 2008.

During the year, a two year $75 million Private Placement shelf facility was put in place of which $50 million (£32.2 million) was drawn down in two tranches of $25 million each. The $50 million drawn down has a combined fixed interest rate of 4.77% and is due for repayment on 11 May 2017.

The average cost of borrowing for the year was 2.3% (2010: 1.3%). Net interest cost (consisting of net interest payable and commitment fees) was £1.9 million (2010: £1.2 million).

The Board has maintained an appropriate capital structure without exposing the Group to unnecessary levels of risk and it has operated comfortably within its loan covenants during 2011.

Foreign Exchange
2011 operating profit* benefitted from a £0.5 million favourable foreign exchange effect. The average £/$ and Euro/$ exchange rates were unfavourable compared to 2010 but this was more than offset by favourable £/$ and Euro/$ hedging contracts, which gave rise to the net gain.

Dividend
The Directors have recommended a final dividend of 12.5 pence per share amounting to £5.4 million (2010: 11.4 pence per share, amounting to £4.9 million). The dividend, subject to shareholder approval at the Annual General Meeting, will be paid on 11 May 2012 to shareholders on the register at the close of business on 20 April 2012. This will bring the total dividend for the year to 20.5 pence per share (up 7.9%).

Cutting clutter
In April 2011 the Financial Reporting Council ("FRC") published a discussion paper, "Cutting Clutter" which provides guidance on ways in which companies can reduce complexity in their annual reports and provide more focus on key information. In light of this publication, we have incorporated a number of changes into our 2011 Annual Report and Accounts to improve its presentation, focus on key governance, and to introduce greater clarity concerning the key accounting policies and their application.

Paul Hayes
Group Finance Director

Currency hedging

	December 2011	2011 Average rate	December 2010	2010 Average rate
US Dollars sold for Euros				
Forward contracts	$30.9m	1.38	$33.7m	1.37
US Dollars sold for Sterling				
Forward contracts	$11.4m	1.58	$8.1m	1.54
Net asset investment hedge	-	-	$12.5m	1.55

* 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 2.2 to the consolidated financial statements 2011).

Principal risks and uncertainties

We are exposed to a number of risk factors which may affect our performance. We have a well-established framework for reviewing and assessing these risks on a regular basis, and have put in place appropriate processes and procedures to mitigate against them. However, no system of control or mitigation can eliminate all risks. This is a summary of some of the principal risks facing the Group:

Specific Risk	Mitigation
Demand for our products	
Demand for our products may be adversely affected by many factors, including changes in customer and consumer preferences and our ability to deliver appropriate products or to support changes in technology. In addition, demand may be impacted by competitor activity and demand in our target markets reflecting the broader economic environment.	We value our relationships with our customers and closely monitor our target markets and user requirements. We make appropriate investments in product development and marketing activities to ensure that we remain competitive in these markets.
Major contract awards	
Our operating performance and cash flow may be dependent on the timing of major contract awards. The timing of the award of these contracts can be difficult to predict. In addition, the loss, suspension or cancellation of contracts may impact trading performance.	We attempt to gain a good understanding of likely demand through developing close relationships with our customers. We also have a broad range of contracts that reduce our dependence on any particular contract or customer. We actively review our orders and trading outlook and manage our resources in line with anticipated activity.
New markets and channels of distribution	
As we enter new markets and channels of distribution we may achieve lower than anticipated trading volumes and pricing levels or higher costs and resource requirements. This may impact the levels of profitability and cash-flows delivered.	We have a thorough process for assessing and planning the entry into new markets and related opportunities. We continuously assess our performance in these markets and the related opportunities and risks. We adapt our approach taking into account our actual and anticipated performance.
Acquisitions	
We continuously explore opportunities to enhance our business through development activities such as strategic acquisitions. This involves a number of calculated risks including: acquiring desired businesses on economically acceptable terms; integrating new businesses, employees, business systems and technology; and realising satisfactory post-acquisition performance.	We mitigate these risks by having a clear acquisition strategy with a robust valuation model. Thorough due diligence processes are completed including the use of external advisers where appropriate. There is a clear focus on integrating acquired businesses and monitoring post-acquisition performance.
Pricing pressure	
We might experience pricing pressure including challenges in raising prices or not recovering increases in commodity and other costs. If the price of products does not at least recover movements in commodity costs and other expenses and we are unable to reduce our expenses, our results could be adversely affected.	We ensure that our product and service offering remains competitive by investing in new product development and appropriate marketing and product support. This allows us to support price increases when required by working closely with our suppliers and managing our expenses and cost base appropriately.

Specific Risk	Mitigation
Dependence on key suppliers	
We source material and components from many suppliers in various locations and in some instances are more dependent on a limited number of suppliers for particular items.	We attempt to secure multiple sources of supply for all materials and components and develop strong relationships with our major suppliers. We review the performance of strategically important suppliers globally on an on-going basis.
Employees	
We employ over 2,000 people and are exposed to a risk of being unable to retain or recruit suitable talent to support the business.	We recognise that it is important to motivate and retain capable people across our businesses to ensure that we are not exposed to risk of unplanned staff turnover. We fairly reward our employees and have appropriate staff recruitment, appraisal, talent management and succession planning strategies to ensure we recruit and retain good quality people across the business.
Laws and regulations	
We are subject to a comprehensive range of legal obligations in all countries in which we operate. As a result, we are exposed to many forms of legal risk.	We have resources dedicated to legal and regulatory compliance supported by external advice where necessary. We enhance our controls, processes and employee knowledge to maintain good governance and to comply with new laws and regulations such as the provisions of the UK Bribery Act 2010.
Our reputation	
Damage to our reputation and our brand names can arise from a range of events such as poor product performance, unsatisfactory customer service, and other events either within or outside our control.	We recognise the importance of our reputation and attempt to identify any potential issues quickly and address them appropriately. We recognise the importance of providing high quality products, good customer service and managing our business in a safe and professional manner. This requires all employees to commit to and comply with the Vitec Code of Business Conduct.
Exchange rates	
The global nature of our business means we are exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions, and the translation of net assets and income statements of foreign subsidiaries and equity accounted investments.	We regularly review and assess our exposure to changes in exchange rates. We reduce the impact of sudden movements in exchange rates with the use of appropriate hedging activities on forecast foreign exchange net exposures. We do not hedge the translation effect of exchange rate movements on the Income Statement or Balance Sheet of overseas subsidiaries.

Videocom Division

Our Videocom Division specialises in the supply of high-quality equipment principally for professionals engaged in producing video content for the media industries globally – broadcast, film and live events. This equipment is also supplied to corporate, educational and religious entities producing video content which we define as the "business and industry" segment. More recently our mission-critical wireless communication and surveillance products have successfully entered the military, aerospace and government (MAG) markets.

Videocom's revenue for 2011 was £136.2 million (2010: £121.6 million), an increase of 12.0% or 18.4% in organic constant currency. This is after adjusting for the acquisition of Haigh-Farr that was acquired only a few weeks before the year-end and the disposal of Clear-Com in the prior year. Operating profit* rose 51.2% to £12.7 million, an increase of 31.0% in organic constant currency terms.

Sales of our supports, prompters and bags products grew strongly. This included contracts to supply television studios notably in Turkmenistan, Kazakhstan and China. In addition, we received significant orders for the Sachtler Ace range of supports that was launched in September 2011 specifically for the business and industry user. These products have patented pan and tilt technology and was launched under our market-leading Sachtler brand.

Our Litepanels LED lighting business grew sales by approximately 20% benefiting from continued adoption of LED technology by major US, European and Asian broadcasters in both studio and news gathering applications. LED lighting can meet a broadcast studio's lighting requirements with the benefits of lower power consumption and less heat than traditional lighting technologies generating a compelling investment case. We continue to launch new products including updating our range of LED lights targeted at the business and industry segment.

Anton/Bauer, our mobile power business, grew strongly in 2011. Sales of batteries and chargers for broadcast and film users were helped by the introduction of new "film-style" cameras. It has also achieved initial success in a new market of supplying batteries and chargers to power carts in hospitals. These carts house medical devices or electronic equipment and are increasingly being used in US hospitals.

IMT, our microwave systems business, has achieved sales growth in the MAG market where our products are used by law enforcement agencies and the armed forces. IMT also continued to win business in the broadcast market with noteworthy success in the US, Turkey, Russia and Brazil. In addition, we grew sales significantly in the sports and entertainment segment in the US where our equipment is used to interview teams and their fans.

Divisional revenue

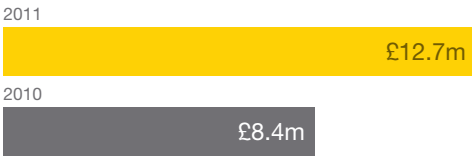
£136.2m

Up

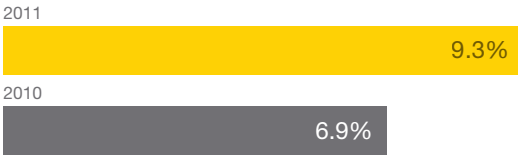
+18.4%**

Revenue

Operating profit*



Operating margin*



Our brands

Bags
Petrol

Equipment Rentals UK
TCS

Lighting
Litepanels

Microwave Systems
Haigh-Farr
IMT
Microwave Services Company
Nucomm
RF Central

Mobile Power
Anton/Bauer

Prompters
Autoscript

Supports
OConnor
Sachtler
Vinten
Vinten Radamec

* 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 2.2 to the consolidated financial statements 2011).

** At constant exchange rates excluding year-on-year effect of acquisition and disposal.

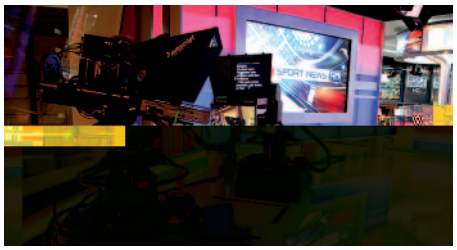
Key achievements

- Major project wins in Turkmenistan, Kazakhstan and China
- Strong sales by the Anton/Bauer mobile power business to broadcast and film users
- Continued strong growth of Litepanels' LED lighting as the product range is further developed
- Successful launch of the Sachtler Ace range of camera supports
- Vinten Radamec has won orders to supply studio equipment for Sky Sports' new Sky Deutschland 24 hour channel, with associated orders for Autoscript and Litepanels
- IMT received its first orders from the US Army for unmanned applications
- Completion of the Haigh-Farr acquisition in December 2011

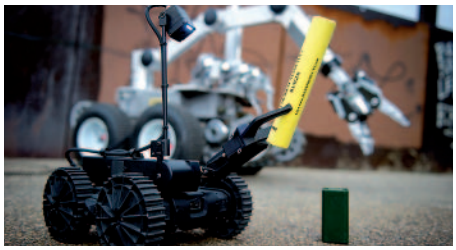
Case studies

Case study 1 - Sachtler Ace
Sachtler identified the potential opportunity to produce a camera support targeted at the independent cameraman who wanted an affordable yet quality product. Sachtler Ace was the result.

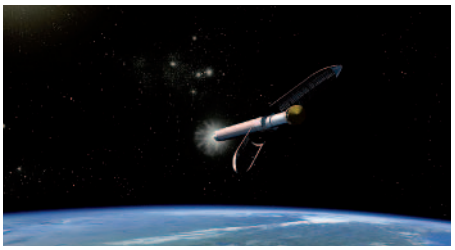
Case study 2 - Turkmenistan
The recently opened Turkmenistan TV Tower, one of the largest broadcasting facilities in Central Asia, chose to install Vitec Videocom equipment from many of its key brands. We have supplied the $450 million 700ft TV Tower with over 100 Vinten, Vinten Radamec and Sachtler products as well as several hundred Anton/Bauer batteries and chargers and Autoscript prompting equipment.



Case study 3 - Sky Deutschland
When Sky Sports decided to launch a 24 hour sports news channel in Germany, it turned to Vitec for its studio equipment. This equipment includes a Vinten Radamec robotic camera system and robotic pedestals and Autoscript prompters. In addition, Litepanels' LED lighting has provided significant reductions in energy consumption.



Case study 4 - Unmanned systems
IMT has expanded the applications for its equipment to encompass unmanned ground vehicles (UGVs) and unmanned aerial systems (UASs). In 2011, it received its first orders for a UAS programme and a UGV platform for the US Army which is expected to enter production in 2012.



Case study 5 - Acquisition of Haigh-Farr
As part of our strategy to supply the key elements of a microwave system, Vitec sought to acquire an antennae company and thus acquired Haigh-Farr in December 2011. Based in New Hampshire, US, Haigh-Farr supplies conformal antennae to a blue-chip list of customers mainly in the US.

Case study 6 - CCTV China
CCTV, the state broadcaster in China, is developing a new channel which will bring news and magazine programming from around the country. To support this extensive new operation it has invested in tripods, lighting and bags from Vitec Videocom. A wide range of products has been ordered totalling nearly 200 tripods, pedestals and heads from Sachtler and Vinten, over 200 Litepanels' luminaires and 350 Petrol bags.

Imaging & Staging Division

Our Imaging & Staging Division provides premium photographic and videographic equipment to both professional and non-professional users and staging systems for live events. The photographic and videographic equipment consists primarily of camera supports, tripods, equipment bags, lighting supports, LED lights and lighting accessories. The staging systems business supplies standard aluminium trusses and custom stage sets.

Revenue for 2011 was £183.2 million, an increase of 19.2% or 16.9% in organic constant currency after adjusting for the acquisition of Lastolite. Operating profit* rose 12.2% to £21.2 million (an increase of 11.2% in organic constant currency terms).

Our Supports business reported good growth in revenue. Our camera supports grew in the professional segment, with strong sales in video in particular, and there was significant success with consumer electronic stores for our tripods, designed for the non-professional user, where we have invested in the Manfrotto Powerbrand initiative. Sales of our Powerbrand products were ahead of our initial expectations and profits from these sales have broadly covered the launch costs this year. Our lighting supports sales grew in line with growth in the professional imaging markets.

Our branded Bags business grew sales by approximately 40% with a multi-brand strategy of collections designed to match the needs of different customer segments. Manfrotto offers robust urban bags; Kata provides lightweight protective bags for the professional; and there is a range targeted at the outdoor adventurer, manufactured and distributed under licence from National Geographic.

Our Lighting business began to sell LED lights under the Manfrotto name. These improve the quality of an SLR camera's high definition video and provide warm "fill-in" lighting in photographs. We believe there is a significant opportunity to use LEDs in place of traditional lighting technologies. Our lighting controls that include umbrellas and reflectors are mainly sold under the Lastolite brand which was acquired in March 2011. The acquisition contributed £5.7 million to our external revenue which was in line with our pre-acquisition plans.

Our Staging business grew sales in the year. Brilliant Stages supplied custom stages and engineered solutions for major tours including a large project for "Take That" in 2011. Litec and Tomcat, our brands that supply aluminium trusses for live events, also experienced increased business.

Divisional revenue

£183.2m

Up

+16.9%**

Revenue

Operating profit*

Operating margin*

Our brands

Supports
Avenger
Gitzo
Manfrotto

Bags
Kata
Manfrotto
National Geographic***

Staging
Brilliant Stages
Litec
Tomcat

Lighting
Colorama
Lastolite
Manfrotto

* 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 2.2 to the consolidated financial statements 2011).

** At constant exchange rates excluding year-on-year effect of acquisition.

*** Manufactured and distributed under licence

Key achievements

- Powerbrand sales were ahead of our initial expectations
- Success in penetrating new consumer electronic stores in the US, Europe and Far East
- Acquisition and successful integration of Lastolite with its leading position in lighting accessories including umbrellas and reflectors
- Collaboration between Manfrotto and Litepanels to develop a new range of LED lights aimed at the photographic market
- Seven “red dot” awards won in the year which recognise the leading design and innovation of our products

Case studies

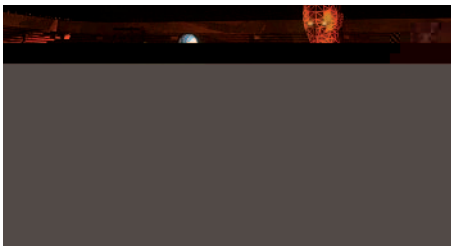
Case study 1 - Major accounts won
Part of our strategy is to penetrate the newer distribution channels such as consumer electronic stores and online. Manfrotto achieved considerable success in getting its products into consumer electronic stores. Examples include Best Buy and Target in the US, Dixons and Jessops in the UK, Yodobashi and Yamada in Japan and Mediamarkt and FNAC on Continental Europe.

Case study 2 - red dot and iF awards
We won seven red dot design awards in 2011 including four for our supports, two for our bags and one for our LED lights. These awards recognise the leading design and innovation in our products. We also won 6 iF (industry Forum) awards. Amongst the winning products, Manfrotto bags have enjoyed unprecedented success in their market share across the globe.

reddot design award
winner 2011

Case study 3 - Lastolite acquisition
With a leading position in lighting accessories such as umbrellas and reflectors, Lastolite was well-known to us as its products were distributed by Manfrotto. As part of the strategy to expand the range of products supplied, we acquired Lastolite in March 2011. It has been integrated according to our plan and will be expanding its existing site in 2012. The business was re-named Manfrotto Lighting in January 2012 but will continue to trade under the Lastolite brand.

Case study 4 - Compact
Specifically designed for social recorders, the Compact is ideal to support mirrorless cameras for still and video applications. In 2011 the Compact was the most sold tripod in the consumer category (GfK/NPD data).



Case study 5 - Staging more success
Brilliant Stages has a worldwide reputation for building complex and custom stage sets for leading events such as major band tours. They were selected to design and build a 20 metre fully operational robotic man for the ‘Take That’ Progress Live 2011 Tour.

Case study 6 - Vitec installs iconic shops in shops
In parallel to expanding distribution in modern distribution channels, Vitec has partnered up with the best independent specialist stores worldwide installing shops in shops in trend setting cities like New York, Tokyo, Berlin, London, Paris, Shanghai and more, to deliver a full branded experience to all customer segments.

Board of Directors

Michael Harper
BSc Eng, MSc

Chairman, Non-Executive, British, aged 67, 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 and a Non-Executive Director of QinetiQ Group plc. He 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 51, 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.

Paul Hayes
M.Eng & Man, ACA

Group Finance Director, British, aged 45, appointed to the Board on 13 June 2011. Previously he was Group Financial Controller at Signet Jewelers Limited. Prior to that, he held senior roles at RHM plc and Smiths Group plc. He is a Chartered accountant having qualified with Ernst & Young, and has a Masters degree in Mechanical Engineering.

Carolyn Fairbairn
BA, MA and MBA

Non-Executive, independent, British, aged 51, appointed to the Board on 1 February 2012; member of the Audit, Nominations and Remuneration Committees. She was a non-executive director of the Financial Services Authority between 2007 and 2011. Until April 2011, she was Director of Group Development and Strategy at ITV plc, having also spent five years as Director of Strategy at the BBC and a member of its Executive Board. She has also been a partner at McKinsey, where she specialised in media, and a policy adviser in the Number 10 Policy Unit. Previous non-executive roles include chair of Friends Reunited, chair of the Royal Television Society, and director of Digital UK and Freeview.

Simon Beresford-Wylie
BA

Non-Executive, independent, British, aged 53, 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.

Maria Richter
BA, JD

Non-Executive, independent, dual American and Panamanian, aged 57, 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.

Nigel Moore
FCA

Non-Executive, independent, British, aged 67, appointed to the Board on 1 March 2004; Chairman of the Audit Committee, member of the Nominations Committee and of the Remuneration Committee; Senior Independent Director. He is currently Chairman of The TEG Group plc, a director of Hochschild Mining plc, JKX Oil & Gas plc and Ascent Resources plc. 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.

John Hughes
CBE, BSc

Non-Executive, independent, British, aged 60, appointed to the Board on 11 March 2011; member of the Audit Committee, the Nominations Committee and the Remuneration Committee. He is currently Chairman of Spectris plc, Telecity Group plc and Sepura plc. He is also a director of CSG Systems International, Inc and Just East Group Holdings Limited. He was previously executive vice-president and chief operating officer of Thales SA, the defence, aerospace and electronic systems group. He also serves as an ambassador to the Alzheimer's Society.

Directors' Report

Principal Activity and Business Review
The principal activity of the Group is to provide vital products and services that support the capture of exceptional images. We serve 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 and is organised in three divisions: Videocom, Imaging & Staging and Services. Videocom designs and distributes systems and products used in broadcasting and live entertainment, film and video production and MAG. Imaging & Staging designs, manufactures and distributes equipment and accessories for photography, video and events. 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.

Details of the Group's activities, developments and performance for the year, the main trends and factors likely to affect its future development, together with performance information which fulfils the requirements of the Companies Act 2006 relating to the production of a business review are set out on pages 1 to 24 and in the section entitled "Principal risks and uncertainties" on pages 18 and 19. The Company uses a number of key performance indicators to measure progress towards its objectives which can be found on pages 15, 38, 45 and 46.

Directors
The Directors throughout the year ended 31 December 2011 and up to the date of this report are set out on pages 26 to 27 along with photographs and their biographies.

Changes to the Board during the year and up to the date of this report were as follows:

Name	Date	Position
John Hughes	Appointed on 11 March 2011	Independent Non-Executive Director
Paul Hayes	Appointed on 13 June 2011	Group Finance Director
Carolyn Fairbairn	Appointed on 1 February 2012	Independent Non-Executive Director
Richard Cotton	Resigned on 4 February 2011	Group Finance Director
Will Wyatt	Retired on 19 May 2011	Independent Non-Executive Director

All current Directors will be standing for re-election at the forthcoming Annual General Meeting. The remuneration of the Directors is set out in the Remuneration Report on pages 31 to 41.

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 of at least one times salary. Other members of the Operations Executive are encouraged to do the same. The value of holdings by the Executive Directors at 31 December 2011 represented 143% and 51% of the base salaries of Stephen Bird and Paul Hayes respectively, calculated by reference to the closing middle market price of a share of the Company on 30 December 2011, the last dealing day of 2011, which was 555.75 pence.

The table below 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 2011 and 1 January 2011. Details of the Directors' other interests in the Company's shares are set out in the Remuneration Report on pages 31 to 41. On her appointment to the Board on 1 February 2012, Carolyn Fairbairn did not hold any shares in the Company. There have been no other changes to these interests in the period from 31 December 2011 to 29 February 2012.

Directors' shareholdings	31 December 2011	1 January 2011 (or date or appointment, if later)
Chairman		
Michael Harper	35,000	35,000
Executive Directors		
Stephen Bird	95,323(*)	56,185(*)
Paul Hayes (appointed 13 June 2011)	24,000	14,000
Non-Executive Directors		
Simon Beresford-Wylie	4,215	4,143
John Hughes (appointed 11 March 2011)	-	-
Nigel Moore	18,470	15,470
Maria Richter	4,000	4,000
	181,008	128,798

(*) Includes 54,875 shares and 26,185 shares (at 31 December 2011 and 1 January 2011 respectively) purchased in the market using funds supplied by Stephen Bird and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group 2005 Deferred Bonus Plan.

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 for those Directors on the Board at that time and have been agreed by all Directors joining the Board since that date. These indemnities 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.

Share capital
Details of shares issued during the year are set out in Note 4.3 to the consolidated financial statements. An analysis of shareholdings is shown on page 111. The closing middle market price of a share of the Company on 30 December 2011, together with the range during the year, is also shown on page 111. For details of own shares held by the Company see Note 4.3 to the consolidated financial statements.

Substantial shareholdings
As at 29 February 2012, the Company had been advised under the Disclosure and Transparency Regime, or had ascertained from its own analysis, that the following held interests of 3% or more of the voting rights of its issued share capital:

	Number of voting rights	%
Delta Lloyd	5,686,561	13.15
Manfrotto	4,789,102	11.07
Harris Associates	4,373,256	10.11
Standard Life Investments	4,128,179	9.54
Schroder Investment Management	2,697,582	6.24
Cazenove Capital Management	2,179,696	5.04
M&G Investment Management	1,690,168	3.91
Legal & General	1,539,394	3.56
SFM UK Management	1,329,300	3.07

Committees of the Board
The Board has established an Audit Committee, a Nominations Committee and a Remuneration Committee. Details of those Committees, including membership, outline terms of reference and their activities in 2011, are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report.

Remuneration Report
The Group's Remuneration Report is set out on pages 31 to 41.

Corporate Responsibility
The Group's report on corporate responsibility is set out on pages 42 to 49. 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 these policies and revises them as and when necessary.

Corporate Governance
The Group's report on Corporate Governance is on pages 50 to 57.

Donations
During 2011, the Group made charitable and community-based donations totalling £152,143 (2010: £44,030), of which £17,004 were made in the UK. No donations were made to any political party. For further information on donations refer to the section on Community and Charitable Donations set out in the Corporate Responsibility report on pages 48 and 49.

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 year ending 31 December 2012. For the year ended 31 December 2011, the Group paid its creditors on average within 49 days (2010: 44 days).

Companies Act 2006 Disclosures
In accordance with Section 992 of the Companies Act 2006 the Directors disclose the following information:

- The Company's capital structure and voting rights are summarised on page 92, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- There exist no securities carrying special rights with regard to the control of the Company;
- Details of the substantial shareholders and their shareholdings in the Company are listed opposite;
- Shares awarded under the Core Award of the Company's Deferred Bonus Plan are held in a nominee capacity by the Employee Benefit Trust (EBT). The Trustees of the EBT do not seek to exercise voting rights on shares held in the EBT. No voting rights are exercised in relation to shares unallocated to individual beneficiaries;
- The rules concerning the appointment and replacement of Directors, amendment of the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- There exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

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 judgements and estimates that are reasonable and prudent;
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping 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.

Annual General Meeting
The Annual General Meeting for 2012 will be held at 2.30pm on Tuesday, 8 May 2012 at the offices of FTI Consulting, 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. All Directors will be standing for re-election at the Annual General Meeting.

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 111.

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. The Board fully supports all the resolutions and encourages shareholders to vote in favour of each of them.

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

29 February 2012

Cautionary statement: Statements made in the Directors' Report (pages 1 to 30) 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. Nothing in these Annual Report and Accounts should be construed as a profit forecast.

Remuneration Report

Dear Shareholder

This Remuneration Report sets out our approach to the remuneration of the Executive Directors and senior executives. Our objective is to ensure that it is aligned with shareholder interests to deliver long-term sustainable growth in shareholder value. The Remuneration Committee, chaired by myself, reviews the remuneration packages to ensure that they remain fit for purpose, taking into account market dynamics, the need to attract and retain talented management to deliver on the Group's ambitious growth strategy, remuneration paid to the Company's workforce, and market data. The Committee takes advice from its advisors to ensure that packages are structured to achieve this objective.

The report presents the detail of remuneration including salaries, bonus arrangements, long-term incentives, pensions and other benefits paid to Directors. It sets out the remuneration paid in 2011 in compliance with the Directors' Remuneration Report Regulations 2002.

The Committee looks to have a transparent and open dialogue with shareholders on remuneration.

During 2011, the Committee considered a wide range of issues which I summarise below and the detail of which is contained in the Report:

- Base salaries for Stephen Bird and Paul Hayes were increased by 5 per cent and 3 per cent respectively with effect from 1 January 2012. This took into account pay increases within the Group's workforce, market data and the need to retain our talented management team.
- 2011 bonus payments to the Executive Directors averaged 87 per cent of the maximum potential. This has been earned against the financial outcome for 2011 which has seen profit before tax* increase by 23.6 per cent. Each Executive Director will defer a significant percentage of their annual bonus for 2011 into the Deferred Bonus Plan.
- To ensure greater alignment with shareholder interests, the Committee, following consultation with our major shareholders, has introduced a re-balanced remuneration package for Executive Directors for 2012 onwards. These simplified arrangements increase the amount of remuneration delivered in the form of shares, enhance the long-term focus of Executive Directors and more closely align remuneration with shareholder interests.
- Long-term incentive awards made in 2009 to Executive Directors and senior executives have fully achieved the performance conditions based on Total Shareholder Return. These awards will vest in April 2012 and reflect the creation of shareholder value over the performance period.
- The Committee has confirmed the need for Executive Directors to build a significant shareholding in the Company of at least one times salary over a reasonable period of time.
- Long-term incentive awards to be made in 2012 will be retained at the level of one times salary for Executive Directors and will have stretching performance conditions attached based on Total Shareholder Return and growth in Earnings Per Share.
- In 2011 we introduced a clawback policy which applies to any award made under the Annual Cash Bonus Plan or long-term incentive plans from 2011 onwards.

Finally, I note that the Remuneration Report will be put to an advisory vote at the forthcoming Annual General Meeting on 8 May 2012. I will attend the meeting and be available to answer questions about our remuneration policy.

Simon Beresford-Wylie
Chairman, Remuneration Committee

* Before Significant items

Remuneration Report
This Report contains the information required under the Listing Rules, the UK Corporate Governance Code as issued in June 2010 and under the Directors' Remuneration Report Regulations 2002.

Remuneration Committee
The Remuneration Committee consisted of the following throughout 2011:
Simon Beresford-Wylie - Chairman
Maria Richter
Nigel Moore
John Hughes - appointed 11 March 2011
Will Wyatt - retired 19 May 2011

Carolyn Fairbairn has been appointed to the Committee with effect from 1 February 2012.

The Committee, on behalf of the Board, determines the remuneration packages, including base salaries, annual cash bonus arrangements, participation in incentive schemes, pension arrangements 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 further oversees the framework of senior executive remuneration, including members of the Operations Executive, including terms of service, pay structure, annual cash bonus, pensions, share incentive arrangements and all other benefits.

The Chairman, Michael Harper, the Group Chief Executive, Stephen Bird, the Group Company Secretary, Jon Bolton, and the Group HR Director, Cathy Walkington, attended meetings by invitation in the year ended 31 December 2011. The Executive Directors or members of the Operations Executive 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 54 and 55.

Remuneration policy
Remuneration packages are formulated to attract, retain and motivate Executive Directors and senior executives 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. Consideration of remuneration and benefits across the employee population is also taken into account.

Up to 18 October 2011, the Committee received advice from Towers Watson as the Committee's appointed remuneration advisor. This advice related to disclosures in the 2010 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. Towers Watson also provides pensions advice and pensions administrative services to the Company. The Committee also received advice and administrative support from the Group Company Secretary, Jon Bolton, and the Group HR Director, Cathy Walkington.

Following a detailed review of the services provided, the Committee decided on 18 October 2011 to change remuneration advisors to Deloitte LLP. Since their appointment Deloitte have provided the Committee with advice in connection with Executive Director and senior executive remuneration packages including the Annual Cash Bonus Plan and long-term incentives. Both Towers Watson and Deloitte are members of the Remuneration Consultants Group and are committed to the Group's voluntary code of practice for remuneration consultants in the UK.

UK based employees, including Executive Directors, are offered membership of a defined contribution Group personal pension plan.

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. Under the terms of his service contract, Paul Hayes, with the agreement of the Chief Executive and Chairman, may take up one external non-executive appointment of a listed company on the completion of one year's service with the Company.

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

Chairman and Non-Executive Directors
The Chairman and the Non-Executive Directors do not have service contracts but serve under letters of appointment. The initial

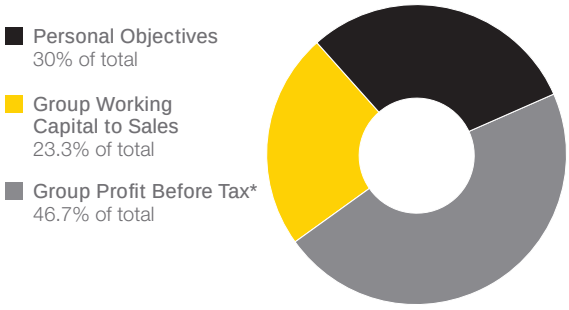
period of their appointments is three years but their appointments may, by mutual consent, and with the approval of the Nominations Committee and the Board, be extended for a further three years. Appointments may be extended beyond six years by mutual consent, and with the approval of the Nominations Committee and the Board, if it is in the interest of the Company to do so.

Executive Directors' remuneration

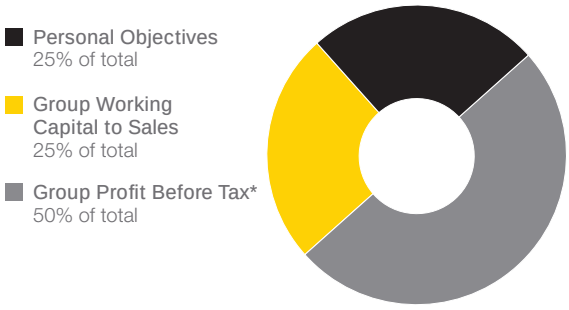
The Executive Directors' remuneration comprises a basic salary, an annual cash bonus, long-term share incentives, a car allowance, medical insurance, membership of the Group's personal pension scheme or a contribution to their own personal pension arrangement and life assurance. A contribution towards a permanent health arrangement for Stephen Bird has been made since his appointment on 14 April 2009 and a similar contribution has been set up for Paul Hayes with effect from 6 January 2012.

For 2011 the Annual Cash Bonus Plan has been structured as follows for the Executive Directors:

Stephen Bird - Annual Cash Bonus Plan



Paul Hayes - Annual Cash Bonus Plan



These weightings will also apply for the structure of the 2012 Annual Cash Bonus Plan for Stephen Bird and Paul Hayes.

Each Executive Director under the 2011 Annual Cash Bonus Plan can receive a maximum cash bonus of up to 100% of basic salary (pro-rated for Paul Hayes to reflect his start date of 13 June 2011). The financial elements of the Annual Cash Bonus Plan for each Executive Director are based upon actual financial results achieved for Group Profit Before Tax* and Group Working Capital to Sales measured against the 2011 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 best interests to do so. For both financial targets the following trigger points were used in 2011:

- 95% or less of budget* – Threshold – resulting in no payout;
- 100% of budget* – Target – resulting in half of the maximum payout;
- 110% of budget for Group Profit Before Tax* and 107.5% of budget for Group Working Capital to Sales – Maximum – resulting in a maximum payout; and
- A straight line sliding scale operates between each of the above points.

The personal objective element of the 2011 Annual Cash Bonus Plan for each Executive Director is based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee. For 2011, the Board and Remuneration Committee increased Stephen Bird's personal objectives element to 30% to enable greater emphasis to be given on stretching targets tied to delivery of strategy.

Both Stephen Bird and Paul Hayes are required to defer a minimum of 20% of the 2011 Annual Cash Bonus. However, they can, subject to Remuneration Committee approval, defer up to 100% of the 2011 Annual Cash Bonus into the Deferred Bonus Plan. Any amount of the Annual Cash Bonus deferred into the Deferred Bonus Plan attracts a performance-based matching award on vesting.

The Remuneration Committee may use its discretion in connection with the Annual Cash Bonus Plan only in exceptional circumstances, taking into account the overall financial performance of the Company.

* Before Significant items

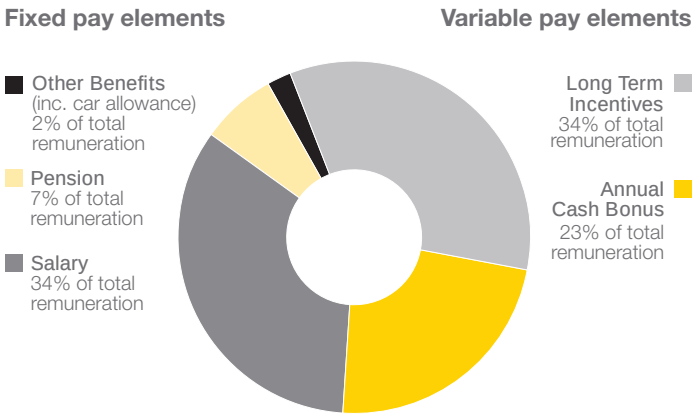
Rebalancing of Executive remuneration
The Remuneration Committee, supported by its advisors, Deloitte, carried out a comprehensive review of executive remuneration arrangements in 2011. The aim of the review, which involved consultations with major shareholders, was to simplify the arrangements, whilst increasing the portion of remuneration to be delivered in the form of shares at the end of the three year period. The Committee believes that the new arrangements will enhance the long-term focus for Executive Directors to deliver strong sustained growth and ensure greater alignment with shareholder interest.

As a consequence of the review, the following arrangements will apply for 2012 for Executive Directors:

- The maximum annual bonus opportunity has been increased from 100% of base salary to 125% of base salary.
- With effect from 2012, 50% of the earned annual cash bonus will be paid in cash and 50% will be mandatorily deferred into shares through the Deferred Bonus Plan. This means that the maximum cash proportion of the bonus will be 62.5% of base salary compared to 80% of base salary under the 2011 arrangements.
- Whilst an increased annual bonus opportunity of 125% of base salary will reward the delivery of strong annual performance, the increased deferral will focus the Executive Directors on long-term value delivery and growth.
- Voluntary deferral of annual cash bonus is removed so that a matching award under the Deferred Bonus Plan can only be earned on 50% of the bonus that is mandatorily deferred.
- Matching shares could be due subject to performance conditions at a 1:3 basis for target performance and 1:1 for maximum performance.
- An increased bonus opportunity of 125% of base salary will reward delivery of strong annual performance and the increased mandatory deferral will focus the executive on long-term value delivery and growth.
- Performance conditions tied to the deferred bonus into the Deferred Bonus Plan will continue to be the same as for the Long Term Incentive Plan.
- Long Term Incentive Plan awards will be maintained at a maximum opportunity of 100% of base salary.
- The proportion of the Long Term Incentive Plan award that vests for threshold performance will be reduced to 25% of the award (for both the Total Shareholder Return (TSR) and Earnings Per Share (EPS) components of the award) instead of the current 35%. This change has been made in recognition of concerns raised by shareholders and is also in line with market practice. The Committee will set stretching performance points for each of the vesting points. In addition, full vesting of the TSR portion of the award will require upper quartile performance (previously full vesting required upper quintile performance) so that the arrangements are in line with typical market practice.

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

Fixed and variable pay elements for 2012
The following chart shows the balance between fixed and variable pay elements of the remuneration package for Executive Directors in 2012 assuming target performance and reflecting the re-structure outlined above:



Stephen Bird, aged 51, appointed a Director and Group Chief Executive of the Company on 14 April 2009, 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 2012 that may deliver a maximum bonus of 125% of salary. For 2012 the structure of Stephen Bird's Annual Cash Bonus is as set out in the chart on page 33. For 2012, the Remuneration Committee decided to maintain the percentage of Annual Cash Bonus allocated to personal objectives to maintain focus on the achievement of specific strategic objectives particularly around achievement of the three market growth strategy.

The Annual Cash Bonus Plan for 2012 has been structured to ensure that Executive Directors and senior management remain focused on the delivery of stringent financial targets. For 2012, the financial measures will remain the same as for the 2011 plan namely Group Profit Before Tax* and Group Working Capital to Sales. In spite of the current macro-economic uncertainty, the Board considers the budget set for 2012 to be significantly stretching in the current environment to ensure that performance is driven. The Committee is therefore of the view that as the bonus targets are based on a stretching budget, it is appropriate that the annual bonus payout starts at 90% of budget. The following trigger points will apply:

* Before Significant items

- 90% or less of budget – Threshold – resulting in no payout;
- 100% of budget for Group Profit Before Tax* and 95% of budget for Group Working Capital to Sales – Target – resulting in half of the maximum paying out;
- 105% of budget – Stretch – resulting in maximum payout; and
- A straight line sliding scale operates between each of the above points.

The Company may, in the event of termination of employment, pay a sum in lieu of notice equal to 12 months' gross basic salary together with the gross value of other benefits that he is entitled to receive under his service contract, but excluding any bonus or share options which are not granted, do not vest or cannot be exercised in accordance with the rules of such schemes.

Stephen Bird's salary was increased from £371,000 to £389,550 (a 5% increase) with effect from 1 January 2012.

Paul Hayes, aged 45, was appointed a Director and Group Finance Director of the Company on 13 June 2011, and is employed under a service contract dated 3 June 2011. 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 2012 that may deliver a maximum bonus of 125% of salary. For 2012 the structure of Paul Hayes' Annual Cash Bonus is as set out on page 33. The financial targets are unchanged from those used in 2011 other than being set against the 2012 budget since they are considered to have the most direct impact upon shareholder value. The same trigger points for Group Profit Before Tax* and Group Working Capital to Sales will apply as described for Stephen Bird above.

Paul Hayes' salary was increased from £260,000 to £267,800 (a 3% increase) with effect from 1 January 2012.

The Remuneration Committee will retain absolute discretion in connection with the Annual Cash Bonus Plan for 2012 for Stephen Bird and Paul Hayes, 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.

Salaries for the Executive Directors will be reviewed by the Remuneration Committee in December 2012 for 2013 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, the members of the Operations Executive and to the Group's senior management as envisaged when shareholder approval was received. The level of awards for the Executive Directors and members of the Operations Executive in 2011 were one times salary, based on the Company's share price at the date of award. Awards for 2012 will be at the same level. Awards for tpdi5w(g i)-e one Dvel. At the dl cent1fe.

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 performance conditions. For awards made before 2010 under the Plan the performance condition was based on the Company's 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 annually ahead of awards to determine that it is relevant and sufficiently demanding.

For awards made in 2010 and 2011 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 is measured based upon TSR as described above. However, 50% of an award is subject to growth in the Company's EPS*. Each performance condition is entirely independent from the other performance condition.

Performance condition
For that part of an award made before 2012 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 a 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 exceeds the percentage growth in the Retail Price Index (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 a 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 made in 2011 the same performance conditions applied as in 2010 except that the EPS* growth figures were 5% and 10% respectively.

Following consultation with major shareholders regarding the re-balancing of executive remuneration, awards in 2012 onwards will have the following performance conditions attached:

50% of an award will be subject to TSR with the Company's TSR performance ranked against the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three year performance period. The constituents of the FTSE 250 index have a greater level of complexity and internationality when compared to the previous comparator group constituents and so are more comparable to Vitec's business operations where over 90% of revenues are generated from outside the UK. Threshold performance for the TSR performance condition will be at the median point of the comparator group and will result in 25% of an award vesting. Full vesting for the TSR element will be at the upper quartile point of the comparator group. A straight line sliding scale will operate between each of the above points.

50% of the award will be subject to EPS* growth in a similar manner to prior years over a three year performance period. The Remuneration Committee has not yet determined the percentage growth rates for threshold and full vesting for awards to be made in 2012. However, the Remuneration Committee will take into account market consensus figures following publication of the full year results for the year ended 31 December 2011, advice from its corporate broker and internal forecasts.

Dividends that would have been paid on shares vesting under the Long Term Incentive Plan during the performance period are re-invested in additional shares.

There will be no re-testing of either performance condition and the Remuneration Committee will also consider the underlying financial performance of the Company before it confirms vesting.

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 2011, or before, a minimum of 20% of bonus for Executive Directors and 15% of bonus for the Operations Executive members was required to be deferred. However, subject to the discretion of the Remuneration Committee, the executive could 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. If exercise is deferred for three years, the executive remains employed by the Group, and subject to satisfaction of the performance conditions, the participant is entitled to receive a matching award of additional shares up to the number comprised

* Before Significant items

in the core award. Shares comprising core awards are purchased in the market and held in trust by the Employee Benefit Trust until exercise. Dividends that would have been paid on the core award of shares and the actual matching shares that vest during the performance period are re-invested in additional shares.

Performance condition
For awards under the Plan made before 2010, if the executive remains in employment for three years, and if in that period the Company's TSR relative to a comparator group of other companies is at median, or above, of the comparator group, the deferred core shares will be matched at the rate of:

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

There will be pro-rata straight line vesting between these points. The comparator group comprises the same group used for the Long Term Incentive Plan.

For awards under the Plan made in 2010, 2011 and 2012 the performance condition has changed to the same as applies to the Long Term Incentive Plan for that respective year. There is no re-testing of performance under either performance condition.

Unapproved Share Option Plan
Executive Directors and other senior executives have previously been 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 EPS*. 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 2008 had the following condition. If the percentage growth in the EPS* of the Company exceeds the percentage growth in the Retail Prices Index over the three-year performance period by 9% (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 30% or greater.

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. Options granted in 2008 failed to achieve the base target threshold and therefore lapsed in 2011.

No options have been granted since March 2008. The Rules of the plan will expire on 17 April 2012 and the Company cannot make any further awards after this date.

Clawback
The Remuneration Committee has introduced a clawback policy that applies to any award made under the Annual Cash 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, acts including material misstatement, 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, five or seven year term (two years in the US from 2012 onwards) to save a set amount each month (£250 maximum or equivalent in local currency) 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.

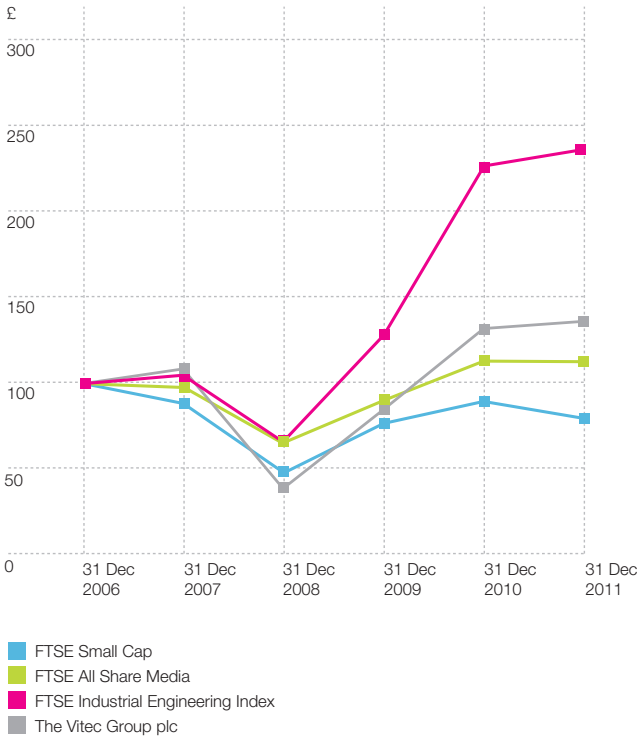
Invitations under the Group's Sharesave arrangements are usually made annually and these are planned to continue.

The existing rules for the scheme and plan were approved by shareholders at the AGM in May 2011 and will expire in May 2021.

Five-year share price performance
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 on page 38, 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 preceding five year period, assuming an initial investment of £100. These indices have been chosen for the purpose of the Directors' Remuneration Report Regulations 2002 since they are a suitably broad-based equity market index.

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

Five year share price performance 2007-2011



The Company's average annual TSR for the three year period ended 31 December 2011 was 52.8% (three year period ended 31 December 2010: 6.7%). TSR comprises share price growth plus dividends paid over a three year period and is expressed as a percentage of average compound annual growth.

The following information has been audited by the Company's auditor, KPMG Audit Plc:

Directors' remuneration
Michael Harper, Chairman, is currently paid a fee at the rate of £120,000 per annum. The fee payable to the other Non-Executive Directors is £40,000 per annum. Fees were last increased in June 2010 and following a review by the Board in 2011 no further increases were proposed.

The chairmen of the Remuneration Committee and 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 £5,000 is also paid to the Senior Independent Director, Nigel Moore. The fees for the Chairmanship of the Remuneration and Audit Committees were approved in June 2008 and remained unaltered in 2011. The additional fee for the role of the Senior Independent Director was increased from £2,200 to £5,000 with effect from 1 July 2011 to reflect work associated with the role. 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
Stephen Bird, Group Chief Executive, currently receives an annual salary of £389,550, increased from £371,000 with effect from 1 January 2012 (an increase of 5%). This increase took into account salaries and benefit surveys for the role and consideration of remuneration and benefits across the Company's employee population. 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 £323,816 in respect of 2011 based upon an assessment of the achievement of financial and personal objectives for 2011. This represented 87% of the maximum bonus potential. The financial objectives represented 70% of the bonus and comprised Group Profit Before Tax* representing two thirds of the total and Group Working Capital to Sales targets representing one third of the total measured against the 2011 budget. For both financial objectives, the following trigger points were used:

- 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 for Group Profit Before Tax* and 107.5% of budget for Group Working Capital to Sales – Stretch – resulting in maximum payout; and
- A straight line sliding scale operates between each of the above points.

The Group Profit Before Tax* element was fully achieved and the Group Working Capital to Sales element was 52% achieved. 30% of the bonus was measured against personal objectives set by the Board and included development of a world class senior management team, strategic delivery including the successful development of the Manfrotto Powerbrand, development of the MAG and Litepanels businesses and corporate activity including the successful acquisition and integration of businesses in the photographic and MAG sectors. 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 2012 of up to 125% of base salary.

Paul Hayes, Group Finance Director
Paul Hayes, Group Finance Director, currently receives an annual salary of £267,800 increased from £260,000 with effect from 1 January 2012 (an increase of 3%). Paul Hayes 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

* Before Significant items

pension contribution. Paul Hayes was paid a bonus of £124,797 in respect of 2011 based on an assessment of the achievement of financial and personal objectives for 2011. This represented 87% of the maximum bonus potential, pro-rated from his date of joining. The financial objectives represented 75% of the bonus and comprised Group Profit Before Tax* representing two thirds of the total and Group Working Capital to Sales targets representing one third of the total measured against the 2011 budget. For both financial objectives the trigger points were as described above for Stephen Bird. The Group Profit Before Tax* element was fully achieved and the Group Working Capital to Sales element was 52% achieved. 25% of the bonus was measured against personal objectives set by the Board and included delivery of interim reporting, 2010 subsidiary statutory accounts, updating management monthly reports, development of banking relationships and strategy for credit renewal, investor day, supply chain strategy and financial support around merger and acquisitions projects. These personal objectives were 95% achieved.

Paul Hayes will be eligible for a performance related bonus based on the Company's financial performance and personal objectives for the year ending 31 December 2012 of up to 125% of base salary.

Richard Cotton
Richard Cotton, appointed a Director on 3 November 2008 under a service contract dated 17 September 2008, ceased to be a Director and an employee of the Company on 4 February 2011. He received a salary of £265,000 per annum. He 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. Under the service contract the notice period by the Company was 12 months and notice by the employee to the Company was six months. As explained in the 2010 Annual Report, and set out below, are full details of the termination payments made to Richard Cotton with effect from his date of leaving, as specified under the terms of his service contract.

The Company made 12 monthly payments of salary and pension contributions. Richard Cotton also received:

- 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 were 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 was treated in accordance with the rules of that Scheme.

In accordance with the terms of his severance agreement, on 20 April 2011, 55,636 shares awarded to Richard Cotton under the Long Term Incentive Plan on 14 April 2009 lapsed in accordance with the pro-rating of these awards to his date of leaving. 87,426 shares are outstanding under this award and may be exercised on the third anniversary of the award on 14 April 2012. The performance condition based on TSR has been fully achieved and all 87,426 shares will vest.

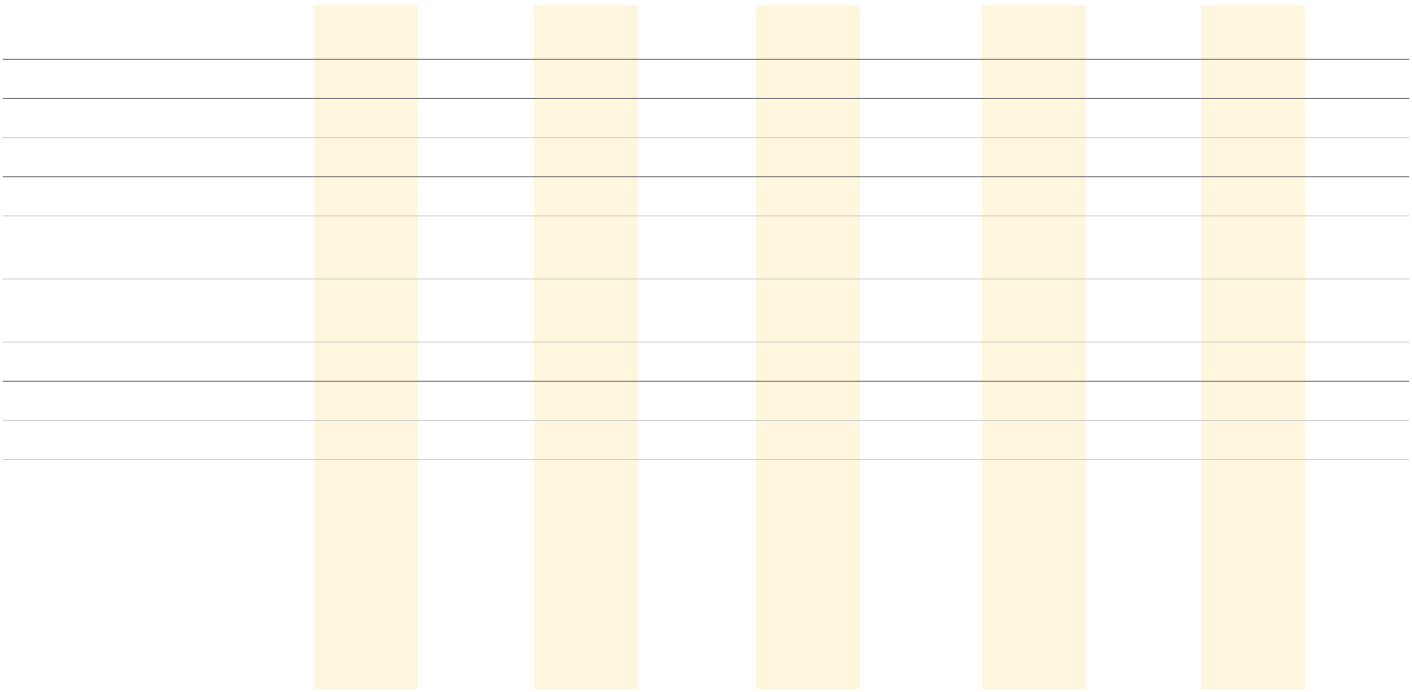
On 20 April 2011, 46,935 shares awarded to Richard Cotton under the Long Term Incentive Plan on 8 March 2010 lapsed in accordance with the pro-rating of the award to his date of leaving. 20,650 shares are outstanding under this award and may be exercised should the required performance conditions be met on the third anniversary of the award on 8 March 2013.

On 20 April 2011, Richard Cotton exercised his right over 18,228 Core Awards as deferred into the Deferred Bonus Plan on 9 March 2010. Under the Core Award he was entitled to receive the Company's dividend payments from the date of the award until the date of exercise and hence 563 dividend shares were exercised on this date. He retains the pro-rata right to exercise 5,569 Matching Awards, should the award achieve the required performance conditions on the third anniversary of the award on 9 March 2013.

A pro-rated number of 4,987 shares under the Sharesave Scheme were exercised by Richard Cotton at an option price of £1.31 per share on 3 August 2011, as granted on 1 May 2009. 1,997 shares lapsed under this grant. Richard Cotton has no outstanding options under the Sharesave Scheme.

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 70% 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. Richard Cotton did not receive a bonus in connection with 2011.

Directors' remuneration



Directors' long-term incentives

Our corporate purpose is to provide vital products and services that support the capture of exceptional images. To do this we operate with the following 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

Getting organised to deliver

We understand that it takes years to build a reputation and it can be destroyed in an instant.

Our corporate responsibility efforts are to protect our reputation and the value of our business. Corporate responsibility is central to sustainable growth and we recognise that our stakeholders increasingly consider corporate responsibility matters in decision making about whether to invest in Vitec or to buy our products and services. The Board has overall responsibility for corporate responsibility matters and formally approves our policies including our Code of Business Conduct.

In 2011 we set up a Group-wide team of representatives from each division and the Head Office to co-ordinate the Company's corporate responsibility activity. This team meets on a regular basis by telephone/video conference and shares corporate responsibility practices being undertaken at business unit and divisional level as well as championing Group-wide initiatives. We have decided that two key Group-wide priorities for 2012 will be focused on. Firstly, to encourage our employees to consider adopting healthier lifestyles and secondly, the environment and efforts to reduce our carbon footprint. We will report on progress for these Group-wide projects in next year's Annual Report.

Each division and business unit run their own corporate responsibility activities at a local level coupled with Group-wide initiatives notably focused on business conduct and ethics, health and safety, development of talent and environmental impact. To enable readers to understand our corporate responsibility activity we break it down into the following areas: Environmental; Employees; Business Ethics; and Community and Charitable Donations.

2 Employees
3 Business Ethics
4 Community and Charitable Donations

1 Environmental

We take our environmental responsibilities seriously and have implemented initiatives with the aim of reducing the environmental impacts of our operations, products and services. The approach taken is decided upon by each business unit to develop the most appropriate measures to reflect their particular operations.

We try, where possible, to design our products so that they have a limited impact upon the environment in terms of materials used for production, packaging, disposal and when in use. This Annual Report is produced using vegetable-based inks and materials approved by The Forest Stewardship Council. We also encourage our shareholders to receive the Annual Report electronically thereby saving on production and distribution resources and costs.

Examples of our efforts in this area are many.

LED Lighting

We reported in detail in the 2010 Annual Report on the significant environmental benefits of our Litepanels products. Our pioneering Litepanels LED lighting range is revolutionising the way in which broadcast and film studios use energy. They dramatically cut the amount of energy used helping the industry to make its contribution to combat global warming. The 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 longer than tungsten so replacement costs are also reduced; and
- LEDs have no hazardous materials which make disposal difficult – such as the mercury in fluorescent tubes.

Batteries

Anton/Bauer has an active programme in place for the recycling of batteries. Anton/Bauer is a member of the Rechargeable Battery Recycling Corporation (RBRC), a non-profit public service organisation which operates Call2Recycle, the only free-to-consumer battery recycling organisation in the US or Canada.

Call2Recycle is funded by manufacturers, known as “Global Industry Stewards” (which includes Anton/Bauer) and maintains thousands of collection points at local retail, business and community collection sites in the US and Canada.

As a global industry steward, Anton/Bauer places the RBRC Recycle logo with a toll free phone number on all of their batteries. This phone number connects the customer to Call2Recycle who will then assist the customer in determining the closest available collection point for their batteries.

Anton/Bauer also collects and recycles batteries returned to them from customers. These are collected as a Universal Waste at our facility and recycled monthly.

Anton/Bauer has also encouraged their employees to bring in their household batteries (for example AAA, 9 volt) for them to recycle.

Staging

Our Staging business continually looks for ways to reduce the environmental impact of manufacturing operations minimising both resources used and waste created. During the design and procurement process of staging product, the business orders optimised raw material lengths. During the manufacturing process, several orders are combined in an effort to yield the highest material usage and minimise waste. Customers are offered a recycling option for their product with high wear and tear. The minimised left over material waste is recovered and sent for recycling.

Did you know?

Litepanels reduce energy consumption by up to 95% over conventional tungsten systems u222225-9(o)-11(n o)3

Recycling

We encourage recycling of waste products, materials, paper and other items that can be recycled at all of our sites be they manufacturing sites, warehouses or administration offices. Offices have waste recycling points to enable the sorting of waste into different recycling streams (paper, glass, plastics and general).

Vitec Videocom at its manufacturing sites in the UK and Costa Rica carefully manages the recycling of machine shop swarf arising from the manufacturing process. The recycling of swarf covers the cost of all waste management for the UK site.

Utilities

We monitor and track our usage of gas, electricity and water across our manufacturing, warehouse and administrative sites and make efforts where possible to reduce our usage both in terms of reducing costs and impact on the environment. Many buildings within the Group including the corporate Head Office in the UK and Imaging offices in Italy have motion sensors for lighting to save on electricity usage.

Since 2007, Vitec sites in Italy have subscribed to electricity contracts with Green Certificates, representing tradable instruments that are granted to qualifying plants using renewable power. The number of certificates issued is proportional to the electricity generated by a renewable energy source and producers must supply the equivalent amount of renewable electricity into the grid.

The Group's gas, electricity and water usage per £million of Group revenue over the last five years is set out below.

Technology

Many of the Group's operating sites including the Head Office, divisional head offices and business units have video conference facilities in place enabling employees to video conference with both internal and external parties. This has enabled travel to be reduced and communication improved, with savings in journeys and travel time, while ensuring that the business is effectively run.

Our sites in Bassano and Feltre in Italy have achieved ISO 14001 status, confirming that these operations have effective environmental management systems in place.

2 Employees

Our people are our core asset. We employ over 2,000 employees in 14 countries of operation with most employees being full-time and on permanent contracts of employment. This presents a challenge in terms of language and culture. Our employees receive an employee handbook setting out key terms of employment and policies that apply at divisional and business unit level which are tailored for local law.

We recognise that the capability of our organisation to achieve the ambitious goals for our sustained growth is dependent upon our ability to attract and engage a talented and committed workforce. To that end, we continue to focus our time and resource on four core themes:

- Employee Wellbeing
- Employee Opportunity
- Employee Capability
- Employee Engagement

Employee Wellbeing

Health and Safety
The provision of a healthy, safe and productive work environment for all our employees is a priority for Vitec and for which all our management and employees are held accountable.

In 2011 we continued to impress on the business and employees the need to maintain our excellent record for health and safety and the Group's Health and Safety Policy was updated and re-issued. This policy establishes the Group-wide guidelines for the prevention of accidents and work related ill-health and provides guidance for the adequate control of health and safety risks arising from work related accidents.

In practice, this means that all accidents resulting in three days or more absence from work, accidents with less than three days from work, and near misses, are reported and remedial action identified and implemented to prevent such occurrences in the future.

The Operations Executive reviews the health and safety records every month and supports the divisions in the management of local Health and Safety Committees and the implementation of regular training activity. Employees receive training on health and safety procedures that are appropriate to their line of work and environment. This may, for example, involve training in the use of computer driven machining tools, particularly in the Staging business or warehouse operations and logistics in the Services business.

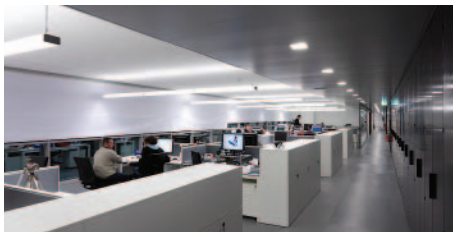
Our five year accident record

There have been no fatalities since the Group began collating Health & Safety statistics in 2002.

Wellbeing
Our Imaging Division started a pilot phase of a programme called 'Good3' in Italy, to train and provide employees with tools to stay healthy, with a focus on three key health practices: healthy eating habits, exercise and prevention of bad health.

Working Environment
Over the last twelve months we have continued to invest in improving the work environment for our employees, creating contemporary spaces with upgraded technology and communication systems that enable collaboration and personal efficiency. In 2011, the Imaging Division officially opened its new head offices in Italy. Investment was approved for the upgrade of the Videocom buildings in Bury St Edmunds and, in December 2011, the Head Office employees moved to their new offices in Richmond, UK.

Our sites in Bassano and Feltre in Italy had their OHSAS 18001 Occupational Health and Safety certification confirmed during 2011.



Benefits
We employ over 2,000 employees in 14 different countries who are managed in accordance with local employment legislation, policies and our organisational values. Attracting the talent we need and retaining their commitment to our organisation in all of the territories in which we operate has required the organisation to commence an assertive approach to our benefits packages in order to support our employees and to remain competitive in a global market where talent is in short supply. In 2011, a full review of the eight US Health Benefit plans currently in operation took place. This review considered the competitiveness of the plan, the opportunity to increase their value to the employees and potentially to mitigate the expected impact of the US Healthcare Reforms planned for 2014. As a result all employees in the US, including those of the Haigh-Farr acquisition, are now enrolled on one plan.

Employee Opportunity

Vitec has an equal opportunities culture with an express prohibition on discrimination of any kind. In 2011, Lord Davies' report on Women on Boards was considered by the Board leading to a reiteration of our diversity statement, which is set out on page 50 of the Corporate Governance section.

The organisation's current gender breakdown is as follows:

Board of Directors

25% women, following the appointment of Carolyn Fairbairn; 75% men

Operations Executive

Increased to 10% female with the appointment of Cathy Walkington in 2011; 90% male

Senior Management

13% of the top 60 leaders in the business are women; 87% men

Rest of Organisation

26% female; 74% male

Vitec's approach to diversity has always been to follow a strict policy of sourcing the best person for the role irrespective of race, gender, age or disability.

In 2011, we continued to run intern and cooperative programmes across all our businesses though primarily in the US. The cooperative programme implemented in our IMT business has been particularly successful in attracting young engineers from reputable universities who join our organisation for a period of three to six months to work on projects of real business need. In many cases these engineers return to us in subsequent years.

Employee Capability

Learning and development activity continued to take place in the local businesses in accordance with the personal development plans put in place in 2010, performance appraisals and organisational need. In 2011, the Organisation and Talent Review (OTR) was introduced in order to fully understand the organisation's capacity and capability for achieving its strategic plans. The OTR enables the Operations Executive to create the leadership pipeline for its critical roles and specify the development requirements to be offered to employees.

The performance appraisal process, in operation in each of the Divisions across the Group, provides the opportunity for the employee to discuss current performance and future potential in an objective and positive manner. The development needs identified by the discussions will be used in 2012 to enhance the global programme of talent development for release more widely across the Group in the following year.

The design of a Group-wide programme of talent development aligned to the strategic business plans commenced in 2011 and will be launched at Vitec's management conference in early 2012.

Employee Engagement

We communicate with our employees on a regular basis keeping them informed on business performance at a Group, divisional and business unit level. In 2011 all employees received the first global communication web broadcast from the Chief Executive. This covered progress to date since 2009 including the Group's strategy and results for 2010, output from the 2011 management conference and recognition of key achievements by employees who had made a difference in 2010. Apart from Group level communications, employees receive briefings on performance and business issues on a regular basis from divisional and business unit senior management. This takes the form of company newsletters and breakfast meetings with divisional management.

Manfrotto
SCHOOL OF XCELLENCE

Since 2010 the Imaging Division has run a programme called Manfrotto School of Xcellence – manfrottoschoolofxcellence.com – for its employees that provides training, aims to teach the basics of photography and introduces them to the world of imaging. The programme involves professional photographers and educates employees about capturing excellent images. This involved over 90 employees in 2011, with several seminars on each aspect over the course of the year.

To enable our employees to participate in the Company, we offer an all-employee Sharesave scheme to our employees in the UK, US, Italy, Israel, Costa Rica and Germany. This covers around 500 employees and has a good level of take-up giving employees the opportunity to make regular monthly savings to purchase shares in the Company.

3 Business Ethics

We updated our Code of Business Conduct in 2011 (the Code) to reflect the implementation of the UK Bribery Act 2010 and to provide clearer guidance to our employees on how they are expected to behave towards employees, suppliers, customers, shareholders and our wider responsibility to the communities within which we operate. The Code, which is available on our website, sets out our approach to business integrity including an express prohibition on bribery and kickbacks, guidance on gifts and hospitality, conflicts of interest, books and records, competition, share dealing, human rights, respect for the individual and privacy, diversity, health and safety, environmental sustainability, business partners, and charitable and political donations.

To ensure that the Code is understood by our employees each employee has been given a copy and all new starters are provided with a copy. When new businesses have been acquired the Code has been rolled out to employees in those new businesses to ensure that a common Group-wide approach to business ethics is in place.

All employees are expected to comply with the Code and any violations of it are to be reported to local management or the Group Company Secretary for investigation.

A key development in 2011 was the coming into law of the UK Bribery Act 2010. We have always had a prohibition on bribery as reflected in our Code. However, to give our employees a better understanding of the issues associated with bribery, including the many forms that it may take and the sanctions both to individuals and the Company we implemented an online training module for over 300 of our employees including the Board of Directors, Operations Executive, senior executives and customer facing employees covering anti-bribery and corruption. All participants were required to complete the module and to take a test on the issues covered by the training. This module will continue to be used for new starters and will be repeated in future years to ensure that employees remain aware of the issues.

To further implement adequate procedures to deter bribery and corruption, we are in the process of communicating our Code on a risk-based approach to major suppliers, customers, agents and distributors with an express prohibition on bribery.

During 2011 we re-launched our independent whistleblowing service in conjunction with Expolink. This service enables any employee who feels that the normal reporting channels through line management are not appropriate, to confidentially report any issues around dishonesty, fraud, bribery, malpractice, bullying, unfair treatment, unsafe working practices or other contraventions of our Code. All such reports are notified to the Group Company Secretary, the Chief Executive and the Chairman of the Audit Committee and are independently investigated by senior management who are not connected to the report. The outcome of investigations is reported to the Chairman of the Audit Committee. The re-launch involved the translation of communications to all employees in each territory of operation and posters on all staff notice boards. Again, the service is introduced to any new business when acquired.

4 Community & Charitable Donations

Our approach to community and charitable donations is to allow divisions and business units to make donations to local charitable causes that resonate with their businesses and employees and have close proximity to their operations. In 2011 the Company and its subsidiaries donated £152,143 to charitable and community-based causes (2010: £44,030). The following are a few examples of the good work being done by Vitec in the communities within which we operate.

The Head Office maintained its link with Kingston University's Television and Video Technology department with a donation of £5,000 in 2011. This donation was part used to provide further broadcast equipment including some of the Company's products giving over 200 students the opportunity to use first-hand the Company's broadcast and photographic equipment including Vinten, Manfrotto and Autoscript products. Some of the donation was used for prize money for the best final year student film. The winner of the Vitec Group Prize in 2011 was a film entitled "Sounds of the Campervan" and can be viewed on www.soundsofthecampervan.co.uk

The Services division based in Burbank, California supported several charitable causes including the loaning of broadcast equipment to support local schools and causes. The division made a total donation of $25,790 in 2011. This included the provision of a full broadcast technical system to support ESPN's 2011 Jimmy Valvano Cancer Research Fundraiser. The division further donated an audio RF package and PA system for the Make A Wish Foundation Halloween Stuntacular.

Vitec Videocom based in Bury St Edmunds supports The William and Ellen Vinten Trust which is a charity set up by the founding family of the Vitec Group. It encourages education in engineering and the sciences and Vitec Videocom has given support in 2011 to the value of £1,344.

Odyssey 2050

Vitec Videocom in Costa Rica has provided support of $10,000 to the Odyssey 2050 project which aims to engage young people worldwide and make them aware of the need to prevent dangerous climate change. This is achieved by the young people being involved in every aspect of making a movie about space travellers visiting a destroyed Planet Earth in 2050. The British Embassy in Costa Rica is involved with running the project and asked for Vitec Videocom's support as a prominent UK business with operations in Costa Rica.

Anton Bauer and its employees raised $5,930 in 2011 for a local centre for The Hole in the Wall Gang, serving children and their families coping with serious illness.

Manfrotto Distribution US gave $10,000 to the ESPY Celebrity Golf Classic where the funds raised went to the V Foundation for Cancer Research. They also donated $10,000 to the Samuel Goldstein sr. Endowment Fund for Education and $5,000 to Tzidkas Shaare Rahamim, a non-profit organisation that assists widows and orphans.

Manfrotto Distribution US also contributed $1,000 to Michael Zide and his efforts to mitigate the effect of the Gulf oil spill on wildlife marshes and estuaries and, together with Manfrotto Bags, contributed to Wounded Nature, a non-profit organisation focused on cleaning beaches and promoting recycling.

Our employees in the US participated in a charity walk for Pancreatic Cancer Research and raised $2,918. They donated clothing and other material to the Mahwah Elves as well as food for the Center for Food Action, raising $2,815 in aid of those hit by hurricanes and snowstorms or families struggling due to the economy.

Manfrotto Distribution France donated €12,500 to the Louis Lumière photography school and Manfrotto Germany donated €5,500 in conjunction with support initiatives for children.

Manfrotto Japan has organised a charity photo contest - Click for Hope - raising reconstruction funds for areas affected by the Great East Japan Earthquake.

Bassano Fotografia 11
Quando l'immaginazione prende forma.

Imaging Head Office, Italy worked with the local authorities in Bassano to organise a photographic show - Bassano Fotografia - in Bassano del Grappa from September 2011 to January 2012 with the aim of enhancing the world of imaging locally. Famous photographers such as Bill Frakes, Harry de Zitter and Douglas Kirkland included some of their most celebrated photographs for the show.

Imaging Head Office, Italy further raised €2,000 between employees and the Company through a charity football match organised by its employees with funds donated to the local volunteer ambulance service and Association for Leukemia.

Manfrotto Distribution UK donated £10,000 to the African Revival's Zambia Bike Challenge with one of our employees cycling the 500km race. The initiative successfully raised £68,000 and will assist 250,000 adults and children.

Manfrotto Lighting in the UK (formerly Lastolite) donated £3,000 to Water Aid and a further £6,000 to Village of India, Reaching the Unreached, a UK registered charity that supports charitable work in India for the poor. Lastolite, before its acquisition by Vitec in March 2011, owned a small manufacturing operation in India and as a consequence supported this charity. Employees at Manfrotto Lighting wish to maintain that ongoing link.

The Staging business made donations in the US, UK and Italy of £2,340 in 2011. Tomcat, based in Midland, Texas organised educational tours of its facility for local schools and international students to raise awareness of the business and its operations. It further provided support through an Executive Producer Sponsorship to the Kennedy Center American College Regional Festival. The support is used to provide the winning student with an award and help offset travel expenses for expositions and workshops.

Employees at Brilliant Stages, based in Hitchin, Hertfordshire, raised money to make a donation to Garden House, a local hospice that provides care and support to patients from the local community with a terminal diagnosis. Brilliant Stages further provided support to a local music charity in 2011 - Rhythms of the World 20th Festival - which provides a stimulus to arts in the North Hertfordshire region.

IMT ran a full day in April 2011 in conjunction with the Take Our Daughters and Sons to Work Foundation, whereby employees' children attended the IMT facility in New Jersey for a range of fun activities, to enable children to see their parents' place of work and to build an understanding of business and commerce. IMT further hosts up to two students per semester in working assignments in conjunction with the New Jersey University Cooperative Student programme.

Chairman Michael Harper explains Vitec's corporate governance

Your Board, under my Chairmanship, is responsible to all Vitec stakeholders for providing strong leadership and effective decision-making to ensure the continued success of the Group and the implementation of our strategy. We strive to work in accordance with best corporate governance practice and evolve those practices and procedures to deliver long-term sustainable shareholder value. I believe it is important that you understand how the Board operates to achieve Vitec's continued success.

Your Board has taken into account the UK Corporate Governance Code (the Code) as introduced in June 2010 and also the forthcoming changes to the Code including that of diversity. During 2011 we have taken positive steps to strengthen and refresh the composition of the Board with the appointment of John Hughes as an independent Non-Executive Director on 11 March 2011. Carolyn Fairbairn joined as an independent Non-Executive Director with effect from 1 February 2012. The Board is well structured with a broad range of skills and experience.

The Board considered Lord Davies' review, Women on Boards, and the issue of diversity and I am pleased to set out our statement below, which can also be found on our website.

Vitec recognises the importance of a fully diverse workforce in the successful delivery of its strategy. The effective use of all the skills and talents of our employees is encouraged and this extends to potential new employees. It is essential that the best person for the job is selected regardless of any discrimination including, but not limited to, grounds of race, gender, religion, age, sexual orientation, physical ability or nationality. Vitec is fully committed to equal opportunity where talent is recognised. The Board will keep under regular review the issue of diversity including at board, senior management level and throughout the entire workforce, taking into account amongst other things Lord Davies' review Women on Boards. We will report upon this issue within our Corporate Governance statement annually in our Annual Report.

The Employees section of the Corporate Responsibility Report contains further information on this issue.

My governance review reports on how we have applied the Main Principles of the Code and I am pleased to confirm that we have complied with the relevant provisions of the Code, as required by the Listing Rules.

Leadership

The Board is collectively responsible to shareholders for the creation and delivery of strong, sustainable performance and the creation of long-term shareholder value. However, there are separate roles for each member of the Board and we have agreed a clear division of responsibilities between the Chairman and Chief Executive. Full details of our respective roles and responsibilities can be found on our website.

It is my responsibility to manage the Board. I work closely with the Chief Executive and Group Company Secretary to achieve this, ensuring that all Directors are kept advised of key developments, that they receive accurate, timely and clear information and that they actively participate in the decision-making process. Board agendas are reviewed and agreed in advance to ensure that each meeting utilises the Board's time most efficiently. I encourage all Board members to openly and constructively challenge the proposals made by executive management led by the Chief Executive. I ensure that each Director properly exercises the

power vested in them and in accordance with the Company's Articles of Association, relevant law and any directions as provided by the Company in general meeting. During the year there were no instances when a Director had to abstain from voting on a matter due to a conflict of interest, however, should this occur, the Board has adopted a formal procedure for dealing with conflicts or potential conflicts of interest.

The Chief Executive is responsible for managing the day-to-day running of the business. The Operations Executive supports the Chief Executive in this duty, the members of which are shown on page 25. The Chief Executive and I have continued to maintain a solid working relationship. Our relationship helps to underpin the working of the Board, providing for an open forum in which matters are discussed.

On appointment, each of the Non-Executive Directors, including myself, was considered independent. Following the retirement of Will Wyatt at the Annual General Meeting on 19 May 2011, a new Senior Independent Director was required to be appointed. After consideration of the independent Non-Executive Directors on the Board at that time, it was unanimously decided that this role would be best filled by Nigel Moore due to his experience with the Company. Nigel assumed the role of Senior Independent Director with effect from 19 May 2011. In his role, Nigel has provided support to the Chairman and Chief Executive, particularly in the area of succession planning for the Board.

The Board operates under a Schedule of Matters Reserved to it, which includes, amongst other items: consideration and development of the Group's strategy; setting of annual operating budgets; annual review of progress against strategy and budget; financial results, dividends and capital structure of the Company; risk management strategy and various statutory and regulatory approvals. During 2011 the Matters Reserved to the Board were updated to ensure compliance with best practice. As part of this exercise we included the requirement that we conduct an externally facilitated evaluation of the Board at least every three years. The full schedule of Matters Reserved to the Board can be found on our website.

During 2011 the Board considered or monitored the following matters: financial results for 2010 and the half year results for 2011 including associated dividends; potential acquisitions including the strategic fit of Lastolite and Haigh-Farr, associated financials and associated risks; long-term financing for the Group including a $75 million Private Placement shelf facility with Pricoa Capital Group Ltd and associated drawdown of $50 million; Board succession and related appointments; the Group's strategy and 2012 budget; the output of an externally facilitated Boardroom evaluation; and on-going financial performance against agreed budgets.

To enable the Board to monitor its on-going performance during 2011, the Board agreed several objectives for the year. These included: monitoring the development and implementation of the Three Market Strategy; development of the organisation structure; Board structure and composition; succession plans; development of investor relations; maintenance of governance standards including ethical standards for the Group including bribery; and considering the effectiveness and value added by the Board. The agreed objectives were reviewed at regular intervals during the course of 2011 to monitor progress and the Board will consider and agree upon further objectives for 2012.

In addition to the matters reserved to itself, the Board delegates certain items to its principal Committees. I feel it is appropriate to ensure that the Board has sufficient time to deal with strategic matters while retaining oversight on salient points by virtue of its Committees. The Board's three principal committees are the Audit Committee, the Remuneration Committee and the Nominations Committee. Each Committee operates under Terms of Reference which were updated during the year to take into account changes to the Code and best practice, reviewed and then approved by the Board. Copies of the current Terms of Reference are available on our website. Each 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. Each 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. To further enable the Remuneration and Audit Committees to monitor progress and performance, each Committee has agreed objectives for 2012 which I will report on in next year's Annual Report.

In 2011 the Board met nine times, of which six were scheduled at the start of the year and three were held at short notice. Detail of Directors' attendance at meetings is shown in the table on page 52 including any instance when a Director was unable to attend and the reason. When any Director is unable to attend they continue to receive the necessary papers in advance of the meeting and I seek to contact them to obtain their views and decisions on the proposals to be considered.

In June 2011 the Board met at the offices of IMT, a new facility in New Jersey, US. This visit allowed the Board to see the operations of the business first hand, to gain an in-depth understanding of IMT's operations and to meet management and employees. This built on the Board visit to Manfrotto in Italy in 2010. One Board meeting a year is scheduled to be held overseas in a Group business to increase knowledge of operations. Each Director is also encouraged to visit operations as and when appropriate to further their understanding of the business and to get to know operational management.

As part of the wider governance framework within which Vitec operates it is important to tell you about the workings of the Operations Executive. The members are detailed on page 25 and comprise Vitec's senior executives reporting to the Chief Executive. The Chief Executive chairs the monthly meetings of the Operations Executive which discusses ongoing business performance and enables the Chief Executive to run the business with his direct reports. I receive an update from the Chief Executive on any salient matters resulting from each meeting.

I was pleased to welcome members of the Operations Executive to a number of Board and Committee meetings throughout the year, along with the Group Risk Assurance Manager. Their attendance allows the Board to directly question those senior managers responsible for the business and to gain a better understanding of their respective businesses. This practice will continue in the future.

Effectiveness

The past year has seen several changes to the Board. Richard Cotton left on 4 February 2011 and Will Wyatt retired at the conclusion of the Annual General Meeting on 19 May 2011. John Hughes was appointed as an independent Non-Executive Director on 11 March 2011 and Paul Hayes as Group Finance Director on 13 June 2011. On 9 November 2011 we announced that Carolyn Fairbairn would join the Board on 1 February 2012 as an independent Non-Executive Director. During the transitional phase between Richard Cotton's departure and Paul Hayes joining as Group Finance Director we were supported by Nick Humby in the role of Interim Chief Financial Officer.

The Board currently comprises the Chairman, five independent Non-Executive Directors and two Executive Directors; a mix that is appropriate for the size and complexity of the Group. 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, John Hughes and Carolyn Fairbairn are independent in accordance with the recommendations of the Code. Each Director brings a complementary set of skills to the Board, having served in companies of varying size, complexity and industries. When combined these skills give your Board a comprehensive skill set to enable them to achieve the strategic objectives of the Group and to ensure its continued success.

On appointment, we provide each Director with a tailored and extensive induction to the Group. This includes meeting with each of their fellow Board members, the Operations Executive and advisors individually, receiving briefings on each area of the business in turn and visiting the Group's principal operations.

All Directors, having notified me in the first instance, are able to take independent professional advice at the Company's expense in furtherance of their duties. During 2011 no Director felt the need to take such advice. They also have access to the advice and services of the Group Company Secretary, who is responsible for advising the Board, through the Chairman, on all governance matters.

2011 Board and Committee Meeting Attendance

	Board		Audit		Remuneration		Nominations	
	Scheduled	Special	Scheduled	Special	Scheduled	Special	Scheduled	Special
Number of meetings	6	3	3	-	3	2	1	-
Current Directors								
Michael Harper	5/6*	3	-	-	-	-	1	-
Simon Beresford-Wylie	6	3	3	-	3	2	1	-
Stephen Bird	6	3	-	-	-	-	1	-
Paul Hayes*** (appointed 13 June 2011)	4/4	2/2	-	-	-	-	-	-
John Hughes*** (appointed 11 March 2011)	4/5**	2/3**	1/2**	-	2/2	0/2**	1	-
Nigel Moore	6	3	3	-	3	2	1	-
Maria Richter	6	3	3	-	3	2	1	-
Former directors who served during 2011								
Richard Cotton*** (until 4 February 2011)	0/0	0/0	-	-	-	-	-	-
Will Wyatt*** (until 19 May 2011)	2/2	1/1	1/1	1/1	1/1	-	-	-

* Michael Harper did not attend the scheduled Board meeting in December 2011 due to surgery.

** John Hughes did not attend the scheduled Board meeting in June 2011, the ad-hoc Board meeting in September 2011 or the ad-hoc Remuneration Committee meetings in June and September 2011 due to commitments that existed before he joined the Board on 11 March 2011.

*** Where a director either joined or left the Board part way through the year the attendance and number of possible meetings they could have attended is shown.

On-going 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 Deloitte. The requirement for training is regularly discussed at meetings of the Board and of its Committees and I ensure that each Director has the required skills and knowledge to enable them to operate efficiently on the Board. The Group Company Secretary maintains a register of training undertaken by directors to facilitate this discussion. During the year the Board collectively received training sessions on such matters as anti-bribery and corruption, remuneration trends, corporate governance and emerging accounting issues.

I, working with the Chief Executive and Group Company Secretary, ensure that the Board receives papers for consideration so 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 a set of management papers, including reports from the Group Chief Executive, Group Finance Director, Group Company Secretary and Group Head of Business Development, plus a Health and Safety Report covering the ongoing performance of the business. The Board receives further information from time to time as and when requested.

All meetings of the Board and its Committees (Audit, Remuneration and Nominations) are minuted. In the first instance, minutes are reviewed by the Chairman of that meeting before being circulated to all Directors in attendance and then tabled for approval at the subsequent meeting. Any concerns raised by Directors are clearly recorded in the minutes of each meeting.

Board performance evaluation

We conducted our first externally facilitated evaluation of the Board and its Committees during 2011 under the recommendation contained in the Code. The evaluation was facilitated by Consilium Board Review, who do not have any other connection with the Company. This appointment was made taking into account the experience of Consilium and recommendations from several other companies who have used Consilium for their Board evaluation process.

The evaluation aimed to determine the Directors' views of the Board's and its Committees' performance and effectiveness and to identify potential improvements including those perceived by Consilium. The process lasted for several months and covered a review of Board minutes, agendas and key papers; a questionnaire; observation of one Board meeting; and interviews with 10 participants. Input from the Operations Executive was also sought through a discussion at one of its meetings. Consilium presented their findings to the October 2011 Board meeting.

I then worked with the Chief Executive and the Group Company Secretary to produce actions to address the recommendations made.

The review identified that, overall, the Board was functional and highly effective. The Senior Independent Director reported to the Board that my performance has been deemed effective. The Board as a whole is sound and capable, particularly relative to the Group's size, and Directors are fully committed, including their time commitment to meetings. The report concluded that each Director had made an important contribution at one time or another over the last three years; a finding that I concur with. The Audit Committee is seen as exemplary and diligently led by Nigel Moore. It was recognised that I work well with the Chief Executive and we demonstrate mutual respect. Robust Board processes, governance and controls remained in place.

Notwithstanding this, and in the context of the emerging strategic and organisational challenges, there were several areas where more focus was needed or where some modest changes should be considered.

The Board and I are reviewing the output of the evaluation and implementing a number of initiatives to address each of the recommendations. Progress has already been made on several of these including the appointment of Carolyn Fairbairn with effect from 1 February 2012, change in remuneration advisor and associated consultation with major shareholders on executive remuneration and a revised monthly report management pack. We will report fully on progress against each in the 2012 Annual Report.

Performance evaluations of each of the Executive Directors also took place against achievement of specific personal objectives, the result of which can be found in the Remuneration Report in respect of the outcome on their annual bonus.

The Code recommends that externally facilitated evaluations take place at least every three years.

Given the recent changes to the Board and this year's evaluation, I anticipate that we will conduct an internal review of the Board and its committees during 2012, reporting on this in next year's Annual Report.

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, subject to a maximum number of 15 Directors. 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 2012 Notice of Annual General Meeting.

Overview of the Nominations Committee

Chairman	Members
Michael Harper	Simon Beresford-Wylie Stephen Bird Carolyn Fairbairn (from 1 February 2012) John Hughes (from 11 March 2011) Nigel Moore Maria Richter Will Wyatt (until 19 May 2011)

Duties	Activities completed in 2011
• Reviews and evaluates the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board • Considers succession planning for directors and other senior executives • Identifies and nominates to the Board candidates for Board vacancies • Prepares descriptions of roles and capabilities required for Board appointments • Reviews the executive and non-executive leadership needs of the Company • Reviews time commitment of Non-Executive Directors • Ensures that Non-Executive Directors receive a formal letter of appointment	• Considered Board and senior executive succession planning • Used the services of an external search consultancy to facilitate the search for a new Group Finance Director and Non-Executive Directors • Recommended the appointments of John Hughes as a Non-Executive Director, Paul Hayes as Group Finance Director, and Carolyn Fairbairn as a Non-Executive Director • Reported to the Board after each meeting • Reviewed plans for the executive level talent management programme

The Board has appointed a dedicated committee to oversee the composition of the Board, succession and the process for appointments. The Nominations Committee, that is chaired by myself, has agreed terms of reference that are available on the Company's website. The Nominations Committee considers the skills on the Board, independence of Non-Executive Directors, diversity and succession plans to ensure that the right balance of skills are in place to deliver on the agreed strategy for the Group. The Nominations Committee uses the support of external executive search consultancies to facilitate searches for new Directors. A clear brief on the role, skills and personal attributes required is prepared and a search process is conducted by the consultancy. Each member of the Board has the opportunity to meet with preferred candidates to ensure that the correct person with the right skills and dynamic fit with the Board is achieved whether the role be executive or non-executive in nature. The process is led by myself as Chairman of the Committee, unless the search is connected with the role of Chairman, in which case the process is led by the Senior Independent Director with the support of the Chief Executive. Subject to the outcome of each search, a formal recommendation on an appointment is made to the full Board for approval. During 2011, this process was followed for the appointments of John Hughes, Paul Hayes and Carolyn Fairbairn.

The Nominations Committee has further considered the issue of the executive talent management and succession within the executive management team.

Remuneration

The Remuneration Committee is chaired by Simon Beresford-Wylie and comprises exclusively Non-Executive Directors. The Chairman, Chief Executive, the Group HR Director and the Group Company Secretary are invited to each meeting. The Board has delegated to the Remuneration Committee the setting of a remuneration framework or broad policy for the Company's Chief Executive, Chairman, the Executive Directors, the Company Secretary and such other members of the executive management as it is designated to consider. The Committee's full Terms of Reference can be found on our website.

An overview of the Remuneration Committee is set out on the table on page 55. The Remuneration Report for the year ended 31 December 2011 on pages 31 to 41 gives full detail on Executive and Non-Executive Directors' remuneration.

Overview of the Remuneration Committee

Chairman	Members
Simon Beresford-Wylie	Carolyn Fairbairn (from 1 February 2012) John Hughes (from 11 March 2011) Nigel Moore Maria Richter Will Wyatt (until 19 May 2011)

Duties	Activities completed in 2011
• Determining and agreeing with the Board the broad framework or policies for Board and executive level remuneration • Ensuring executive management are provided with appropriate incentives to encourage enhanced performance • Reviewing performance-related pay schemes and ensuring their structure encourages long-term growth for the Company • Reviewing on-going appropriateness of remuneration policy • Reviewing the design of all share incentive plans • Reviewing pension arrangements for executive management • Reviewing remuneration trends and major changes in employee benefits across the Group • Ensuring full disclosure is made regarding remuneration in the Company's Annual Report • Ensuring advice is obtained from appropriate sources	• 2010 bonus plan outcome • 2011 annual bonus plan structure • Executive Directors' personal objectives and long-term incentive awards • 2010 Remuneration Committee report • Rebalancing of Executive Directors' and Operations Executive's remuneration and long-term incentives • Appointed new remuneration advisors

Accountability

Internal control and risk management

The Board and Audit Committee are 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. There are systems and procedures in place 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 our intention 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 were as follows:

- Each business unit 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.
- The responsibilities of the senior management at each business unit to manage risks within their businesses are periodically reinforced by the Operations Executive.
- 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. In addition, each year businesses conduct a self assessment of their internal controls. The results of these assessments are reviewed by the Group Risk Assurance Manager who provides a report to the Group Finance Director and the Chairman of the Audit Committee. The Board is made aware of any significant matters arising from the self assessments. 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 by the Group Risk Assurance Manager.
- 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;
  - operational 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 committed to by the Operations Executive and then approved by the Chief Executive and Board. The Board approves the overall Group's budget and plans. Monthly actual results are reported against prior year and monthly budgets and latest forecasts. These forecasts are revised where necessary but formally at least once every quarter. Any significant changes and adverse variances are reviewed by the Chief Executive 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 monthly reporting to the Board on the Group's tax and treasury position.

The Group's internal audit function, led by the Group Risk Assurance Manager, conducted a number of audits and additional assurance reviews during 2011, the details of which were presented to the Audit Committee. The audits covered matters such as HR processes, IT, payroll, purchasing and payments, sales and receivables and segregation of duties. An internal audit plan for 2012 has been drafted and agreed with the Audit Committee.

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, in respect of internal controls.

Audit Committee

The Committee is chaired by Nigel Moore, who has been the Chairman of the Committee since March 2004. Nigel Moore has recent and relevant financial experience having formerly been 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 set out below and each is considered independent. The Committee considers that its members have a wide skill set covering financial, commercial and operational matters.

The Company's external auditors, KPMG, are invited to attend meetings of the Committee on a regular basis and during 2011 they attended all meetings; in each case for part of the meeting. The Chief Executive, the Group Finance Director and the Group Risk Assurance Manager attend meetings 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.

Overview of the Audit Committee

Chairman	Members
Nigel Moore	Simon Beresford-Wylie Carolyn Fairbairn (from 1 February 2012) John Hughes (from 11 March 2011) Maria Richter Will Wyatt (until 19 May 2011)

Duties	Activities completed in 2011
• Monitoring the integrity of the financial statements of the Group, including its annual and half-yearly reports, results announcements, interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting judgments contained in them • Keeping under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems • Monitoring and reviewing the effectiveness of the Company's internal audit function • Reviewing the statements to be included in the annual report concerning internal controls and risk management • Reviewing the Company's whistleblowing arrangements • Reviewing the Company's systems and controls for the prevention of bribery and receiving reports on non-compliance • Overseeing the work of the internal audit function • Considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors • Overseeing the relationship with the external auditors including its remuneration and fees for non-audit services, terms of its engagement, assessing annually its independence and objectivity, its compliance with ethical and professional standards taking into account relevant UK professional and regulatory requirements • Ensuring the external audit is co-ordinated with the activities of the internal audit arrangements • Reviewing the audit plan, the resulting findings and the effectiveness of the audit • Developing and implementing policy on the engagement of the external auditor to supply non-audit services and to report to the Board any matters that require action or improvement	• Reviewed and recommended to the Board the financial results and accounting disclosures in connection with the full-year results for the year ended 31 December 2010 and the half-year results for the period ended 30 June 2011 • Monitored ongoing performance for internal controls for the Group • Received regular reports from the external auditor on accounting issues • Considered the scope and associated fee for the audit in connection with the year-end audit for 31 December 2011 • Met with the external auditors without the Executive Directors present to discuss any issues arising from the audit • Received training from the external auditors on future accounting developments • Reviewed the Group's position as a going concern • Agreed a set of objectives for implementation in 2012 • Renewed the Company's whistleblowing procedures and instructed the Group Company Secretary to circulate to all employees globally • Reviewed the requirements of the UK Bribery Act on behalf of the Board, implemented training for senior employees on its content, conducted risk assessments of the Group's operations, conducted due diligence on its agents and third party suppliers and recommended that the Board adopt a revised Code of Business Conduct for the Group • Reviewed a revised risk register for the Group to show risks from both a Group and business perspective

The Audit Committee operates under Terms of Reference which can be found on our website.

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 determined by their demonstrable competence and competitive pricing. 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: This type of work includes reporting accounting 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.

During 2011, the policy has been followed.

Relations with Shareholders

I continue to recognise the importance of maintaining regular contact with our shareholders to ensure that our business, strategy and remuneration policies are understood and that any concerns are addressed in a constructive way. Establishing and maintaining reliable lines of communication, even when there are no particular issues of concern for shareholders, is a key part of corporate governance. I welcome the introduction of the Stewardship Code as introduced in 2010, which has led to greater engagement between our institutional shareholders and the Company. Notably at our Annual General Meeting on 19 May 2011, 83.9% of our issued share capital was voted by way of proxies submitted. This is significantly up on prior years and demonstrates a good level of engagement with shareholders.

The Board communicates with its shareholders through a combination of public announcements through the London 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 to discuss relevant matters.

In October 2011 we hosted an Investor Day for our key institutional shareholders which was also attended by the Board, Operations Executive and key Vitec employees. Attendees were provided with an update on the Company's strategy and heard presentations from members of the Operations Executive on progress within each of the divisions and individual products. Copies of the presentation slides used are available on our website.

Regular updates from the Chief Executive at Board meetings keep the Board advised of the views of major shareholders. We also receive monthly reports on market and investor sentiment along with a full shareholder analysis.

The Annual General Meeting offers an opportunity for our shareholders, particularly private shareholders, to meet with our Directors and to hear more about the strategy of the Group. Shareholders are encouraged to attend the AGM and to ask questions about the business. I confirm that all Board members are scheduled to attend the forthcoming AGM, including each of the Committee Chairmen.

Each year, the Company sends to its shareholders an Annual Report. Copies of this, public announcements and financial results are published on the Company's website, www.vitecgroup.com, along with a number of other investor relations tools, including information on how to invest in the Company's shares, a dividend chart, share prices and presentation materials used for key shareholder presentations.

At general 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.

To allow shareholders to review the Annual Report in advance of the Annual General Meeting and create an informed view of the Company, we comply 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 and we will continue to comply with this requirement.

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 financial statements.

Michael Harper
Chairman

29 February 2012

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 2011. 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 auditor
As explained more fully in the Directors' Responsibilities Statement set out on pages 29 and 30, 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/private.cfm.

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 2011 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 57, in relation to going concern;
- the part of the Corporate Governance Statement on pages 50 to 57 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Robert Brent (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
London

29 February 2012

Introduction and table of contents

We have updated the format and layout of these financial statements following the principles outlined in the Financial Reporting Council's publication "Cutting Clutter - Combatting clutter in annual reports". This is to make our financial statements less complex and more relevant to shareholders.

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Each section sets out the accounting policies applied in producing these notes together with any key judgements and estimates used. Text boxes provide an introduction to each section.

Consolidated Income Statement

For the year ended 31 December 2011

		2011			2010		
	Notes	Before Significant items £m	Significant items[1] £m	Total £m	Before Significant items £m	Significant items[1] £m	Total £m
Revenue	2.1	**351.0**	**-**	**351.0**	309.6	-	309.6
Cost of sales		**(204.9)**	**-**	**(204.9)**	(183.1)	(1.3)	(184.4)
Gross profit		**146.1**	**-**	**146.1**	126.5	(1.3)	125.2
Other operating income		**-**	**-**	**-**	-	5.2	5.2
Operating expenses	2.1/2.2	**(111.6)**	**(9.2)**	**(120.8)**	(98.8)	(9.0)	(107.8)
Operating profit/(loss)	2.1	**34.5**	**(9.2)**	**25.3**	27.7	(5.1)	22.6
Finance income		**3.1**	**-**	**3.1**	3.1	0.1	3.2
Finance costs		**(4.6)**	**-**	**(4.6)**	(4.1)	-	(4.1)
Net finance expense	2.3	**(1.5)**	**-**	**(1.5)**	(1.0)	0.1	(0.9)
Profit/(loss) before tax		**33.0**	**(9.2)**	**23.8**	26.7	(5.0)	21.7
Taxation	2.4	**(10.8)**	**2.0**	**(8.8)**	(8.8)	5.4	(3.4)
Profit/(loss) for the year attributable to owners of the parent		**22.2**	**(7.2)**	**15.0**	17.9	0.4	18.3
Earnings per share	2.5						
Basic earnings per share				**34.7p**			42.8p
Diluted earnings per share				**33.9p**			41.9p
Average exchange rates							
Euro				**1.15**			1.17
US Dollar				**1.60**			1.55

[1] See Note 2.2 Significant items.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

	2011 £m	2010 £m
Profit for the year	15.0	18.3
Other comprehensive income:		
Actuarial gain on pension obligations, net of tax	0.4	2.5
Currency translation differences on foreign currency subsidiaries	0.1	1.5
Net loss on designated effective net investment hedges	(0.2)	(1.1)
Amounts released to Income Statement in relation to cash flow hedges, net of tax	0.5	(0.7)
Effective portion of changes in fair value of cash flow hedges	(1.3)	-
Total comprehensive income for the year attributable to owners of the parent	14.5	20.5

Consolidated Balance Sheet

As at 31 December 2011

	Notes	2011 £m	2010 £m
Assets			
Non-current assets			
Intangible assets	3.1	75.0	51.8
Property, plant and equipment	3.2	50.1	53.4
Trade and other receivables	3.3	0.4	0.4
Deferred tax assets	2.4	15.8	22.6
		141.3	128.2
Current assets			
Inventories	3.3	66.4	55.4
Trade and other receivables	3.3	50.7	45.4
Derivative financial instruments	4.2	0.3	0.9
Current tax assets	2.4	0.8	0.3
Cash and cash equivalents	4.1	6.9	7.7
		125.1	109.7
Total assets		266.4	237.9
Liabilities			
Current liabilities			
Bank overdrafts	4.1	0.7	1.0
Trade and other payables	3.3	58.3	49.7
Derivative financial instruments	4.2	1.6	1.0
Current tax liabilities	2.4	7.4	9.4
Provisions	3.5	4.1	4.6
		72.1	65.7
Non-current liabilities			
Bank loans	4.1	56.6	34.8
Other payables	3.3	1.2	1.5
Post-employment obligations	5.2	4.9	7.0
Provisions	3.5	1.6	2.2
Deferred tax liabilities	2.4	0.7	2.4
		65.0	47.9
Total liabilities		137.1	113.6
Net assets		129.3	124.3
Equity			
Share capital		8.7	8.6
Share premium		9.8	9.6
Translation reserve		5.8	5.9
Capital redemption reserve		1.6	1.6
Cash flow hedging reserve		(0.9)	(0.1)
Retained earnings		104.3	98.7
Total equity	4.3	129.3	124.3
Balance Sheet exchange rates			
Euro		1.20	1.17
US Dollar		1.55	1.57

Approved by the Board on 29 February 2012 and signed on its behalf by:

Paul Hayes
Group Finance Director

Consolidated Statement of Changes in Equity

	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 2011	8.6	9.6	5.9	1.6	(0.1)	98.7	124.3
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	15.0	15.0
Other comprehensive income							
Actuarial gain on pension obligations, net of tax	-	-	-	-	-	0.4	0.4
Currency translation differences on foreign currency subsidiaries	-	-	0.1	-	-	-	0.1
Net loss on designated effective net investment hedges	-	-	(0.2)	-	-	-	(0.2)
Amounts released to Income Statement in relation to cash flow hedges, net of tax	-	-	-	-	0.5	-	0.5
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(1.3)	-	(1.3)
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(8.2)	(8.2)
Own shares (Employee Benefit Trust) purchased	-	-	-	-	-	(2.8)	(2.8)
Share-based payment charge	-	-	-	-	-	1.2	1.2
New shares issued	0.1	0.2	-	-	-	-	0.3
Balance at 31 December 2011	8.7	9.8	5.8	1.6	(0.9)	104.3	129.3
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)
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(7.9)	(7.9)
Own shares (Employee Benefit Trust) purchased	-	-	-	-	-	(1.1)	(1.1)
Share-based payment charge	-	-	-	-	-	1.0	1.0
New shares issued	-	0.6	-	-	-	-	0.6
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 2011

	Note	2011 £m	2010 £m
Cash flows from operating activities			
Profit for the year		**15.0**	18.3
Adjustments for:			
Taxation		**8.8**	3.4
Depreciation		**13.2**	13.6
Amortisation of			

Section 1 – Basis of preparation

This section lays out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

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 2011 comprise the Company and its subsidiaries (together referred to as the Group).

As required by EU law (IAS Regulation EC 1606/2002), the Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), and have been approved by the Directors.

The financial statements are principally prepared on the basis of historical cost. Areas where other bases are applied are identified in the accounting policy outlined in the relevant note.

The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, Note 4.2 "Financial Instruments" includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources, including undrawn borrowing facilities at the end of the year of £98.3 million (see Note 4.2 "Financial Instruments"). The Directors believe that the Group is well placed to manage its business risks.

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 consolidated financial statements.

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

Foreign Currencies
The consolidated financial statements are presented in Sterling with the reporting currency of the Group's subsidiaries generally being that of the local country.

Transactions in foreign currencies are translated at the exchange rate on that day.

Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year-end, a currency translation gain or loss may arise. Any such differences are recognised in the Income Statement.

Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate on the day of the transaction, unless they are stated at fair value in which case they are translated at the exchange rate of the day the fair value was determined.

The assets and liabilities of overseas companies, including goodwill and fair value adjustments arising on consolidation, are translated at the year-end exchange rate.

The revenues and expenses of these companies are translated at the weighted average exchange rate for the year. Where differences arise between these rates, they are recognised in the translation reserve within Equity and Other Comprehensive Income.

The cash flows of these companies are translated at the weighted average exchange rate for the year.

In the consolidated financial statements, currency translation gains and losses on inter-company loans are recognised directly in the translational reserve within Equity and Other Comprehensive Income, if they form part of a net investment hedge.

In respect of all overseas companies, only those translation differences arising since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. On disposal of such a company, the related translation reserve is released to the Income Statement as part of the gain or loss on disposal.

Section 1 – Basis of preparation continued

Critical accounting judgements and estimates
The following provides information on those policies that the Directors consider critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The Directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

Pension benefits
The actuarial valuations associated with the pension schemes involve making assumptions about discount rates, expected rates of return on assets, future salary increases, future pension increases and mortality rates. All assumptions are reviewed at each reporting date. Further details about the assumptions used are set out in Note 5.2 "Pensions".

Impairment testing
Goodwill is tested annually for impairment. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. Details about the assumptions used are set out in Note 3.1 "Intangible assets".

Acquisitions
Acquisitions are accounted for under the acquisition method, based on the fair value of the consideration paid. Assets and liabilities are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values. IFRS 3 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates including forecast performance. Accordingly, determining the fair values of assets and liabilities acquired involves the use of significant estimates and assumptions (including discount rates, asset lives and recoverability). Details concerning the acquisitions made in the year are set out in Note 3.4 "Acquisitions".

Tax
The Group is subject to income taxes in a number of jurisdictions. Management is required to make judgements and estimates in determining the provisions for income taxes, deferred tax assets and liabilities recognised in the consolidated financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences and unused tax losses can be utilised. Details on the tax charge and assets and liabilities recorded are set out in Note 2.4 "Tax".

Application of new or amended EU endorsed accounting standards
A number of amendments to published standards and interpretations are effective for the Group for the year ended 31 December 2011. 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
There are a number of new standards, amendments to standards and interpretations that are not yet effective for the year ended 31 December 2011, and have not been adopted early in preparing these consolidated financial statements. None of these are anticipated to have any material impact on these consolidated financial statements.

Section 2 – Results for the year

This section focuses on the profitability of the Group. On the following pages you will find disclosures relating to the following:

2.1 Profit before tax (including segmental information)

2.2 Significant items

2.3 Net finance expense

2.4 Tax

2.5 Earnings per share

2.1 Profit before tax (including segmental information)

This shows the analysis of the Group's profit before tax by reference to its three divisions. Further segmental information and an analysis of key operating expenses is also shown here.

Accounting policies

Revenue recognition
Revenue is stated exclusive of VAT and consists of sales to third parties after returns, trade discounts and volume rebates.

Goods and services sold
Revenue from the sale of goods is recognised when both the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be measured reliably. This is normally when title passes to the customer.

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

Section 2 – Results for the year continued

2.1 Profit before tax continued

Segment reporting

The Group has three reportable segments which are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker (considered to be the Board). Further details on the nature of these segments and the products and services they provide are contained in the Directors' Report.

	Videocom		Imaging & Staging		Services		Corporate and unallocated		Consolidated	
	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m	2011 £m	2010 £m
Revenue from external customers:										
Sales	134.0	119.4	183.2	153.7	7.5	7.2	-	-	324.7	280.3
Services	2.2	2.2	-	-	24.1	27.1	-	-	26.3	29.3
Total revenue from external customers	136.2	121.6	183.2	153.7	31.6	34.3	-	-	351.0	309.6
Inter-segment revenue [1]	2.3	2.9	0.6	0.4	0.1	0.2	(3.0)	(3.5)	-	-
Total revenue	138.5	124.5	183.8	154.1	31.7	34.5	(3.0)	(3.5)	351.0	309.6
Segment result	12.7	8.4	21.2	18.9	0.6	0.4	-	-	34.5	27.7
Transaction costs relating to acquisitions	(0.5)	-	(0.3)	-	-	-	-	-	(0.8)	-
Goodwill impairment	-	-	(5.2)	-	-	-	-	-	(5.2)	-
Amortisation of acquired intangible assets	(2.6)	(5.1)	(0.6)	(2.5)	-	-	-	-	(3.2)	(7.6)
Other Significant items	-	2.6	-	(0.1)	-	-	-	-	-	2.5
Operating profit after Significant items	9.6	5.9	15.1	16.3	0.6	0.4	-	-	25.3	22.6
Net finance costs									(1.5)	(0.9)
Taxation									(8.8)	(3.4)
Profit for the year									15.0	18.3
Segment assets	119.6	90.6	100.3	92.8	22.2	23.0	0.8	0.9	242.9	207.3
Unallocated assets										
Cash and cash equivalents							6.9	7.7	6.9	7.7
Current tax assets							0.8	0.3	0.8	0.3
Deferred tax assets							15.8	22.6	15.8	22.6
Total assets									266.4	237.9
Segment liabilities	27.3	29.2	33.2	30.4	3.1	1.9	8.1	4.5	71.7	66.0
Unallocated liabilities										
Bank overdrafts							0.7	1.0	0.7	1.0
Bank loans							56.6	34.8	56.6	34.8
Current tax liabilities							7.4	9.4	7.4	9.4
Deferred tax liabilities							0.7	2.4	0.7	2.4
Total liabilities									137.1	113.6
Average number of employees	834	798	1,020	895	178	198	20	16	2,052	1,907
Cash flows from operating activities	4.3	4.2	12.0	15.6	5.7	4.2	5.0	8.5	27.0	32.5
Cash flows from investing activities	(1.9)	-	(3.9)	(7.5)	(3.5)	(2.4)	(29.1)	-	(38.4)	(9.9)
Cash flows from financing activities	-	-	-	-	-	-	10.9	(27.4)	10.9	(27.4)
Capital expenditure										
Property, plant and equipment	3.2	3.4	4.4	6.7	5.8	3.7	0.3	-	13.7	13.8
Intangible assets	0.7	1.5	1.2	1.1	0.5	0.1	-	-	2.4	2.7

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

No individual customer accounted for more than 10% of external revenue in either 2011 or 2010.

Geographical segments

	2011 £m	2010 £m
Analysis of revenue from external customers, by location of customer		
United Kingdom	26.0	22.8
The rest of Europe	89.3	72.8
The Americas	164.4	154.0
The rest of the World	71.3	60.0
Total revenue from external customers	351.0	309.6

The Group's operating segments are located in several geographical locations, and sell products and services on to external customers in all parts of the world.

Operating expenses

	2011 £m	2010 £m
Analysis of net operating expenses		
Administrative expenses		
- Significant items	9.2	9.0
- Other administrative expenses	48.0	44.5
	57.2	53.5
Marketing, selling and distribution costs	51.4	44.5
Research, development and engineering costs	12.2	9.8
Operating expenses	120.8	107.8

Operating profit

	2011 £m	2010 £m
The following items are included in operating profit		
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	0.3	0.4
- Transaction and other services	0.2	0.1

2.2 Significant items

Significant items are excluded from key performance measures in order to more accurately show the underlying current business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. In Management's judgement, Significant items include non-cash charges such as impairment and amortisation, and non-operational items that are outside the ordinary course of trading activities.

	2011 £m	2010 £m
Significant items comprise the following:		
- Exit costs on Broadcast Auxiliary Services "BAS" relocation project	-	(1.3)
Cost of sales	-	(1.3)
- Profit on disposal of Clear-Com business	-	2.2
- Curtailment gain on UK defined benefit pension scheme	-	3.0
Other operating income	-	5.2
- Costs associated with UK defined benefit pension scheme	-	(0.5)
- Exit costs on BAS relocation project	-	(0.8)
- Impairment losses on property	-	(0.1)
- Transaction costs relating to acquisitions	(0.8)	-
- Impairment of goodwill in the Staging business	(5.2)	-
- Amortisation of acquired intangible assets	(3.2)	(7.6)
Operating expenses	(9.2)	(9.0)
Significant items included in Operating Profit	(9.2)	(5.1)
- Finance income [1]	-	0.1
Significant items included in Profit before Tax	(9.2)	(5.0)

[1] In 2010, significant finance income of £0.1 million related to currency translation differences arising on certain intra-Group funding balances that did not meet the strict criteria for net investment hedging, but are very similar in nature.

2.3 Net finance expense

This note details the finance income and expense generated from the Group's financial assets and liabilities.

Accounting policies

Net finance expense comprises:
- interest payable on borrowings and interest receivable on funds invested;
- the amortisation of loan costs;
- foreign exchange gains and losses on external loans that are not part of a net investment hedge;
- the finance element of defined benefit pension schemes; and
- gains and losses on derivatives to the extent that they are recognised in the Income Statement.

Net finance expense

	2011 £m	2010 £m
Finance income		
Expected return on assets in the defined benefit pension scheme [1]	2.8	2.8
Net currency translation gains	0.3	0.4
	3.1	3.2
Finance expense		
Interest payable on bank borrowings	(1.9)	(1.2)
Interest charge on defined benefit pension scheme liabilities [1]	(2.7)	(2.8)
Net fair value losses on financial instruments	-	(0.1)
	(4.6)	(4.1)
Net finance expense	(1.5)	(0.9)

[1] See Note 5.2 "Pensions"

2.4 Tax

This note lays out the tax accounting policies, the total tax charge or credit in the Income Statement, and tax assets and tax liabilities in the Balance Sheet. This includes amounts relating to deferred tax.

Accounting policies

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, 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 substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised for all deductible temporary differences and carried forward 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.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and increased or reduced to the extent of the probable level of 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 on 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.

Tax - Income Statement

	2011 £m	2010 £m
The total taxation charge/(credit) in the Income Statement is analysed as follows:		
Before Significant items		
Current tax	8.7	9.1
Deferred tax	2.1	(0.3)
	10.8	8.8
Significant items		
Current tax [1]	(0.3)	(4.2)
Deferred tax [2]	(1.7)	(1.2)
	(2.0)	(5.4)
Summarised in the Income Statement as follows:		
Current tax	8.4	4.9
Deferred tax	0.4	(1.5)
	8.8	3.4

[1] Current tax credits of £0.3 million have been recognised with a corresponding credit to Significant items. This relates to the current tax impact of the amortisation of intangible assets in the period.

[2] Deferred tax credits of £1.7 million have been recognised with a corresponding credit to Significant items. The impairment of goodwill to the Italian portion of the Staging business has resulted in the reversal of a deferred tax liability and a corresponding credit to Significant items of £0.7 million. The remaining £1.0 million credit relates to the deferred tax impacts of the amortisation of intangible assets.

Section 2 – Results for the year continued

2.4 Tax continued

	2011 £m	2010 £m
Current tax expense		
Charge for the year	9.2	8.4
Adjustments in respect of prior years	(0.8)	(3.5)
	8.4	4.9

The UK current tax charge represents £2.0 million of the total Group current tax charge of £8.4 million with the remaining charge of £6.4 million relating to overseas tax.

	2011 £m	2010 £m
Deferred tax expense		
Origination and reversal of temporary differences	0.4	(1.5)
Tax credits recognised in SOCIE [3]	-	(2.3)
	0.4	(3.8)

[3] Deferred tax credits relating to the impact of cash flow hedges of £0.4 million have been fully offset by an equal £0.4 million charge in respect of the UK defined benefit pension scheme. Both items have been reflected in the SOCIE.

The UK deferred tax credit represents £0.2 million of the total Group deferred tax charge of £0.4 million, offset by a £0.6 million charge relating to overseas tax.

Reconciliation of Group tax charge	2011 £m	2010 £m
Profit before tax	23.8	21.7
Income tax using the domestic corporation tax rate at 26.5% (2010: 28.0%)	6.3	6.1
Effect of tax rates in foreign jurisdictions	(0.2)	(1.3)
Non-deductible expenses	0.9	1.7
Impact of business disposal	-	(2.7)
Impact of tax credits in respect of prior years	(0.8)	(4.6)
Benefit of tax losses recognised	-	(2.1)
Impact of goodwill impairment	1.0	-
Impact of tax losses not recognised	1.5	6.0
Other	0.1	0.3
Total income tax expense in Income Statement	8.8	3.4

Tax - Balance Sheet

Current tax

The current tax liability of £7.4 million (2010: £9.4 million) represents the amount of income taxes payable in respect of current and prior periods. The current tax assets of £0.8 million (2010: £0.3 million) mainly relate to income tax receivable in Italy.

Deferred tax assets and liabilities

	2011 £m	Recognised in income £m	Recognised on acquisitions £m	Transfers [1] £m	Exchange movements £m	2010 £m
Assets						
Inventories	2.2	(0.5)	-	0.3	0.2	2.2
Intangible assets	(1.3)	(0.3)	(4.7)	(1.6)	-	5.3
Tax value of loss carry-forwards recognised	3.6	0.8	-	(0.6)	(0.2)	3.6
Property, plant, equipment and other	11.3	(0.4)	-	0.2	-	11.5
	15.8	(0.4)	(4.7)	(1.7)	-	22.6
Liabilities						
Intangible assets	(0.7)	-	-	1.6	-	(2.3)
Property, plant, equipment and other	-	-	-	0.1	-	(0.1)
	(0.7)	-	-	1.7	-	(2.4)
Net	15.1	(0.4)	(4.7)	-	-	20.2

	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 and other	11.5	1.7	2.3	-	0.1	7.4
	22.6	3.0	2.3	(1.1)	0.3	18.1
Liabilities						
Intangible assets	(2.3)	(1.9)	-	-	0.1	(0.5)
Property, plant, equipment and 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

[1] Deferred tax assets have been offset against liabilities where assets and liabilities arise in the same jurisdiction and there is a legal right of offset.

Deferred tax assets totalling £9.9 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 have not been recognised in respect of the following items:

	2011 £m	2010 £m
Losses	6.6	4.8
Temporary differences on share options	1.2	1.2
Total	7.8	6.0

Deferred tax assets have not been recognised in respect of these items because it is not sufficiently probable that these assets will reverse in the foreseeable future.

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 £57.9 million at 31 December 2011 (2010: £67.0 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.

2.5 Earnings per share

Earnings per share ("EPS") is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year, but adjusted for the effects of dilutive share options. The key features of share option contracts are described in Note 5.3 "Share-based payments".

The Adjusted EPS measure is used by Management to assess the underlying performance of the ongoing businesses, and therefore excludes Significant items.

The calculation of basic, diluted and adjusted EPS is set out below:

Profit	2011 £m	2010 £m
Profit for the financial year	15.0	18.3
Add back: Significant items	7.2	(0.4)
Earnings before Significant items	22.2	17.9

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	2011 Number	2010 Number	2011 pence	2010 pence	2011 pence	2010 pence
Basic	43,197	42,755	51.4	41.9	34.7	42.8
Dilutive potential ordinary shares:						
- Employee share options	975	917	(1.2)	(0.9)	(0.7)	(0.9)
- Deferred Bonus Plan	102	50	(0.1)	-	(0.1)	-
Diluted	44,274	43,722	50.1	41.0	33.9	41.9

Section 3 – Operating assets and liabilities

This section shows the assets and liabilities used to generate the Group's trading performance. Liabilities relating to the Group's financing activities are addressed in Section 4. Current tax and deferred tax assets and liabilities are shown in Section 2.4.

On the following pages, there are disclosures covering the following:

3.1 Intangible assets

3.2 Property, plant and equipment

3.3 Working capital

3.4 Acquisitions

3.5 Provisions

3.1 Intangible assets

This shows the non-physical assets used by the Group to generate revenues and profits. These assets include the following:

- **Goodwill**
- **Acquired intangible assets**
- **Capitalised software**
- **Capitalised development costs**

Accounting policies

Goodwill

The goodwill recognised by the Group has all arisen as a result of acquisitions and is stated at cost less any accumulated impairment losses. Impairment losses on goodwill are not reversed. From 1 January 2004 (IFRS transition date), goodwill is allocated on acquisition, to cash-generating units that are anticipated to benefit from the combination, and is not subject to amortisation but is tested annually for impairment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This estimate of recoverable amount is determined at each Balance Sheet date. The Group's identified cash-generating units are smaller than reportable segments.

The estimate of recoverable amount requires significant assumptions to be made and is based on a number of factors such as the near-term business outlook for the cash-generating unit, including both its operating profit and operating cash flow performance. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

All acquisitions that have occurred since 1 January 2010 are accounted for by applying the acquisition method. Goodwill on these acquisitions represents the excess of the fair value of the acquisition over the fair value to the Group of the identifiable net assets acquired, all measured at the acquisition date. Subsequent adjustments to the fair values of net assets acquired can be made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Transaction costs that the Group incurs in connection with an acquisition, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Acquisitions that occurred between 1 January 2004 and 31 December 2009 have been accounted for by applying the purchase method in accordance with IFRS 3 'Business Combinations (2004)'. Goodwill on these acquisitions represents the excess of the cost of the acquisition over the fair value to the Group of the identifiable net assets acquired. When the excess is negative (negative goodwill) it is recognised immediately in the Income Statement. Transaction costs that the Group incurred in connection with an acquisition, such as legal fees, due diligence fees and other professional and consulting fees, were included in the cost of acquisition.

In respect of acquisitions prior to 1 January 2004, goodwill is included on the basis of its deemed cost, which represents the amount recorded previously under UK GAAP at that time less amortisation up to 31 December 2003. Prior to 1 January 1998, goodwill was written off to reserves in the year of acquisition.

Other intangible assets

The other intangible assets are either acquired or internally generated (such as capitalised software and capitalised development costs).

Acquired intangible assets

Other intangible assets acquired as part of a business combination are shown at fair value at the date of acquisition less accumulated amortisation at the rates indicated below:

Order backlog	1 to 2 years
Brand	3 to 15 years
Customer relationships	3 to 15 years
Technology	5 to 15 years

Section 3 – Operating assets and liabilities continued

3.1 Intangible assets continued

Capitalised software
The cost of acquiring software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are assessed as likely to generate economic benefits exceeding costs beyond one year, are also capitalised and recognised as intangible assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Capitalised software expenditure is amortised over its estimated useful life of between 3 to 5 years, and is stated at cost less accumulated amortisation and impairment losses.

Capitalised development costs
Research and development costs are charged to the Income Statement in the year in which they are incurred unless development expenditure meets the criteria for capitalisation. Once detailed and strict 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.

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

In accordance with the requirements of IAS 36, Impairment of Assets, goodwill is allocated to the Group's cash-generating units which are represented by the Group's trading businesses. The most significant elements of the Group's total consolidated goodwill of £57.1 million at 31 December 2011 are allocated to Vitec Videocom (formerly three separate CGUs comprising Camera Dynamics, Litepanels and Anton/Bauer, which are now combined into a single CGU because of their future interdependence of cash-flow generation): £17.2 million (2010: £17.2 million) and Haigh-Farr: £13.3 million. Both CGUs sit within the Videocom segment. Acquired entities are quickly integrated into existing Group companies with the result that it is not appropriate to consider their individual performance when determining cash-generating units and performing goodwill impairment testing. Each cash-generating unit is assessed for impairment annually and whenever there is a specific indication of impairment.

As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value in use over a projected period of five years together with a terminal value. This reflects the projected cash flows of each cash-generating unit based on the actual operating results, the most recent Board approved budget, strategic plans and management projections.

The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long-term growth rates beyond 2016 and the discount rates applied. The key judgements are the level of revenue and operating margins anticipated and the proportion of operating profit converted to cash in each year. Forecasts are based on past experience and take into account current and future market conditions and opportunities.

Growth rates for the period beyond 2016 are assumed to be 2%, which is considered to be at or below long-term market trends for each CGU.

The cash flow projections have been discounted to present value using the Group's post-tax weighted average cost of capital adjusted for economic and CGU-specific risk factors including markets and size of business. Pre-tax rates of 11% to 13% have been used for impairment testing.

The following specific individual sensitivities have been considered:
- if the long-term growth rate assumption was reduced to 1%; and
- a 1% point increase in the discount rate applied to each CGU.

A one-off goodwill impairment of £5.2 million has been charged to Significant items in relation to the Group's full impairment of its investment in the Staging businesses (2010: £nil). While the business is trading in line with expectations in 2011, Management has reassessed its longer term prospects and concluded that these do not support the carrying value of goodwill.

Intangible assets

	Total £m	Goodwill £m	Acquired intangible assets £m	Capitalised software £m	Capitalised development costs £m
Cost					
At 1 January 2010	99.0	54.2	33.3	10.9	0.6
Currency translation adjustments	2.5	1.2	1.4	(0.1)	-
Additions/(reductions)	2.6	(0.1)	-	1.2	1.5
Disposals	(3.5)	(2.6)	(0.5)	(0.4)	-
At 31 December 2010	100.6	52.7	34.2	11.6	2.1
At 1 January 2011	100.6	52.7	34.2	11.6	2.1
Currency translation adjustments	0.3	0.1	0.3	(0.1)	-
Additions/(reductions) [1]	1.5	(0.9)	-	2.3	0.1
Acquisitions	31.8	18.3	13.5	-	-
At 31 December 2011	134.2	70.2	48.0	13.8	2.2
Amortisation and impairment losses					
At 1 January 2010	40.8	9.6	23.0	8.2	-
Currency translation adjustment	1.1	0.2	1.0	(0.1)	-
Amortisation in the year	9.0	-	7.6	1.2	0.2
Impairment charge	0.1	-	-	0.1	-
Disposals	(2.2)	(1.9)	(0.1)	(0.2)	-
At 31 December 2010	48.8	7.9	31.5	9.2	0.2
At 1 January 2011	48.8	7.9	31.5	9.2	0.2
Currency translation adjustment	0.3	-	0.4	(0.1)	-
Amortisation in the year	4.9	-	3.2	1.2	0.5
Impairment charge [2]	5.2	5.2	-	-	-
At 31 December 2011	59.2	13.1	35.1	10.3	0.7
Carrying amounts					
At 1 January 2010	58.2	44.6	10.3	2.7	0.6
At 31 December 2010 and 1 January 2011	51.8	44.8	2.7	2.4	1.9
At 31 December 2011	75.0	57.1	12.9	3.5	1.5

[1] The reduction in goodwill of £0.9 million arose on the reversal of contingent consideration relating to previous acquisitions.

[2] The annual impairment review of goodwill led to a full impairment charge of £5.2 million to the goodwill of the Staging business, in the Imaging & Staging division.

3.2 Property, plant and equipment

This shows the physical assets used by the Group to generate revenues and profits. These assets include the following:

- **Land and buildings**
- **Plant, machinery and vehicles**
- **Equipment, fixtures and fittings**

Accounting policies

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain land and buildings that had been revalued to fair value prior to 1 January 2004, the date of transition to IFRS, are measured on the basis of deemed cost, being the revalued amount less depreciation up to the date of transition.

Rental assets are recorded as plant and machinery.

Depreciation
Depreciation is provided to write off the cost of property, plant and equipment, less estimated residual value, on a straight line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Freehold land	not depreciated
Freehold and long leasehold buildings	up to 50 years
Leasehold improvements	shorter of estimated useful life or remaining period of the lease
Plant and machinery	4 to 8 years
Motor vehicles	3 to 4 years
Equipment, fixtures and fittings	3 to 10 years
Rental assets	3 to 5 years

Impairment of assets
Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and market conditions.

Property, plant and equipment

	Total £m	Land and buildings £m	Plant, machinery and vehicles £m	Equipment, fixtures and fittings £m
Cost				
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	(13.3)	(0.6)	(10.5)	(2.2)
At 31 December 2010	147.8	35.0	97.5	15.3
At 1 January 2011	147.8	35.0	97.5	15.3
Currency translation adjustments	(1.0)	(0.3)	(0.6)	(0.1)
Additions	13.7	1.4	11.1	1.2
Disposals	(15.8)	(5.6)	(8.1)	(2.1)
Acquisitions	0.2	-	0.2	-
At 31 December 2011	144.9	30.5	100.1	14.3
Depreciation				
At 1 January 2010	92.6	13.8	67.5	11.3
Currency translation adjustment	(0.1)	(0.3)	0.3	(0.1)
Depreciation charge in the year	13.6	1.2	11.1	1.3
Impairment losses	0.1	0.1	-	-
Transfers between asset categories	-	(0.1)	0.2	(0.1)
Disposals	(11.8)	(0.5)	(9.4)	(1.9)
At 31 December 2010	94.4	14.2	69.7	10.5
At 1 January 2011	94.4	14.2	69.7	10.5
Currency translation adjustment	(0.8)	(0.2)	(0.5)	(0.1)
Depreciation charge in the year	13.2	1.6	10.4	1.2
Disposals	(12.0)	(2.7)	(7.3)	(2.0)
At 31 December 2011	94.8	12.9	72.3	9.6
Carrying amounts				
At 1 January 2010	54.6	19.6	31.6	3.4
At 31 December 2010 and 1 January 2011	53.4	20.8	27.8	4.8
At 31 December 2011	50.1	17.6	27.8	4.7

Plant, machinery and vehicles includes broadcast equipment rental assets with an original cost of £45.4 million (2010: £43.9 million) and accumulated depreciation of £31.2 million (2010: £31.1 million).

Capital commitments at 31 December 2011 for which no provision has been made in the financial statements amount to £0.3 million (2010: £nil).

Section 3 – Operating assets and liabilities continued

3.3 Working capital

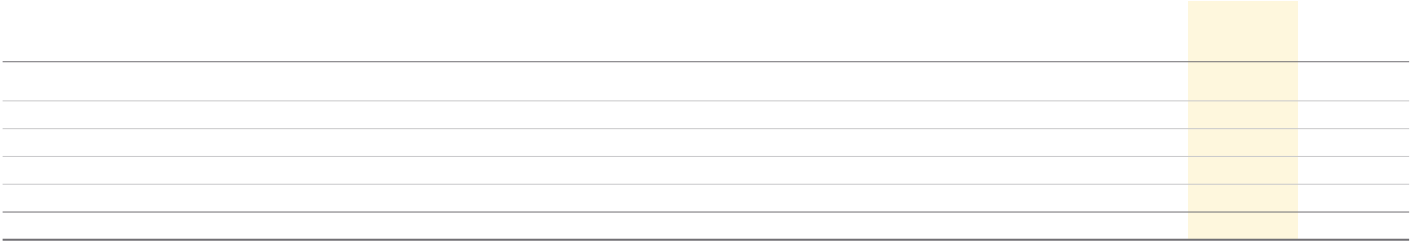
Working capital represents the assets and liabilities the Group generates through its trading activities. The Group therefore defines working capital as Inventory, Trade and other receivables, Trade and other payables.

Careful management of working capital is vital as it ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

Accounting policies

Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. Inventory acquired as part of business combinations is valued at fair value. Cost represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. In the case of manufacturing inventory and work in progress cost includes an appropriate share of production overheads based on normal operating capacity. Inventory is accounted for on an average cost or first-in, first-out method as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provisions for inventories are recognised when the book value exceelacity1 Tw includese((cosc sablrst-in,m



Section 3 – Operating assets and liabilities continued

3.4 Acquisitions continued

Acquisition of Haigh-Farr

On 15 December 2011, the Group acquired the whole of the share capital of Haigh-Farr, Inc (Haigh-Farr), a private company based in Bedford, New Hampshire, USA.

Haigh-Farr is a world leader in the design and manufacture of antennae for microwave communication systems which transmit and receive video and data in airborne military, commercial and law enforcement applications. This acquisition is another step in the execution of Vitec's strategy to grow in the military, aerospace and government ("MAG") market and will enable the Group to penetrate new markets, both internationally and domestically. Haigh-Farr operates within the Videocom Division.

The acquisition was funded from existing cash resources.

A summary of the effect of the acquisition of Haigh-Farr is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	10.4	10.4
Inventories	1.0	-	1.0
Trade and other receivables	0.8	-	0.8
Trade and other payables	(1.2)	-	(1.2)
Cash	0.2	-	0.2
Deferred tax	-	(3.9)	(3.9)
	0.8	6.5	7.3
Goodwill			13.3
Consideration			20.6
Satisfied by:			
- Cash consideration			20.0
- Deferred consideration			0.6
			20.6

The deferred consideration of £0.6 million reflects Management's estimate of the amount payable in relation to the net working capital adjustment.

Up to a further US$5.0 million (£3.2 million) is payable (US$2.5 million in 2013 and US$2.5 million in 2014) conditional upon the vendors remaining employed with the business and achievement of performance targets for the years ending 31 December 2012 and 2013. This will be charged to the Income Statement as and when incurred.

The value of the gross trade receivables at acquisition date amounted to £0.8 million reflecting Management's estimate of the fair value to be attributed.

	£m
Net outflow of cash in respect of acquisition	
Total purchase consideration	20.6
Deferred consideration	(0.6)
Cash consideration	20.0
Transaction costs	0.5
Cash acquired	(0.2)
Net cash outflow in respect of acquisition	20.3

The results of Haigh-Farr have been included in the Videocom Division and comprise:

	2011 £m
Revenue	0.1
Operating profit [1]	-

[1] Operating profit is stated before amortisation of intangible assets.

Had the acquisition been made at the beginning of the year (i.e. 1 January 2011) it would have contributed £6.0 million to revenue and £2.0 million to the operating profit of the Group.

3.5 Provisions

A provision is recognised by the Group where an obligation exists relating to events in the past, and it is probable that an outflow of economic benefits will be required to settle it.

Accounting policies

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 it. 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.

Obligations arising from restructuring plans are recognised when detailed formal plans have been established 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.

	Total £m	Warranty £m	Restructuring £m	Onerous lease £m	Deferred consideration £m
At 1 January 2011	6.8	3.2	1.8	-	1.8
Provisions utilised during the year	(1.8)	(1.2)	(0.6)	-	-
Provisions reversed during the year	(2.1)	(1.2)	-	-	(0.9)
Charged to the Income Statement	1.5	0.7	-	0.8	-
Acquisition of subsidiary undertaking	1.3	-	-	-	1.3
At 31 December 2011	5.7	1.5	1.2	0.8	2.2
Current	4.1	1.1	0.6	0.2	2.2
Non-current	1.6	0.4	0.6	0.6	-
	5.7	1.5	1.2	0.8	2.2

Warranty provisions
Warranties over the Group's products typically cover periods of between two and five years. The provision represents Management's estimate of the Group's liability based on past experience.

Restructuring
The restructuring provision is in relation to a previously announced efficiency programme and is expected to be utilised by 2015.

Onerous lease contracts
The onerous lease contracts provision is in relation to non-cancellable leases on vacant property that the Group entered into in previous years. Utilisation of the provision will be over the anticipated life of the lease of up to four years, or earlier if exited.

Deferred consideration
The deferred consideration provision relates to amounts payable on acquisition of subsidiaries which are conditional on the achievement of performance or working capital targets.

Section 4 – Capital structure

This section outlines the Group's capital structure. The Group considers its dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern and deliver its business plan. The Group focuses on leverage, credit ratings and interest cost, particularly when considering investment.

On the following pages there are disclosures concerning the following:

4.1 Net debt

4.2 Financial instruments

4.3 Share capital and reserves

4.1 Net debt

The Group's net debt comprises of the following:

- **Bank loans**
- **Cash and cash equivalents (cash on hand and demand deposits at banks)**
- **Bank overdrafts that are payable on demand**

Accounting policies

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet 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.

Cash and cash equivalents in the statement of cash flows includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less 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.

Analysis of net debt

The table below analyses the Group's components of net debt and their movements in the year.

	2011 £m	2010 £m
Decrease in cash and cash equivalents	(0.5)	(4.8)
(Proceeds from)/repayment of bank loans	(21.6)	19.0
(Increase)/decrease in net debt resulting from cash flows	(22.1)	14.2
Effect of exchange rate fluctuations on cash held	-	(0.6)
Effect of exchange rate fluctuations on debt held	(0.2)	(1.1)
Effect of exchange rate fluctuations on net debt	(0.2)	(1.7)
Movements in net debt in the year	(22.3)	12.5
Net debt at 1 January	(28.1)	(40.6)
Net debt at 31 December	(50.4)	(28.1)
Cash and cash equivalents in the Balance Sheet	6.9	7.7
Bank overdrafts	(0.7)	(1.0)
Cash and cash equivalents in the Statement of Cash Flows	6.2	6.7
Bank loans	(56.6)	(34.8)
Net debt at 31 December	(50.4)	(28.1)

4.2 Financial instruments

This provides details on:

- **Financial risk management**
- **Derivative financial instruments**
- **Fair value hierarchy**
- **Interest rate profile**
- **Maturity profile of financial liabilities**

Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk.

Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign exchange risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. The Group has clearly defined authority and approval limits built into these procedures.

Foreign currency risk
Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures).

The Group has operations around the world which record their results in a variety of different local functional currencies. In countries where the Group does not have operations, it invariably has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies but the Group's primary exposures relate to the US Dollar and Euro. Where appropriate, the Group manages its foreign currency exposures using derivative financial instruments.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts. Forward exchange contracts are typically used to hedge 75% of the Group's forecasted foreign currency exposure in respect of transactions for the following twelve months. These contracts have maturities of less than one year at the Balance Sheet date.

The Group's translational exposures to foreign currency risks can relate both to the Income Statement and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the statement of income of overseas subsidiaries. The Group finances overseas company investments partly through the use of foreign currency borrowings in order to provide a natural hedge of foreign currency risk arising on translation of the Group's foreign currency subsidiaries.

The Group ensures that its net exposure to foreign denominated cash balances is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

At 31 December 2011, it is estimated that a ten cent stronger/weaker US Dollar, Sterling and Euro would have increased/decreased the Group's operating profit before Significant items for the year ended 31 December 2011 by approximately £1.3 million.

Interest rate risk
Interest rate risk comprises of both the interest rate price risk that results from borrowing at fixed rates of interest and also the interest cash flow risk that results from borrowing at variable rates.

For the year ended 31 December 2011, it is estimated that a general increase/decrease of one percentage point in interest rates, would decrease/increase the Group's profit before tax by approximately £0.5 million.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. On 8 August 2008 the Group signed a 5 year Multicurrency Revolving Credit Facility Agreement with a syndicate of five UK and European banks. This Multicurrency facility was reduced from £125 million to £100 million during 2011 when the Group put in place a a two year $75 million Private Placement shelf facility, of which $50 million was drawn down in two tranches of $25 million each by 31 December 2011. The Group was utilising 25% of the £100 million Multicurrency facility at 31 December 2011.

Section 4 – Capital structure continued

4.2 Financial instruments continued

Credit risk
Credit risk arises because a counterparty may fail to meet its obligations. The Group is exposed to credit risk on financial assets such as trade receivables, cash balances and derivative financial instruments. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group Balance Sheet.

a) Trade receivables
The Group's credit risk is primarily attributable to its trade receivables. Trade receivables are subject to credit limits, and control and approval procedures in the operating companies. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables.

b) Cash balances and derivative financial instruments
Credit risk associated with cash balances is managed by transacting with a number of major financial institutions worldwide and periodically reviewing their credit worthiness. Transactions involving derivative financial instruments are managed centrally. These are only with banks that are part of the Group's £100 million Multicurrency Revolving Credit Facility Agreement. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

Derivative financial instruments

This is a summary of the derivative financial instruments that the Group holds and uses to manage risk. The value of these derivatives change over time in response to underlying variables such as exchange rates and are carried in the Balance Sheet at fair value.

The fair value of forward exchange contracts is determined by estimating the market value of that contract at the reporting date. Derivatives with a positive fair value are recorded as assets and negative fair values as liabilities, and presented as current or non-current based on their contracted maturity dates.

Accounting policies

Derivative financial instruments
In accordance with Board approved policies, the Group uses derivative financial instruments to hedge its exposure to fluctuations in foreign exchange rates arising from operational activities. It does not hold or use derivative financial instruments for trading or speculative purposes.

Cash flow hedge accounting
Derivative financial instruments may be transacted to hedge the variability in cash flows of highly probable forecast transactions or a recognised asset or liability, caused by changes in exchange rates.

Where a derivative financial instrument is designated in a cash flow hedge relationship with a highly probable forecast transaction, the effective part of any gain or loss arising is recognised in the Cash flow hedging reserve within Equity, via the Statement of Comprehensive Income. The ineffective part of any gain or loss is recognised in the Income Statement within net finance expense. When the forecast transaction subsequently occurs and results in the recognition of a financial asset or liability that impacts on the Income Statement, the associated cumulative gain or loss is removed from the hedging reserve and presented within 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.

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.

If a derivative financial instrument is not formally designated in a cash flow hedge relationship, any change in fair value is recognised in the Income Statement.

Forward exchange contracts

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next twelve months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next twelve months.

	Currency	As at 31 December 2011 Millions	Average exchange rate of contracts 2011	As at 31 December 2010 Millions	Average exchange rate of contracts 2010
Net investment contracts					
US Dollar / Sterling forward exchange contracts	US Dollar	-	-	12.5	1.55
Cash flow hedging contracts					
US Dollar / Sterling forward exchange contracts	US Dollar	11.4	1.58	8.1	1.54
US Dollar / Euro forward exchange contracts	US Dollar	30.9	1.38	33.7	1.37
Euro / Sterling forward exchange contracts	Euro	9.3	1.15	10.2	1.11
Sterling / Euro forward exchange contracts	Sterling	-	-	5.7	0.83
Yen / Sterling forward exchange contracts	Yen	245.0	123	262.0	138
Yen / Euro forward exchange contracts	Yen	347.0	109	288.0	121

The net gain in the Income Statement on fair value instruments was £1.0 million (2010: £0.8 million loss).

Fair value hierarchy

The following summarises financial instruments carried at fair values and the major methods and assumptions used in estimating these fair values.

The different levels of fair value hierarchy have been defined as follows:

Level 1
Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2
Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3
Fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below shows the carrying values and fair values of financial assets and liabilities.

	Carrying value 2011 £m	Fair value 2011 £m	Carrying value 2010 £m	Fair value 2010 £m
Forward exchange contracts – Assets	0.3	0.3	0.9	0.9
Forward exchange contracts – Liabilities	(1.6)	(1.6)	(1.0)	(1.0)
Cash at bank and in hand	6.9	6.9	7.7	7.7
Net trade receivables	38.7	38.7	34.9	34.9
Trade payables	(29.7)	(29.7)	(23.4)	(23.4)
Fixed rate borrowings	(32.2)	(34.6)	-	-
Floating rate borrowings	(25.1)	(25.1)	(35.8)	(35.8)
	(42.7)	(45.1)	(16.7)	(16.7)

The fair value of floating rate borrowings approximates to the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year.

The fair value of fixed rate borrowings is estimated by discounting the future contracted cash flow, using appropriate yield curves, to the net present values.

All financial instruments are deemed Level 2.

Section 4 – Capital structure continued

4.2 Financial instruments continued

Interest rate profile

The table below analyses the Group's interest rate exposure arising from bank loans by currency.

Accounting policies

Net investment hedge accounting
The Group uses Yen, US Dollar and Euro denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. Inter-company loans for which repayment is neither planned nor likely to occur in the foreseeable future are classified as net investments.

Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the translation reserve within Equity, via the Statement of Comprehensive Income. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Income Statement.

The effective portion will be recycled into the Income Statement on the sale of the foreign operation.

Bank borrowings

The table below analyses the Group's bank borrowings by currency.

	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m
Yen	2.5	-	2.5
US Dollar	38.0	32.2	5.8
Euro	4.1	-	4.1
Sterling	12.7	-	12.7
At 31 December 2011	57.3	32.2	25.1
Yen	2.4	-	2.4
US Dollar	25.6	-	25.6
Euro	6.8	-	6.8
Sterling	1.0	-	1.0
At 31 December 2010	35.8	-	35.8

The floating rate borrowings comprise bank borrowings bearing interest at rates based on LIBOR. The fixed rate borrowings are due for repayment on 11 May 2017.

Maturity profile of financial liabilities

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the carrying amounts disclosed on the Balance Sheet.

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

2011	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From one to five years £m	From five to ten years £m
Unsecured bank loans/overdrafts	(57.3)	(66.1)	(2.6)	(30.8)	(32.7)
Trade payables	(29.7)	(29.7)	(29.7)	-	-
Forward exchange contracts	(1.6)	(1.6)	(1.6)	-	-
	(88.6)	(97.4)	(33.9)	(30.8)	(32.7)

2010	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From one to five years £m	From five to ten 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)	-

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

Expiring in:	2011 £m	2010 £m
Less than one year		
- uncommitted facilities	6.8	15.3
More than one year but not more than two years		
- uncommitted facilities	16.0	-
More than one year but not more than five years		
- committed facilities	75.5	90.2
Total	98.3	105.5

4.3 Share capital and reserves

This note explains the movements in Share Capital and the nature and purpose of other reserves forming part of Equity. The movements in reserves are set out in the Consolidated Statement of Changes in Equity.

The Group utilises share award schemes as part of its employee remuneration packages. Options that have been granted and remain outstanding at 31 December 2011 are set out below. The various share-based payment schemes are explained in Note 5.3 "Share-based payments".

Share capital

	Number of Shares	Nominal value £m
Issued and fully paid		
At 1 January 2011	43,152,334	8.6
Exercise of share options	103,184	0.1
At 31 December 2011	43,255,518	8.7

Each ordinary share carries one vote, participates equally with the other ordinary shares in distributions of dividends and capital (including on a winding up) and is not redeemable.

At 31 December 2011 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	640,732	131p-491p	2012-2018
International Sharesave schemes	765,014	131p-522p	2012-2016
Executive schemes	109,658	298p-525p	2012-2018
	1,515,404		

Other Reserves

The nature and purpose of other reserves forming part of Equity are as follows:

Translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, including gains or losses arising on net investment hedges.

Cash flow hedging reserve
This reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

Own shares held
Own shares held by the Company's Employee Benefit Trust are recognised as a deduction from retained earnings.

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.

	2011 £m	2010 £m
12.5 pence per ordinary share (2010: 11.4 pence per ordinary share)	5.4	4.9

Section 5 – Other supporting notes

This section explains items that are not explained elsewhere in the financial statements.

5.1 Employees

	2011 £m	2010 £m
Employee costs, including Directors' remuneration, comprise:		
Wages and salaries	77.3	70.5
Employers' social security costs	11.2	9.5
Employers' pension costs - defined benefit schemes	0.9	(1.6)
Employers' pension costs - defined contribution schemes	1.2	1.2
Other employment benefits	3.0	2.9
Share-based payment charge	1.2	1.0
	94.8	83.5

Details of Directors' remuneration and share options are disclosed in the Remuneration Report.

5.2 Pensions

This note explains the accounting policies governing the Group's treatment of its pension schemes, followed by an analysis of these schemes.

Accounting policies

Defined contribution schemes
The assets are held separately from those of the Group in independently administered funds. The costs of providing pensions for employees under defined contribution schemes are expensed as incurred.

Defined benefit schemes
The Group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group. The Group's net obligation in respect of defined benefit pension schemes 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 is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds.

The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they arise in the Statement of Comprehensive Income.

The Group recognises the on-going service cost in the Income Statement as part of operating profit. The Group recognises the unwinding of the discount (above) and the return on scheme assets in the Income Statement as part of net financial expense. Past-service costs are recognised immediately in the Income Statement, unless the changes to the pension scheme 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. Any cost or income relating to the curtailment or settlement of a pension scheme is recognised immediately in the Income Statement.

Pension schemes

The Group has defined benefit pension schemes in the UK, Italy, Germany, Japan, Israel and France. The UK defined benefit scheme was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Group are now offered membership of the defined contribution pension scheme. Other overseas subsidiaries have their own defined contribution schemes.

Defined contribution schemes

The total Income Statement charge of the defined contribution schemes for the year ended 31 December 2011 was £1.2 million (2010: £1.2 million). There were no outstanding or prepaid contributions to these plans as at 31 December 2011 (or at 31 December 2010).

Defined benefit schemes

The Group's defined benefit schemes are disclosed below.

	2011 £m	2010 £m
Amounts recognised on the Balance Sheet		
Plan assets		
- Equities	18.9	30.6
- Bonds	27.2	9.9
- Other	2.8	4.1
Total fair value of plan assets	48.9	44.6
Present value of defined benefit obligation	(53.8)	(51.6)
Net deficit recognised in the Balance Sheet	(4.9)	(7.0)

	2011 £m	2010 £m
Analysis of net recognised deficit		
Total funded plan (UK pension scheme)	(0.4)	(2.3)
Total unfunded plans	(4.5)	(4.7)
Liability recognised on the Balance Sheet	(4.9)	(7.0)

	2011 £m	2010 £m
Amounts recognised in the Income Statement		
- Current service cost	1.1	1.6
- Past service gain	(0.2)	(0.1)
- Settlement gain	-	(0.1)
- Curtailment gain	-	(3.0)
Included in operating costs	0.9	(1.6)
- Expected return on plan assets	(2.8)	(2.8)
- Interest cost	2.7	2.8
Included in financial expense	(0.1)	-
Total amounts charged to the Income Statement	0.8	(1.6)

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Movements since 2007 on defined benefit schemes					
Plan assets	48.9	44.6	41.0	34.8	44.4
Defined benefit obligation	(53.8)	(51.6)	(52.0)	(40.7)	(47.2)
Total deficit	(4.9)	(7.0)	(11.0)	(5.9)	(2.8)
Net actuarial gain/(loss)	1.0	0.2	(6.1)	(1.8)	2.5
Experience loss	-	-	-	(0.1)	(0.4)

UK pension scheme

The UK pension scheme, being significant, is disclosed below.

The nature of the UK scheme is a funded final salary scheme, closed to new entrants at the end of 2003 and closed to future benefit accrual with effect from 31 July 2010.

	2011 % pa	2010 % pa	2009 % pa	2008 % pa	2007 % pa
Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December were:					
Price inflation (RPI)	2.9	3.5	3.6	2.8	3.3
Price inflation (CPI)	1.9	2.8	n/a	n/a	n/a
Expected rate of salary increases [1]	n/a	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)	2.8	3.4	3.6	2.8	3.3
- Guaranteed LPI 5% (6 April 1997 - 30 June 2008)	2.8	3.4	3.6	2.8	3.3
- Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.4	2.5	2.5	2.5	n/a
Rate of increase for deferred pensions	1.9	2.8	3.6	2.8	3.3
Discount rate	4.7	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.

Section 5 – Other supporting notes continued

5.2 Pensions continued

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 21.8 to 24.4 years; and
- Non-pensioners currently aged 45: ranging from 23.7 years to 26.3 years.

	2011 £m	2010 £m
Reconciliation of present value of defined benefit obligation (DBO) for the year to 31 December		
Present value of DBO at start of year	46.9	47.1
Group service cost	-	0.9
Interest cost	2.5	2.6
Employee contributions	-	0.2
Actuarial loss/(gain) on change of assumptions	1.4	(1.4)
Experience loss	0.3	3.0
Actual benefit payments and expenses	(1.7)	(2.3)
Past service costs	(0.1)	(0.1)
Curtailments	-	(3.0)
Settlements	-	(0.1)
Present value of DBO at end of year	49.3	46.9

	Fair value	Fair value	Fair value	Fair value	Expected long-term rate of return	Expected long-term rate of return	Expected long-term rate of	Expected long-term rate of
								( )ТЂ.> BD

Options granted, exercised and lapsed during the years ended 31 December 2010 and 2011 under these share options plans were as follows:

	Sharesave	Weighted average Exercise Price (£)	USOP	Weighted average Exercise Price (£)
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
Exercised during 2011	(89,928)	2.61	(8,000)	2.98
Lapsed during 2011	(115,055)	2.31	(131,117)	5.12
Granted during 2011	129,158	4.81	-	-
Awards at 31 December 2011	1,405,746	1.97	109,658	3.46
Awards exercisable at 31 December 2011	-	-	109,658	3.46

The weighted average share price at the date of exercise for share options exercised during the year was £5.70 (2010: £4.75).

Arrangement	2002 UK and International Sharesave Plan 3 Year	2002 UK and International Sharesave Plan 5 Year	2003 UK and International Sharesave Plan 7 Year	2005 Long Term Incentive Plan	2005 Deferred Bonus Plan
Nature of arrangement	Save as you earn scheme	Save as you earn scheme	Save as you earn scheme	Share award plan	Share award plan
Date of grant	21 April 2011	21 April 2011	21 April 2011	14 March 2011	29 March 2011
Number of instruments granted	109,037	18,749	1,372	490,472	41,385
Exercise price	£4.72/£5.02 [1]	£4.72/£5.02 [1]	£4.72	n/a	n/a
Share price at date of grant	£6.33	£6.33	£6.33	£5.99	£6.08
Contractual life (years)	3.5	5.5	7.5	4	4
Expected option life (years)	3.25	5.25	7.25	4	4
Vesting conditions	3 year service period and savings requirement	5 year service period and savings requirement	7 year service period and savings requirement	Relative TSR performance against comparator group, EPS growth and 3 year service period	Relative TSR performance against comparator group, EPS growth and 3 year service period for matching awards
Settlement	Shares	Shares	Shares	Shares	Shares
Expected volatility [2]	41.1%	41.1%	41.1%	44.1%	44.1%
Risk free interest rate	1.70%	2.50%	3.10%	n/a	n/a
Expected dividend yield	3.50%	3.50%	3.50%	n/a	n/a
Expected departures (per annum from grant date)	5%	5%	5%	10%	15%
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	100%	100%
Fair value per granted instrument determined at the grant date	£2.12/£1.99 [1]	£2.31/£2.21 [1]	£2.44	£5.99/£3.87 [3]	£6.08/£3.93 [3]
Valuation model	Black Scholes	Black Scholes	Black Scholes	Monte Carlo [4]	Monte Carlo [4]

[1] For the Sharesave three year, five year and seven year awards, the exercise price (the first figure) for awards made to employees in the Europe and Israel was different from those granted to employees in US and Costa Rica (the second figure).

[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 the Company's share price during the year a uniform rate has been used for all the Sharesave options as a reasonable estimate of volatility going-forward.

[3] The first figure represents fair value of awards subject to EPS growth criteria and the second figure represents fair value of awards subject to TSR criteria.

[4] For the LTIP 2005 and DBP matching 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 the TSR 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.

5.4 Leases

Operating leases primarily relate to the Group's properties, which principally comprise offices, warehouses and factory facilities. None of the leases include contingent rentals.

Accounting policies

Leases

Operating leases are those which do not transfer substantially all the risks and rewards of ownership to the lessee, the rentals of which are charges to the Income Statement on a straight-line basis over the lease term.

Total commitments under non-cancellable operating leases	Land and buildings £m	Other £m	Total 2011 £m	Land and buildings £m	Other £m	Total 2010 £m
Expiring within one year	0.8	0.2	1.0	0.7	0.1	0.8
Expiring two to five years	12.6	1.0	13.6	7.8	0.9	8.7
Expiring after five years	8.5	-	8.5	9.8	-	9.8
	21.9	1.2	23.1	18.3	1.0	19.3

During the year £6.0 million (2010: £5.7 million) was recognised in the Income Statement in respect of operating lease payments.

5.5 Related party transactions

A related party relationship is based on the ability of one party to control or significantly influence the other. It specifically includes Company Directors and key management together with their close family members (these are family members or household members who might influence or be influenced by the Director or management) and third party companies controlled by such families.

Transactions with related parties
The following are all material transactions with related parties that occurred during the year ended 31 December 2011.

Lino Manfrotto is a major shareholder in the Company. On 22 July 2011 Reco Srl, a wholly owned subsidiary of the Company, sold a property located in Bassano del Grappa - Campese, Italy to Mancor Spa, a company owned by the Manfrotto family for €1.1 million (£0.9 million) less costs. The sale price represented a fair value for the property as estimated by an independent real estate company.

Abramo Manfrotto was a director of Vitecgroup Italia Spa until 10 May 2011 and is also Managing Director of Alu Spa ("Alu") (disposed of by the Group in December 2003). Products and services valued at £0.1 million (2010: £0.4 million) were sold to Alu up to the date Abramo Manfrotto ceased to be a director of Vitecgroup Italia Spa.

Transactions with key management personnel
Details of Directors' remuneration along with their pension, share incentive and bonus arrangements are shown in the Remuneration Report. Holdings of the Company's shares by Directors are shown in the Directors' Report.

The remuneration of the ten (2010: seven) members of the Operations Executive in 2011, including the Executive Directors is shown in the table below.

	2011 £m	2010 £m
Salaries	1.9	1.6
Performance-related bonuses	1.5	1.3
Share-based payment expense	0.7	0.5
Short-term employee benefits	0.2	0.1

The Group also contributes to a number of pension arrangements, each one specific to the country in which the individual members of the Operations Executive is based.

5.6 Principal Group investments

The Group's principal subsidiaries at 31 December 2011 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 [1]	UK
Videocom	
ALC Broadcast Limited	UK
Anton/Bauer Inc	USA
Vitec Videocom Limited (formerly Camera Dynamics Limited) [1] [2]	UK
Vitec Videocom Limitada (formerly Camera Dynamics Limitada) [2]	Costa Rica
Vitec Videocom Inc (formerly Camera Dynamics Inc) [2]	USA
LCB Beteiligungs GmbH	Germany
Litepanels Inc	USA
Integrated Microwave Technologies Inc	USA
Haigh-Farr, Inc	USA
Imaging & Staging	
Manfrotto Distribution Inc	USA
Vitecgroup Italia SpA	Italy
Manfrotto Lighting Limited (formerly Lastolite Limited) [2]	UK
Manfrotto Bags Limited	Israel
Services	
Vitec Broadcast Services Inc	USA

[1] Indicates companies directly owned by the parent company.

[2] Name changed with effect from 3 January 2012.

Exemption has been taken under section 410 of the Companies Act 2006 to list all the subsidiary undertakings of the Group. A full list of related subsidiary undertakings will be included in the Company's next Annual Return filed with the Registrar of Companies.

5.7 Subsequent events

There were no events after the Balance Sheet date that require disclosure.

Company Balance Sheet

As at 31 December 2011

	Notes	2011 £m	2010 £m
Fixed assets			
Tangible fixed assets	f)	1.6	1.3
Investments in subsidiary undertakings	g)	308.4	293.2
		310.0	294.5
Current assets			
Debtors	h)	3.8	1.9
Cash at bank and in hand		-	2.9
		3.8	4.8
Creditors - due within one year	i)	(19.5)	(8.2)
Provisions - due within one year	j)	(0.2)	-
Net current liabilities		(15.9)	(3.4)
Total assets less current liabilities		294.1	291.1
Creditors - due after more than one year	i)	(103.0)	(95.8)
Provisions - due after more than one year	j)	(0.6)	-
Net assets		190.5	195.3
Capital and reserves			
Called up share capital	k)	8.7	8.6
Share premium account	l)	9.8	9.6
Revaluation reserve	l)	0.9	0.9
Merger and other reserves	l)	55.3	55.3
Profit and loss account	l)	115.8	120.9
Equity shareholders' funds		190.5	195.3

Approved by the Board on 29 February 2012 and signed on its behalf by:

Paul Hayes
Group Finance Director

The Vitec Group plc
Registered in England and Wales with number 227691

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2011

	2011 £m	2010 £m
Profit for the financial year	4.7	2.3
Dividends paid	(8.2)	(7.9)
Retained profit for the year	(3.5)	(5.6)
Own shares (Employee Benefit Trust) purchased	(2.8)	(1.1)
Share based payment charge	1.2	1.0
New shares issued	0.3	0.6
Net increase in shareholders' funds	(4.8)	(5.1)
Opening shareholders' funds	195.3	200.4
Closing shareholders' funds	190.5	195.3

Notes to the Company financial statements

a) Basis of presentation

These financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

As permitted by section 408 (3) of the Companies Act 2006, a separate profit and loss account, dealing with the results of the parent company, has not been presented.

Under FRS 1 (revised) the Company is exempt from the requirement to present a cash flow statement on the grounds that its cash flows are included in the Group's consolidated financial statements.

Under FRS 29 the Company is exempt from the requirement to provide its own financial instruments disclosures, on the grounds that it is included in publicly available consolidated financial statements which include disclosures that comply with the IFRS equivalent to that standard.

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.

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate on that day. Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year-end, a currency translation gain or loss may arise. Any such differences are recognised in the Profit and Loss account.

Fixed assets and depreciation
Depreciation is provided to write off the cost or valuation of property, plant and equipment, less estimated residual value, on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land. Other fixed assets are depreciated as follows:

Freehold buildings	up to 50 years
Leasehold improvements	over the remaining period of the lease
Motor vehicles	3 to 4 years
Equipment, fixtures and fittings	3 to 10 years

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.

Fixed asset investments
Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment. A list of principal subsidiaries directly owned by the Company is contained within Note 5.6 "Principal Group investments" of the Group's consolidated financial statements.

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

Pensions
The Company participates in the Group's defined benefit scheme operated in the UK, which was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Company are now offered membership of the defined contribution scheme. The assets of the schemes are held separately from those of the Company. The Company is unable to identify its share of the Group defined benefit scheme's underlying assets and liabilities and therefore accounts for it as a defined contribution scheme. The amounts charged against profits represent contributions payable to the schemes in respect of the accounting period.

Further details of the UK pension scheme are disclosed in Note 5.2 "Pensions" of the Group's consolidated financial statements.

Share-based payments
The Group operates a number of share-based incentive schemes. Further details are disclosed in Note 5.3 "Share-based payments" of the Group's consolidated financial statements.

Dividends
Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

Notes to the Company financial statements continued

c) Employees

Employee costs, including Directors' remuneration, comprise:	2011 £m	2010 £m
Wages and salaries	3.0	2.2
Employers' social security costs	0.2	0.2
Employers' pension costs - defined contribution schemes	0.1	0.2
Share-based payment charge [1]	1.2	1.0
	4.5	3.6

[1] Share-based payment charge represents the Group total.

	2011	2010
Average number of employees during the year	20	16

Further details of Directors' remuneration and share options 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 are disclosed in Note 2.1 "Profit before tax" of the Group's consolidated financial statements.

e) Dividends

The aggregate amounts of dividends comprise:	2011 £m	2010 £m
Final dividends paid in respect of prior year but not recognised as liabilities in that year	4.8	4.6
Interim dividends paid in respect of the current year	3.4	3.3
	8.2	7.9

A final dividend of 12.5 pence per ordinary share has been recommended by the Board.

f) Tangible fixed assets

	Total £m	Freehold Land and buildings £m	Leasehold buildings £m	Equipment, fixtures and fittings £m
Cost or valuation				
At 1 January 2011	3.2	2.6	0.4	0.2
Additions	0.4	-	0.4	-
Disposals	(0.5)	-	(0.4)	(0.1)
At 31 December 2011	3.1	2.6	0.4	0.1
Depreciation				
At 1 January 2011	1.9	1.3	0.4	0.2
Charge for the year	0.1	0.1	-	-
Disposals	(0.5)	-	(0.4)	(0.1)
At 31 December 2011	1.5	1.4	-	0.1
Net book value				
At 1 January 2011	1.3	1.3	-	-
At 31 December 2011	1.6	1.2	0.4	-

Freehold land and buildings disclosed at a re-valued net book value of £1.2 million would have been stated under historical cost at £0.7 million and a net book value of £nil.

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	
	2011 £m	2010 £m
Expiring in two to five years	0.2	0.1

g) Investments in subsidiary undertakings

	Total £m	Investment in other shares £m	Loans £m
Cost and net book value			
At 1 January 2011	293.2	204.9	88.3
Loan increases	15.2	-	15.2
At 31 December 2011	308.4	204.9	103.5

Notes to the Company financial statements continued

h) Debtors

	2011 £m	2010 £m
Amounts falling due within one year		
Amount owed by subsidiary undertakings	1.6	0.9
Other debtors	0.7	0.4
Derivative financial instruments - forward and option exchange contracts	1.3	0.1
Deferred tax assets	-	0.2
Prepayments and accrued income	0.2	0.3
	3.8	1.9

i) Creditors

	2011 £m	2010 £m
Amounts falling due within one year		
Bank overdraft (unsecured)	9.2	-
Amounts owed to subsidiary undertakings	5.2	5.1
Derivative financial instruments - forward and option exchange contracts	1.3	0.1
Other creditors	0.7	0.4
Accruals and deferred income	3.1	2.6
	19.5	8.2
Amount falling due after more than one year		
Bank loans (unsecured)	56.6	34.8
Amounts owed to subsidiaries	46.4	61.0
	103.0	95.8

Contingent liabilities

There are no contingent liabilities at 31 December 2011 (2010: £nil).

j) Provisions

	Onerous lease £m
At 1 January 2011	-
Charged to the Profit and Loss	0.8
At 31 December 2011	0.8
Due within 1 year	0.2
Due after more than 1 year	0.6
	0.8

The onerous lease contracts provision is in relation to non-cancellable leases on vacant property that the Company entered into in previous years. Utilisation of the provision will be over the anticipated life of the lease or earlier if exited.

k) Share capital

	Number of shares	Nominal value £m
Issued and fully paid		
At 1 January 2011	43,152,334	8.6
Exercise of share options	103,184	0.1
At 31 December 2011	43,255,518	8.7

Details of the share-based payments and share options are stated in Note 5.3 “Share-based payments” of the Group’s consolidated financial statements.

l) Reserves

	Share premium account £m	Revaluation reserve £m	Merger and other reserves £m	Profit and loss account £m
At 1 January 2011	9.6	0.9	55.3	120.9
Dividends paid	-	-	-	(8.2)
Own shares (Employee Benefit Trust) purchased	-	-	-	(2.8)
Share based payment charge	-	-	-	1.2
New shares issued	0.2	-	-	-
Profit for the year	-	-	-	4.7
	9.8	0.9	55.3	115.8

Other reserves represents the capitalisation of the share premium account, £22.7 million in 1989 and £37.3 million in 1995, less £16.0 million of share repurchases in 1995.

m) 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 5.5 “Related party transactions” of the Group’s consolidated financial statements. There are no other related party transactions to disclose.

n) Post Balance Sheet events

The financial statements were authorised for issue by the Board on 29 February 2012. There were no events after the Balance Sheet date that require disclosure.

Five Year Financial Summary

Years ended 31 December

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Revenue	**351.0**	309.6	315.1	337.7	273.8
Operating profit before Significant items	**34.5**	27.7	24.5	38.4	32.6
Net interest on bank borrowings	**(1.9)**	(1.2)	(1.6)	(3.1)	(2.6)
Other financial income/(expense)	**0.4**	0.2	(0.2)	0.1	0.3
Profit before tax and Significant items	**33.0**	26.7	22.7	35.4	30.3
Cash generated from operating activities	**39.9**	34.6	42.8	44.3	33.8
Net interest paid	**(1.8)**	(1.2)	(2.1)	(3.6)	(3.0)
Tax paid	**(11.1)**	(0.9)	(4.3)	(6.7)	(9.5)
Operating cash flow	**27.0**	32.5	36.4	34.0	21.3
Net capital expenditure on property, plant and equipment and intangible assets	**(9.7)**	(14.5)	(13.7)	(15.0)	(16.6)
Free cash flow [1]	**17.3**	18.0	22.7	19.0	4.7
Capital employed					
Intangible fixed assets	**75.0**	51.8	58.2	71.6	55.5
Tangible fixed assets	**50.1**	53.4	54.6	63.6	45.6
Investment in equity-accounted investment	**-**	-	-	-	1.3
Other net assets	**39.5**	27.0	21.9	34.9	21.8
	164.6	132.2	134.7	170.1	124.2
Financed by					
Shareholders' funds - equity	**129.3**	124.3	111.2	133.4	97.3
Net debt	**50.4**	28.1	40.6	53.0	38.4
Deferred tax	**(15.1)**	(20.2)	(17.1)	(16.3)	(11.5)
	164.6	132.2	134.7	170.1	124.2
Statistics					
Operating profit (%) before Significant items	**9.8**	8.9	7.8	11.4	11.9
Effective tax rate (%) before Significant items	**32.7**	33.0	31.7	33.9	37.0
Adjusted basic earnings per share (p) [2]	**51.4**	41.9	36.5	55.9	46.0
Basic earnings per share (p)	**34.7**	42.8	7.5	48.0	44.1
Dividends per share (p)	**20.5**	19.0	18.3	18.3	17.8
Year-end mid-market share price (p)	**555.7**	585.0	389.0	235.5	585.0

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

[2] Differences between Adjusted basic and Basic earnings per share arise from Significant items in the years in question.

Shareholder Information and Financial Calendar

Shareholder enquiries
For enquiries about your shareholding, such as dividends or lost share certificate(s), please contact the Company's registrars: Capita Registrars, 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 to 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 2011 to the Dividend Reinvestment Plan, application forms must be received by the Registrars by no later than 20 April 2012. Details on the Dividend Reinvestment Plan can be obtained from Capita Registrars using the contact details above. 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 2012 Annual General Meeting, including the venue and text of resolutions. Shareholders have the facility to vote for, against or withhold the resolutions 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 using the contact details on this page or by visiting www.capitaregistrars.com/international/. Any election to receive dividends in local currency in respect of the Final Dividend for the year ended 31 December 2011 payable on 11 May 2012 must be received by Capita Registrars no later than the record date for the final dividend, 20 April 2012.

Share price information
The middle market price of a share of The Vitec Group plc on 30 December 2011 was 555.75 pence. During the year, the share price fluctuated between 488 pence and 661.75 pence. 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. 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 2011 final dividend	18 April 2012
Record date for 2011 final dividend	20 April 2012
Annual General Meeting	8 May 2012
Interim management statement	8 May 2012
2011 final dividend payment date	11 May 2012
Announcement of 2012 half year results	22 August 2012
Proposed 2012 interim dividend payment date	October 2012
Interim management statement	November 2012

Analysis of shareholdings as at 31 December 2011

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	538	51.7	209,094	0.5
1,001 to 5,000	281	27.0	666,010	1.5
5,001 to 10,000	65	6.3	479,776	1.1
10,001 to 50,000	71	6.8	1,590,795	3.7
50,001 to 100,000	23	2.2	1,680,524	3.9
100,001 and over	62	6.0	38,629,319	89.3
	1,040	100	43,255,518	100
Institutions and companies	357	34.3	40,956,303	94.7
Individuals including Directors and their families	683	65.7	2,299,215	5.3
	1,040	100	43,255,518	100

Notes

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