The Vitec Group plc Annual Report & Accounts 2012

vitec

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Inside this report

Directors' Report

01 Highlights
02 Business model
03 Behind every great image
04 Chairman's Statement
06 Group Chief Executive's Review
08 Market Update: Broadcast & Video
10 Market Update: Photographic
12 Market Update: Military, Aerospace and Government
13 Market Update: Global presence
14 Financial Review
20 Videocom Division
22 Imaging Division
24 Services Division
25 Operations Executive
26 Board of Directors
28 Directors' Report

Remuneration Report

31 Remuneration Report

Corporate Responsibility

44 Approach
45 Business Ethics
46 Environment
48 Employees
51 Community & Charitable Donations

Corporate Governance

52 Chairman's Report
60 Audit Committee Report

Independent Auditor's Report

64 Independent Auditor's Report

Financial Statements

65 Table of Contents
66 Primary Statements
71 Section 1 - Basis of preparation
73 Section 2 - Results for the year
81 Section 3 - Operating assets and liabilities
92 Section 4 - Capital structure
99 Section 5 - Other supporting notes
109 Company Financial Statements
116 Five Year Financial Summary
117 Shareholder Information and Financial Calendar

Where the story comes to life

The Vitec Group plc website
www.vitecgroup.com

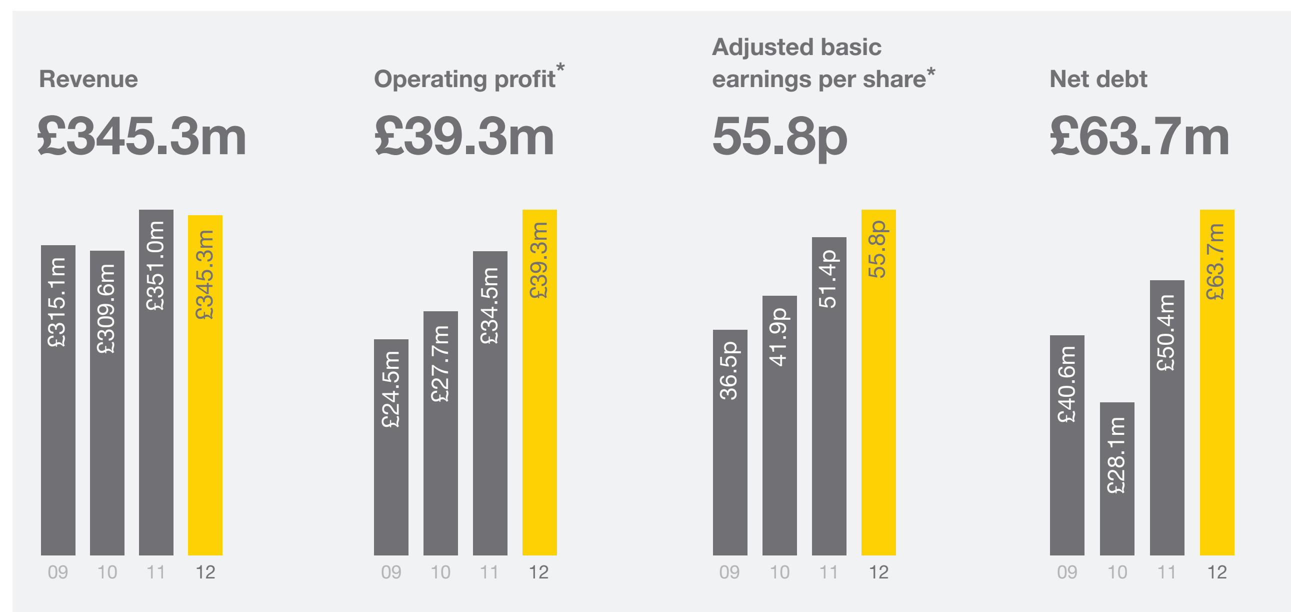
Annual Report & Accounts online
www.vitecgroup.com/annual_report_2012

Highlights

Key points

- Good Broadcast & Video performance, including a strong contribution from Camera Corps at the London 2012 Olympics
- Photographic business gained market share and grew sales of Powerbrand products
- MAG activities benefited from the integration and strong performance of Haigh-Farr
- 13.9% increase in operating profit* and 160 bps increase in operating margin* to 11.4%
- Profit before tax* rose by 9.7% to £36.2 million
- Streamlining of certain operations planned in 2013 to strengthen the business
- Recommended 8.0% increase in final dividend to 13.5 pence per share

Group



Videocom Division

Measure	Value	Change
Revenue	£146.2m	Up 7.3%
Operating profit*	£15.8m	Up 24.4%
Operating margin*	10.8%	Up 150bps

Imaging Division**

Measure	Value	Change
Revenue	£157.9m	Down 4.6%
Operating profit*	£22.9m	Up 4.6%
Operating margin*	14.5%	Up 130bps

Services Division

Measure	Value	Change
Revenue	£33.0m	Up 4.4%
Operating profit	£1.2m	Up 100%
Operating margin	3.6%	Up 170bps

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

** Excluding the Staging business that was disposed of during 2012.

Business model

Vitec is an international Group principally serving customers in the Broadcast & Video, 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 and Services.

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

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

Services provides equipment rental, workflow design and technical support to TV production teams and film crews.

What do we do?

- We design, manufacture and distribute high quality branded products and services that enable end users to capture exceptional images
  - Our products primarily attach to or support a camera – including film, broadcast and photographic applications
  - We also provide high-end services to major broadcasters

How do we do it?

- We design and develop high performance products
- We either manufacture or out-source production to high quality suppliers
- We manufacture our products efficiently and manage our costs closely
- We distribute our products through our comprehensive global network

Who are our customers?

- Our customers are primarily broadcasters, production companies, systems integrators, distributors, retailers and government agencies
- Our end users are typically camera operators, broadcast cameramen, photographers or government employees

Where do we do business?

- We manufacture and distribute our products and services from our facilities in 12 countries
- We employ around 1,900 people in our business
- Our products and services are sold in over 100 countries

What sets us apart from our competitors?

- We work closely with our customers to develop innovative solutions tailored to their needs and continually invest in new product development
- We have strong proprietary designs and own leading brands with an excellent reputation for high quality products
- We typically have the number 1 or number 2 market share positions in each of our product categories
- We operate using the core values of the Vitec Mindset – product excellence, creative solutions, integrity, customer focus and collaboration

Find out more
www.vitecgroup.com/about_us

Broadcast & Video
We provide high quality, fail safe equipment for broadcasters and videographers

Market Update
Turn to page 8

Photographic
We provide a complete range of creative support equipment for pro photographers, photographic enthusiasts and social recorders

Market Update
Turn to page 10

MAG
We provide high definition microwave technologies and antennas for mission-critical applications

Market Update
Turn to page 12

Behind every great image

For over 100 years, through every innovation in photography, film and digital image-making, Vitec businesses have developed a powerful portfolio of brands and products that have enabled some of the most amazing moments to be captured under some of the most challenging conditions.

Videocom Division

Premium broadcast equipment

Supports / LED lighting / mobile power / bags / prompters / robotic camera systems

TV news & broadcast microwave video solutions

Video transmission / receive systems

Law enforcement and defence microwave video solutions

Video transmission / receive systems / speciality antennas

Imaging Division

Premium photographic equipment

Supports / bags / LED lighting / lighting accessories

* National Geographic bags are manufactured and distributed under licence.

Services Division

Broadcast production support

Equipment rental and used equipment sales / fibre optic integration and installation

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Find out more
www.vitecgroup.com/brands

Chairman's Statement

Chairman John McDonough reports on his induction to Vitec

The Group has delivered a strong set of financial results in 2012 and our involvement in the London 2012 Olympics was a notable success with our equipment and services widely used to capture exceptional images.

Chairman's Statement
www.vitecgroup.com/chairman

Governance report
Turn to page 52

Recommended final dividend per share
13.5 pence

Interim dividend per share
8.5 pence

Total dividend for 2012
22.0 pence

Performance and Strategy

In my first statement as Chairman I am pleased to report that the Group has delivered a strong set of financials with growth in operating profit*. This is an especially pleasing set of results considering that as the year progressed, the macroeconomic environment became more challenging particularly in the US and Europe. A notable success for the Group was its involvement in the London 2012 Olympics with our equipment and services widely used to capture exceptional images that conveyed the excitement of a truly memorable sporting occasion.

In the delivery of this result, the Board has focused upon the strategy of the Group providing vital products and services that support the capture of exceptional images to our customers in the Broadcast & Video, Photographic and MAG markets. We acquired Camera Corps in April 2012 which provides speciality remote camera systems, including the Q-Ball used widely at the key events of 2012. We also disposed of the non-core Staging business in August 2012 enabling management to focus upon delivering the Company's strategy. We have reviewed our cost base seeking to improve margins and drive operational efficiencies to ensure that our businesses are competitive and able to deliver in these uncertain markets.

Dividend

As a result of our financial performance in 2012 and our confidence in the future, the Board has recommended a final dividend of 13.5 pence per ordinary share (12.5 pence in 2011). The final dividend, if approved at the 2013 Annual General Meeting (AGM), will be paid on Friday, 17 May 2013.

* Before charges associated with acquired businesses. Profit before tax and adjusted earnings per share are also before disposal of business.

Board and Governance
Since my appointment as a director on 15 March 2012, I have succeeded Michael Harper as Chairman with effect from 1 June 2012 and I would like to thank Michael for his excellent Chairmanship and service to Vitec for over eight years. I have undertaken a thorough induction to the Company, its products and services, meeting numerous shareholders and advisors, visiting our major businesses in the US, UK and Italy, and meeting large numbers of our people.

I have got to know our executive management team led by Stephen Bird and am confident that we have a talented team in place to deliver on our strategy.

The Board will undergo further changes in the coming months. Maria Richter, who has been an independent Non-Executive Director since February 2007 will not be seeking re-appointment at the 2013 AGM. I would like to thank Maria for her considerable contribution to Vitec during this period of service. We will therefore go forward after the AGM in 2013 with a slimmed down Board of seven Directors including myself as Chairman, four independent Non-Executive Directors and two Executive Directors. In order to ensure Board continuity during my first year as Chairman, Nigel Moore will remain as Senior Independent Director and Chairman of the Audit Committee. Having been appointed a Director in March 2004, the Board and I confirm that Nigel continues to provide rigorous independence and commitment to the role. His experience particularly on financial matters, governance and the management of risk is considered vital at this time of transition for the Board. The Board and I will continue to consider the issue of succession within the Board and will announce our plans in due course.

The Board is responsible for setting Group strategy and charging the executive with delivery of that strategy including the management of resources and associated risks and controls. The Board has implemented a robust governance structure to manage those risks. The Corporate Governance report on pages 52 to 63 sets out the structure of our governance arrangements. Good corporate governance is central to the delivery of sustainable long-term shareholder value. The Board set itself several key objectives in 2012 against which it has measured performance and has further set new objectives for 2013. The detail of performance against the 2012 objectives is summarised in the Corporate Governance report. We have built upon the 2011 externally facilitated Board evaluation with an internally facilitated evaluation in 2012 and I can report that the Board and its individual directors are working effectively, driving management to deliver upon agreed strategy whilst ensuring that risks are understood and managed.

We have complied with the UK Corporate Governance Code throughout 2012 and continue to strive to evolve our governance arrangements to comply with emerging best practice and to explain constructively the rationale for any divergence from the Code's principles and provisions.

Annual General Meeting
Our 2013 AGM will be held on Wednesday, 15 May 2013 and the Notice of Meeting and explanatory notes accompany this Annual Report. I look forward to the opportunity to meet our shareholders at this meeting.

Our People
The Company's long-term success is dependent upon the diversity, dedication and commitment of all our people. We have invested in the development of succession plans and talent development. We have ensured that all our people have a common set of values captured in our Code of Business Conduct. We have further made good progress on Health and Safety both in terms of safe working practices and the reporting of performance. Our Corporate Responsibility Report on pages 44 to 51 details this more fully.

Finally, on behalf of the Board, I would like to thank all our people for their continuing commitment and passion for the Company's products, services and customers thus enabling the delivery of a strong set of financial results in 2012.

John McDonough CBE
Chairman

Group Chief Executive's Review

Group Chief Executive Stephen Bird reviews strategy and performance

Vitec continues to deliver its strategy and increase its share in key markets. We have successfully integrated some value enhancing acquisitions during the year.

Group Chief Executive's Review
www.vitecgroup.com/ceo

Chosen markets
www.vitecgroup.com/chosen_markets

Strategy

We have continued to deliver our strategy to focus on three markets with organic growth opportunities, supplemented where appropriate with selective acquisitions. Our three markets are:

1: Broadcast & Video

The Broadcast & Video market is served by our Videocom businesses together with the Services business, which supply a variety of products and services to assist in the capture and transmission of video images. Vitec has leading products and brands aimed at television networks and studios, film-makers, outside broadcasters and corporate, religious and educational entities. Our strategy is to maintain our premium product offerings and market share with traditional broadcast customers whilst developing specific products and new channels focused on the needs of the cameraman in the video segment. Where attractive and feasible, we will leverage our products from the Broadcast market into other markets, for example the use of our batteries and chargers for the US medical carts market.

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 have benefited from a major new range of supports, the Sachtler Ace, designed for the needs of the independent cameraman.

2: Photographic

The Photographic market, served by our Imaging Division, has continued to supply its range of products (tripods, heads, bags and lighting supports and controls) to the professional photographic segment. We have also continued to supply a 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 and in the consumer segment, we increased our penetration in consumer electronics stores and in mass merchandise outlets. We continued to grow our online sales of products to both the professional and consumer segments. Based on independent research data, we have increased our share of the tripods market in the US and in Europe.

3: Military, Aerospace and Government (MAG)
The MAG market is addressed through the IMT and Haigh-Farr businesses and is reported as part of our Videocom segment. IMT is a technology leader for mission-critical visual communication and surveillance products for security and defence applications. Haigh-Farr is a world-leading designer and manufacturer of high quality application-specific antennas serving this market.

The MAG market is dependent on the level of investment by the US Government and key US Government agencies. Although the longer-term prospects for our IMT business remain good, there is limited visibility around the award of significant contracts from agencies that are experiencing budget constraints. The Haigh-Farr business that was acquired in 2011 is performing strongly and ahead of our pre-acquisition expectations in this challenging market.

Performance overview

Vitec increased profits* and delivered improved margins* in each Division during 2012, against a background of a more challenging macroeconomic environment, particularly in the second half of the year. We have been able to achieve this through maintaining and in some cases increasing share in our key markets, making earnings enhancing acquisitions, and by a continued focus on cost management.

Revenue fell by 1.6% to £345.3 million (2011: £351.0 million). There was a good performance in our Broadcast & Video businesses which benefited from the acquisition of Camera Corps and its strong performance at the London 2012 Olympics. The Olympics contributed approximately £3.0 million of operating profit in 2012 including a significant profit from Camera Corps. The Photographic business performed well and ceased the distribution of some lower margin third-party products. Our MAG activities benefited from the integration and growth of Haigh-Farr which compensated for a challenging year in our IMT business.

A focus on improving margins and controlling costs resulted in a 13.9% increase in reported operating profit* to £39.3 million (2011: £34.5 million) and a 160 bps increase in operating margin* to 11.4% (2011: 9.8%).

Profit before tax* was 9.7% higher at £36.2 million. Adjusted earnings per share* were up 8.6% at 55.8 pence per share (2011: 51.4 pence per share). Group profit before tax of £16.1 million (2011: £23.8 million) included the impact of charges associated with acquired businesses incorporating a goodwill impairment charge relating to IMT and the impact of the disposal of the Staging business.

Free cash flow+ was £10.8 million (2011: £16.5 million) and total cash outflow of £15.1 million (2011: £22.1 million) reflected outflows relating to acquisitions and disposals, purchases of shares to meet share plan commitments and dividend payments.

Product development

We continue to invest in new products and enhancements to our existing range and in our research, development and engineering capabilities. 2012 has seen a greater level of product development collaboration across our Divisions, with technologies such as LED lighting being developed to serve both Broadcast & Video and Photographic markets. We continue to invest around 4% of Group product sales into research and development.

Acquisitions and disposals

We acquired Camera Corps in April 2012 for consideration of £8.7 million. The business delivered an excellent result in 2012, benefiting from the UEFA Euro 2012 Championships and the London 2012 Olympics.

We sold the non-core and loss-making Staging business in August 2012. The exit from this business will allow management to focus attention on our core markets and future priorities.

Streamlining of certain operations planned in 2013

Vitec has continued to make good progress in improving its margins and managing its cost base. As part of this process, the Group is streamlining certain operations by downsizing selected activities in the UK, Israel and US and expanding its manufacturing capabilities in Costa Rica to further shift to lower cost manufacturing. These planned actions are intended to better position the Group for the future whilst delivering an attractive return. These plans are expected to incur one-off costs of approximately £9.0 million, of which £8.0 million will be cash.

Outlook

Against the background of a challenging economic environment and our limited order visibility, Vitec has decided to take appropriate actions to streamline certain operations. These actions better position Vitec for the future and the Board remains confident about the prospects for the Group.

Stephen Bird
Group Chief Executive

3 market strategy >

DIRECTORS' REPORT
REMUNERATION REPORT
CORPORATE RESPONSIBILITY
CORPORATE GOVERNANCE
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS

* Before charges associated with acquired businesses. Profit before tax and adjusted earnings per share are also before disposal of business.

\+ Free cash flow: cash generated from operations in the financial year after net capital expenditure, net interest and tax paid.

Market Update

Broadcast & Video

Vitec supplies the Broadcast & Video 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), robotic camera systems, bags, LED lighting, 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 & Video market for products and services supplied by Vitec is worth around £700 million. This includes the traditional broadcast and film markets as well as the video production market.

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 and the rise in popularity of hand-held devices). It has also grown thanks to the increased video capabilities of photographic cameras. The growth in video production and the subsequent shortening of the replacement cycle for cameras affects demand for our products and services.

High definition transition and higher image quality
Television production is increasingly being shot in high definition which has resulted in studios being upgraded, camera replacement cycles shortening and increased demand for our products. The first wave of high definition is well underway and largely complete in certain countries. As producers seek to shoot higher quality images, ultra high definition cameras are being manufactured, although the timing and extent of their adoption and thus the effect on demand for our products is uncertain.

Broadcasters' capital expenditure
Broadcasters' ability and willingness to incur capital expenditure on the construction or refurbishment of studios depends partly on their financial performance. 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 has been a desire to upgrade old facilities and the financial capability to do so. Those broadcasters reliant on advertising expenditure have largely recovered since the downturn but tend to be more susceptible to macroeconomic conditions. The savings and efficiencies offered by LED lighting compared with traditional lighting drive the replacement of those products too.

Chosen markets
www.vitecgroup.com/chosen_markets

Vitec has the premium position and largest market share, providing many of the number one products through our brands to the broadcast and video markets.

Vitec Market Position

Supports
With our multiple brands, comprising Vinten, Sachtler, OConnor and Manfrotto, providing broadcast and video manual supports, we have the premium position and largest market share. Vinten mainly operates in the broadcast studio segment, Sachtler and Manfrotto in the broadcast location and video segments and OConnor in the film segment. We also supply robotic camera systems mainly for news and sports applications through our Vinten Radamec and Camera Corps brands.

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

Prompting
Autoscript is the number one, by value, for prompting equipment to the broadcast market.

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.

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.

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

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 combine 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.

Market Update

Photographic

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, such as camera supports (tripods and heads), bags, lighting supports, LED lights and lighting controls (for example, umbrellas and reflectors).

We estimate that the photographic market for product categories supplied or distributed by Vitec is worth around £800 million. Of this market, approximately half is purchased by professional photographers who we have supplied historically and whose business is taking images. The remainder is sold to consumers who have a keen interest in photography or, increasingly, a new population of photographers who simply want to record and share images. 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.

The Growth Drivers

Continued growth in sales of cameras with inter-changeable lenses
Digital SLR unit sales have continued to grow albeit more slowly than in recent years. 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 inter-changeable lens camera, known as compact system or mirrorless camera, has grown substantially in 2012 and this is expected to continue. These cameras are priced significantly higher than the old "point and shoot" camera and should generate demand for products supplied by us.

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 to take images and share them using social media platforms. 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 for photographic products, such as online and in consumer electronics stores, has helped stimulate demand from new consumers.

Vitec Market Position

Supports
With high quality and innovative products sold under the Manfrotto and Gitzo names, we possess the premier brands in photographic camera tripods and heads. We are the clear leader in terms of market share by value globally and continue to grow that share.

Bags
Sold under the Manfrotto, Kata and, under licence, the National Geographic brands, we have a small share in this large product category. We have maintained market share in this category that provides opportunities for further growth.

Lighting
In lighting supports, primarily used in the professional sector, Manfrotto is the market leader by value. In lighting controls, Lastolite is the market leader in EMEA and is gaining share in the US. In lighting, the use of LEDs is gaining prominence as a more efficient replacement for traditional continuous lighting and Manfrotto is at the forefront of their introduction.

Chosen markets
www.vitecgroup.com/chosen_markets

Vitec has the leading premier brands in photographic camera tripods and heads for the professional and consumer photographer.

Our Strategy

Professionals
To maintain our leadership in the professional and keen amateurs segments with our range of Manfrotto and Gitzo camera supports, Kata bags and Lastolite lighting controls.

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

To increase penetration of photographic products into the market by developing new products, by explaining better the benefits of our products and by engaging closely with customers.

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

Market Update

Military, Aerospace and Government

Vitec manufactures and supplies the Military, Aerospace and Government (MAG) market with microwave transmitters, receivers and antennas.

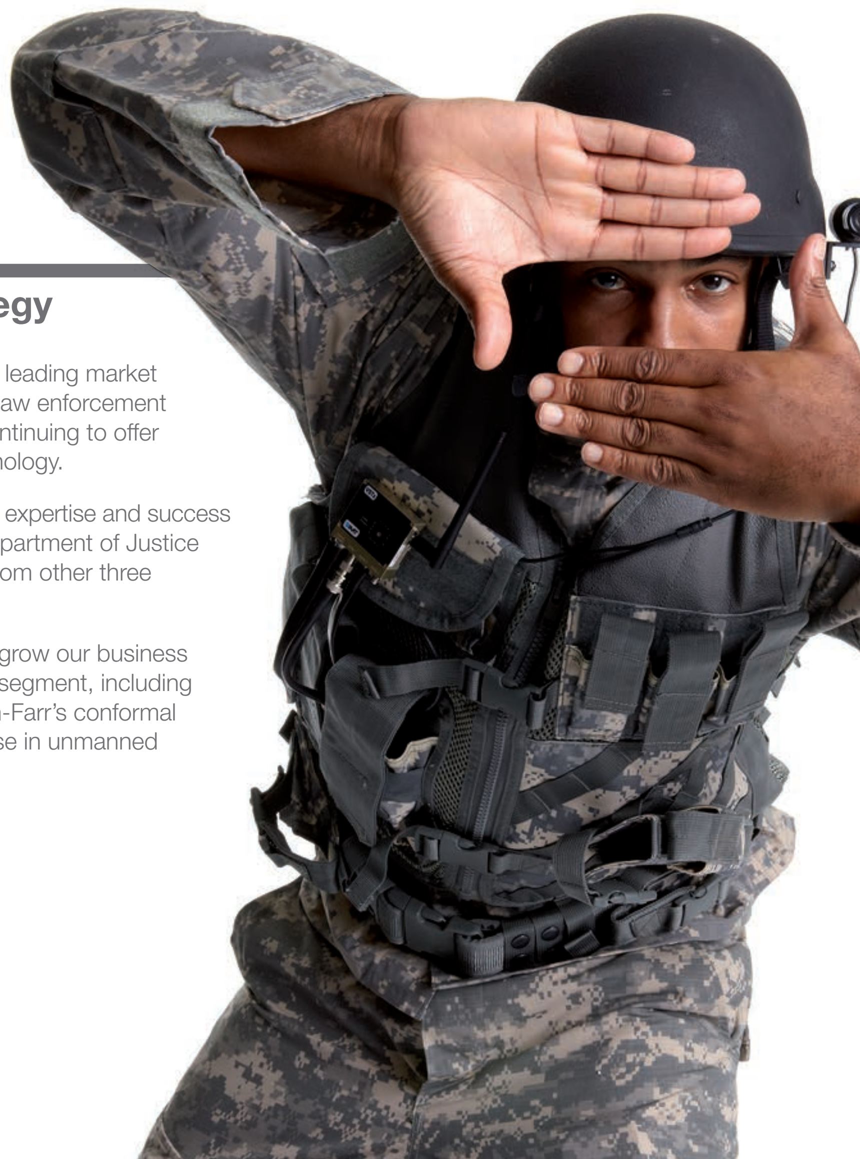
Vitec supplies:

Law enforcement agencies such as police departments – for example to send video signals from helicopters to ground patrols.

Three letter agencies such as the US Department of Justice who use microwave equipment for surveillance purposes.

Defence and Space customers where microwave systems are used to recognise and assess threats more effectively and where high quality, application specific antennas are needed for challenging communication environments.

We estimate the MAG market for products supplied by Vitec to be worth around £400 million.



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.

As defence products and space vehicles become more advanced, there is a need for more sophisticated antennas to send signals back to command and control centres. Haigh-Farr's Wraparound™ antenna concept has enhanced the performance capabilities of aircraft, missiles and spacecraft worldwide.

The market remains challenging, but there are good longer-term opportunities in the niche market of wireless transmission of real-time, high quality information.

Our Strategy

- To build on our leading market position in the law enforcement segment by continuing to offer the latest technology.
- To leverage our expertise and success with the US Department of Justice to win orders from other three letter agencies.
- To continue to grow our business in the defence segment, including adapting Haigh-Farr's conformal antennas for use in unmanned applications.

Chosen markets
www.vitecgroup.com/chosen_markets

Market Update

Global presence

Our growth strategy is supported by the broad geographical spread of the Group.

In 2012, 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 10% of our revenue is derived from the UK. We currently have a direct presence in 12 countries around the world: the UK, USA, Brazil, Costa Rica, France, Germany, Italy, Netherlands, Israel, Japan, China and Singapore.

Revenue by destination

- North America 45% (£155.5m)
- Europe 33% (£112.3m)
- Asia Pacific 17% (£60.4m)
- Rest of World 5% (£17.1m)

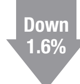
Find out more
www.vitecgroup.com/global_presence

Financial Review

Group Finance Director Paul Hayes reviews performance

Group Finance Director statement online
www.vitecgroup.com/financial_review

Revenue
£345.3m



Operating Profit*
£39.3m

Adjusted basic earnings per share*
55.8p

Vitec has performed well in a challenging environment and improved margins in each Division during 2012. Operating profit* increased by 13.9% to £39.3 million.

Revenue

The Group's revenue for 2012 at £345.3 million was 1.6% lower than the prior year (2011: £351.0 million). Revenue included a £15.4 million contribution from acquisitions partly offset by £9.5 million lower revenue from the disposal of the non-core Staging business and £4.0 million from ceasing to distribute some third party branded products in our Imaging Division. On an organic basis, after excluding the effect of £3.8 million of adverse movements in exchange rates, revenue fell by £3.8 million or 1.2%.

Operating profit

Operating profit* rose by £4.8 million to £39.3 million, an increase of 13.9% despite the lower sales activity. On an organic basis, operating profit grew by £1.4 million after excluding £3.8 million of contributions from acquisitions net of the Staging disposal and ceasing to distribute some lower margin third party products, and £0.4 million of unfavourable exchange rate movements, after hedging.

Operating profit* increased despite the lower revenue as we have focused on improving margins in the current more challenging macroeconomic environment. This includes £1.6 million of benefits from pricing over commodity cost increases (2011: £0.3 million loss) and a £4.8 million reduction in operating expenses during the year. As a result the operating margin* has increased by 160 bps to 11.4%.

We maintained our investment in product development and innovation at 4% of Group product sales (2011: 4%). Research, development and engineering expenditure on a like-for-like basis was £10.8 million (2011: £11.8 million) after adjusting for capitalised expenditure of £0.3 million (2011: £0.1 million) and £0.6 million of amortisation (2011: £0.5 million). Management's estimate of the main drivers that reconcile the 2011 to the 2012 operating profit* are summarised in the following table:

Operating profit*
2011-12 Variance Analysis (£ million)

2011 Operating profit*		34.5
Gross margin effects:		
- Volume, mix and efficiency	(5.0)	
- Sales price less cost inflation	1.6	
Operating expenses	4.8	
		1.4
Acquisitions and disposal**		3.8
Foreign exchange effects:		
- Translation	(0.5)	
- Transaction after hedging	0.1	
		(0.4)
2012 Operating profit*		39.3

Net financial expense

Net financial expense totalled £3.1 million (2011: £1.5 million). Interest payable was £3.2 million (2011: £1.9 million) and was covered 17 times (2011: 26 times) by earnings before interest, tax, depreciation and amortisation. Vitec has a $50 million private placement facility and a new five year £100 million multi-currency revolving credit facility that was arranged in July 2012. The higher finance costs reflect the full year impact of the $50 million private placement and higher interest charges which reflect market rates on the new revolving credit facility.

Profit before tax

Profit before tax* increased by £3.2 million to £36.2 million (2011: £33.0 million). The reported profit before tax after charges associated with acquired businesses and disposal of business was down by 32.4% to £16.1 million (2011: £23.8 million).

* Before charges associated with acquired businesses. Profit before tax and adjusted earnings per share are also before disposal of business.

** Includes year on year effect of acquisitions, full year effect of disposal of business and ceasing distribution of some non-core third party products.

Taxation

The effective taxation rate on operating profit* after net finance expense remained unchanged at 33% (2011: 33%). The Group's tax charge is higher than the UK statutory rate because the majority of its profits arise in overseas jurisdictions with higher tax rates.

Earnings per share

Basic earnings per share before charges associated with acquired businesses and disposal of business was 55.8 pence per share (2011: 51.4 pence per share) representing growth of 8.6%. This includes 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 was 13.6 pence per share (2011: 34.7 pence per share).

Acquisitions and disposals

In April 2012, Vitec acquired Camera Corps in the UK for consideration of £8.7 million. The fair value of the net assets acquired was £3.7 million, including £3.1 million of acquired intangibles, resulting in the capitalisation of £5.0 million of goodwill. The total balance of acquired intangibles at 31 December 2012 was £12.0 million, which will be amortised over an average six year period.

During the second half of the year, Vitec sold its Staging business, which had previously been included in the Imaging Division. The disposal was completed on 13 August 2012 with a net cash outflow, after transaction costs, of £2.1 million. There was a loss on disposal of £6.4 million after transaction costs. This reflected £0.3 million of cash consideration for the business that had £6.3 million of net assets. This was partially offset by a £2.0 million foreign exchange gain recycled to the Income Statement in accordance with IFRS.

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	2012	2011	Definition/Calculation
Delivering value to shareholders			
Basic earnings per share*	**55.8p**	51.4p	Profit for the financial year after tax, before charges associated with acquired businesses and disposal of business divided by the weighted average number of shares in issue during the financial year.
Return on sales*	**11.4%**	9.8%	Operating profit for the financial year before charges associated with acquired businesses, divided by revenue for the financial year.
Free cash flow	**£10.8m**	£16.5m	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	**20.0%**	15.9%	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	**113 days**	109 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	**43 days**	38 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	**42 days**	49 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	**(1.2)%**	15.0%	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	**4.2%**	18.0%	Constant currency operating profit* of the current financial year (excluding operating profit from acquired businesses) divided by operating profit* of the prior 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. Businesses acquired during Q4 are excluded from working capital ratios. **Divested businesses:** fully exclude external revenue and operating profit in the current and prior financial year.

* Before charges associated with acquired businesses. Profit before tax and adjusted earnings per share are also before disposal of business.

Financial Review

Charges associated with acquired businesses

The 2012 charges relate to the Group's acquisition activities and amortisation of previously acquired intangibles. There is also a one-off non-cash impairment charge relating to goodwill.

We have reviewed the carrying value of the IMT goodwill that arose on the acquisition of the business in 2007. Whilst the business has made progress, including being awarded a contract during the year by the US Department of Homeland Security, and there remain good long-term opportunities and prospects, the lack of visibility in future orders, particularly considering budget constraints, has led Management to decide to take a one-off non-cash £8.8 million goodwill impairment charge to fully impair this investment (2011: £5.2 million associated with the Staging business).

The amortisation of acquired intangibles of £3.6 million (2011: £3.2 million) related to Manfrotto Lighting (previously Lastolite) acquired in March 2011, Haigh-Farr acquired in December 2011 and Camera Corps acquired in April 2012.

Transaction costs of £0.3 million were incurred in relation to the acquisition of Camera Corps (2011: £0.8 million in relation to the acquisitions of Manfrotto Lighting and Haigh-Farr).

Contingent consideration of £0.7 million in respect of the acquisition of Manfrotto Lighting had been provided at 31 December 2011. £0.5 million was paid in the year and the remaining £0.2 million has been credited to the Income Statement (2011: £nil).

In addition, £1.2 million of deferred consideration was accrued during the year to be paid to the previous owners of Haigh-Farr in relation to their 2012 performance targets (2011: £nil).

There was a tax credit of £1.7 million on these charges and the disposal of business (2011: £2.0 million).

Cash flow and net debt

Cash generated from operating activities was £38.4 million (2011: £39.1 million) with the Group maintaining a strong focus on cash generation.

The Group uses a number of key performance indicators to manage cash including the percentage of working capital to sales, inventory days, receivable days and payable 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. For the 2011 comparatives, the ratios presented exclude Haigh-Farr which was acquired in the last month of that year.

The working capital to sales metric has increased to 20.0% (31 December 2011: 15.9%) and overall working capital increased by £14.9 million (2011: £5.6 million increase).

Trade receivables days increased to 43 days (2011: 38 days), reflecting a strong sales month in December. Trade and other receivables increased by £4.4 million accordingly (2011: £3.2 million increase) but there was an improvement in ageing on the prior year.

Inventory levels decreased by £1.3 million (2011: £8.4 million increase) to £59.5 million at the year-end reflecting management focus in this area. As a result of lower sales in the last quarter, inventory days increased to 113 (2011: 109 days).

Trade payable days decreased to 42 days (2011: 49 days) and there was an £11.8 million overall decrease in trade and other payables (2011: £6.0 million increase). This reflects the reduction in inventory particularly in the latter part of the year and lower freight, expense, bonus and commission accruals.

Free cash flow

	Year ended 2012 £m	Year ended 2011 £m
Operating profit*	39.3	34.5
Depreciation[1]	14.2	14.9
Changes in working capital	(14.9)	(5.6)
Other items[2]	(0.2)	(4.7)
Cash generated from operating activities	**38.4**	39.1
Purchase of property, plant and equipment	(14.2)	(13.7)
Capitalisation of software and development costs	(1.3)	(2.4)
Proceeds from sale of property, plant and equipment, and software	1.8	6.4
Interest paid	(3.1)	(1.8)
Tax paid	(10.8)	(11.1)
Free cash flow+	**10.8**	**16.5**

Net debt

	Year ended 2012 £m	Year ended 2011 £m
Free cash flow+	**10.8**	16.5
Acquisitions and disposals[3]	(12.7)	(27.9)
Net cash used in financing activities	5.6	10.9
Increase / (decrease) in cash and cash equivalents	3.7	(0.5)
Proceeds from bank loans	(18.8)	(21.6)
Net cash outflow	(15.1)	(22.1)
Effect of exchange rate fluctuations on net debt	1.8	(0.2)
Net debt at 1 January	(50.4)	(28.1)
Net debt at 31 December	**(63.7)**	(50.4)

* Before charges associated with acquired businesses. Profit before tax and adjusted earnings per share are also before disposal of business.

+ Cash generated from operations after net capital expenditure, net interest and tax paid.

(1) Includes depreciation and amortisation of capitalised software and development costs.

(2) Includes change in provisions, share-based charge, gain on disposal of property, plant and equipment, fair value derivatives and transaction costs relating to acquisitions.

(3) Includes acquisitions of businesses, net of cash acquired; contingent consideration on acquisition of subsidiaries and net proceeds from disposal of businesses.

Capital expenditure, including capitalised software and development costs, totalled £15.5 million (2011: £16.1 million), of which £7.7 million (2011: £6.4 million) related to rental assets, partly financed by the proceeds from rental asset disposals of £1.6 million (2011: £2.9 million). Services benefited from a one-off sale of a large system to a major customer in 2011. Overall capital expenditure was equivalent to 1.1 times depreciation (2011: 1.1 times).

Net tax paid in 2012 of £10.8 million was lower than in 2011 of £11.1 million mainly due to lower payments in Italy and the UK partially offset by higher payments in Germany.

Free cash flow+ at £10.8 million (2011: £16.5 million) principally reflects changes in working capital, higher net capital expenditure and increased interest payments.

There was a £12.7 million net cash outflow relating to acquisitions and disposals during the year (2011: £27.9 million). Dividends paid to shareholders totalled £9.1 million (2011: £8.2 million) and there was a net cash outflow in respect of shares purchased and issued of £4.1 million (2011: £2.5 million). The net cash outflow for the Group was £15.1 million (2011: £22.1 million) which, after £1.8 million favourable exchange (2011: £0.2 million adverse), increased the net debt to £63.7 million (2011: £50.4 million).

The Group's balance sheet remains strong with a year-end net debt to EBITDA ratio of 1.2 times (31 December 2011: 1.0 times), comfortably within our banking covenants.

Treasury

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

The Group is hedging a larger portion of its forecast future foreign currency transactions to reduce the risk from changes in exchange rates from current levels. Our main exposure relates to the US Dollar and the table below summarises the contracts held as at 31 December 2012.

The Group does not hedge the translation of its foreign currency profits. A portion of the Group's foreign currency net assets are hedged using the Group's borrowing facilities.

Financing activities

During July 2012 the Group negotiated a new £100 million five-year multicurrency revolving credit facility involving five relationship banks, which replaces the previous £100 million facility. The new facility expires on 19 July 2017. At the end of December 2012, £42.2 million (2011: £24.4 million) of the facility was utilised.

The Group has a $50 million (£30.8 million) private placement facility which has been drawn down in two tranches of $25 million each. This financing has a combined fixed interest rate of 4.77% and is due for repayment on 11 May 2017.

The Group therefore has £130.8 million of committed facilities at the year-end with drawings of £73.0 million (31 December 2011: £56.6 million).

The average cost of borrowing for the year which includes interest payable, commitment fees and amortisation of set-up charges was 4.0% (2011: 3.6%) reflecting a net interest cost of £3.2 million (2011: £1.9 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 2012.

Foreign Exchange

2012 operating profit* included a £0.4 million net adverse foreign exchange effect after hedging, mainly due to unfavourable £/€ rates when compared to 2011.

Dividend

The Directors have recommended a final dividend of 13.5 pence per share amounting to £5.9 million (2011: 12.5 pence per share, amounting to £5.4 million). The dividend, subject to shareholder approval at the AGM, will be paid on Friday, 17 May 2013 to shareholders on the register at the close of business on Friday, 19 April 2013. This will bring the total dividend for the year to 22.0 pence per share (up 7.3%).

Paul Hayes
Group Finance Director

Currency hedging

	December 2012	Average exchange rate of contracts	December 2011	Average exchange rate of contracts
US Dollars sold for Euros				
Forward contracts	**$61.2m**	**1.29**	$30.9m	1.38
US Dollars sold for Sterling				
Forward contracts	**$17.3m**	**1.57**	$11.4m	1.58

* Before charges associated with acquired businesses. Profit before tax and adjusted earnings per share are also before disposal of business.

+ Cash generated from operations after net capital expenditure, net interest and tax paid.

Financial Review

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 completely 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 particularly reflecting the current uncertain economic outlook.	We value our relationships with our customers and closely monitor our target markets and user requirements. We maintain good relationships with our key customers and make appropriate investments in product development and marketing activities to ensure that we remain competitive in these markets. In order to limit the impact of the economic downturn, the Group executes programmes that simplify processes, reduce costs and allow local management teams to focus more closely on their 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. In particular our Military, Aerospace and Government segment could be adversely impacted by a lower level of investment in the US defence budget.	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. This includes repositioning strategies of our products and services through marketing and advertising. 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 In pursuing our business strategy we continuously explore opportunities to enhance our business through development activities such as strategic acquisitions and disposals. 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. In the last two years the Group made three acquisitions (Lastolite, Haigh-Farr and Camera Corps) which have been successfully integrated and completed the disposal of our non-core Staging business.
Pricing pressure We might experience pricing pressure including challenges in raising prices, especially in the current economic climate, 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 products and service offering remains competitive by investing in new product development, in appropriate marketing and product support, and improving the management of supply chain costs. 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 materials and components from many suppliers in various locations and in some instances are more dependent on a limited number of suppliers for particular items. If any of these suppliers or subcontractors fail to meet the Group's requirements, we may not have readily available alternatives, thereby impacting our ability to provide an appropriate level of customer service.	We aim 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.
Dependence on key customers Whilst the Group has a wide customer base, the loss of a key customer, or a significant worsening in their success or financial performance, could result in a material impact on the Group's results.	We monitor closely our performance with all customers through developing strong relationships, analysis of sales trends and financial performance of our key customers. We continue to expand our customer base including entering into new channels of distribution to expand our portfolio of customers.
Employees We employ around 1,900 people and are exposed to a risk of being unable to retain or recruit suitable talent to support the business. We manufacture and supply products from a number of locations and it is important that our employees operate in a professional and safe environment.	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. We take our employees' health and safety very seriously and have appropriate processes in place to allow us to monitor any issues.
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. These include, without limitation, regulations relating to government contracting rules, anti-bribery provisions, competition, and health and safety laws in numerous jurisdictions around the world. Failure to comply with such laws could significantly impact the Group's reputation and could expose the Group to fines and penalties.	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. The Group has processes in place to ensure that its worldwide business units understand and apply the Group's culture and processes to their own operations.
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 the Group's business means it is 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. The Group is exposed to a number of foreign currencies, the most significant being the US Dollar and Euro.	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

The Videocom Division mainly serves the Broadcast & Video and MAG markets. It 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. Additionally, it supplies mission-critical wireless communication and surveillance products for the MAG market, serving law enforcement agencies, 'three letter agencies' such as the US Department of Justice, and defence and space customers.

Operations

Videocom's reported revenue for 2012 was £146.2 million, an increase of 7.3% from 2011. The acquisition of Haigh-Farr in December 2011 and Camera Corps in April 2012 made notable contributions to 2012 revenue. Organic revenue at constant currency decreased by 3.1%. This included the non-recurrence of $7.9 million (£4.9 million) of sales in the prior year to the MAG market under Auction 66. Operating profit* rose 24.4% to £15.8 million.

There was growth in sales of outside broadcast and video camera supports as well as our range of bags for this market. Demand for our premium studio and robotic camera supports in the key US broadcast market was affected by budget constraints at the major studios and there was no repeat of the sizeable 2011 contracts to supply television studios in Asia.

Our Litepanels LED lighting products benefited from the launch of new products that broadened our product ranges and enabled us to maintain our leading position in the market. Shortly after the year-end, the US International Trade Commission granted a general exclusion order prohibiting the import of products infringing a number of Litepanels' patents into the US market. We will continue to protect our intellectual property while granting licenses to other manufacturers as and when appropriate.

Our Anton/Bauer mobile power products performed consistently overall and made good progress in supplying batteries and chargers to power medical carts in hospitals.

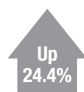
The recently acquired Camera Corps business complements our Broadcast activities. Camera Corps provides leading remote camera systems that are predominantly used at major sporting events. As anticipated, the business benefited from the UEFA Euro 2012 Championships and more significantly the London 2012 Olympics, delivering a better than expected post-acquisition performance.

Our Haigh-Farr antenna business also performed ahead of our pre-acquisition expectations. The business continues to grow in a challenging defence market and has gained acceptance onto new programmes and supported a number of high profile space applications. These include antennas for SpaceX's Falcon-9 launch vehicle, the first commercial vehicle to dock successfully with the International Space Station, and NASA's Curiosity vehicle which landed on Mars.

IMT, our microwave transmitter and receiver business, was awarded a contract during the year by the US Department of Homeland Security, but is operating in a very challenging market. Although there are good opportunities in this market, there is limited order visibility and no other significant US Government contracts have been awarded. Its overall performance reflects a low level of investment by its US Government driven customer base for this relatively small niche business.

Revenue
£146.2m

Operating profit*
£15.8m



Revenue

Year	
2012	£146.2m
2011	£136.2m

Operating profit*

Year	
2012	£15.8m
2011	£12.7m

Operating margin*

Year	
2012	10.8%
2011	9.3%

Our brands

Supports
OConnor
Sachtler
Vinten

Bags
Petrol

Robotic Camera Systems
Camera Corps
Vinten Radamec

Equipment Rentals UK
TCS

Lighting
Litepanels

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

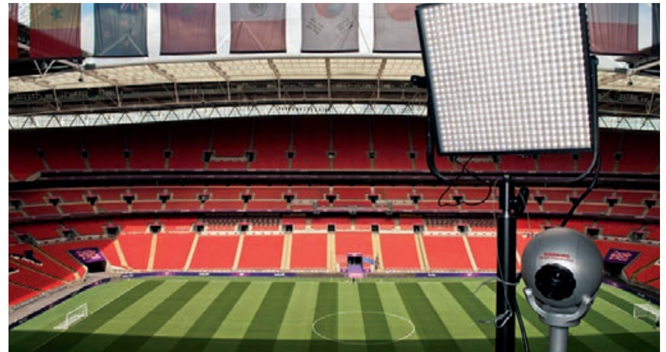
Mobile Power
Anton/Bauer

Prompters
Autoscript

* Before charges associated with acquired businesses.

Vitec in action

Robotics control panel
2012 saw the introduction of Vinten Radamec's latest robotics control system, the CP4. This state-of-the-art device allows up to eight cameras to be operated via a central control panel, reducing costs and providing greater control for filming. The CP4 is specifically designed to support smaller camera systems, allowing a cost-effective camera control solution for non-studio environments or in remote locations such as regional news programmes.



Camera Corps Acquisition – Euro 2012
Camera Corps has performed strongly following its acquisition by the Group in April 2012. Products and services were provided to UEFA's Euro 2012 Championships, the London 2012 Olympic Games, the London 2012 Paralympic Games and many high profile reality TV shows. Q-Ball's unique position and capability provided the iconic shot of the Olympic cauldron which became an emblem of the London 2012 Games. Camera Corps has been successfully integrated into the Videocom Division.

Costa Rica expansion
Vitec has opened a newly expanded Costa Rican production facility in Cartago. The new plant has doubled capacity to more than 5,500 square metres. The expansion is to support increases in production including the addition of Manfrotto manufacturing product lines at the plant in 2013. The official opening was attended by the President of Costa Rica, Laura Chinchilla, the Foreign Trade Vice Minister and Stephen Bird, demonstrating the prominence Vitec has within Costa Rica.

Mars Science Laboratory – Curiosity
Haigh-Farr provided the antenna system for the Curiosity vehicle which successfully landed on Mars on 6 August 2012. The antenna system was used during the crucial entry, descent and landing phase of the mission, to provide critical data to NASA engineers as to what the Curiosity vehicle was experiencing. NASA reported that the antenna provided perfect data, successfully accomplishing all of its objectives.

Hunan TV China
The second largest Chinese television network, Hunan, invested heavily in Vitec products to support an upgrade to its TV facility. New studios were exclusively fitted with Litepanels' LED fixtures along with Vinten pedestals and Autoscript teleprompters. These Vitec brands helped win the network the State Administration of Radio, Film and Television award for the most technically advanced studio of 2012 in China.

Autoscript
Autoscript delivered systems to major studios in the US and Russia to assist with their coverage of events such as the US Presidential elections and on-going broadcasting needs during their switch over to High Definition. They also supplied products to the London 2012 Olympic Games.

Vitec in action
www.vitecgroup.com/vitec_in_action

Imaging Division**

Our Imaging Division provides premium photographic and increasingly video equipment to both professional and non-professional users. The photographic and video equipment consists primarily of camera supports, tripods, equipment bags, lighting supports, LED lights and lighting accessories. The Division also included the non-core Staging business until its disposal in August 2012.

Operations
Revenue for 2012, excluding the disposed non-core Staging business, was £157.9 million against a comparable £165.5 million last year. This was 0.4% lower on a constant currency basis after taking into account the decision to withdraw from the distribution of certain lower margin third party branded products.

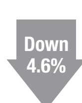
Operating profit* rose by 4.6% to £22.9 million, after excluding the loss-making Staging business, despite a lower level of sales. This reflected activities to improve margins through pricing and cost management. Underlying operating margins for our Imaging activities increased by 130 bps.

We grew sales of our video and lighting supports for the professional market segment, and made good progress with the sale of new products including the Sympla video range. Our Manfrotto Powerbrand product range also performed well, including the more recently introduced LED lights.

The photographic market continued to grow during 2012 with 28% growth in the shipments of inter-changeable lens cameras driven primarily by new higher value compact system cameras. We continue to purchase independent market research data on the photographic market that shows that we have increased our share of the tripod market in the US and Europe. We have also made progress in penetrating online consumer electronic sales channels. Volumes in our bags business declined following a contraction in this market during the year, although our share of this market remained stable.

Since the end of the year, Jessops, a retailer of photographic equipment in the UK, went into administration. Our exposure was small and it has an insignificant impact on our business.

Revenue
£157.9m



Operating profit*
£22.9m

Revenue

Operating profit*

Operating margin*

Our brands

Supports
Avenger
Gitzo
Manfrotto

Bags
Kata
Manfrotto
National Geographic***

Lighting
Colorama
Lastolite
Manfrotto

* Before charges associated with acquired businesses and disposal of business.
** Figures in this section exclude the Staging business that was disposed in 2012.
*** Manufactured and distributed under licence.

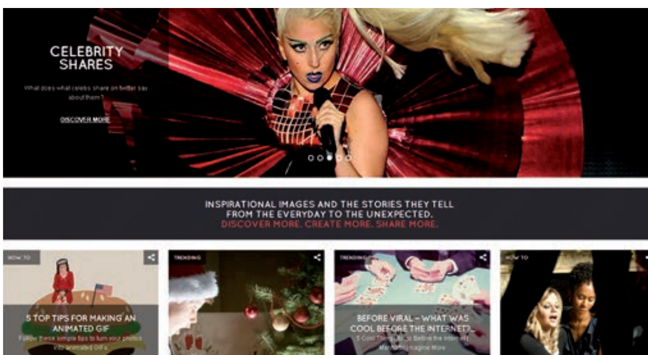
Vitec in action

New logistics platform for US
To meet the increased demand of distribution and warehouse requirements by Manfrotto Distribution US, Panalpina, a specialist logistics supplier, was appointed. The use of advanced logistical systems at the New Jersey site has improved efficiency, raising customer service and productivity by 40%. The relationship provides potential for future synergies with other Vitec businesses.

KLYP iPhone case and LED light
Manfrotto successfully responded to continued growth within the smartphone market in launching KLYP. KLYP is the first iPhone case designed with image-enhancing accessories such as LED lights and supports. It allows smartphone users to take better pictures with their mobile device, expanding Vitec's audience and market. Demonstrating its market significance KLYP has already received excellent reviews, media focus and strong sales.

Faster, Smarter, Sympla
Sympla is a professional modular video rig system that complements the evolution of camera technology. Built for flexibility and speed, it offers versatility and high performance as well as comfort, safety and a simpler, faster set up than existing rigs.

Innovative Bags
Manfrotto have developed a new bag series, Stile, featuring messenger, holster and shoulder bags. These bags reflect the needs of the growing hobbyist audience who are using smaller compact mirrorless cameras and digital technology to take pictures. The new bags are smaller, lighter and offer quick access to the cameras along with storage space for accessories such as a notebook or tablet computer.



Increased web presence
Manfrotto continues to maximise its online presence with more than four million customers visiting its websites. The Manfrotto Imagine More Facebook group has over 35,000 fans and 8,000 Twitter followers; the Manfrotto School of Xcellence site has generated a trainee community of 4,000 Facebook fans; and Kata possesses a Facebook page with over 67,000 "likes".

Manufacturing consolidation in Feltre
A five year project to consolidate manufacturing facilities into one site in Feltre, Italy, was completed in August 2012, with all production activities combined into a seamless system. Numerous benefits include higher service levels to assembly lines, greater control of product components, shorter lead times and faster delivery. The move has significantly cut costs while improving efficiency.

Vitec in action
www.vitecgroup.com/vitec_in_action

Services Division

Our Services Division provides equipment rental, workflow design and technical support to television production teams and film crews. It provides a complete one-stop solution for top producers globally, enabling customers to deliver the most demanding projects. The Division has a strategy to focus on larger events, where higher levels of service are most needed, and to secure multi-year contracts for these events.

Revenue for 2012 increased by 4.4% to £33.0 million and profits doubled with the benefit of contracts to supply the London 2012 Olympics and US Presidential election more than offsetting a one-off sale of a large system to a major customer in 2011. Increased margins reflected sales activity and a further reduction in costs through streamlining operations.

Revenue
£33.0m

Operating profit
£1.2m

Revenue

Year	Value
2012	£33.0m
2011	£31.6m

Operating profit

Year	Value
2012	£1.2m
2011	£0.6m

Operating margin

Year	Value
2012	3.6%
2011	1.9%

Our services

Major event production systems design and deployment services

Production equipment rentals

Fibre optic broadcast and infrastructure solutions design and deployment

Sales and support of professional audio and video products

Used production equipment sales

Our brands

Bexel

Vitec in action

Bexel's Olympic endeavour
London's summer sporting events generated increased revenues for Bexel who supplied specialist broadcast equipment for the London 2012 Olympic and Paralympic Games. As a primary supplier for both Games, Bexel provided a range of Vitec products including over 100 Sachtler Tripods, 150 Litepanels and 300 Anton Bauer batteries. Ten of Bexel's portable "Fly-Pack" control rooms were supplied for facilitating production for live venue coverage at Wimbledon for the Olympic tennis, at the Excel Centre for taekwondo and fencing, and at the International Broadcast Centre for the main press daily briefings.

Litepanels distribution through Bexel
Litepanels continues to elevate its presence via increased distribution through Bexel. The successful partnership resulted in Litepanels' LED fixtures being used at many major outdoor sporting events in the US. These included coverage of the National Football League, NCAA College Football, Major League Baseball and the National Basketball Association. Litepanels were also used for NBC's Today Show coverage of the London 2012 Olympic Games.

Vitec in action
www.vitecgroup.com/vitec_in_action

Operations Executive

The Operations Executive is responsible for leading the organisation. Together the team develops strategy, implements our plans and ensures we run the business effectively. We meet monthly to discuss the business and drive collaboration. The strength of this team derives from a diverse range of personal and functional skills and experience.

Stephen Bird
Group Chief Executive

Group Chief Executive, British, aged 52, appointed to the Board on 14 April 2009. He is currently a non-executive director and the senior independent director of Dialight plc. He was formerly 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
Group Finance Director

Group Finance Director, British, aged 46, 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.

Martin Green
Group Development Director

Group Development Director, British, aged 44, appointed June 2005. Previously he held corporate development positions at Bunzl plc, at a venture capital backed broadcast equipment rental business and worked in investment banking at NM Rothschild. Trained and qualified as a solicitor with Linklaters & Alliance in the UK.

Jon Bolton
Group Company Secretary

Group Company Secretary, British, aged 46, appointed October 2008. Previously Company Secretary of Waste Recycling Group. Prior to this he held company secretarial positions at GlaxoSmithKline, where he trained as a company secretary and Cable & Wireless where he was Deputy Company Secretary. He holds a bachelor of law degree and is a fellow of the Institute of Chartered Secretaries and Administrators.

Matt Danilowicz
Videocom and Services
Divisional Chief Executive

Divisional Chief Executive, Videocom and Services Divisions, American, aged 52, appointed July 2012. Previous roles include 7 years as President of Clear-Com, a former Vitec Group company, Vice President of Worldwide Channels and General Manager, Broadcast at Avid Technology and CEO of iNews, a market-leading news technology company. BA degree in Economics and English from the College of William & Mary, Williamsburg, Virginia.

Marco Pezzana
Imaging
Divisional Chief Executive

Divisional Chief Executive, Imaging Division, Italian, aged 43, appointed March 2009. Formerly Managing Director of Manfrotto. Prior to joining Vitec he held various positions in general management and marketing for consumer goods companies including Newell Rubbermaid, Arc International and Dusholux GmbH, working extensively in the UK, USA and France. He holds a university degree in Political Science from the University of Milan, with postgraduate studies at London Business School and Bocconi University.

Steve Shpock
IMT President

President of IMT, American, aged 53, appointed in 2011. Previously he held the position of CEO of Thales Component Corp, and executive positions at MCE Technologies (now Aeroflex) and Litton (now L-3 Com).

Francesco Bernardi
Group Head of
Strategic Projects

Group Head of Strategic Projects, Italian, aged 47, appointed February 2004. Formerly Divisional Chief Executive, Imaging & Staging Division. Prior to this he held various management positions in sales and marketing in several consumer goods, fashion and retail companies including Benetton, Stefanel and Marzotto/Hugo Boss. He holds a university degree in Political Science.

Board of Directors

John McDonough
CBE, BSc (Eng)

Chairman, British, aged 61, appointed to the Board on 15 March 2012; Chairman of the Nominations Committee; John ceased being a member of the Audit and Remuneration Committees on becoming Chairman on 1 June 2012. He is also Chairman of Vesuvius plc. John was most recently Group Chief Executive of Carillion plc from January 2001 to December 2011. He was previously a non-executive director of Tomkins plc from June 2007 to September 2010, where he was also Chairman of the Remuneration Committee, and Exel from February 2004 to December 2005. Prior to Carillion, John worked for Johnson Controls and Massey Ferguson.

Stephen Bird
MA

Group Chief Executive, British, aged 52, appointed to the Board on 14 April 2009. He is currently a non-executive director and the senior independent director of Dialight plc. He was formerly 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 46, 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 52, appointed to the Board on 1 February 2012; member of the Audit, Nominations and Remuneration Committees. She is currently a non-executive director of Lloyds Banking Group plc and was previously 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.

Board of Directors
www.vitecgroup.com/board_of_directors

Simon Beresford-Wylie
BA

Non-Executive, independent, British, aged 54, appointed to the Board on 1 March 2006; Chairman of the Remuneration Committee and a member of the Audit and Nominations Committees. Appointed Chief Executive Officer of Digital Mobile Spectrum Limited on 15 January 2013. Previously Chief Executive Officer of Elster Group SE, 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 58, appointed to the Board on 28 February 2007; member of the Audit, Nominations and Remuneration Committees. 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 68, appointed to the Board on 1 March 2004; Chairman of the Audit Committee and a member of the Nominations and Remuneration Committees. He is the Senior Independent Director. He is currently Chairman of JKX Oil & Gas plc, and a director of Hochschild Mining plc and Ascent Resources plc. Formerly a London based partner of Ernst & Young, where he was engagement partner for a number of significant client companies with specific responsibilities for their audits.

John Hughes
CBE, BSc

Non-Executive, independent, British, aged 61, appointed to the Board on 11 March 2011; member of the Audit, Nominations and Remuneration Committees. He is currently Chairman of Spectris plc, Telecity Group plc and Sepura plc. He is also a director of CSG Systems International, Inc. He was previously Executive Vice-President and Chief Operating Officer of Thales SA, the defence, aerospace and electronic systems group. He 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 products and services that support the capture of exceptional images. We serve customers in the Broadcast & Video, 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 and Services. Videocom designs and distributes systems and products used in broadcasting and live entertainment, film and video production and MAG. Imaging designs, manufactures and distributes equipment and accessories for photography and video. Services provides equipment rental, workflow design and technical support to TV production teams and film crews.

Details of the Group's business model, strategy, activities, developments and performance for the year, the main trends and factors likely to affect its future development, together with performance information which fulfills 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, 39, 46, 47 and 49.

Directors

The Directors throughout the year ended 31 December 2012 and up to the date of this report are set out on pages 26 and 27 along with their photographs and biographies.

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

Name	Date	Position
John McDonough CBE	Appointed on 15 March 2012	Independent Non-Executive Director (on appointment) and Chairman (from 1 June 2012)
Carolyn Fairbairn	Appointed on 1 February 2012	Independent Non-Executive Director
Michael Harper	Retired on 1 June 2012	Chairman

All current Directors, with the exception of Maria Richter, will be standing for re-appointment at the forthcoming AGM to be held on Wednesday, 15 May 2013. The remuneration of the Directors is set out in the Remuneration Report on pages 31 to 43.

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. A reasonable period is considered to be the life of a performance period tied to an award vesting under the Company's Long Term Incentive Plan. Other members of the Operations Executive are encouraged to do the same up to a level of at least 50% of salary. The value of holdings by the Executive Directors at 31 December 2012 represented 201% and 76% 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 31 December 2012, which was 635.25 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 2012 and 1 January 2012 (or date of appointment if later). Details of the Executive Directors' other interests in the Company's shares are set out in the Remuneration Report on pages 31 to 43. There have been no other changes to these interests in the period from 31 December 2012 to 27 February 2013.

Directors' shareholdings	31 December 2012	1 January 2012 (or date of appointment, if later)
Chairman		
John McDonough CBE (appointed 15 March 2012)	25,000	-
Executive Directors		
Stephen Bird	126,491(*)	95,323(*)
Paul Hayes	32,843(**)	24,000
Non-Executive Directors		
Simon Beresford-Wylie	4,263	4,215
John Hughes	-	-
Nigel Moore	26,154	20,470(***)
Maria Richter	-	4,381
Carolyn Fairbairn (appointed 1 February 2012)	-	-
	214,751	148,389

(*) Includes 77,821 shares and 54,875 shares (at 31 December 2012 and 1 January 2012 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.

(**) Includes 8,843 shares (at 31 December 2012) purchased in the market using funds supplied by Paul Hayes 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.

(***) Nigel Moore's shareholding as at 1 January 2012 has been re-stated due to the regular re-investment of cash dividends through a SIPP since May 2009.

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
The Company has only ordinary shares of 20 pence nominal value in issue. Note 4.3 to the consolidated financial statements summarises the rights of the ordinary shares as well as the number issued during 2012. An analysis of shareholdings is shown on page 117. The closing middle market price of a share of the Company on 31 December 2012, together with the range during the year, is also shown on page 117. For details of own shares held by the Company see note 4.3 to the consolidated financial statements.

Substantial shareholdings
As at 27 February 2013, 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:

Shareholder	Number of voting rights	%
Delta Lloyd NV	6,584,080	15.07
Manfrotto	4,788,102	10.96
Standard Life Investments	3,979,258	9.11
Harris Associates	3,966,016	9.08
Cazenove Capital Management	3,548,786	8.12
Schroder Investment Management	2,143,771	4.91
M&G Investment Management	1,580,333	3.62

Committees of the Board
The Board has established an Audit Committee, a Nominations Committee and a Remuneration Committee. Details of these Committees, including membership, outline terms of reference and their activities during 2012, 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 43.

Corporate Responsibility
The Group's report on corporate responsibility is set out on pages 44 to 51. The Group has a Code of Business Conduct and specific policies which cover 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 52 to 63.

Donations
During 2012, the Group made charitable and community-based donations totalling £71,173 (2011: £152,143), of which £19,425 were made in the UK. No donations were made to any political party (2011: £nil). For further information on donations refer to the section on Community and Charitable Donations set out in the Corporate Responsibility report on page 51.

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 2013. For the year ended 31 December 2012, the Group's payables days were 42 (2011: 49 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 98, 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 to 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.

Articles of Association
The Company's Articles of Association set out the rights of shareholders including voting rights, distribution rights, attendance at general meetings, powers of directors, proceedings of directors as well as borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Company Secretary.

Conflicts of Interest
During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles of Association for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Directors' Report

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 2013 AGM will be held at 2.30pm on Wednesday, 15 May 2013 at Prince Philip House, 3 Carlton House Terrace, London SW1Y 5DG.

The Chairmen of the Board and of each of its Committees will be in attendance at the AGM to answer questions from shareholders. All Directors, with the exception of Maria Richter, will be standing for re-appointment at the AGM.

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 117.

The Notice of the AGM 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 ("KPMG"), are willing to continue in office. Separate resolutions will be put to the AGM to re-appoint the Auditors and to authorise the Board to agree their remuneration.

By order of the Board

Jon Bolton
Group Company Secretary

27 February 2013

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

Remuneration Report online
www.vitecgroup.com/remuneration_report_2012

Dear Shareholder

The 2012 Remuneration Report sets out our approach to remuneration of the Executive Directors and senior executives. Our objective is to set remuneration at a level that drives our executive management team to deliver long-term sustainable growth in shareholder value. Throughout 2012 the Remuneration Committee has monitored executive remuneration packages to ensure that they remain fit for purpose in achieving this objective, taking into account a range of factors including market conditions, the ability to attract and retain a talented management team, advice from our remuneration advisor and the views of our major investors. The structure of executive remuneration has not changed during 2012 following the re-balancing that we undertook in 2011 having consulted with our major shareholders. The Remuneration Committee is satisfied that the current policy on remuneration is driving the management team to deliver on the Group's strategy. Our shareholders are also supportive of the approach to executive remuneration with over 98 per cent of proxy votes cast at the 2012 Annual General Meeting being in favour of the 2011 Remuneration Report.

The 2012 Remuneration Report complies with disclosures required under the Directors' Remuneration Report Regulations 2002. Additionally we have taken into account emerging best practice on executive remuneration with the Report drafted to include many of the provisions of the forthcoming Department for Business, Innovation and Skills Directors' Pay: Revised Remuneration Reporting Regulations ("BIS regulations") that are anticipated to come into law in 2013. The Remuneration Committee recognises the need for transparent disclosure on executive remuneration and will move towards full compliance with the final BIS regulations for the 2013 Remuneration Report that will be published in 2014.

During 2012, the Committee considered a range of issues, the detail of which is given in the Report, including:

- Executive Directors' pay rises with effect from 1 January 2013 have been set at 2.5 per cent, reflecting pay increases within the Group's workforce and current market conditions.
- 2012 bonus payments to Executive Directors averaged 79 per cent of the maximum potential award. This has been earned against the Group delivering profit before tax* of £36.2 million, an increase of 9.7 per cent over 2011. Each Executive Director is required to mandatorily defer 50 per cent of the bonus into the Deferred Bonus Plan for three years ensuring that focus on long-term growth is encouraged.
- Long Term Incentive awards made in 2010 to Executive Directors vested at a level of 92.4 per cent of their performance conditions and clearly reflect growth in shareholder value during the performance period including growth in profits, dividends and share price. The share price increased from £3.81 at the award date to £6.3525 at 31 December 2012, being the end of the performance period.
- The structure of the 2013 Annual Bonus Plan has been set to drive Executive Directors to deliver a budget that the Board considers to be challenging, particularly when viewed against the backdrop of current market conditions.
- The Committee has confirmed the need for Executive Directors to build a significant shareholding in the Company of at least one times base salary over a reasonable period of time.

For 2013 the Remuneration Committee will continue to monitor the Group's remuneration policy to ensure that it remains fit for purpose in delivery of the Group's growth strategy and to ensure that executive remuneration provides rewards that support delivery of that strategy. We do not propose any significant changes to the current remuneration policy for 2013. We will begin a consultation with our major investors on the need to renew our Long Term Incentive Plan and Deferred Bonus Plan at the 2014 Annual General Meeting ahead of the expiry of the current plans. The Remuneration Committee will consider performance conditions tied to long-term awards to ensure that they remain sufficiently demanding to drive performance.
The Committee will also consider on-going performance against the targets set for the 2013 Annual Bonus Plan. Finally, the Committee will consider disclosures to be made in the 2013 Remuneration Report in compliance with the BIS regulations.

The 2012 Remuneration Report will be put to an advisory vote at the Annual General Meeting to be held on 15 May 2013. I will attend the Annual General Meeting and will be available to answer questions on our Remuneration Report and our policy on executive remuneration.

Simon Beresford-Wylie
Chairman, Remuneration Committee

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

Remuneration Report

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. The Report also reflects a number of forthcoming provisions to be brought into effect under BIS regulations that are anticipated to become law in 2013 and the new UK Corporate Governance Code 2012 that will apply to accounting periods beginning on or after 1 October 2012.

Remuneration Committee

The Remuneration Committee consisted of the following throughout 2012:

Simon Beresford-Wylie – Chairman
Maria Richter
Nigel Moore
John Hughes
Carolyn Fairbairn – appointed 1 February 2012
John McDonough – appointed 15 March 2012 and resigned 1 June 2012 on becoming Chairman of the Board

All of the Committee members are independent Non-Executive Directors.

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. The Committee also 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 former Chairman, Michael Harper, the current Chairman, John McDonough, the Group Chief Executive, Stephen Bird, the Group Company Secretary, Jon Bolton, the former Group HR Director, Cathy Walkington and the Group Development Director, Martin Green, attended meetings by invitation in the year ended 31 December 2012. 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 57 and 58.

Remuneration policy for Executive Directors

Remuneration packages are developed to attract, retain and motivate Executive Directors and senior executives without being excessive, and to be aligned with both the interests of shareholders and the business strategy of the Company. 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 Company's employee population is also taken into account.

Remuneration for the Executive Directors is comprised of several elements including base salary, annual cash bonus, Long Term Incentive Plan, pension contribution and other benefits including car allowance, life assurance, permanent health insurance and healthcare. The table on the following page summarises each element of remuneration for the Executive Directors including link to strategy, operation, maximum opportunity, any performance metrics and changes made during the year ended 31 December 2012.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance metrics	Changes in year ended 31 December 2012
Base salary	Base salary is set at a level to secure the services of a talented Group Chief Executive and Group Finance Director with the ability to develop and deliver a growth strategy	Paid monthly in arrears	Not applicable	Continued satisfactory performance in the role of Group Chief Executive and Group Finance Director. This includes development and delivery of Group strategy and budgets associated with growth in long-term sustainable shareholder value	5% and 3% for Stephen Bird and Paul Hayes respectively with effect from 1 January 2012
Annual bonus	To provide a material incentive to deliver stretching strategic and financial performance and to grow long-term sustainable shareholder value	Paid annually following publication of full year results	125% of salary	Stephen Bird - 30% tied to achievement of personal objectives; 46.7% tied to achievement of targets set against the Group's profit before tax*; and 23.3% tied to achievement of targets set against the Group's working capital to sales. Paul Hayes – Same metrics except that personal objectives totals 25%, Group profit before tax* 50% and Group working capital to sales 25%	No change
Long Term Incentive Plan	To provide a long-term retention incentive for the Group Chief Executive and Group Finance Director involving the Company's shares. To link long-term rewards to the creation of long-term sustainable shareholder value	Awarded to the executive and subject to stretching performance conditions over a three year performance period. At the end of the performance period and subject to satisfaction of performance conditions the shares vest to the executive	100% of salary; value based on share price at award date	50% of the award is subject to the Company's Total Shareholder Return compared to a comparator group measured over a three year period and 50% of the award is subject to targets set against growth in the Company's earnings per share* over the same three year period	No change
Deferred Bonus Plan	Deferral of annual bonus into the Deferred Bonus Plan focuses the Executive Director on long-term value delivery and growth	50% of the annual bonus is mandatorily deferred into the Deferred Bonus Plan. The deferred bonus is used to purchase Core award shares held in an employee trust over a three year performance period. Subject to satisfaction of performance conditions, Matching award shares are awarded	Up to 1 Matching share for every 1 Core share can apply	Same performance conditions as the Long Term Incentive Plan	No change
Pension contribution	To provide the Executive Director with a contribution towards a personal pension arrangement of the executive's choice and to provide a benefit compatible with market rates	Paid monthly in arrears	20% of salary	None	No change
Other Benefits including car allowance, life assurance, healthcare and permanent health insurance	To provide the Executive Director with ancillary benefits compatible with market rates	Paid monthly in arrears for car allowance and permanent health insurance. Annual payment for healthcare and life assurance	Not applicable	None	No change
Clawback	To ensure that Executive Directors do not benefit from inappropriate behaviour, including material misstatement, misconduct or material ethical breach against the Company's Code of Business Conduct	Applies to awards under the annual bonus, Long Term Incentive Plan and Deferred Bonus Plan – any material breach may result in the after tax value of an award being clawed back	As per awards detailed above	Inappropriate behaviour, including material misstatement, misconduct or material ethical breach against the Company's Code of Business Conduct	No change

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

Remuneration Report

The Committee received advice from Deloitte LLP as the Committee's appointed remuneration advisor during the year ended 31 December 2012. Deloitte have a wide range of experience and knowledge on executive remuneration for multinational companies such as the Company and are able to provide detailed background and context to enable the Committee to come to an informed decision on executive remuneration. This advice related to disclosures in the 2011 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 Bonus Plan and the Long Term Incentive Plan and general remuneration advice. Deloitte's total fees for 2012 work and advice relating to executive remuneration was £76,200. Deloitte also provided other services to the Company during the year, including work and advice relating to expatriate tax, international relocations and corporate finance. Deloitte are members of the Remuneration Consultants Group and are committed to that group's voluntary code of practice for remuneration consultants in the UK. The Committee also received advice and administrative support from the Group Company Secretary, Jon Bolton, the Group Business Development Director, Martin Green and the former Group HR Director, Cathy Walkington.

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

- Salary increases for the general employee population;
- Company-wide benefit provision including pensions, share incentives, bonus arrangements and other ancillary benefits;
- Overall spend on annual bonus; and
- Participation levels and outcomes in the Annual Bonus Plan and Long Term Incentive Pan.

The Committee as part of the background to setting executive remuneration receives detailed market data on executive remuneration from Deloitte.

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 was a Non-Executive Director of Umeco PLC until 20 July 2012, a position he held since October 2006. In this capacity, Stephen Bird received a basic fee of £35,000 per annum and an additional fee of £5,000 per annum as Chairman of the Remuneration Committee. On 10 January 2013, Stephen Bird was appointed an independent Non-Executive Director of Dialight plc. In this role he receives a basic fee of £40,000 per annum and an additional £5,000 per annum in the role of Senior Independent Director. Under the terms of his service contract, Paul Hayes, with the agreement of the Group Chief Executive and Chairman, may take up one external non-executive appointment of a listed company. As of the date of this report no such external non-executive appointment has been made.

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

Remuneration policy for senior managers and other employees

The remuneration policy for other senior managers in the Company is similar to that of the Executive Directors other than the quantums are different.

Senior managers' remuneration contains a significant element that is dependent upon financial performance of the Company, the Company's share price as well as individual performance.

Remuneration for all other employees is set taking into account local market conditions to ensure that pay and benefits attract and retain employees. All employees are able to participate in an annual bonus plan that is tied to Company financial performance as well as individual performance against personal objectives. Whilst the structure of bonus plans varies across the employee workforce, approximately 50 senior managers participate in the Annual Bonus Plan that is the same structure as described for the Executive Directors although the limits and performance conditions vary.

All full time employees in the UK, US, Italy, Costa Rica, Israel and Germany are able to participate in an all-employee sharesave plan granting employees an option to save and purchase a limited number of shares in the Company at a discount to the market price at the time an offer of the plan is made. Over 540 employees participated in the latest offer made in August 2012. Over 50 senior managers also participate in the Company's Long Term Incentive Plan that awards shares subject to satisfaction of performance conditions over a three year performance period.

All full time employees are also offered membership of a pension scheme upon joining the Company which is compliant with local legal requirements. In the UK, employees are able to join a defined contribution pension plan with both the employee and employer making fixed contributions.

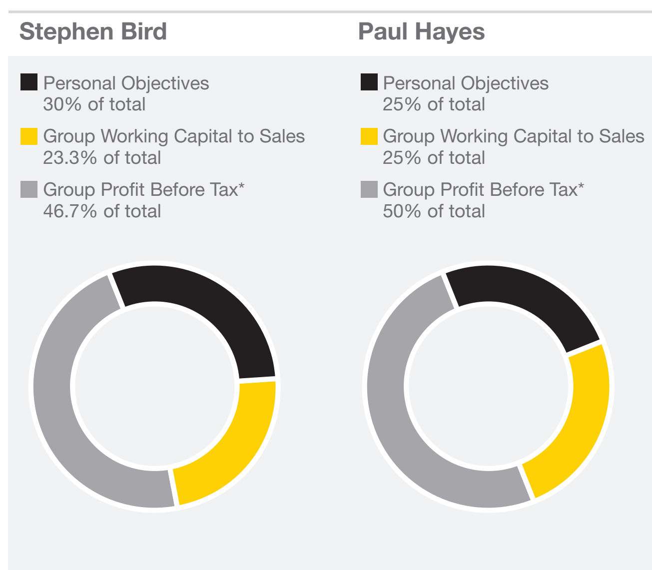
Executive Directors' remuneration

The Executive Directors' remuneration comprises a basic salary, an annual cash bonus, long-term share incentives, a car allowance, healthcare, membership of the Group's personal pension scheme or a contribution to their own personal pension arrangement, permanent health insurance and life assurance.

Base Salary
With effect from 1 January 2013, Stephen Bird's base salary was increased from £389,550 to £399,289 (a 2.5% increase) and Paul Hayes' base salary was increased from £267,800 to £274,495 (a 2.5% increase). This increase reflects the average increase given to employees across the Group as a whole.

Salaries for Executive Directors will be reviewed by the Remuneration Committee in December 2013 for 2014 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.

Annual Bonus Plan
The 2012 Annual Bonus Plan has been structured as follows for the Executive Directors:



Each Executive Director under the 2012 Annual Bonus Plan can receive a maximum bonus of up to 125% of basic salary, 50% of which is mandatorily deferred into the Deferred Bonus Plan (see later). The financial elements of the Annual 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 2012 Budget as set by the Board. The Remuneration Committee considered that these two financial performance targets have the most direct impact upon shareholder value for that financial year. 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 2012:

- 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 payout;
- 105% of budget – 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 2012 Annual Bonus Plan for each Executive Director is based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee.

Both Stephen Bird and Paul Hayes are required to mandatorily defer 50 per cent of the 2012 Annual Bonus into the Deferred Bonus Plan. They cannot however defer any more of the Annual Bonus. The deferred cash bonus is used to purchase Core award shares that potentially attract Matching award shares subject to the achievement of stretching performance conditions over a three year performance period.

Under the rules of the Annual Bonus Plan the Remuneration Committee retains a full and absolute discretion as to whether a bonus is payable or not that may be used only in exceptional circumstances, taking into account the overall financial performance of the Company. Any use of this discretion in connection with an Executive Director will be clearly explained in the Remuneration Report. To date, the Remuneration Committee has not exercised any such discretion.

The Annual Bonus Plan for 2013 has been structured to ensure that Executive Directors and senior management remain focused on the delivery of stringent financial targets. Both Stephen Bird and Paul Hayes will participate in the 2013 Annual Bonus Plan that may deliver a maximum bonus of 125% of salary.

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

Remuneration Report

For 2013 the Remuneration Committee has changed Stephen Bird's Annual Bonus Plan structure so that 25 per cent relates to satisfaction of personal objectives, 50 per cent relates to satisfaction of targets set for Group profit before tax* and 25 per cent relates to satisfaction of targets set for conversion of operating profit* into operating cash. Paul Hayes' 2013 Annual Cash Bonus Plan retains the same percentages as for 2012 but reflects this change in performance condition to conversion of operating profit* into operating cash.

The financial measures have been adjusted to give greater focus on key performance indicators for the business. Whilst Group profit before tax* remains a key financial measure, the Remuneration Committee has agreed that the other financial measure be changed to conversion of operating profit* into operating cash. The use of a percentage target with a sliding scale depending upon the level of cash generation achieved has been set. To drive the right behaviours in the business a full year target and a quarterly average target for the conversion of operating profit* into operating cash has been set. This change is considered beneficial to focus management on delivery of cash and is better understood by participants in the Annual Bonus Plan as well as being a key financial metric for our investors.

In spite of the current macroeconomic uncertainty, the Board considers the budget set for 2013 to be significantly stretching. The Committee has set the following trigger points for the financial targets of the 2013 Annual Bonus Plan:

- 90% or less of budget – Threshold – resulting in no payout;
- 100% of budget – Target – resulting in half of the maximum paying out;
- 110% of budget – Stretch – resulting in maximum payout; and
- A straight line sliding scale operates between each of the above points.

The operating profit* into operating cash generation element of the Annual Bonus Plan will only be payable in the event that the profit before tax* element reaches the threshold level. The Remuneration Committee retains an absolute discretion in connection with the Annual Bonus Plan for 2013, enabling it to reduce or increase payments up to the maximum limit in exceptional circumstances or where an outcome would have an undesirable effect such as an anomalous payment of bonus when Company financial performance does not merit a payment. Any use of discretion would be clearly reported in a subsequent Remuneration Report with the rationale explained.

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

The Deferred Bonus Plan was approved by shareholders at the Annual General Meeting in 2005 and has been used in connection with bonuses paid since then arising from the Annual Bonus Plan and will continue to be used in 2013.

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 2012 were one times salary, based on the Company's share price at the date of award. Awards for 2013 will be at the same level. Awards for the Group's senior management are based on a specific number of shares, but which does not exceed one times salary.

The Unapproved Share Option Plan was approved by shareholders at the Company's Annual General Meeting in 2002, its rules expired in April 2012 and grants were last made in March 2008 to Executive Directors in office at that time. No further awards can be made under that Plan. The performance conditions for awards under the Long Term Incentive Plan and the Deferred Bonus Plan are set out on pages 37 and 38.

Monitoring and measuring performance conditions takes place following the end of each financial year when the Company's results have been audited and at the end of the relevant performance period.

The Chairman and the Non-Executive Directors do not participate in the Company's long-term incentive arrangements and consequently do not hold any share options or other share incentives.

Awards and grants under the Group's incentive arrangements are within the overall flow limits advised by the Association of British Insurers to limit potential dilution arising from the issue of new shares. Awards vesting under the Long Term Incentive Plan and Deferred Bonus Plan are satisfied from existing shares through the Company's Employee Trust.

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

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

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 solely on the Company's TSR over a period of three years, relative to a comparator group of other companies. The comparator group comprised 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 Group Company Secretary can provide this detail if required. The Remuneration Committee reviewed the composition of the comparator group in conjunction with its remuneration consultants annually ahead of awards being made to ensure that they were relevant and sufficiently demanding.

For awards made since 2010 the Remuneration Committee, having consulted with major shareholders, decided to amend the performance condition to provide a more meaningful measure of performance. 50% of an award is measured based upon TSR as described above. However, 50% of an award is subject to growth in the Company's adjusted earnings per share ("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, awards made in 2012 and going forward 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 approximately 90% of revenues are generated 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 over a three year performance period. For awards made in 2012 the EPS* growth figures were set at 6% for 25 per cent vesting and 12% for full vesting. The Remuneration Committee has not yet made awards of LTIPs to Executive Directors and senior managers for 2013 and these will be made in the 42 day period following the announcement of full year results on 28 February 2013. The detail of performance conditions will be clearly set out in the announcement detailing the award made. The Remuneration Committee takes into account market consensus figures, advice from its corporate broker and internal forecasts to determine that these targets are sufficiently stretching when making awards.

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.

TSR is calculated on the basis of growth in the Company's share price over a three year performance period plus dividends paid during that period and is expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of a performance period to eliminate volatility that may result in anomalous outcomes. The TSR performance is independently verified by Deloitte on behalf of the Committee and is ranked against the comparator group companies' TSR performance to determine the outcome.

EPS* is determined in accordance with note 2.5 of the Financial Statements.

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

Remuneration Report

Deferred Bonus Plan

Executive Directors and members of the Operations Executive are required to defer a proportion of any after tax cash bonus 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. Both Stephen Bird and Paul Hayes have deferred 100% of their annual bonuses earned in 2011 and before. For bonuses earned in 2012 and onwards Executive Directors must mandatorily defer 50% of any after tax bonus earned into the Plan. There is no discretion to defer any more or less. 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 in the Core award. 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 Total Shareholder Return ("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.
- If performance is below the median then no Matching awards will be given and the participant will receive only their Core award shares and associated dividend shares.

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 since 2010 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.

Clawback

A clawback policy applies to any award made under the Annual Bonus Plan, Long Term Incentive Plan or Deferred Bonus Plan from 2011 onwards. Under the policy any Executive Director or senior executive found to have benefited from an award due to inappropriate behaviour, 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 or five year term (two years in the US) to save a set amount each month (up to £250 maximum or equivalent in local currency) in return for which they are granted an option over a specified number of shares. The price of the option 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.

Service Contracts

Stephen Bird, aged 52, was appointed a Director and Group Chief Executive of the Company on 14 April 2009 and is employed under a service contract dated 28 January 2009.

Paul Hayes, aged 46, 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 to the employee is twelve months and notice by the employee to the Company is six months. The terms of the service contracts do not provide for pre-determined amounts of compensation in the event of early termination by the Company. The Remuneration Committee's policy in the event of early termination of employment is to mitigate compensation to the fullest extent practicable. This means that base salary and benefits (including pension) will be paid for the notice period subject to being mitigated if the executive secures other suitable employment. Entitlement to any annual cash bonus in the event of early termination will be subject to consideration by the Remuneration Committee around the nature of the termination, period served during the financial year and achievement of financial targets and personal objectives allied to the Annual Bonus Plan. Long-term incentive awards under the Long Term Incentive Plan and Deferred Bonus

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

Plan will be subject to consideration by the Remuneration Committee at the time of an early termination to consider the circumstances around the early departure. Generally, such awards will be pro-rated to the date of departure and will remain subject to the satisfaction of performance conditions in the normal time frame.

Both service contracts for Stephen Bird and Paul Hayes are available for inspection at the Company's registered office and through the Group Company Secretary.

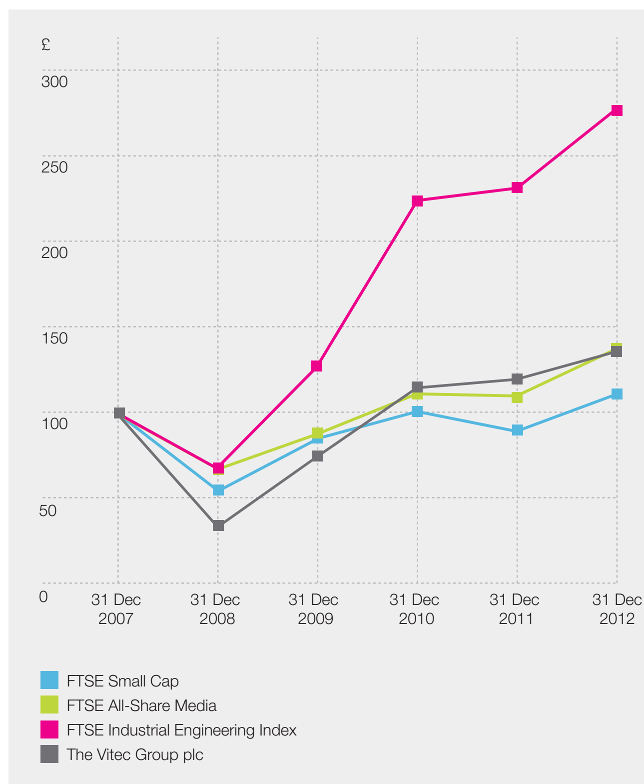
Chairman and Non-Executive Directors
The Chairman and Non-Executive Directors do not have service contracts but serve under letters of appointment. The initial period of their appointments is three years but their appointments may, by mutual consent, and with the approval of the Nominations Committee 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.

Annual General Meeting
This Remuneration Report will be put to an advisory vote at the Company's AGM to be held on 15 May 2013. Details of the venue and business to be considered at the AGM is given in the Notice of Meeting that accompanies this Annual Report.

The 2011 Remuneration Report was put to an advisory vote at the AGM held on 8 May 2012. The resolution was passed on a show of hands. 98.4% of proxy votes received voted in favour of the 2011 Remuneration Report.

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. The graph illustrates the Company's annual TSR (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.

Five year Total Shareholder Return performance 2008-2012



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

TSR comprises share price growth plus dividends paid over a three year period and is expressed as a percentage of average compound annual growth.

Remuneration Report

The following information on pages 40 to 43 has been audited by the Company's auditor, KPMG Audit Plc.

Directors' remuneration
Chairman and Non-Executive Directors
John McDonough, who was appointed a director on 15 March 2012 and became Chairman on 1 June 2012, is paid a fee of £140,000 per annum. His predecessor, Michael Harper, who retired as Chairman on that date was paid a fee 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. Fees for the Chairman, Non-Executive Directors, Committee Chairmen and Senior Independent Director roles are reviewed annually by the Board with the support of Deloitte providing market data to ensure that fees remain appropriate given time commitment and the need to attract the right experience for the role. There is no commitment to increase fees annually. The Chairman and Non-Executive Directors do not receive any other benefits from the Company.

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 August 2008 and remained unaltered in 2012. The fee for the role of the Senior Independent Director was last increased in July 2011 to reflect work associated with the role.

Stephen Bird, Group Chief Executive
Stephen Bird, Group Chief Executive, currently receives an annual salary of £399,289, increased from £389,550 with effect from 1 January 2013 (an increase of 2.5%). 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 £386,434 in respect of 2012 based upon an assessment of the achievement of financial and personal objectives for 2012. This represented 79.3% of the maximum bonus potential. The financial objectives represented 70% of the bonus and comprised Group profit before tax* representing two thirds of the financial objectives total and Group working capital to sales targets representing one third of the financial objectives total measured against the 2012 budget. The operation of the 2012 Annual Bonus Plan is summarised on page 35.

The Group profit before tax* element was 97.2% achieved and the Group working capital to sales element was 30% achieved. 30% of the bonus was measured against personal objectives set by the Board and included:

- Development of a world class senior management team;
- Evaluating the strategic options for the Staging business and executing on conclusions;
- Responding to economic conditions including good market intelligence and contingency plans for key businesses;
- Delivery on Manfrotto strategic objectives including development of management team, market share and innovative products; and
- Corporate activity including integration of Lastolite and Haigh-Farr, successful acquisition and integration of Camera Corps and succession around the role of Chairman.

These personal objectives were 90% achieved.

50% of the after tax bonus for 2012 will be mandatorily deferred into the Deferred Bonus Plan.

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 2013 of up to 125% of base salary.

On 16 April 2012 Stephen Bird received 200,286 shares from the vesting of an award made to him in April 2009 under the Long Term Incentive Plan that fully achieved the stretching TSR performance condition. In addition, he received associated dividend shares totaling 16,650 shares. Over the three year performance period, the Company's TSR was 229%, leading to the Company being ranked 6th out of a comparator group of 46 companies and resulting in full vesting. The Company's share price when the award was made in 2009 was £1.75 per share and on vesting in April 2012 was £6.60. The Committee considers this outcome consistent with the strong underlying financial performance of the Company over this period and that full vesting was appropriate.

Paul Hayes, Group Finance Director
Paul Hayes, Group Finance Director, currently receives an annual salary of £274,495 increased from £267,800 with effect from 1 January 2013 (an increase of 2.5%). 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 pension contribution. Paul Hayes was paid a bonus of £267,298 in respect of 2012 based on an assessment of the achievement of financial and personal objectives for 2012. This represented 79.8% of the maximum bonus potential. The financial objectives represented 75% of the bonus and comprised Group profit before tax* representing two thirds of the financial objectives total and Group working capital to sales targets representing one third of the financial objectives total measured against the 2012 budget. The operation of the 2012 Annual Bonus Plan is summarised on page 35. The Group profit before tax* element was 97.2% achieved and the Group working capital to sales element was 30% achieved.

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

25% of the bonus was measured against personal objectives set by the Board and included:

- Renegotiation of the Group's Revolving Credit Facility;
- Review of strategic options for the Staging business and execution on conclusions;
- Execute internal tax initiatives;
- Development of supply chain strategy;
- Contingency plans and key indicators with robust plans of action;
- Further embed risk assurance programme and de-cluttering of financial statements; and
- Streamline reporting and improve focus on measures that drive performance.

These personal objectives were 95% achieved.

50% of the after tax bonus for 2012 will be mandatorily deferred into the Deferred Bonus Plan.

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 2013 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. Under the terms of his severance package and in accordance with the terms of his service contract the Company made 12 monthly payments of salary and pension contributions and he 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; and
- Outplacement support up to a value of £30,000.

He also received Long Term Incentive Plan and Deferred Bonus Plan awards pro-rated to the date of departure and subject to the satisfaction of performance conditions on the third anniversary of each respective award. During the year ended 31 December 2012, Richard Cotton received the following payment from the Company in accordance with the vesting of an LTIP award:

On 16 April 2012 Richard Cotton received 87,426 shares from the vesting of an award made to him in April 2009 under the Long Term Incentive Plan and that had fully achieved performance conditions. In addition, he received associated dividend shares totaling 7,268 shares. The Committee considers this outcome consistent with the strong underlying financial performance of the Company over the performance period as described for Stephen Bird above.

The table below sets out the beneficial interests in the Company's ordinary shares of the Executive Directors as at 1 January 2012 and changes throughout the year ended 31 December 2012:

Director	Shareholding Requirement	Shareholding 1 January 2012	Value of Shareholding assuming share price of £6.3525 as at 31 December 2012	Shareholding 31 December 2012
Stephen Bird	100% of base salary	95,323*	£803,534 (representing 201% of 1 January 2013 base salary)	126,491*
Paul Hayes	100% of base salary	24,000	£208,653 (representing 76% of 1 January 2013 base salary)	32,843**

* Includes 77,821 shares and 54,875 shares (as at 31 December 2012 and 1 January 2012 respectively) purchased in the market using funds supplied by Stephen Bird and held by the Employee Benefit Trust, in respect of awards made under the Vitec Group 2005 Deferred Bonus Plan.

** Includes 8,843 shares (as at 31 December 2012) purchased in the market using funds supplied by Paul Hayes and held by the Employee Benefit Trust, in respect of awards made under the Vitec Group 2005 Deferred Bonus Plan.

There have been no other changes to these beneficial interests between 31 December 2012 and the date of this report.

During the year ended 31 December 2012 the Company's share price reached a high of 740 pence and a low of 547 pence.

Remuneration Report

Detailed Audit Disclosures

Details of the directors' remuneration and share incentives for 2012 with comparatives for 2011 are set out in the following tables. All of these tables have been audited by KPMG Audit Plc.

Directors' remuneration

	Salaries and fees		Benefits [1]		Performance related annual bonus		Long-term incentives		Pension related remuneration		Total	
Director's name	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £	2012 £	2011 £
Chairman												
John McDonough (appointed on 15 March 2012)	**111,364**	-	-	-	-	-	-	-	-	-	**111,364**	-
Former Chairman												
Michael Harper (until 1 June 2012)	**50,000**	120,000	-	-	-	-	-	-	-	-	**50,000**	120,000
Executive Directors												
Stephen Bird	**389,550**	371,000	**26,519**	25,414	**386,434**	323,816	**1,431,778**	-	**77,910**	74,200	**2,312,191**	794,430
Paul Hayes (appointed on 13 June 2011)	**267,800**	143,890	**21,879**	9,113	**267,298**	124,797	-	-	**53,560**	28,778	**610,537**	306,578
Richard Cotton (left on 4 February 2011)	**28,393**	265,000	**400**	60,421	-	-	**624,980**	-	**5,048**	53,000	**658,821**	378,421
Non-Executive Directors												
Simon Beresford-Wylie	**45,000**	45,000	-	-	-	-	-	-	-	-	**45,000**	45,000
Nigel Moore	**53,000**	50,753	-	-	-	-	-	-	-	-	**53,000**	50,753
Maria Richter	**40,000**	40,000	-	-	-	-	-	-	-	-	**40,000**	40,000
Will Wyatt (until 19 May 2011)	-	16,071	-	-	-	-	-	-	-	-	-	16,071
John Hughes (appointed on 11 March 2011)	**40,000**	32,438	-	-	-	-	-	-	-	-	**40,000**	32,438
Carolyn Fairbairn (appointed on 1 February 2012)	**36,666**	-	-	-	-	-	-	-	-	-	**36,666**	-
Total	**1,061,773**	1,084,152	**48,798**	94,948	**653,732**	448,613	**2,056,758**	-	**136,518**	155,978	**3,957,579**	1,783,691

[1] The principal benefits are a Company vehicle cash allowance, medical insurance, permanent health insurance and life assurance.

Directors' long-term incentives

Directors' share options	Date of grant	At 1 January 2012 (shares)	Options exercised during year (shares)	Options lapsed during year (shares)	Options granted during year (shares)	At 31 December 2012 (shares)	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
Stephen Bird										
Sharesave options	May 2009	6,984	6,984	-	-	-	131	648.5	Jul 2012	Dec 2012
	Sept 2012	-	-	-	1,657	**1,657**	543	-	Nov 2015	Apr 2016
Paul Hayes										
Sharesave options	Sept 2012	-	-	-	1,657	**1,657**	543	-	Nov 2015	Apr 2016
Total		6,984	6,984	-	3,314	**3,314**				

Awards under the Long Term Incentive Plan	Date of award	Awards at 1 January 2012 (shares)	Awards exercised during the year (shares)	Associated dividend shares with exercised awards	Awards lapsed during the year (shares)	Awards made during the year (shares)	**At 31 December 2012 (shares)**	Market price at award date (pence)	Market price at exercise date (pence)
Stephen Bird									
	Apr 2009	200,286	200,286	16,650	-	-	**-**	175	660
	Mar 2010 [1]	94,619	-	-	-	-	**94,619**	381	-
	Mar 2011	62,352	-	-	-	-	**62,352**	595	-
	Apr 2012	-	-	-	-	58,124	**58,124**	674	-
Paul Hayes									
	Apr 2012	-	-	-	-	39,958	**39,958**	674	-
Richard Cotton									
(left on 4 February 2011)									
	Apr 2009	87,426	87,426	7,268	-	-	**-**	175	660
	Mar 2010 [1]	20,650	-	-	-	-	**20,650**	381	-
Total		465,333	287,712	23,918	-	98,082	**275,703**		

[1] The Long Term Incentive award made in March 2010 has achieved 92.4% of its performance condition based on TSR and EPS* growth. 92.4% of awards will therefore vest in 2013.

Awards under the Deferred Bonus Plan	Date of award	Awards at 1 January 2012 (shares)	Awards exercised during the year (shares)	Awards lapsed during the year (shares)	Awards made during the year (shares)	**At 31 December 2012 (shares)**	Market price at award date (pence)	Market price at exercise date (pence)
Stephen Bird								
	Mar 2010							
	Core	26,185	-	-	-	**26,185**	385	-
	Matching [1]	26,185	-	-	-	**26,185**	385	-
	Mar 2011							
	Core	28,690	-	-	-	**28,690**	608	-
	Matching [1]	28,690	-	-	-	**28,690**	608	-
	Apr 2012							
	Core	-	-	-	22,946	**22,946**	677	-
	Matching [1]	-	-	-	22,946	**22,946**	677	-
Paul Hayes								
	Apr 2012							
	Core	-	-	-	8,843	**8,843**	677	-
	Matching [1]	-	-	-	8,843	**8,843**	677	-
Richard Cotton								
(left on 4 February 2011)								
	Mar 2010							
	Matching [1]	5,569	-	-	-	**5,569**	385	-
Total		115,319	-	-	63,578	**178,897**		

[1] There is a performance condition attached to the Matching awards that is detailed on page 38. For the purposes of this table and footnotes, where the award has not yet been finally performance tested, 100% vesting is assumed. The Deferred Bonus Plan award made in March 2010 has achieved 92.4% of its performance condition based on TSR and EPS* growth. 92.4% of Matching awards will therefore vest in 2013.

Performance conditions associated with the Long Term Incentive Plan and Deferred Bonus Plan are set out on pages 37 and 38. Other than as disclosed in the table footnotes, there have been no other changes to these interests in the period from 31 December 2012 to 27 February 2013.

Approved by the Board of Directors on 27 February 2013 and signed on its behalf by:

Jon Bolton
Group Company Secretary

* In 2012 and 2011 before charges associated with acquired businessesand disposal of business.
In 2010 and 2009 before significant items.

Corporate Responsibility
Stephen Bird confirms Vitec's commitment to corporate responsibility

Corporate Responsibility Report online
www.vitecgroup.com/responsibility

While our main purpose remains the creation of value, we are aware that the way we do business matters, as it can have an influence on all of our stakeholders.

We believe that our corporate responsibility efforts will engage and motivate our employees, add value for our customers and protect our reputation, benefiting the Company, our shareholders and all other stakeholders.

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

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 has formally approved our Code of Business Conduct and our Environmental Policy. Both of these are available on our web site.

We reported in 2011 the setting up of a Group-wide team of representatives from each Division and the Head Office to co-ordinate the Group's corporate responsibility activity. This team includes the Group Company Secretary, the Group Head of Strategic Projects and Divisional HR and operations representatives. The work of this team has continued throughout 2012 with meetings held on a monthly basis by telephone or video conference to share corporate responsibility practices being undertaken at business unit and Divisional level as well as championing Group-wide initiatives.

In 2012 we focused on two key Group-wide priorities. Firstly, to encourage our employees to consider adopting healthier lifestyles through a project known as Good3 and, secondly, the environment and efforts to accurately record and reduce our carbon footprint. Progress against each is given under the Environment and Employees sections. The work of the team is reported to the Operations Executive on a monthly basis through the Group Head of Strategic Projects or the Group Company Secretary and it will continue to develop the Group's corporate responsibility activities in 2013 and beyond.

The following pages describe our 2012 corporate responsibility activities organised in the following areas:

Business Ethics
Page 45

Employees
Page 48

Environment
Page 46

Community & Charitable Donations
Page 51

Business Ethics

Our Vision

Ensure our employees have a clear understanding of what is expected of them in conducting business in the right way with a common set of values. We expect our business partners to abide by standards that are compatible with our own

Our Approach

Vitec's Board has implemented a robust governance framework including a Code of Business Conduct that is communicated to all employees and major business partners articulating our values, beliefs and behaviours. Where appropriate we train our employees on key issues including bribery and corruption and promote a whistleblowing service as a back-up control

Code of Business Conduct

Our Code of Business Conduct (Code) provides clear guidance to our employees on how they are expected to behave towards employees, suppliers, customers, shareholders and on 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.

Anti-bribery

We have continued with the development of our employees' understanding of anti-bribery and corruption as reflected in our Code of Business Conduct. To date, over 500 employees have undertaken an online training module (also translated into Italian, German and Japanese) 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. All new starters who fit into this group of employees are required to undertake the training and our aim is to further develop the training in 2013 to build upon employees' understanding and knowledge of this issue.

During 2012 we communicated our Code of Business Conduct on a risk-based approach to our major suppliers, customers, agents and distributors with an express prohibition on bribery. We have either secured their agreement with the terms of the Code or secured evidence of their own ethics procedures including an express prohibition on bribery.

Whistleblowing service

We operate an independent whistleblowing service in conjunction with Expolink. This service enables any employee or third party 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 Group 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 service will be re-communicated to our employees in 2013 to ensure that it remains visible and understood. The service is introduced to all employees of new businesses on acquisition. During 2012 all whistleblowing reports were investigated with remedial actions undertaken where necessary.

Corporate Responsibility

Environment

Our Vision

Become increasingly environmentally friendly without impacting our competitiveness

Our Approach

We are creating a "green culture" by adopting technologies, materials and processes that will have the lowest impact on the environment

Vitec's products and processes

In 2012 we continued to implement initiatives aimed at sustaining and protecting the environment, in the areas of research and development, production, packaging and waste disposal.

By their very nature, our products and services have a low impact on the environment: we use low-hazard materials; we minimise the use of resources during the manufacturing process; and we search for materials that are sustainable and can be recycled and re-used.

Our efforts and environmental awareness have continued to evolve, not only to comply with regulations but also to make our business better. By putting in place a proper environmental management system we are reducing operating costs and business risks, while ensuring sustainability.

An example of how innovation and technology play a critical role in helping reduce the impact on the environment is LED lighting, which is produced by Litepanels and Manfrotto. LED technology has significant benefits over traditional lighting as LED lights last ten times longer than a regular incandescent bulb and are four times more energy efficient. The dramatic cut in the amount of energy used translates to financial savings for users along with creating a cleaner environment.

IMT has been working to standardise its product line in an environmentally friendly way to comply with the most strict environment regulations at a worldwide level. It has also instituted a recycling plan for expired batteries and light bulbs. These are collected and disposed of with authorised recyclers.

Environmental Policy online
www.vitecgroup.com/environmental_policy

Vitec's green practices

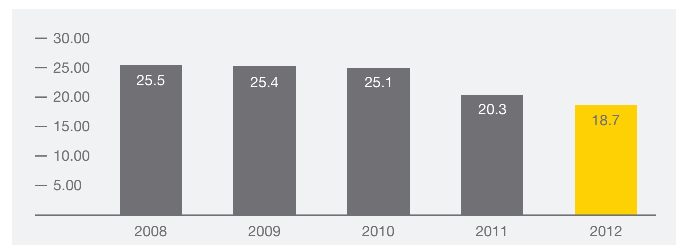
As part of our commitment to responsible business practices, in 2012 we implemented initiatives aimed at reducing energy, paper and water use, encouraging recycling and proper waste disposal and promoting a culture of sustainability among our employees.

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 have timer and motion sensors for lighting to save on electricity usage. Other buildings have programmable thermostats that are centrally managed to optimise the building's heating and cooling needs, therefore maintaining a steady temperature.

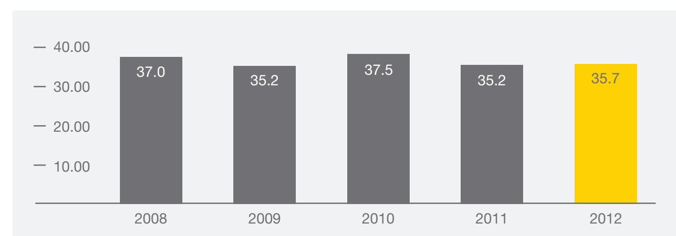
The electricity contracts with Green Certificates at the Italian sites were renewed in 2012, confirming the commitment to use energy generated by renewable sources. Our Mount Olive, New Jersey, site also acquired 50% of its energy from renewable sources throughout the year.

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

Our gas usage
Gas - mega watt hours / £m revenue

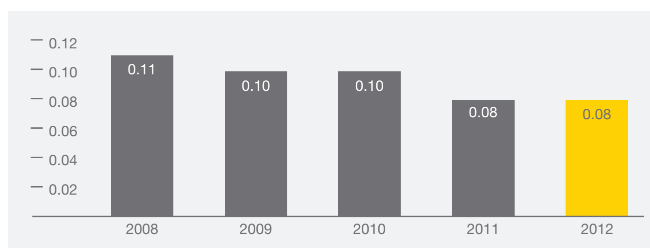


Our electricity usage
Electricity - mega watt hours / £m revenue



LED lights produced by Litepanels and Manfrotto last ten times longer and are four times more energy efficient than regular bulbs resulting in financial savings for users and a cleaner environment.

Our water usage
Water - cubic metres / £m revenue



Our sites in Bassano and Feltre in Italy have had their ISO 14001 status renewed in 2012, confirming that these operations have designed and implemented effective environmental management systems in place. The Bury St Edmunds site undertook a GAP analysis and internal assessment of the requirements of the ISO 14001 standard with the aim of achieving the certification.

Offices and manufacturing sites have waste recycling points to enable the sorting of waste into different recycling streams (paper, glass, plastics and general). At our main manufacturing sites in the UK, Italy and Costa Rica, we carefully manage the recycling of machine shop swarf arising from the manufacturing process. In 2012 a total of 214.5 tonnes of waste metal were recycled at the three sites, including aluminium, steel, brass, bronze, iron and magnesium. The manufacturing sites in Italy and Costa Rica sites also managed the recycling of 90.7 tonnes of paper and plastic. The recycling largely covers the cost of waste management at our main sites.

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.

Most 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 and to optimise the need for business travel.

Vitec objectives and future plans

Over recent years we have made progress in energy efficiency and the use of renewable energy where practical. However, being aware that the environment presents many cost, regulation and reputational risks, our aim for the future is to develop a clear environmental plan, set up a rigorous reporting system to capture data in a consistent way across the whole Group and to identify opportunities for cost and energy reduction.

In the second half of 2012 we undertook a project to capture the Group's greenhouse gas emissions. This is partly in recognition of the forthcoming need for listed companies to mandatorily report on carbon emissions anticipated to come into effect in 2013. We engaged the Carbon Trust on this project to capture Scope 1 and 2 emissions from 23 of our major operating sites using 2011 as a baseline year and, having set up that reporting system, have extended the capture of emissions for 2012. Apart from enabling the reporting of emissions, this information will give the Group data to enable it to identify potential cost savings.

Results for carbon reporting using 2011 data give an overall carbon footprint (Scope 1 and 2) of 8.5 kt CO2e (intensity ratio of 24 tonnes CO2e/£m of revenue). This covered the principal operations of the Group and is indicative at this stage, with the quality of data being verified to ensure that compliance with mandatory reporting is achievable. Scope 2 emissions (purchased electricity) were the largest contributor to the Group's emissions. Results for 2012 give an indicative overall carbon footprint (Scope 1 and 2) of 8.3kt CO2e (intensity ratio of 24 tonnes CO2e/£m of revenue).

Potential areas of saving have been identified through two specific audits completed by specialists in our larger production sites in the UK and Italy. These include energy efficient lighting, staff awareness, regular maintenance programmes, optimisation of machinery and equipment switch off and optimisation of control around air conditioning. Associated capital requirements and payback periods are being assessed to identify the best opportunities to pursue, balancing the need to deliver on other business priorities in 2013 and beyond. We will continue to work towards improving the quality of data to enable external verification of the Group's greenhouse gas emissions and will also consider the opportunity to set targets around the Group's carbon footprint. We will report on progress towards these in the 2013 Annual Report.

Progress versus 2011

- Co-ordinated Group efforts to reduce emissions versus fragmented initiatives
- Improved process management, through Group-wide monthly calls and regular updates to the Group Chief Executive
- Improved measurement and reporting
- Appointment of Carbon Trust to support the Group in the process around the capture and reporting on greenhouse gas emissions

Corporate Responsibility

Employees

Our Vision

Be a responsible employer providing attractive opportunities for our people to develop

Our Approach

We are attracting and engaging a committed workforce, ensuring diversity and non-discrimination

Our people are a key asset for the Group

We are fully aware that our employees are critical for the success of the business. Passionate, motivated, skilled employees in a good working environment can directly contribute to our strategy, performance and reputation.

In 2012 we continued to focus time and resource on our employees, hosting initiatives on subjects such as wellbeing, engagement and training events.

In recognition, in early 2013 Vitec's Italian sites, covering approximately 600 employees, were awarded the "Top Employers" certification by the CRF Institute for their high employment standards. All critical areas of HR processes were assessed including benefits, working conditions, training and development, career development and company culture.

Engagement

Internal Communication
Our strategy is to provide an engaging and stimulating environment where our employees want to develop and feel part of a collaborative, global community. We communicate with our employees on a regular basis, keeping them informed on business performance at a Group, Divisional and business unit level.

During the year all employees received two global communication webcasts from the Group Chief Executive focusing on strategy, priorities, results and key events for 2012. In March 2012 a Management Conference took place in London, involving the senior managers across the Group covering strategy, results, main achievements and team building activities. As part of this the Group Chief Executive gave recognition awards to the best performers in different areas based on our Group values. The conference outcome was circulated to all employees via staff meetings and a dedicated website.

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, breakfast meetings with Divisional management, quarterly business updates and via Divisional intranet sites.

In 2012 the Imaging Division launched a new communication initiative on HR matters to its employees: People Focus. Its objective is to enable employees to clearly identify and engage with all the programmes that form part of the culture of working at Vitec, including wellness, engagement, development, working environment and team building. The goal is to share best practices and extend the visual approach in engaging employees with the other Divisions, creating a co-ordinated Group-wide programme.

During 2012 the Manfrotto School of Xcellence programme – www.manfrottoschoolofxcellence.com – continued, providing employees with training on photography and on the world of imaging. The programme involves professional photographers and educates employees about capturing excellent images. This involved over 80 employees in 2012, with 17 seminars on each aspect over the course of the year.

Working at Vitec
www.vitecgroup.com/working_at_vitec

1

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1 A Manfrotto School of Xcellence event with employees

2 The logo of the Vitec wellness programme

Wellbeing

Health and Safety

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

In 2012 we continued to impress the need for excellent health and safety procedures and the Group's Health and Safety Policy was updated. This will be re-issued in 2013 and is available on the Group website. This policy sets 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.

All accidents, whether they result in absence from work or not, plus near misses, are reported and remedial action identified and implemented to prevent such occurrences in the future. Reporting is prompt with any accident resulting in over three days absence reported to senior Divisional management as well as the Group Chief Executive as soon as possible. Our six year accident record is shown below, which details the number of accidents resulting in over three days' absence from work across the Group.

Our six year accident record

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

The Operations Executive reviews health and safety performance every month, discussing any incidents of note and supports the Divisions in the management of local health and safety committees and the implementation of regular training activity. The Board is regularly updated on health and safety performance by way of monthly reports and at Board meetings. 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 warehouse operations, DSEAR, working at heights, fire safety or more general initiatives to make employees aware of the dangers that can be encountered in the execution of their various duties.

In Italy an awareness campaign called "Are you working safely?" was launched in the offices and plants, comprising short monthly tips on a specific health and safety subject posted on employee notice boards. Imaging Italian sites had the OHSAS 18001 occupational health and safety certification confirmed in 2012.

Good3

The 'Good3' project, launched in 2011 in the Group's Imaging sites, continued throughout 2012.

The programme was developed to help employees to stay healthy, by providing them with training and tools to develop good habits in the areas of diet, exercise and the prevention of illnesses. Within Imaging this involved healthy eating initiatives and discounted membership rates for employees at two local sports centres.

Videocom started to plan Good3 activities in 2012, hosting health-related talks to employees by an occupational health provider. The topics covered were smoking and healthy eating.

The intention is to extend Good3 initiatives across the Group.

Health & Safety Policy
www.vitecgroup.com/health_and_safety

1

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3

1 New Manfrotto Distribution US headquarters

2 Costa Rica manufacturing plant

3 The Vitec Shopping Card and retailers' guide

Working Environment

We continue 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 2012, the Group relocated employees in the US and Japan into new premises and is also in the process of relocating its Manfrotto Lighting and Manfrotto Distribution UK businesses into a combined site in the UK.

Benefits

We employ around 1,900 employees in 12 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 the US our employees participate in a consolidated Health Benefits Plan that provides a valued level of healthcare. Similar plans are offered to employees in other territories.

Employees are provided with the option to join pension plans appropriate to local markets and in the UK this involves a Group Personal Pension Plan with minimum employer and employee contributions and in the US a 401k plan.

Employees in the UK, US, Italy, Costa Rica, Israel and Germany are further given the opportunity to join a Sharesave scheme on an annual basis, enabling the employee to save a fixed amount each month to purchase shares in the Company at a discounted rate. Following the successful maturity of the 2009 offer to nearly 250 employees in the summer of 2012 we offered Sharesave or an equivalent plan to all employees in these countries in August 2012. Over a third of eligible employees took up the offer showing a good level of interest in this benefit.

As part of the People Focus activities in Imaging's Italian sites, a new Vitec Shopping Card was launched at the end of 2012. The card allows employees to benefit from special prices on food, drinks, travel, clothing, sport, cinema and medicine through agreements with local retailers. These discounts of up to 50% help employees to increase their purchasing power.

Capability/development

Learning and development activity continued to take place in our businesses in accordance with the personal development plans put in place in 2010, results of annual 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 Group has developed a shared management web-site called The Hub that contains training materials for senior management. The Hub has focused on the core business priorities of building the right organisation, developing commercial acumen, operational excellence and working together. A range of training modules and materials within each priority is available and senior management are required to undertake modules to develop their knowledge of the key priorities.

The performance appraisal process, in operation in each of the Divisions, provides the opportunity for the employee to discuss current performance and future potential with their line manager in an objective and positive manner. The development needs identified by the discussions will be used in 2013 to enhance the global programme of talent development for release more widely across the Group.

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 55 of the Corporate Governance section and on our website. The organisation's current gender breakdown is as follows:

Board of Directors

25% women, following the appointment of Carolyn Fairbairn in February 2012; 75% men

Operations Executive

During 2012 the Operations Executive comprised 90% men and 10% women

Senior Management

11% of the top leaders in the business are women; 89% men

Rest of Organisation

25% female; 75% 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. We are keen to develop further the recruitment of talented women to the organisation at all levels and are developing policies and procedures across the Group to achieve this.

It is Vitec's policy that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and ability of the applicant concerned. In the event of employees becoming disabled all reasonable effort is made to ensure that their employment within the Group continues. It is our policy that the training, career development and promotion of disabled persons should be, as far as possible, identical to that of all other employees.

Corporate Responsibility

Community & Charitable Donations

Our Vision

Support the communities in which we operate

Our Approach

We emphasise initiatives and projects strongly backed by employees, that are relevant to what we do and that can be supported for several years

In 2012, we set specific guidelines for community and charitable donations to have a consistent Group approach. In prior years each Division handled charitable giving on their own, reducing the positive impact of our efforts with only local visibility of the initiatives supported.

For the whole year the Vitec Group and its subsidiaries donated £71,173 to charitable and community-based causes (2011: £152,143).

The following are a few examples of the good work being done by Vitec in the communities within which we operate.

Kingston University Television and Video Technology department:
The Head Office maintained its link with Kingston University's Television and Video Technology department with a donation of £2,500 in 2012. 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.

The V Foundation for Cancer research:
Services' Head Office supported the 13th ESPYS Celebrity Golf Classic, which benefits The V Foundation for Cancer Research. The Company provided full technical system support for a total value of approximately £7,100 and donated £6,100 to the event. (www.jimmyv.org); (www.espygolf.com)

Orto in Condotta:
Imaging's Head Office sponsored a three year educational project for primary schools in the area of Bassano del Grappa on sensory, consumer and environmental education, as well as lessons on food culture and gardening. The project was developed and sponsored by Slow Food Italy.

School teachers were trained to carry out the programme and they worked with parents and grandparents to support the project. The creation of school gardens were accompanied by workshops that trained children and parents to appreciate the importance of healthy food. The project started in 2010, with a total donation of £6,500 over the three year period. (www.slowfood.it)

St Nicolas Hospice:
Videocom's Head Office supported the charity care facility for people with life threatening illnesses and their families based in Bury St Edmunds through various donations totalling £2,553. (www.stnicholashospice.org.uk)

Water Aid:
Manfrotto Lighting in the UK 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. The Company has had a long-standing relationship with the specific town in India that it supports for over forty years, and employees wish to maintain that link.

Corporate Governance

Chairman John McDonough reports on Vitec's corporate governance following his appointment in 2012

Corporate Governance online
www.vitecgroup.com/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.

Following my appointment to the Board in March 2012 and my appointment as Chairman on 1 June 2012, I am pleased to present my first corporate governance report to shareholders. The first part of the year was under Michael Harper's Chairmanship and I believe that we have a sound and robust corporate governance framework in place, which I confirm has applied throughout 2012.

Since my appointment I have undertaken a thorough induction to the Group including visits to the major business sites in the US, UK and Italy, and meeting large numbers of our people, specifically spending time with the members of the Operations Executive. I have learnt more about the products and services we offer and how each business operates in its chosen markets and segments, along with the internal governance processes and procedures that exist to support our operations. To gain a better understanding of the Group externally, I have met with our corporate advisors and with a number of our major shareholders and their governance representatives.

The fundamental value of good governance is that it seeks to ensure that a Company is well run, providing a framework for accountable and effective decision making. Having completed my induction and become familiar with our senior managers I am confident that we have a talented management team in place to meet our stakeholders' expectations of delivery on our strategy.

In reporting to stakeholders on governance matters, your Board has taken into account the UK Corporate Governance Code (the Code) as introduced in June 2010 and has considered some of the forthcoming changes to the Code for reporting periods beginning on or after 1 October 2012 (new Code) insofar as they relate to disclosure of diversity statistics and policy. We report on progress in complying with the requirements of the new Code and will work towards full compliance in the 2013 Annual Report.

Your Board and their biographies are set out on pages 26 and 27. During 2012 we appointed Carolyn Fairbairn as an independent Non-Executive Director with effect from 1 February. I joined the Board on 15 March and, following Michael Harper's retirement on 1 June, succeeded him as Chairman.

Maria Richter will not be standing for re-appointment at the 2013 Annual General Meeting ("AGM") having come to the end of her term of appointment. We will therefore go forward after the AGM with a slimmed down Board of seven Directors including myself as Chairman, four independent Non-Executive Directors and two Executive Directors. In order to ensure Board continuity during my first year as Chairman, Nigel Moore will

remain as Senior Independent Director and Chairman of the Audit Committee. Having been appointed a Director in March 2004, the Board and I confirm that Nigel continues to provide rigorous independence and commitment to the role. His experience particularly on financial matters, governance and the management of risk is considered vital at this time of transition for the Board. The Board and I will continue to consider the issue of succession within the Board and will announce our plans in due course.

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 throughout 2012, 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 Group 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 Group 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 Group 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. Apart from the remuneration of directors or directors' fees there were no instances when a Director had to abstain from voting on a matter due to a conflict of interest. The Board has adopted a formal procedure for dealing with any such conflicts or potential conflicts of interest.

The Group Chief Executive is responsible for managing the day-to-day running of the business. The Operations Executive supports the Group Chief Executive in this duty, the members of which are shown on page 25. The Group Chief Executive and I have developed a good working relationship over the past nine months, meeting regularly outside of scheduled Board meetings to discuss strategy, performance and to ensure that Board meetings cover relevant matters. Our relationship helps to underpin the working of the Board, providing for an open forum in which matters are discussed.

Nigel Moore is the Senior Independent Director having been appointed to that position in May 2011. In this role, Nigel has provided support particularly in the area of succession planning, specifically during early 2012 for filling the vacancy of Chairman of the Board. This process is described more fully under Overview of the Nominations Committee.

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. The Board also considers a wide range of other matters not expressly detailed in the Matters Reserved to the Board, including but not limited to, succession planning and talent development both for the Board and senior management team. During 2012 the Matters Reserved to the Board were reviewed and updated to ensure compliance with best practice. The full schedule of Matters Reserved to the Board can be found on our website.

During 2012 the Board dealt with the following matters: approval of the financial results for 2011 and the half year results for 2012 including dividend policy; acquisition and integration of Camera Corps; disposal of the Staging business; negotiation of a new five year £100 million revolving credit facility; Board succession, related appointments and Non-Executive Directors' fees; Group strategy and 2013 budget; output of an internally facilitated Board and Committee evaluation; review of the strategic risks facing the Group with mitigating actions; review of financial controls; performance against 2012 objectives and setting of 2013 objectives; ongoing financial performance; various property, legal and share incentive matters; and revised Group policies and procedures.

To monitor its ongoing performance during 2012, the Board set itself several objectives for the year. These are detailed in the section on Board performance evaluation. The agreed objectives were reviewed at regular intervals during 2012 to monitor progress. We have set further objectives for 2013 that I will report on in next year's Annual Report.

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, Remuneration and Nominations Committees. Each Committee operates under clear Terms of Reference which were updated during the year to reflect emerging best practice. Copies of the current Terms of Reference are available on our website.

Corporate Governance

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.

The Remuneration and Audit Committees each agreed their objectives for 2012 in order to monitor their progress and performance. Progress on each objective is set out in this report under the relevant section for that Committee. Objectives for these two Committees have been set for 2013 and an evaluation of progress against these objectives will be reported in next year's Annual Report.

In 2012 the Board met eight times, of which six were scheduled at the start of the year and two were held at short notice. Details of Directors' attendance at Board and Committee meetings is shown in the table on page 63 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 and I seek to contact them in advance of the meeting to obtain their views and decisions on the proposals to be considered.

The Board did not hold a meeting overseas in 2012 as this was re-scheduled at short notice due to business priorities. The Board intends to hold a meeting at one overseas business each year in the foreseeable future to allow Directors to develop their understanding of operations. Each Director is also encouraged to visit operations when appropriate to further their understanding of the business and meet operational management.

As part of the wider governance framework it is important to explain the workings of the Operations Executive. The Group Chief Executive chairs the monthly meetings of the Operations Executive which discusses ongoing business performance and enables the Group Chief Executive to manage the business with his direct reports. I receive an update from the Group 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 during 2012, 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

A key event for the Board in 2012 was the retirement of Michael Harper as Chairman with effect from 1 June 2012, and my appointment with effect from the same date. I believe that the transition has been smooth and successful as evidenced by the internal Board evaluation described later on.

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 the comprehensive skill set required to deliver 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. I spoke earlier about my induction and I confirm that Carolyn Fairbairn completed a similar induction following her appointment.

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 2012 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.

Ongoing training for new Directors and existing Directors is available at the request of the Director. Each Director receives details of relevant training and development courses from both the Group Company Secretary and from external bodies such as KPMG and Deloitte. The requirement for training is 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 investor relations, bid defence and the Takeover Code, corporate governance and changes to corporate reporting. The Board regularly receives written updates on governance, regulatory and financial matters as they are published.

Working with the Group Chief Executive and Group Company Secretary, I 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 a detailed monthly report from the Group Chief Executive, Group Finance Director, Group Company Secretary and Group Development Director, 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 are minuted by the Group Company Secretary. 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.

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 AGM and shall then put himself 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. If it is in the interests of the Group to do so 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. Under the Company's Articles of Association, each Director is required to stand for annual re-appointment. Full details are included within the 2013 Notice of AGM.

On making appointments to the Board, amongst other items, the issue of diversity is considered. The Board agreed its policy on diversity during 2011 and our statement is set out below, as well as being published 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 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 the Board level, 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 annually in our Annual Report.

The Employees section of the Corporate Responsibility Report contains further information on diversity, including the disclosure of gender diversity statistics at Board, Operations Executive and senior management level as well as throughout the organisation.

Board performance evaluation

We conducted an internal Board evaluation in 2012 following the externally facilitated evaluation in 2011 that was reported on in last year's Annual Report. It is expected that the next externally facilitated evaluation will be conducted in 2014.

Four major topics were covered by the 2012 internal process:

- Evaluation of the performance of the Board by each Director;
- Evaluation of the performance of the Committees of the Board by each member of the relevant Committee;
- Evaluation of the Non-Executive Directors by the Chairman; and
- Evaluation of the Chairman led by the Senior Independent Director taking into account the views of the Board.

The 2012 evaluation took the form of questionnaires, individual meetings and discussion at the Board meeting held in December. The Group Company Secretary and I agreed the format of the questionnaire, which requested Directors to evaluate the performance of individual Directors, Board Committees, the ability of the Board and Directors to set strategy, monitor performance, leadership, culture and corporate governance, taking into account the balance of skills, experience and knowledge of the Group by each Director. I subsequently followed up with each Director on the content of their completed evaluation forms, allowing for a discussion to take place around any areas for improvement. Nigel Moore, as Senior Independent Director, co-ordinated the process for the evaluation of the Chairman, with follow up discussions with each Director on the basis of completed evaluation forms.

I am pleased to report that all your Board members considered that the Board, its Committees and individual Directors have performed effectively during 2012, both individually and as a collective unit. Non-Executive Directors have demonstrated a willingness to devote sufficient time and effort to understand the Company and its businesses and have provided independent, rigorous and constructive challenge on strategy and operational performance. The processes, governance and controls around the Board were also deemed to be robust.

Corporate Governance

As part of the evaluation, each Director identified several issues to enable the Board to focus on key areas in the year ahead. These have enabled the Board to set itself several key objectives for 2013 and we will report on progress against these in the 2013 Annual Report. Following the Board evaluation in 2011, the Board set itself several objectives for 2012. These are summarised below with an evaluation of performance against each:

2012 Board Objectives	Progress during 2012
Review progress on three market strategy	Identified key areas concerning strategy; detailed discussion of these points and the three year business plan for the Group, the divisions and each business unit; approved the acquisition of Camera Corps and the disposal of the Staging business in line with strategy
Manufacturing strategy review	Received update from Group Finance Director on progress and Group-wide initiatives undertaken
Board succession	Appointed Carolyn Fairbairn as an independent Non-Executive Director in February 2012; appointed John McDonough as an independent Non-Executive Director in March 2012 and as Chairman on 1 June 2012 in succession to Michael Harper; feedback from Board evaluation supports successful induction and integration of both appointments
Monitor executive director and senior executive remuneration following implementation of revised remuneration structure	Shareholder approval of Remuneration Report at 2012 AGM; received updates from Remuneration Committee on emerging best practice
Maintain close investor relations links	Regular monitoring of shareholder register and major movements; regular meetings between Executive Directors and major shareholders
Maintain state of the art governance standards	Online bribery training extended to more employees and translated into three languages; 2011 Annual Report complied with UK Corporate Governance Code
Measurement of Board effectiveness using performance indicators	Quarterly monitoring of the Company's Total Shareholder Return
Implement new long-term credit facility	£100 million five year revolving credit facility agreed
Review strategic risks for the Group and ensure appropriate mitigation in place	Reviewed detailed risk assessment and mitigation process and disclosed principal risks in Annual Report 2011

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 2012 annual bonus.

Overview of the Nominations Committee
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 (and Michael Harper before me), has agreed terms of reference that are available on the Company's website. The Committee met twice during 2012 and considered the following matters:

Chairman	Members
Michael Harper (until 1 June 2012) John McDonough (from 1 June 2012)	Simon Beresford-Wylie Stephen Bird Carolyn Fairbairn (from 1 February 2012) John Hughes John McDonough (from 15 March until 1 June 2012) Nigel Moore Maria Richter

Duties	Activities completed in 2012
• 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 Chairman • Recommended the appointment of John McDonough as a Non-Executive Director and Chairman elect • Reported to the Board after each meeting • Reviewed plans for the executive level talent management programme

The Nominations Committee uses the support of external executive search consultancies where necessary to facilitate searches for new Directors. A clear brief on the role, skills and personal attributes required is prepared, taking into account diversity on the Board, 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 appointed whether the role be executive or non-executive in nature. The process is normally led by myself as Chairman of the Committee. However, during 2012 the search for the role of Chairman was led by Nigel Moore, the Senior Independent Director, with the support of the Group Chief Executive. Subject to the outcome of each search, a formal recommendation on an appointment is made to the full Board for approval.

Going forward I am very mindful of the need to have the right balance on the Board with the necessary skills and diversity to develop and deliver on strategy, monitor on-going performance and to discharge good corporate governance. Future Board changes will take this into consideration.

Remuneration

The Remuneration Committee is chaired by Simon Beresford-Wylie and comprises exclusively independent Non-Executive Directors. The Chairman, Group Chief Executive, the former Group HR Director, Group Development Director and the Group Company Secretary have all been invited to meetings throughout 2012. The Committee met four times in 2012.

The Board has delegated to the Remuneration Committee the setting of a remuneration framework or broad policy for the Company's Group Chief Executive, the Executive Directors, the Group 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 in the following table. The Remuneration Report for the year ended 31 December 2012 on pages 31 to 43 gives full details 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 John McDonough (from 15 March to 1 June 2012) Nigel Moore Maria Richter
Duties	**Activities completed in 2012**
• 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 ongoing 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 • Agreeing objectives and reviewing performance against each one	• 2011 Annual Bonus Plan outcome • 2012 and 2013 Annual Bonus Plan structure including financial targets • Executive Directors' personal objectives and long-term incentive awards for 2012 • Senior executive 2012 long-term incentive awards and vesting levels for 2009 awards • Approved 2011 Remuneration Report • Reviewed BIS consultation on Remuneration Reporting Regulations and impact on the 2012 Remuneration Report • Reviewed 2012 objectives and agreed 2013 objectives

Corporate Governance

The Remuneration Committee set itself several objectives for 2012, the detail and progress against which is detailed below:

2012 Remuneration Committee Objectives	Progress during 2012
Ensure remuneration policies and practices reward fairly and responsibly with clear link to strategic objectives, corporate and individual performance	Annual bonus linked to stretching financial performance; vesting of long-term incentives tied to TSR and EPS* over three year performance period; Executive Directors required to build stake in the Company of at least one times gross salary; claw-back provisions across all bonus and long-term incentives
Implement revised remuneration structure	Re-balanced executive remuneration structure following consultation with major shareholders (see Remuneration Report on pages 37 and 38 for details of the re-balancing)
Ensure clarity around annual target setting, particularly around the budget process and link to strategy	Targets for the 2012 Annual Bonus Plan reviewed during the year to ensure continued appropriateness. Targets for the 2013 Annual Bonus Plan revised and agreed
Ensure best practice annual Remuneration Report and that approved by shareholders at the AGM	2011 Remuneration Report fully compliant with all applicable regulations and received over 98% of the proxy votes for the resolution at the 2012 AGM. Reviewed BIS consultation document on Remuneration Reporting Regulations
Closely monitor performance of newly appointed remuneration advisors	Provided well-run support on the re-balance of executive remuneration, performance measurement for the long-term incentive plans, tax treatment and the BIS Remuneration Reporting Regulations

The Remuneration Committee has set itself objectives for 2013 and will report on progress against these in the 2013 Annual Report.

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. 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 fulfill its legal responsibility for the keeping of proper accounting records, safeguarding the assets of the Group and detecting fraud and other irregularities. The approach taken is designed to provide reasonable assurance against material misstatement or loss, although it is recognised that as with any successful company, business and commercial risks must be taken and enterprise, initiative and the motivation of employees must not be unduly stifled. It is not our intention to avoid all commercial risks and commercial judgements will 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 Strategic, Operational, Financial, Regulatory & Compliance and Reputational risks 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 all acquisitions and disposals require advance Board approval.
- The process by which the Board reviews the effectiveness of internal controls has been agreed by the Board and is 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 review process covering all aspects of each business conducted by Group executive management on a regular basis throughout the year;
  - strategic planning process identifying key actions and initiatives to deliver the Group's long-term strategic development; and

* In 2012 and 2011 before charges associated with acquired businesses; profit before tax and adjusted earnings per share are also before disposal of business. In 2010 and 2009 before significant items.

- comprehensive system of financial reporting including monthly reporting, quarterly forecasting and an annual budget process. The Board approves the overall Group budget, forecasts and strategic plans. Monthly actual results are reported against prior year, budget 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 Group Chief Executive and Operations Executive and remedial action is taken where appropriate. Group tax and treasury functions are 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 internal audits and additional assurance reviews during 2012, the details of which were presented to the Audit Committee. The audits included reviews of the appropriateness and effectiveness of controls within the Group including: purchasing and payments, sales and cash collection, inventory management, accounting and reporting, IT processes, HR procedures and payroll. An internal audit plan for 2013 has been prepared 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.

Relations with Shareholders

Maintaining regular contact with our shareholders remains an important part of our activities. On becoming Chairman I wrote to our major shareholders and have subsequently met several of them. We aim 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 is a key part of good corporate governance.

I look forward to meeting our shareholders at the 2013 AGM. This offers an opportunity for you 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. Details of the AGM are included in the Notice of Meeting that accompanies this Annual Report.

At general meetings of shareholders, voting on resolutions is in the first instance on a show of hands of those shareholders and proxies attending in person. 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. At the 2012 AGM over 70 per cent of our shares were voted by way of proxies submitted. Voting by poll may take place should shareholders request and the necessary procedures are complied with in accordance with the Articles of Association. Separate resolutions are proposed for each substantive issue upon which shareholders are asked to vote.

We publish an Annual Report each year usually in March following the end of the financial year on 31 December. 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 shareholder meetings to send the notice of AGM and related papers at least 20 working days before the meeting and we will continue to comply with this requirement.

The Board communicates with its shareholders via 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.

Regular updates from the Group Chief Executive and Group Finance Director 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.

Copies of 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.

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.

John McDonough CBE
Chairman

Investor Relations
www.vitecgroup.com/investors

Corporate Governance

Report from Nigel Moore, Chairman of the Audit Committee

Audit Committee online
www.vitecgroup.com/audit_committee

The Audit Committee is responsible for ensuring that the financial integrity of the Group is effective, through the regular review of its financial performance. It is also responsible for ensuring that the Group has appropriate risk management processes and internal controls, and that audit processes are robust. I explain in more detail our activities in my report.

The Audit Committee comprises five Non-Executive Directors, all of whom are considered independent. During 2012 the following were members:

Nigel Moore – Chairman

Simon Beresford-Wylie

Carolyn Fairbairn (from 1 February 2012)

John Hughes

John McDonough (from 15 March to 1 June 2012)

Maria Richter

The Audit Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. In my capacity as Chairman of the Audit Committee, I am pleased to report on the operations of the Committee during 2012, with emphasis on the specific matters we have considered and compliance with the Code and associated Guidance on Audit Committees. We will work towards compliance with the new Code that applies to financial years beginning on or after 1 October 2012 and will report on progress for the Audit Committee in the 2013 Annual Report.

I have been Chairman of the Committee since March 2004, and have the necessary recent and relevant financial experience as required by the Code having formerly been a London-based partner of Ernst & Young LLP, where I was engagement partner for a number of significant client companies with specific responsibilities for their audits. Also, during the last ten years I have been Chairman of the Audit Committee of several public limited companies and attended many training sessions and updates presented by the major accounting firms. Biographies of the Committee members are set out on pages 26 and 27, and between them have a wide skill set covering financial, commercial and operational matters.

The Committee has four scheduled meetings a year and I work closely with the Group Finance Director, Group Risk Assurance Manager and Group Company Secretary to ensure that the Committee is provided with the necessary information it requires to discharge its duties. We operate with a rolling agenda programme, taking into account our Terms of Reference (which can be found on the Group's website), the Group's annual reporting requirements and any other matters which arise on an ad-hoc basis. I aim to maintain a balance between the review of financial reporting and the risk assurance process as both merit significant consideration. Full detail of the work we completed during 2012 is set out in the table on the following page.

We assessed the effectiveness of the annual audit through separate discussions at the Audit Committee with Executive Directors, senior executives and representatives of KPMG. We concluded that KPMG had completed the audit effectively and in accordance with required auditing standards. We also took into

account publications made by the Financial Reporting Council, including the Annual Report as published by the Audit Quality Review team and the Audit Inspection Unit's Public Report on the inspection of KPMG, which provided the Committee with comfort that an external and independent review of the quality of KPMG's overall audit work had taken place. Given this, we recommend the re-appointment of KPMG at the 2013 AGM for the forthcoming year.

Following a review of the process around the annual audit and the content of the financial statements, the Audit Committee recommended to the Board at its meeting on 25 February 2013 that the 2012 financial statements were true and fair.

I invite the audit partner from the Company's external auditors, KPMG, to attend meetings of the Committee on a regular basis and during 2012 they attended all but one meeting; in each case for part of the meeting. The Chairman, Group Chief Executive, Group Finance Director and Group Risk Assurance Manager attend meetings by invitation and other members of the senior management team attend as required. At two of the meetings the Executive Directors and senior executives were not present for part of the meeting so that members of the Committee could meet with the external auditors in private. I will continue to encourage the practice of the Committee meeting in private with the external auditors in the future.

KPMG has acted as the Company's external auditor since 19 July 1995 and we comply with the requirement to rotate the audit partner every five years. We reviewed in detail external audit arrangements in 2010 and as a result Robert Brent of KPMG was appointed as audit partner for the audit of the 2011 results. His term of appointment is currently expected to end in 2016. In accordance with the new Code it is likely that we will tender the audit process in 2016 or earlier if KPMG's performance falls short of the Audit Committee's expectations.

We have a policy on the use of the external auditors for non-audit services that has been in place for a number of years. The use of the external auditors is determined by their demonstrable competence and competitive pricing, and monetary thresholds for the approval of non-audit work by KPMG have been set by the Committee. The policy is divided into three parts:

- Work where use of the external auditors is deemed appropriate: This type of work includes accounting advice in relation to acquisitions and divestments, corporate governance and risk management advice, defined audit related work and regulatory reporting.

- Work requiring Audit Committee clearance or refinement of the Vitec Group policy: This type of work includes services as reporting accountants, compliance services (including fraud and money laundering), transaction work (mergers, acquisitions and divestments), valuation and actuarial services, fairness opinions and contribution reports.

- 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.

I confirm that during 2012 the policy has been followed. During 2012, £0.1 million was paid to KPMG in respect of non-audit work compared to an audit fee of £0.4 million.

To ensure that we continue to be an effective Committee, we measured our performance during the year through the use of objectives and I can confirm that we successfully achieved all of these by the year end. The details of our objectives and the progress we made is set out below. Our performance was further assessed through the internally facilitated Board performance evaluation, information on which has been provided earlier in this report. The Audit Committee was deemed to be working effectively and no major suggestions for improvement were noted. I will report to you next year on our achievement against our 2013 objectives.

Audit Committee Specific Objectives

2012 Audit Committee Objectives	Progress during 2012
Review assurance process to ensure appropriate coverage	Assurance mapping process reviewed and approved
Review revised risk management process	Review of key risks and mitigation processes completed from both a "top-down" and "bottom-up" perspective. Key risks updated and included in Annual Reports 2011 and 2012
Review annual financial statements in line with Financial Reporting Council's recommendations on "Cutting Clutter"	Reviewed proposal, made suggestions and agreed final version of Annual Report before publication
Ensure effective working relationship between internal and external audit	Reviewed areas where teams have developed approaches to working together more efficiently
Review fraud and whistleblowing process, cases reported and actions taken	Processes working effectively. All whistleblowing cases reported during 2012, and the Committee satisfied that successful solutions to all

Corporate Governance

Overview of the Audit Committee

Requirements	Activities completed in 2012
Group Accounts	
• Monitoring the integrity of the financial statements of the Group, including its annual and half-yearly reports, results announcements and any other formal announcement relating to its financial performance • Confirming to the Board that the annual financial statements are true and fair	• Reviewed and recommended to the Board that the financial results and accounting disclosures are true and fair in connection with the full-year results for the year ended 31 December 2011 and the half-year results for the period ended 30 June 2012
Internal control and risk management	
• 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 and overseeing its work • Reviewing the statements to be included in the Annual Report concerning internal controls and risk management	• Monitored ongoing performance of internal controls for the Group through the Risk Assurance Report provided by the Group Risk Assurance Manager, including a revised risk register for the Group to show risks defined from both a "top-down" and "bottom-up" analysis • Monitored the work of the internal audit function through the review of the internal audit plan for 2012 • Confirmed that the statement on internal controls in the Annual Report for the year ended 31 December 2011 was accurate
Prevention of bribery	
• Reviewing the Company's systems and controls for the prevention of bribery and receiving reports on non-compliance	• Reviewed that the Company has adequate procedures for the prevention of bribery, including key customer acceptance of the Code of Business Conduct, reviewing commissions paid to agents and third party suppliers and expanding training
Performance of and relationship with external auditors	
• Overseeing the relationship with the external auditors including their remuneration and fees for non-audit services, terms of their engagement, assessing annually their independence and objectivity, and their compliance with ethical and professional standards taking into account relevant UK professional and regulatory requirements • Considering and making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors • Reviewing the audit plan, the resulting findings and the effectiveness of the audit • Ensuring the external audit is co-ordinated with the activities of the internal audit arrangements	• Considered the terms of engagement, scope and associated fee for the audit in connection with the year-end audit for 31 December 2012 • Confirmed the independence and objectivity of the external auditors taking into account compliance with ethical and professional standards • Considered the performance of the external auditors and recommended to the Board the re-appointment of the external auditors • Met with the external auditors without the executive management present to discuss any issues arising from the audit • Reviewed the auditors' report to the Committee and the effectiveness of the audit • Reviewed the work of the external auditors alongside that of the internal auditor
Whistleblowing	
• Reviewing the Company's whistleblowing arrangements	• Audit Committee Chairman provided with full details of each reported case and highlights presented to Audit Committee
Committee objectives	
• Agreeing objectives and reviewing performance against each one	• Reviewed 2012 objectives and agreed objectives for 2013

Nigel Moore
Chairman of the Audit Committee

Attendance table for Governance Report 2012

	Board		Audit		Remuneration		Nominations	
	Regular	Ad hoc	Regular	Ad hoc	Regular	Ad hoc	Regular	Ad hoc
Number of meetings	**6**	**2**	**3**	**1**	**4**	**-**	**1**	**1**
Current Directors								
John McDonough (from 15 March 2012)	4/4	1/1	-	-	-	-	1	0/0
Simon Beresford-Wylie	5*	1*	2*	1	4	-	1	1
Stephen Bird	6	2	-	-	-	-	1	1
Paul Hayes	6	2	-	-	-	-	-	-
John Hughes	4**	2	1**	1	3*	-	1	1
Nigel Moore	6	2	3	1	4	-	1	1
Maria Richter	6	2	3	1	4	-	1	0***
Carolyn Fairbairn	5****	2	2****	1	4	-	1	1
Former directors who served during 2012								
Michael Harper (until 1 June 2012)	2/2	2/2	-	-	-	-	-	1

* Simon-Beresford Wylie did not attend the scheduled Board and Audit Committee meetings in June 2012 as these were re-scheduled at short notice and conflicted with other commitments. He did not attend the ad-hoc Board meeting in April 2012 due to a conflict that arose at short notice.

** John Hughes did not attend the Board, Audit Committee and Remuneration Committee meetings held in February 2012 due to ill-health. He did not attend the scheduled Board and Audit Committee meetings in June 2012 as these were re-scheduled at short notice and conflicted with other commitments.

*** Maria Richter did not attend the ad-hoc meeting of the Nominations Committee in March 2012 due to short notice and a conflict with other commitments.

**** Carolyn Fairbairn did not attend the scheduled Board and Audit Committee meetings in June 2012 as these were re-scheduled at short notice and conflicted with other commitments.

Independent Auditor's 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 2012. 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 page 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2012 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 59, in relation to going concern;
- The part of the Corporate Governance Statement on page 59 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

27 February 2013

Table of contents

The notes are grouped under the following sections:

Primary Statements 66
Consolidated Income Statement 66
Consolidated Statement of Comprehensive Income 67
Consolidated Balance Sheet 68
Consolidated Statement of Changes in Equity 69
Consolidated Statement of Cash Flows 70

Section 1 – Basis of preparation 71

Section 2 – Results for the year 73
2.1 Profit before tax 73
2.2 Charges associated with acquired businesses 76
2.3 Net finance expense 76
2.4 Tax 77
2.5 Earnings per share 80

Section 3 – Operating assets and liabilities 81
3.1 Intangible assets 81
3.2 Property, plant and equipment 84
3.3 Working capital 86
3.4 Acquisitions 88
3.5 Disposals 90
3.6 Provisions 91

Section 4 – Capital structure 92
4.1 Net debt 92
4.2 Financial instruments 93
4.3 Share capital and reserves 98

Section 5 – Other supporting notes 99
5.1 Employees 99
5.2 Pensions 100
5.3 Share-based payments 104
5.4 Leases 106
5.5 Related party transactions 107
5.6 Principal Group investments 108
5.7 Subsequent events 108

The Vitec Group plc Company financial statements 109
Company Balance Sheet 109
Reconciliation of Movements in Shareholders' Funds 110
Notes to the Company financial statements 111

Five year financial summary 116

Shareholder Information and Financial Calendar 117

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 2012

	Notes	2012 £m	2011 £m
Revenue	2.1	**345.3**	351.0
Cost of sales		**(198.1)**	(204.9)
Gross profit		**147.2**	146.1
Operating expenses	2.1 / 2.2	**(121.6)**	(120.8)
Operating profit	2.1	**25.6**	25.3
Comprising			
- Operating profit before charges associated with acquired businesses		**39.3**	34.5
- Charges associated with acquired businesses	2.2	**(13.7)**	(9.2)
		25.6	25.3
Finance income	2.3	**2.5**	3.1
Finance costs	2.3	**(5.6)**	(4.6)
Disposal of business	3.5	**(6.4)**	-
Profit before tax		**16.1**	23.8
Comprising			
- Profit before tax, excluding charges associated with acquired businesses and disposal of business		**36.2**	33.0
- Charges associated with acquired businesses		**(13.7)**	(9.2)
- Disposal of business		**(6.4)**	-
		16.1	23.8
Taxation	2.4	**(10.2)**	(8.8)
Profit for the year attributable to owners of the parent		**5.9**	15.0
Earnings per share	2.5		
Basic earnings per share		**13.6p**	34.7p
Diluted earnings per share		**13.4p**	33.9p
Average exchange rates			
Euro		**1.23**	1.15
US$		**1.58**	1.60

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

	2012 £m	2011 £m
Profit for the year	**5.9**	15.0
Other comprehensive income:		
Actuarial (loss)/gain on pension obligations, net of tax	**(3.8)**	0.4
Foreign exchange gain recycled to the Income Statement on disposal of business	**(2.0)**	-
Currency translation differences on foreign currency subsidiaries	**(8.2)**	0.1
Net gain/(loss) on designated effective net investment hedges	**2.4**	(0.2)
Amounts released to Income Statement in relation to cash flow hedges, net of tax	**0.3**	0.5
Effective portion of changes in fair value of cash flow hedges	**2.1**	(1.3)
Total comprehensive (loss)/income for the year attributable to owners of the parent	**(3.3)**	14.5

Consolidated Balance Sheet

As at 31 December 2012

	Notes	2012 £m	2011 £m
Assets			
Non-current assets			
Intangible assets	3.1	**68.2**	75.0
Property, plant and equipment	3.2	**48.6**	50.1
Trade and other receivables	3.3	**0.5**	0.4
Derivative financial instruments	4.2	**0.6**	-
Deferred tax assets	2.4	**14.4**	15.8
		132.3	141.3
Current assets			
Inventories	3.3	**59.5**	66.4
Trade and other receivables	3.3	**50.1**	50.7
Derivative financial instruments	4.2	**1.8**	0.3
Current tax assets	2.4	**1.0**	0.8
Cash and cash equivalents	4.1	**10.0**	6.9
		122.4	125.1
Total assets		**254.7**	266.4
Liabilities			
Current liabilities			
Bank overdrafts	4.1	**0.7**	0.7
Trade and other payables	3.3	**44.4**	58.3
Derivative financial instruments	4.2	**0.1**	1.6
Current tax liabilities	2.4	**6.6**	7.4
Provisions	3.6	**2.5**	4.1
		54.3	72.1
Non-current liabilities			
Interest-bearing loans and borrowings	4.1	**73.0**	56.6
Other payables	3.3	**1.0**	1.2
Post-employment obligations	5.2	**9.4**	4.9
Provisions	3.6	**1.2**	1.6
Deferred tax liabilities	2.4	**1.2**	0.7
		85.8	65.0
Total liabilities		**140.1**	137.1
Net assets		**114.6**	129.3
Equity			
Share capital		**8.8**	8.7
Share premium		**10.4**	9.8
Translation reserve		**(2.0)**	5.8
Capital redemption reserve		**1.6**	1.6
Cash flow hedging reserve		**1.5**	(0.9)
Retained earnings		**94.3**	104.3
Total equity	4.3	**114.6**	129.3
Balance Sheet exchange rates			
Euro		**1.23**	1.20
US$		**1.63**	1.55

Approved by the Board on 27 February 2013 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 2012	**8.7**	**9.8**	**5.8**	**1.6**	**(0.9)**	**104.3**	**129.3**
Total comprehensive income for the year							
Profit for the year	**-**	**-**	**-**	**-**	**-**	**5.9**	**5.9**
Other comprehensive income							
Actuarial loss on pension obligations, net of tax	**-**	**-**	**-**	**-**	**-**	**(3.8)**	**(3.8)**
Foreign exchange gain recycled to the Income Statement on disposal of business	**-**	**-**	**(2.0)**	**-**	**-**	**-**	**(2.0)**
Currency translation differences on foreign currency subsidiaries	**-**	**-**	**(8.2)**	**-**	**-**	**-**	**(8.2)**
Net gain on designated effective net investment hedges	**-**	**-**	**2.4**	**-**	**-**	**-**	**2.4**
Amounts released to Income Statement in relation to cash flow hedges, net of tax	**-**	**-**	**-**	**-**	**0.3**	**-**	**0.3**
Effective portion of changes in fair value of cash flow hedges	**-**	**-**	**-**	**-**	**2.1**	**-**	**2.1**
Contributions by and distributions to owners							
Dividends paid	**-**	**-**	**-**	**-**	**-**	**(9.1)**	**(9.1)**
Own shares purchased	**-**	**-**	**-**	**-**	**-**	**(4.8)**	**(4.8)**
Share-based payment charge	**-**	**-**	**-**	**-**	**-**	**1.8**	**1.8**
New shares issued	**0.1**	**0.6**	**-**	**-**	**-**	**-**	**0.7**
Balance at 31 December 2012	**8.8**	**10.4**	**(2.0)**	**1.6**	**1.5**	**94.3**	**114.6**
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 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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

	Note	2012 £m	2011 £m
Cash flows from operating activities			
Profit for the year		5.9	15.0
Adjustments for:			
Taxation		10.2	8.8
Depreciation		12.6	13.2
Amortisation of intangible assets		5.2	4.9
Impairment of goodwill		8.8	5.2
Net gain on disposal of property, plant and equipment and software		(0.3)	(2.6)
Fair value gains on derivative financial instruments		(0.2)	(0.1)
Share-based payment charge		1.8	1.2
Contingent consideration on previous acquisitions		1.0	-
Disposal of business		6.4	-
Financial income		(2.5)	(3.1)
Financial expense		5.6	4.6
Operating profit before changes in working capital and provisions		54.5	47.1
Decrease/(increase) in inventories		1.3	(8.4)
Decrease /(increase) in receivables		(4.4)	(3.2)
(Decrease)/increase in payables		(11.8)	6.0
(Decrease)/increase in provisions		(1.2)	(2.4)
Cash generated from operating activities		38.4	39.1
Interest paid		(3.1)	(1.8)
Tax paid		(10.8)	(11.1)
Net cash from operating activities		24.5	26.2
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and software		1.8	6.4
Purchase of property, plant and equipment		(14.2)	(13.7)
Capitalisation of software and development costs		(1.3)	(2.4)
Acquisition of businesses, net of cash acquired	3.4	(10.6)	(27.9)
Disposal of business	3.5	(2.1)	-
Net cash used in investing activities		(26.4)	(37.6)
Cash flows from financing activities			
Proceeds from the issue of shares		0.7	0.3
Own shares purchased		(4.8)	(2.8)
Proceeds from interest-bearing loans and borrowings		18.8	21.6
Dividends paid		(9.1)	(8.2)
Net cash used in financing activities		5.6	10.9
Increase/(decrease) in cash and cash equivalents	4.1	3.7	(0.5)
Cash and cash equivalents at 1 January		6.2	6.7
Effect of exchange rate fluctuations on cash held		(0.6)	-
Cash and cash equivalents at 31 December		9.3	6.2

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 2012 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, 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 £83.2 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 accounts 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 long-term inter-company loans that form part of the net investment in the subsidaries are recognised directly in the translational reserve within Equity and Other comprehensive income.

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

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 acquisition 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 2012. 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 2012, and have not been adopted early in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

IAS 19 Employee Benefits (2011)
IAS 19 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the Group. The Group has considered the impact of the change in measurement principles on the defined benefit liability at 31 December 2012 and concluded that it is not material; this will continue to be monitored during 2013.

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 Charges associated with acquired businesses

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 are also shown here.

Accounting policies

Revenue recognition
Revenue is stated exclusive of VAT and consists of sales to third parties after an allowance for 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

2.1 Profit before tax

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 [1]		Services		Corporate and unallocated		Consolidated	
	2012 £m	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Revenue from external customers:										
Sales	**137.1**	134.0	**166.1**	183.2	**7.0**	7.5	**-**	-	**310.2**	324.7
Services	**9.1**	2.2	**-**	-	**26.0**	24.1	**-**	-	**35.1**	26.3
Total revenue from external customers	**146.2**	136.2	**166.1**	183.2	**33.0**	31.6	**-**	-	**345.3**	351.0
Inter-segment revenue [2]	**2.5**	2.3	**0.2**	0.6	**0.1**	0.1	**(2.8)**	(3.0)	**-**	-
Total revenue	**148.7**	138.5	**166.3**	183.8	**33.1**	31.7	**(2.8)**	(3.0)	**345.3**	351.0
Segment result	**15.8**	12.7	**22.3**	21.2	**1.2**	0.6	**-**	-	**39.3**	34.5
Fair value adjustment to contingent consideration on previous acquisitions	**(1.2)**	-	**0.2**	-	**-**	-	**-**	-	**(1.0)**	-
Transaction costs relating to acquisitions	**(0.3)**	(0.5)	**-**	(0.3)	**-**	-	**-**	-	**(0.3)**	(0.8)
Impairment of goodwill	**(8.8)**	-	**-**	(5.2)	**-**	-	**-**	-	**(8.8)**	(5.2)
Amortisation of acquired intangible assets	**(3.1)**	(2.6)	**(0.5)**	(0.6)	**-**	-	**-**	-	**(3.6)**	(3.2)
Operating profit	**2.4**	9.6	**22.0**	15.1	**1.2**	0.6	**-**	-	**25.6**	25.3
Finance income									**2.5**	3.1
Finance costs									**(5.6)**	(4.6)
Loss on disposal of Staging business	**-**	-	**(6.4)**	-	**-**	-	**-**	-	**(6.4)**	-
Taxation									**(10.2)**	(8.8)
Profit for the year									**5.9**	15.0
Segment assets	**111.6**	119.6	**90.8**	100.3	**22.4**	22.2	**4.5**	0.8	**229.3**	242.9
Unallocated assets										
Cash and cash equivalents							**10.0**	6.9	**10.0**	6.9
Current tax assets							**1.0**	0.8	**1.0**	0.8
Deferred tax assets							**14.4**	15.8	**14.4**	15.8
Total assets									**254.7**	266.4
Segment liabilities	**23.1**	27.3	**27.2**	33.2	**3.9**	3.1	**4.4**	8.1	**58.6**	71.7
Unallocated liabilities										
Bank overdrafts							**0.7**	0.7	**0.7**	0.7
Interest-bearing loans and borrowings							**73.0**	56.6	**73.0**	56.6
Current tax liabilities							**6.6**	7.4	**6.6**	7.4
Deferred tax liabilities							**1.2**	0.7	**1.2**	0.7
Total liabilities									**140.1**	137.1
Cash flows from operating activities	**2.8**	3.8	**13.1**	11.7	**5.4**	5.7	**3.2**	5.0	**24.5**	26.2
Cash flows from investing activities	**(14.2)**	(1.4)	**(6.8)**	(3.6)	**(5.3)**	(3.5)	**(0.1)**	(29.1)	**(26.4)**	(37.6)
Cash flows from financing activities	**-**	-	**-**	-	**-**	-	**5.6**	10.9	**5.6**	10.9
Capital expenditure										
Property, plant and equipment	**3.1**	3.2	**4.2**	4.4	**6.8**	5.8	**0.1**	0.3	**14.2**	13.7
Intangible assets	**0.6**	0.7	**0.6**	1.2	**0.1**	0.5	**-**	-	**1.3**	2.4

[1] The Imaging and Staging segment has been renamed the Imaging segment following the disposal of the Staging business in the year (see note 3.5 "Disposals").

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

No individual customer accounted for more than 10% of external revenue in either 2012 or 2011.

Geographical segments

	2012 £m	2011 £m
Analysis of revenue from external customers, by location of customer		
United Kingdom	**32.9**	26.0
The rest of Europe	**79.4**	89.3
North America	**155.5**	156.9
Asia Pacific	**60.4**	61.0
The rest of the World	**17.1**	17.8
Total revenue from external customers	**345.3**	351.0

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

	2012 £m	2011 £m
Analysis of operating expenses		
- Charges associated with acquired businesses	**13.7**	9.2
- Other administrative expenses	**48.2**	48.0
Administrative expenses	**61.9**	57.2
Marketing, selling and distribution costs	**48.6**	51.4
Research, development and engineering costs	**11.1**	12.2
Operating expenses	**121.6**	120.8

Operating profit

	2012 £m	2011 £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**	0.3
- Transaction and other services	**0.1**	0.2

Section 2 – Results for the year

2.2 Charges associated with acquired businesses

Charges associated with acquired businesses 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. Such costs include non-cash charges, for example impairment of goodwill and amortisation of acquired intangible assets, and cash charges such as transaction costs and fair value adjustments to contingent consideration since date of acquisition.

	2012 £m	2011 £m
Contingent consideration on previous acquisitions [1]	(1.0)	-
Transaction costs relating to acquisitions [2]	(0.3)	(0.8)
Impairment of goodwill [3]	(8.8)	(5.2)
Amortisation of acquired intangible assets	(3.6)	(3.2)
Charges associated with acquired businesses, before tax	(13.7)	(9.2)
Tax on charges associated with acquired businesses	1.3	2.0
Charges associated with acquired businesses, net of tax	(12.4)	(7.2)

[1] A contingent consideration of £1.2 million has been provided for at 31 December 2012 in respect of a prior period acquisition (Haigh-Farr). A contingent consideration of £0.7 million provided within goodwill at 31 December 2011 in respect of a prior period acquisition (Manfrotto Lighting, previously Lastolite), was reversed by £0.2 million. The net charge of £1.0 million is included within administrative expenses, in the charges associated with acquired businesses. See note 3.4 “Acquisitions”.

[2] £0.3 million transaction costs were incurred in relation to the acquisition of Camera Corps. See note 3.4 “Acquisitions”.

[3] The annual impairment review of goodwill led to a charge of £8.8 million to the goodwill of the IMT business, in the Videocom Division.

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

	2012 £m	2011 £m
Finance income		
Expected return on assets in the pension scheme [1]	2.2	2.8
Net currency translation gains	0.3	0.3
	2.5	3.1
Finance expense		
Interest payable on interest-bearing loans and borrowings	(3.2)	(1.9)
Interest charge on defined benefit pension scheme liabilities [1]	(2.4)	(2.7)
	(5.6)	(4.6)
Net finance expense	(3.1)	(1.5)

[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 that 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

	2012 £m	2011 £m
The total taxation charge/(credit) in the Income Statement is analysed as follows:		
Before charges associated with acquired businesses and disposal of business		
Current tax	9.8	8.7
Deferred tax	2.1	2.1
	11.9	10.8
Charges associated with acquired businesses and disposal of business		
Current tax [1]	-	(0.3)
Deferred tax [2]	(1.7)	(1.7)
	(1.7)	(2.0)
Summarised in the Income Statement as follows		
Current tax	9.8	8.4
Deferred tax	0.4	0.4
	10.2	8.8

(1) Current tax credits of £0.3 million were recognised with a corresponding credit to Charges associated with acquired businesses in 2011. This related to the current tax impact of the amortisation of intangible assets in the period. There is no impact of the amortisation of intangibles to current tax in 2012.

(2) Deferred tax credits of £1.7 million have been recognised. £1.3 million relates to the deferred tax impacts of the amortisation of intangible assets. The remaining £0.4 million relates to the deferred tax impact of the Staging disposal. In 2011, the impairment of goodwill to the Italian portion of the Staging business resulted in the reversal of a deferred tax liability and a corresponding credit to Charges associated with acquired businesses of £0.7 million with the remaining £1.0 million credit related to the deferred tax impacts of the amortisation of intangible assets.

Section 2 – Results for the year

2.4 Tax

	2012 £m	2011 £m
Current tax expense		
Charge for the year	10.0	9.2
Adjustments in respect of prior years	(0.2)	(0.8)
	9.8	8.4

The UK current tax charge represents £1.5 million of the total Group current tax charge of £9.8 million with the remaining charge of £8.3 million relating to overseas tax. The UK corporate tax rate reduced from 26% to 24% on 1 April 2012 and a further reduction in the rate to 23% with effect from 1 April 2013 has been enacted. The UK Government has announced its intention to further reduce the rate to 21% from 1 April 2014.

	2012 £m	2011 £m
Deferred tax expense		
Origination and reversal of temporary differences	0.4	0.4
Tax credits recognised in SOCIE [3]	-	-
	0.4	0.4

[3] Deferred tax debits relating to the impact of cash flow hedges of £1.0 million have been fully offset by an equal £1.0 million credit in respect of the UK and German defined benefit pension schemes. Both items have been reflected in the SOCIE.

The UK deferred tax credit represents £0.5 million of the total Group deferred tax charge of £0.4 million, offset by a £0.9 million charge relating to overseas tax.

Reconciliation of Group tax charge	2012 £m	2011 £m
Profit before tax	16.1	23.8
Income tax using the domestic corporation tax rate at 24.5% (2011: 26.5%)	4.0	6.3
Effect of tax rates in foreign jurisdictions	(1.3)	(0.2)
Non-deductible expenses	1.0	0.9
Impact of business disposal	2.5	-
Impact of tax credits in respect of prior years	(0.7)	(0.8)
Impact of goodwill impairment	3.3	1.0
Impact of tax losses not recognised	1.5	1.5
Other	(0.1)	0.1
Total income tax expense in Income Statement	10.2	8.8

Tax - Balance Sheet

Current tax

The current tax liability of £6.6 million (2011: £7.4 million) represents the amount of income taxes payable in respect of current and prior periods. The current tax assets of £1.0 million (2011: £0.8 million) mainly relate to income tax receivable in Germany and the US.

Deferred tax assets and liabilities

	2012 £m	Recognised in income £m	Recognised on acquisitions £m	Eliminated on disposals £m	Exchange movements £m	2011 £m
Assets						
Inventories	2.9	0.7	-	-	-	2.2
Intangible assets	(1.3)	0.7	(0.7)	-	-	(1.3)
Tax value of loss carry-forwards recognised	4.1	0.6	-	-	(0.1)	3.6
Property, plant, equipment and other	8.7	(1.9)	-	(0.3)	(0.4)	11.3
	14.4	0.1	(0.7)	(0.3)	(0.5)	15.8
Liabilities						
Intangible assets	(1.2)	(0.5)	-	-	-	(0.7)
	(1.2)	(0.5)	-	-	-	(0.7)
Net	13.2	(0.4)	(0.7)	(0.3)	(0.5)	15.1

	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

[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 £9.2 million (2011: £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:

	2012 £m	2011 £m
Losses	7.7	6.6
Temporary differences on share options	1.2	1.2
Total	8.9	7.8

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 £61.2 million at 31 December 2012 (2011: £57.9 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.

Section 2 – Results for the year

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 charges associated with acquired businesses and disposal of business, both net of tax.

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

Profit	2012 £m	2011 £m
Profit for the financial year	5.9	15.0
Add back:		
Charges associated with acquired businesses, net of tax	12.4	7.2
Loss on disposal of Staging business, net of tax	6.0	-
Earnings before charges associated with acquired businesses and disposal of business	24.3	22.2

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	2012 Number	2011 Number	2012 pence	2011 pence	2012 pence	2011 pence
Basic	43,520	43,197	55.8	51.4	13.6	34.7
Dilutive potential ordinary shares:						
- Employee share options	311	975	(0.4)	(1.2)	(0.1)	(0.7)
- Deferred bonus plan	115	102	(0.1)	(0.1)	(0.1)	(0.1)
Diluted	43,946	44,274	55.3	50.1	13.4	33.9

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 Disposals

3.6 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 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 twelve 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 acquisition 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	up to 2 years
Brand	3 to 15 years
Customer relationships	3 to 15 years
Technology	3 to 15 years

Section 3 – Operating assets and liabilities

3.1 Intangible assets

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 identified by the way goodwill is monitored for impairment. The most significant elements of the Group's total consolidated goodwill of £52.3 million at 31 December 2012 are allocated to Vitec Videocom: £18.4 million (2011: £17.2 million) Imaging: £12.7 million (2011: £13.0 million) and Haigh-Farr: £12.7 million (2011: £13.3 million). Vitec Videocom and Haigh-Farr CGUs sit within the Videocom segment and the Imaging CGU sits within the Imaging segment. The remaining goodwill relates to CGUs which are not individually significant. 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.

A goodwill impairment of £8.8 million has been charged to the Income Statement, within charges associated with acquired businesses. This is in relation to the Group's full impairment of goodwill in the IMT business (2011: £5.2 million relating to goodwill in the Staging business). While the business is trading in line with expectations in 2012, the Directors have reassessed its longer term prospects and concluded that these do not support the carrying value of goodwill. The IMT CGU represents a business operation and is within the Videocom segment.

The carrying value of the remaining CGUs exceed their recoverable amounts.

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 2017 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 2017 are assumed to be 2%, which is considered to be at or below long-term market trends for significant CGUs.

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 9% to 14% have been used for impairment testing (11% applied to the Haigh-Farr CGU, 13% applied to the Vitec Videocom and Imaging CGUs and 14% applied to IMT CGU).

The following specific individual sensitivities have been considered for each CGU in relation to the value in use calculations, resulting in the carrying amount not exceeding the recoverable amount:

- if the long-term growth rate assumption was reduced to 1%; and
- a 1% point increase in the discount rate applied.

Intangible assets

	Total £m	Goodwill £m	Acquired intangible assets £m	Capitalised software £m	Capitalised development costs £m
Cost					
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)	1.5	(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
At 1 January 2012	134.2	70.2	48.0	13.8	2.2
Currency translation adjustments	(4.8)	(2.3)	(2.0)	(0.4)	(0.1)
Additions [1]	2.0	0.7	-	1.0	0.3
Disposals	(0.6)	-	-	(0.6)	-
Disposals - on divestment of business	(12.1)	(8.2)	(3.1)	(0.8)	-
Acquisitions [2]	8.1	5.0	3.1	-	-
At 31 December 2012	**126.8**	**65.4**	**46.0**	**13.0**	**2.4**
Amortisation and impairment losses					
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	5.2	5.2	-	-	-
At 31 December 2011	59.2	13.1	35.1	10.3	0.7
At 1 January 2012	59.2	13.1	35.1	10.3	0.7
Currency translation adjustment	(2.6)	(0.6)	(1.6)	(0.4)	-
Amortisation in the year	5.2	-	3.6	1.0	0.6
Impairment charge [3]	8.8	8.8	-	-	-
Disposals - on divestment of business	(12.0)	(8.2)	(3.1)	(0.7)	-
At 31 December 2012	**58.6**	**13.1**	**34.0**	**10.2**	**1.3**
Carrying amounts					
At 1 January 2011	51.8	44.8	2.7	2.4	1.9
At 31 December 2011 and 1 January 2012	75.0	57.1	12.9	3.5	1.5
At 31 December 2012	**68.2**	**52.3**	**12.0**	**2.8**	**1.1**

[1] The increase in goodwill of £0.7 million arose on the deferred consideration of Litepanels (an acquisition prior to 1 January 2010) being revised to reflect the increased earn-out payment of £0.7 million that was not accrued at 31 December 2011.

[2] Acquired intangible assets of £3.1 million and goodwill of £5.0 million arose on the acquisition of Camera Corps. See note 3.4 “Acquisitions”.

[3] The annual impairment review of goodwill led to a full impairment charge of £8.8 million to the goodwill of the IMT business, in the Videocom Division.

Section 3 – Operating assets and liabilities

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 10 years
Motor vehicles	3 to 4 years
Equipment, fixtures and fittings	3 to 10 years
Rental assets	3 to 6 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 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
At 1 January 2012	144.9	30.5	100.1	14.3
Currency translation adjustments	(4.9)	(0.7)	(3.6)	(0.6)
Transfers between categories	-	-	(1.3)	1.3
Additions	14.2	1.5	10.7	2.0
Disposals	(6.2)	(0.2)	(5.4)	(0.6)
Disposals - on divestment of business	(5.4)	(1.5)	(3.4)	(0.5)
Acquisitions	0.8	-	0.7	0.1
At 31 December 2012	143.4	29.6	97.8	16.0
Depreciation				
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
At 1 January 2012	94.8	12.9	72.3	9.6
Currency translation adjustment	(3.2)	(0.2)	(2.6)	(0.4)
Transfers between asset categories	-	-	(1.0)	1.0
Depreciation charge in the year	12.6	1.4	9.5	1.7
Disposals	(5.3)	(0.2)	(4.5)	(0.6)
Disposals - on divestment of business	(4.1)	(0.9)	(2.9)	(0.3)
At 31 December 2012	94.8	13.0	70.8	11.0
Carrying amounts				
At 1 January 2011	53.4	20.8	27.8	4.8
At 31 December 2011 and 1 January 2012	50.1	17.6	27.8	4.7
At 31 December 2012	48.6	16.6	27.0	5.0

Plant, machinery and vehicles includes broadcast equipment rental assets with an original cost of £46.2 million (2011: £45.4 million) and accumulated depreciation of £34.1 million (2011: £31.2 million).

Capital commitments at 31 December 2012 for which no provision has been made in the accounts amount to £0.7 million (2011: £0.3 million).

Section 3 – Operating assets and liabilities

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 exceeds its net realisable value.

In the ordinary course of business, the Group makes provision for slow-moving, excess and obsolete inventory as appropriate.

Trade and other receivables
Trade and other receivables are recognised at the invoice value less provision for impairment. The carrying value of trade receivables is considered to approximate fair value.

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

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

Trade and other payables
Trade payables are recognised at the value of the invoice received from a supplier.

Inventories

	2012 £m	2011 £m
Raw materials and components	**15.9**	18.5
Work in progress	**11.8**	12.6
Finished goods	**31.8**	35.3
Inventories, net of impairment provisions	**59.5**	66.4

	2012 £m	2011 £m
Impairment provisions against inventory obsolescence		
Balance at 1 January	**20.9**	18.9
Net increase during the year	**3.6**	3.2
Utilised during the year	**(6.0)**	(1.3)
Disposals - on divestment of business	**(0.8)**	-
Currency translation adjustments	**(0.7)**	0.1
Balance at 31 December	**17.0**	20.9

Trade and other receivables

	2012 £m	2011 £m
Short-term receivables		
Trade receivables, net of impairment provisions	38.2	38.7
Other receivables	9.5	8.6
Prepayments and accrued income	2.4	3.4
	50.1	50.7
Long-term receivables		
Other receivables	0.5	0.4
Total receivables	50.6	51.1

	2012 £m	2011 £m
Gross trade receivables - days overdue [(1)]		
Current	32.4	33.5
1-30 days	6.6	6.0
31-60 days	1.6	1.7
61-90 days	0.3	0.5
over 90 days	0.9	2.5
Gross trade receivables	41.8	44.2

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

	Total £m	Bad debts £m	Sales returns and discounts £m
Impairment provisions against trade receivables			
Balance at 1 January 2012	5.5	2.9	2.6
Net increase during the year	4.8	0.1	4.7
Utilised during the year	(5.9)	(0.8)	(5.1)
Disposals - on divestment of business	(0.6)	(0.6)	-
Currency translation adjustments	(0.2)	(0.1)	(0.1)
Balance at 31 December 2012	3.6	1.5	2.1

Trade and other payables

	2012 £m	2011 £m
Current trade and other payables		
Trade payables	22.4	29.7
Other tax and social security costs	3.3	2.9
Other non-trade payables, accruals and deferred income	18.7	25.7
	44.4	58.3
Long-term payables		
Other non-trade payables, accruals and deferred income	1.0	1.2
Total payables	45.4	59.5

Section 3 – Operating assets and liabilities

3.4 Acquisitions

This note outlines how the Group has accounted for businesses that it has acquired.

Acquisitions are accounted for under the acquisition method of accounting. As part of the acquisition accounting the Group has adopted a process to identify the fair values of the assets acquired and liabilities assumed, including the separate identification of intangible assets and to allocate the consideration paid. This process continues as information is finalised, and accordingly the fair value adjustments presented in the tables below are provisional. In accordance with IFRS 3 (Revised) until the assessment is complete the allocation period will remain open up to a maximum of twelve months from the acquisition date so long as information remains outstanding. Acquisition related costs are recognised in the Income Statement as incurred in accordance with IFRS 3 (Revised).

Acquisitions provide opportunities for further development of the Group's activities and create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses represent much of the assessed value of goodwill.

Acquisition of Camera Corps

On 10 April 2012, the Group acquired the whole of the share capital of Camera Corps Ltd ("Camera Corps"). Based in the UK, Camera Corps is a world leading provider of speciality remote camera systems used by broadcasters for capturing high quality images. This includes the Q-Ball™ which provides high definition images from a small, highly flexible and easy to operate camera system that is increasingly used at events from top sporting events such as the Olympics to reality TV shows. The acquisition complements the Group's existing range of broadcast equipment and its products are marketed through the Group's global distribution network. The Group's Services Division is the existing US distributor of the Q-Ball™. Camera Corps operates within the Videocom Division.

The acquisition was funded from existing cash resources.

A summary of the effect of the acquisition of Camera Corps 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	-	3.1	3.1
Property, plant and equipment	1.1	(0.3)	0.8
Inventories	0.4	(0.1)	0.3
Trade and other receivables	0.8	-	0.8
Trade and other payables	(1.2)	(0.1)	(1.3)
Cash	0.7	-	0.7
Deferred tax	(0.1)	(0.6)	(0.7)
	1.7	2.0	3.7
Goodwill			5.0
Cash consideration			8.7

The value of the gross trade receivables at acquisition date amounted to £0.3 million reflecting Management's estimate of the fair value to be attributed.

The results of Camera Corps have been included in the Videocom Division and comprise:

	2012 £m
Revenue	7.0
Operating profit [1]	2.3

Had the acquisition been made at the beginning of the year (i.e. 1 January 2012) it would have contributed £7.6 million to revenue and £2.3 million to the operating profit of the Group.

(1) Operating profit is stated before amortisation of intangibles assets and after allocation of Head Office costs.

An analysis of the cash flows relating to acquisitions is provided below.

	2012 £m
Net outflow of cash in respect of acquisition	
Total purchase consideration	8.7
Transaction costs	0.3
Cash acquired	(0.7)
Net cash outflow in respect of 2012 acquisition	8.3
Contingent consideration in relation to Litepanels, acquired in August 2008	1.5
Contingent consideration in relation to Manfrotto Lighting (previously Lastolite), acquired in March 2011	0.5
Working capital adjustment in relation to Haigh-Farr, acquired in December 2011	0.6
Cash paid in 2012 in respect of prior year acquisitions	2.6
Net cash outflow in respect of acquisitions [2]	10.9

(2) Transaction costs of £0.3 million are included in cash flows from operating activities and net cash consideration paid of £10.6 million is included in cash flows from investing activities.

Section 3 – Operating assets and liabilities

3.4 Acquisitions

Acquisitions in 2011

On 4 March 2011, the Group acquired the whole of the share capital of Henry (Holdings) Limited, a UK company which owns Manfrotto Lighting Limited (previously Lastolite Limited) and the Colorama brand.

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.

A summary of the effect of the acquisitions are detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	13.5	13.5
Property, plant and equipment	0.2	-	0.2
Inventories	2.2	0.1	2.3
Trade and other receivables	2.1	-	2.1
Trade and other payables	(2.0)	(0.4)	(2.4)
Cash	0.9	-	0.9
Deferred tax	-	(4.7)	(4.7)
Current tax	(0.1)	-	(0.1)
	3.3	8.5	11.8
Goodwill			18.3
Consideration			30.1
Satisfied by			
- Cash consideration			28.8
- Deferred consideration			1.3
			30.1

An analysis of the cash flows relating to acquisitions is provided below.

	£m
Total purchase consideration	30.1
Deferred consideration	(1.3)
Cash consideration	28.8
Transaction costs	0.8
Cash acquired	(0.9)
Net cash outflow in respect of acquisitions [1]	**28.7**

[1] Transaction costs of £0.8 million are included in cash flows from operating activities and net cash consideration paid of £27.9 million is included in cash flows from investing activities.

3.5 Disposals

During the second half of the year the Group sold its Staging business, which was previously included in the Imaging Division. The Staging companies were based in the UK, USA, Mexico, Italy and Slovakia. The disposal enables Management to place greater focus on opportunities in the Group's core markets.

The disposal was completed on 13 August 2012. The net cash outflow, after transaction costs, was £2.1 million resulting in a loss on disposal of £6.4 million after taking into account transaction costs together with the net assets disposed (£6.3 million) offset by cash consideration (£0.3 million) and the previously recorded foreign exchange gain that has been recycled to the Income Statement (£2.0 million).

3.6 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 2012	5.7	1.5	1.2	0.8	2.2
Provisions utilised during the year	(4.0)	(0.6)	(0.6)	(0.2)	(2.6)
Provisions increased/(decreased) during the year	0.4	(0.3)	-	-	0.7
Charged to the Income Statement	1.7	0.7	-	-	1.0
Currency translation adjustments	(0.1)	-	-	-	(0.1)
At 31 December 2012	3.7	1.3	0.6	0.6	1.2
Current	2.5	0.8	0.3	0.2	1.2
Non-current	1.2	0.5	0.3	0.4	-
	3.7	1.3	0.6	0.6	1.2

Warranty provisions

Warranties over the Group's products typically cover periods of between two and five years. The provision represents Management's best 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 up to four years, or earlier if exited.

Deferred consideration

The Group paid £2.6 million (Litepanels: £1.5 million, Haigh-Farr: £0.6 million, Lastolite: £0.5 million) in respect of prior years' acquisitions. See note 3.4 "Acquisitions".

In respect of Litepanels (an acquisition prior to 1 January 2010) the deferred consideration has been revised to reflect the increased earn-out payment of £0.7 million that was not accrued at 31 December 2011 with a corresponding increase to goodwill of £0.7 million.

A charge of £1.0 million to the Income Statement is in relation to the fair value adjustment to contingent consideration on previous acquisitions. See note 2.2 "Charges associated with acquired businesses".

The deferred consideration provision at 31 December 2012 of £1.2 million relates to amounts payable in respect of a prior period acquisition (Haigh-Farr). Up to a further US$2.5 million (£1.5 million) is payable in 2014 upon the vendors remaining employed within the business and achievement of performance targets for the year ending 31 December 2013. This will be charged to the Income Statement as and when incurred.

Section 4 – Capital structure

This section outlines the Group's capital structure. The Group defines its capital structure as its equity and non-current interest-bearing loans and borrowings and aims to manage this to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, it may return capital to shareholders, through dividends and share buy backs, issue new shares or sell assets to reduce debt. 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:

- **Interest-bearing loans and borrowings**
- **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 include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Interest-bearing loans and 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.

	2012 £m	2011 £m
Increase/(decrease) in cash and cash equivalents	3.7	(0.5)
Proceeds from interest-bearing loans and borrowings	(18.8)	(21.6)
Increase in net debt resulting from cash flows	(15.1)	(22.1)
Effect of exchange rate fluctuations on cash held	(0.6)	-
Effect of exchange rate fluctuations on debt held	2.4	(0.2)
Effect of exchange rate fluctuations on net debt	1.8	(0.2)
Movements in net debt in the year	(13.3)	(22.3)
Net debt at 1 January	(50.4)	(28.1)
Net debt at 31 December	(63.7)	(50.4)
Cash and cash equivalents in the Balance Sheet	10.0	6.9
Bank overdrafts	(0.7)	(0.7)
Cash and cash equivalents in the Statement of Cash Flows	9.3	6.2
Interest-bearing loans and borrowings	(73.0)	(56.6)
Net debt at 31 December	(63.7)	(50.4)

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 12 months and up to 50% of the Group's forecasted foreign currency exposure in respect of transactions for the following 12 to 24 months. These contracts have maturities of less than one year and between one and two years at the Balance Sheet date respectively.

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 2012, it is estimated that a ten cent stronger/weaker US Dollar against Sterling and Euro would have increased/decreased the Group's operating profit before charges associated with acquired businesses for the year ended 31 December 2012 by approximately £1.1 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 2012, 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 £0.8 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 19 July 2012 the Group signed a five year £100 million Multicurrency Revolving Credit Facility Agreement with a syndicate comprising of five banks: three UK banks, one American bank, and one European bank. The Group was utilising 42% of the £100 million Multicurrency Revolving Credit Facility at 31 December 2012. In 2011 the Group drew down US$50 million from a private placement shelf facility with repayment due in May 2017.

Section 4 – Capital structure

4.2 Financial instruments

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 are used 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 twenty four months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next twenty four months.

	Currency	As at 31 December 2012 millions	Average exchange rate of contracts	As at 31 December 2011 millions	Average exchange rate of contracts
Cash flow hedging contracts					
USD / GBP forward exchange contracts	USD	**17.3**	**1.57**	11.4	1.58
USD / EUR forward exchange contracts	USD	**61.2**	**1.29**	30.9	1.38
USD / RMB forward exchange contracts	USD	**3.0**	**6.4**	-	-
EUR / GBP forward exchange contracts	EUR	**18.4**	**1.21**	9.3	1.15
JPY / GBP forward exchange contracts	JPY	**361.1**	**123**	245.0	123
JPY / EUR forward exchange contracts	JPY	**491.0**	**101**	347.0	109

A net loss of £0.8 million (2011: £1.1 million gain) relating to fair value instruments that crystalised during the year was charged to the Income Statement.

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).

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 2012 £m	Fair value 2012 £m	Carrying value 2011 £m	Fair value 2011 £m
Forward exchange contracts - Assets	**2.4**	**2.4**	0.3	0.3
Forward exchange contracts - Liabilities	**(0.1)**	**(0.1)**	(1.6)	(1.6)
Cash at bank and in hand	**10.0**	**10.0**	6.9	6.9
Net trade receivables	**38.2**	**38.2**	38.7	38.7
Trade payables	**(22.4)**	**(22.4)**	(29.7)	(29.7)
Fixed rate borrowings	**(30.8)**	**(32.7)**	(32.2)	(34.6)
Floating rate borrowings	**(42.9)**	**(42.9)**	(25.1)	(25.1)
	(45.6)	**(47.5)**	(42.7)	(45.1)

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

4.2 Financial instruments

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.

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.

Interest-bearing loans and borrowings

The table below analyses the Group's interest-bearing loans and borrowings, by currency.

	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m
Yen	**2.1**	**-**	**2.1**
US Dollar	**39.4**	**30.8**	**8.6**
Euro	**20.2**	**-**	**20.2**
Sterling	**12.0**	**-**	**12.0**
At 31 December 2012	**73.7**	**30.8**	**42.9**
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

The floating rate borrowings comprise 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.

2012	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	(73.7)	(84.4)	(2.9)	(81.5)	-
Trade payables	(22.4)	(22.3)	(22.3)	-	-
Forward exchange contracts	(0.1)	(0.1)	(0.1)	-	-
	(96.2)	(106.8)	(25.3)	(81.5)	-

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)

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

Expiring in:	2012 £m	2011 £m
Less than one year		
- Uncommitted facilities	25.4	6.8
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	57.8	75.5
Total	83.2	98.3

Section 4 – Capital structure

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 2012 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 2012	43,255,518	8.7
Exercise of share options	435,450	0.1
At 31 December 2012	43,690,968	8.8

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

At 31 December 2012 the following options had been granted and remained outstanding under the Company's share option schemes:

	Number of shares	Exercise prices	Dates normally exercisable
UK Sharesave schemes	426,971	131p-543p	2013-2017
International Sharesave schemes	460,966	131p-577p	2013-2017
Executive Unapproved schemes	62,421	298p-525p	2013-2018
	950,358		

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. As at 31 December 2012 the Company's Employee Benefit Trust held 461,086 ordinary shares.

Dividends
After the Balance Sheet date the following final dividend for the year ended 31 December 2012 was recommended by the Directors and, subject to approval by shareholders at the AGM on 15 May 2013, will be paid on 17 May 2013. The dividend has not been provided for at the year end and there are no tax consequences.

	2012 £m	2011 £m
13.5p per ordinary share (2011: 12.5p per ordinary share)	5.9	5.4

Section 5 – Other supporting notes

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

5.1 Employees

	2012 £m	2011 £m
Employee costs, including Directors' remuneration, comprise:		
Wages and salaries	**77.9**	77.3
Employers' social security costs	**11.6**	11.2
Employers' pension costs - defined benefit schemes	**1.0**	0.9
Employers' pension costs - defined contribution schemes	**1.4**	1.2
Other employment benefits	**3.2**	3.0
Share-based payment charge	**1.8**	1.2
	96.9	94.8

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

	2012 £m	2011 £m
Average number of employees during the year		
Videocom	**920**	834
Imaging	**960**	1,020
Services	**183**	178
Head Office	**22**	20
	2,085	2,052

Section 5 – Other supporting notes

5.2 Pensions

This note explains the accounting policies governing the Group's treatment of the 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 plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate 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 plan 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 plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight line basis over the vesting period. 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 2012 was £1.4 million (2011: £1.2 million). There were no outstanding or prepaid contributions to these plans as at 31 December 2012 (or at 31 December 2011).

Defined benefit schemes

The Group's defined benefit schemes are disclosed below.

	2012 £m	2011 £m
Amounts recognised on the Group Balance Sheet		
Plan assets		
- Equities	**21.4**	18.9
- Bonds	**24.9**	27.2
- Other	**2.7**	2.8
Total fair value of plan assets	**49.0**	48.9
Present value of defined benefit obligation	**(58.4)**	(53.8)
Net deficit recognised in the Group Balance Sheet	**(9.4)**	(4.9)

	2012 £m	2011 £m
Analysis of net recognised deficit		
Total funded plan (UK Pension scheme)	(4.8)	(0.4)
Total unfunded plans (non-UK Pension schemes)	(4.6)	(4.5)
Liability recognised on the Group Balance Sheet	(9.4)	(4.9)

	2012 £m	2011 £m
Amounts recognised in the Income Statement		
- Current service cost	1.2	1.1
- Past service gain	(0.2)	(0.2)
Included in operating costs	1.0	0.9
- Expected return on plan assets	(2.2)	(2.8)
- Interest cost	2.4	2.7
Included in financial expense	0.2	(0.1)
Total amounts charged to the Income Statement	1.2	0.8

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Movements since 2008 on defined benefit schemes					
Plan assets	49.0	48.9	44.6	41.0	34.8
Defined benefit obligation	(58.4)	(53.8)	(51.6)	(52.0)	(40.7)
Total deficit	(9.4)	(4.9)	(7.0)	(11.0)	(5.9)
Net actuarial (loss)/gain	(4.8)	1.0	0.2	(6.1)	(1.8)

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.

	2012 % pa	2011 % pa	2010 % pa	2009 % pa	2008 % pa
Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December were:					
Price inflation (RPI)	2.8	2.9	3.5	3.6	2.8
Price inflation (CPI)	2.1	1.9	2.8	n/a	n/a
Expected rate of salary increases (1)	n/a	n/a	n/a	5.1	4.3
Rate of increase of pensions in payment (2)					
- Discretionary (pre - 6 April 1997 accrual in excess of GMP)	2.7	2.8	3.4	3.6	2.8
- Guaranteed LPI 5% (6 April 1997 - 30 June 2008)	2.7	2.8	3.4	3.6	2.8
- Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.4	2.4	2.5	2.5	2.5
Rate of increase for deferred pensions	2.1	1.9	2.8	3.6	2.8
Discount rate	4.4	4.7	5.5	5.7	6.3

(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

5.2 Pensions

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 21.9 years to 24.5 years
- Non-pensioners currently aged 45: ranging from 23.8 years to 26.3 years

	2012 £m	2011 £m
Reconciliation of present value of Defined Benefit Obligation (DBO) for the year to 31 December		
Present value of DBO at start of year	49.3	46.9
Interest cost	2.3	2.5
Actuarial loss on change of assumptions	3.6	1.4
Experience loss	0.3	0.3
Actual benefit payments and expenses	(1.6)	(1.7)
Past service costs	(0.1)	(0.1)
Present value of DBO at end of year	53.8	49.3

	Fair value 2012 £m	Fair value 2011 £m	Expected long-term rate of return 2012 % pa	Expected long-term rate of return 2011 % pa
Scheme assets and expected rate of return at 31 December				
Equities	21.4	18.9	7.2	7.5
Bonds	24.9	27.2	3.2	3.4
Property	2.0	2.1	6.7	6.5
Cash/non-cash assets	-	-	2.3	2.5
Insurance policies	0.7	0.7	4.4	4.7
Total value of assets	49.0	48.9		

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

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

	2012 £m	2011 £m
Reconciliation of the fair value of assets for the year to 31 December		
Fair value of assets at start of year	48.9	44.6
Expected return on assets	2.2	2.8
Actuarial (loss)/gain on plan assets	(0.5)	2.6
Group contributions	-	0.6
Actual benefit payments	(1.4)	(1.4)
Administration expenses paid	(0.2)	(0.3)
Fair value of assets at end of year	49.0	48.9

	2012 £m	2011 £m
Return on assets for the year to 31 December		
Expected return on assets	2.2	2.8
Actuarial (loss)/gain on plan assets	(0.5)	2.6
Actual return on assets	1.7	5.4

	2012 £m	2011 £m
Reconciliation of funded status at 31 December		
Present value of defined benefit obligation	(53.8)	(49.3)
Assets at fair value	49.0	48.9
Defined benefit liability	(4.8)	(0.4)

	2012 £m	2011 £m
Reconciliation of change in funded status for the year to 31 December		
Defined benefit liability at start of year	(0.4)	(2.3)
Total pension income	-	0.4
Employer contributions actually paid	-	0.6
(Loss)/gain recognised in SOCIE	(4.4)	0.9
Defined benefit liability at end of year	(4.8)	(0.4)

	2012 £m	2011 £m
Amounts recognised in the Group Income Statement		
Included in operating costs - Past service costs	(0.1)	(0.1)
- Expected return on plan assets	(2.2)	(2.8)
- Interest cost	2.3	2.5
Included in financial expense	0.1	(0.3)
Total amounts charged to the Income Statement	-	(0.4)

	2012 £m	2011 £m
Amounts recognised in the SOCIE		
Actuarial (loss)/gain recognised in SOCIE during the period	(4.4)	0.9
Cumulative actuarial loss recognised at beginning of period	(1.9)	(2.8)
Cumulative actuarial loss recognised at end of period	(6.3)	(1.9)

Section 5 – Other supporting notes

5.3 Share-based payments

Group employees participate in a number of employee incentive schemes including a Sharesave Scheme, an Unapproved Share Option Plan, a Long Term Incentive Plan and a Deferred Bonus Plan.

This note explains the accounting policy governing share-based payments and the impact of various share schemes operated by the Group.

Accounting policies

Share-based payments

The Group operates a number of share-based incentive schemes. The fair value of the equity-settled employee share option grants is calculated at grant date and charged to the Income Statement over the vesting period of the schemes, with a corresponding adjustment to equity. The value of the charge is adjusted to reflect expected and actual levels of options that will vest, except where forfeiture arises from share prices not achieving the threshold for vesting.

The fair values of options are calculated using Black-Scholes or Monte Carlo simulation models. Vesting conditions are limited to non-market based conditions such as service conditions and performance conditions (adjusted earnings per share targets).

Any potential employer's Social Security liability on options granted is calculated based on the estimated fair value of the options and charged to the Income Statement over the vesting period of the schemes.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. Shares purchased in the market are held in the Company's Employee Benefit Trust.

A description of each type of share-based payment arrangement that existed at any time during the period, including the general terms and conditions of each arrangement, such as vesting requirements, the maximum term of options granted, and the method of settlement (for example whether in cash or equity) is set out in the Remuneration Report.

Share-based payments expense

The amount recognised in the Income Statement for share-based payment transactions with employees for the year ended 31 December 2012 was £2.0 million (2011: £1.2 million), of which £0.2 million (2011: £nil) related to employers' tax liability.

The outstanding employers' tax liability recognised in the Balance Sheet for UK awards was £0.5 million (2011: £0.8 million) and for non-UK awards £0.1 million (2011: £0.4 million).

Share options outstanding at the end of the period

Options outstanding under the 2002 UK Sharesave Scheme, 2002 International Sharesave Plan, 2011 UK Sharesave Scheme, 2011 International Sharesave Plan and Unapproved Share Option Plan ("USOP") as at 31 December 2012, together with their exercise prices and vesting periods, are as follows:

Range of exercise prices	Number outstanding	Weighted average exercise price (£)	Weighted average remaining contractual life (years)
£1.30 - £1.40	191,490	1.32	2
£2.91 - £3.00	59,421	3.00	2
£3.01 - £4.00	185,636	3.48	1
£4.51 - £5.00	83,166	4.72	2
£5.01 - £5.50	240,282	5.39	3
£5.51 - £6.00	191,907	5.77	3
Total	951,902	4.07	2

Options granted, exercised and lapsed during the years ended 31 December 2011 and 2012 under these share options plans were as follows:

	Sharesave	Weighted average Exercise Price (£)	USOP	Weighted average Exercise Price (£)
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**
Exercised during 2012	**(878,490)**	**1.38**	**(47,237)**	**4.04**
Lapsed during 2012	**(53,137)**	**3.46**	**-**	**-**
Granted during 2012	**415,362**	**5.59**	**-**	**-**
Awards at 31 December 2012	**889,481**	**4.14**	**62,421**	**3.03**
Awards exercisable at 31 December 2012	**-**	**-**	**62,421**	**3.03**

The weighted average share price at the date of exercise for share options exercised during the year was £6.49 (2011: £5.70).

Arrangement	2011 International Sharesave Plan 2 Year	2011 UK and International Sharesave Scheme 3 Year	2011 UK and International Sharesave Scheme 5 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	26 Sep 2012	26 Sep 2012	26 Sep 2012	16 Apr 2012	12 Apr 2012
Number of instruments granted	195,065	197,289	23,008	531,708	42,295
Exercise price	£5.77	£5.43	£5.43	n/a	n/a
Share price at date of grant	£7.12	£7.12	£7.12	£6.74	£6.72
Contractual life (yrs)	2.3	3.6	5.6	4.0	4.0
Expected option life (yrs)	2.3	3.3	5.3	4.0	4.0
Vesting conditions	2 year service period and savings requirement	3 year service period and savings requirement	5 year service period and savings requirement	Relative TSR performance against comparator group, and adjusted EPS growth	Relative TSR performance against comparator group, and adjusted EPS growth for matching awards
Settlement	Shares	Shares	Shares	Shares	Shares
Expected volatility [1]	30.5%	30.5%	30.5%	35.8%	35.8%
Risk free interest rate	0.18%	0.28%	0.68%	n/a	n/a
Expected dividend yield	3.10%	3.10%	3.10%	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	£1.59	£1.86	£1.97	£6.74/£3.84 [2]	£6.72/£3.80 [2]
Valuation model	Black Scholes	Black Scholes	Black Scholes	Monte Carlo [3]	Monte Carlo [3]

[1] The expected volatility is based on historical volatility determined by the analysis of daily share prices over a period commensurate with the expected lifetime of the award and ending on the date of grant of the award. Due to significant fluctuations in Vitec's share price during the year a uniform rate has been used for all the Sharesave options as a reasonable estimate of volatility going-forward.

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

[3] For the 2005 LTIP and 2005 DBP Matching awards, 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.

Section 5 – Other supporting notes

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 2012 £m	Land and buildings £m	Other £m	Total 2011 £m
Expiring within one year	0.7	0.2	0.9	0.8	0.2	1.0
Expiring two to five years	9.5	1.0	10.5	12.6	1.0	13.6
Expiring after five years	10.2	-	10.2	8.5	-	8.5
	20.4	1.2	21.6	21.9	1.2	23.1

During the year £5.9 million (2011: £6.0 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.

The Group has identified the Board, the Vitec Group Pension Scheme and members of the Operations Executive as related parties to the Company under IAS 24, Related Party Disclosures.

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 ordinary shares by Directors are shown in the Directors' Report.

The compensation of the ten (2011: ten) members of the Operations Executive, including the Executive Directors, is shown in the table below. Two members of the Operations Executive ceased to be members on 31 July 2012 and one ceased to be a member on 31 December 2012.

	2012 £m	2011 £m
Salaries	**2.1**	1.9
Performance-related bonuses	**1.5**	1.5
Share-based payment charge [1]	**1.1**	0.7
Other short-term employee benefits	**0.2**	0.2
Post employment benefits	**0.3**	0.2

[1] IFRS 2 charge recognised in the Income Statement for share-based payment transactions with members of the Operations Executive.

Section 5 – Other supporting notes

5.6 Principal Group investments

The Group's principal subsidiaries at 31 December 2012 are listed below. All subsidiaries are 100% owned within the Group.

	Country of incorporation
Vitec Group US Holdings Inc	USA
Vitec Group Holdings Limited [1]	Guernsey
Vitec Investments Limited	UK
Videocom	
ALC Broadcast Limited	UK
Anton/Bauer Inc	USA
Vitec Videocom Limited [1] [2]	UK
Vitec Videocom Limitada [3]	Costa Rica
Vitec Videocom Inc [4]	USA
Litepanels Inc	USA
Integrated Microwave Technologies Inc	USA
Haigh-Farr, Inc	USA
Camera Corps Ltd	UK
Imaging	
Manfrotto Distribution Inc	USA
Manfrotto Distribution Limited [1]	UK
Manfrotto Distribution KK	Japan
Vitecgroup Italia SpA	Italy
Gitzo S.A.	France
Manfrotto Lighting Limited [5]	UK
Manfrotto Bags Ltd	Israel
Services	
Vitec Broadcast Services Inc	USA

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

[2] Formerly called Camara Dynamics Limited - name changed with effect from 3 January 2012.

[3] Formerly called Camara Dynamics Limitada - name changed with effect from 3 January 2012.

[4] Formerly called Camara Dynamics Inc - name changed with effect from 3 January 2012.

[5] Formerly called Lastolite Limited - 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 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible fixed assets	f)	**1.6**	1.6
Investments in subsidiary undertakings	g)	**389.1**	308.4
		390.7	310.0
Current assets			
Debtors	h)	**7.0**	3.8
Cash at bank and in hand		**11.9**	-
		18.9	3.8
Liabilities falling due within one year			
Creditors	i)	**(14.8)**	(19.5)
Provisions	j)	**(0.2)**	(0.2)
		(15.0)	(19.7)
Net current assets/(liabilities)		**3.9**	(15.9)
Total assets less current liabilities		**394.6**	294.1
Liabilities falling due after one year			
Creditors	i)	**(103.0)**	(103.0)
Provisions	j)	**(0.4)**	(0.6)
		(103.4)	(103.6)
Net assets		**291.2**	190.5
Capital and reserves			
Called up share capital	k)	**8.8**	8.7
Share premium account	l)	**10.4**	9.8
Revaluation reserve	l)	**0.9**	0.9
Merger and other reserves	l)	**55.3**	55.3
Profit and loss account	l)	**215.8**	115.8
Equity shareholders' funds		**291.2**	190.5

Approved by the Board on 27 February 2013 and signed on its behalf by:

Paul Hayes
Group Finance Director

The Vitec Group plc
Registered in England and Wales no. 227691

Reconciliation of Movements in Shareholders' Funds

For the year ended 31 December 2012

	2012 £m	2011 £m
Profit for the financial year	**112.1**	4.7
Dividends paid	**(9.1)**	(8.2)
Retained profit for the year	**103.0**	(3.5)
Own shares purchased	**(4.8)**	(2.8)
Share-based payment charge	**1.8**	1.2
New shares issued	**0.7**	0.3
Net increase in shareholders' funds	**100.7**	(4.8)
Opening shareholders' funds	**190.5**	195.3
Closing shareholders' funds	**291.2**	190.5

Notes to the Company financial statements

a) Basis of preparation

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

Under section 408 (3) of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

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 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.

Under FRS 8 the Company is exempt from the requirement to disclose transactions or balances with wholly owned subsidiaries which form part of the Group.

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 & 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

c) Employees

Employee costs comprise:	2012 £m	2011 £m
Wages and salaries	3.2	3.0
Employers' social security costs	0.3	0.2
Employers' pension costs - defined contribution schemes	0.1	0.1
Share-based payment charge [1]	1.8	1.2
	5.4	4.5

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

	2012	2011
Average number of employees during the year	22	20

Further details of Directors' remuneration and share incentives 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 amount of dividends comprises:	2012 £m	2011 £m
Final dividend paid in respect of prior year but not recognised as liabilities in that year	5.4	4.8
Interim dividend paid in respect of the current year	3.7	3.4
	9.1	8.2

A final dividend of 13.5 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 2012	3.1	2.6	0.4	0.1
Additions	0.1	-	0.1	-
Disposals	-	-	-	-
At 31 December 2012	3.2	2.6	0.5	0.1
Depreciation				
At 1 January 2012	1.5	1.4	-	0.1
Charge for the year	0.1	-	0.1	-
Disposals	-	-	-	-
At 31 December 2012	1.6	1.4	0.1	0.1
Net book value				
At 1 January 2012	1.6	1.2	0.4	-
At 31 December 2012	1.6	1.2	0.4	-

Freehold land and buildings disclosed at a revalued 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 has the following commitments during the following year, under non-cancellable operating leases:

	Land and buildings	
	2012 £m	2011 £m
Expiring in two to five years	0.3	0.2

g) Investments in subsidiary undertakings

	Total £m	Investment in other shares £m	Loans £m
Cost and net book value			
At 1 January 2012	308.4	204.9	103.5
Additions	253.1	253.1	-
Disposals	(129.3)	(129.3)	-
Loan reductions	(42.5)	-	(42.5)
At 31 December 2012	389.7	328.7	61.0
Provisions			
At 1 January 2012	-	-	-
Additions	0.6	0.6	-
At 31 December 2012	0.6	0.6	-
Net book value			
At 1 January 2012	308.4	204.9	103.5
At 31 December 2012	389.1	328.1	61.0

The additions, disposals and loan reductions in investments during the year reflect the Company's restructuring of certain subsidiary holding and financing companies.

Notes to the Company financial statements

h) Debtors

	2012 £m	2011 £m
Amounts falling due within one year		
Amount owed by subsidiary undertakings	2.6	1.6
Other debtors	1.8	0.7
Derivative financial instruments - forward exchange contracts	2.4	1.3
Prepayments and accrued income	0.2	0.2
	7.0	3.8

i) Creditors

	2012 £m	2011 £m
Amounts falling due within one year		
Bank overdraft (unsecured)	-	9.2
Amounts owed to subsidiary undertakings	9.2	5.2
Derivative financial instruments - forward exchange contracts	2.4	1.3
Other creditors	1.8	0.7
Accruals and deferred income	1.4	3.1
	14.8	19.5
Amount falling due after more than one year		
Bank loans (unsecured)	73.0	56.6
Amounts owed to subsidiary undertaking	30.0	46.4
	103.0	103.0

Contingent liabilities

There are no contingent liabilities at 31 December 2012 (2011: £nil).

j) Provisions

	Onerous lease £m
At 1 January 2012	0.8
Charged to the Profit and Loss	(0.2)
At 31 December 2012	0.6
Due within one year	0.2
Due after more than one year	0.4
	0.6

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 2012	43,255,518	8.7
Exercise of share options	435,450	0.1
At 31 December 2012	43,690,968	8.8

Details of 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 2012	9.8	0.9	55.3	115.8
Dividends paid	-	-	-	(9.1)
Own shares purchased	-	-	-	(4.8)
Share-based payment charge	-	-	-	1.8
New shares issued	0.6	-	-	-
Profit for the year	-	-	-	112.1
At 31 December 2012	10.4	0.9	55.3	215.8

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 identified a related party relationship with its Board, the Vitec Group Pension Scheme and members of the Operations Executive 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 27 February 2013. There were no events after the Balance Sheet date that require disclosure.

Five Year Financial Summary

Years ended 31 December

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m
Revenue	**345.3**	351.0	309.6	315.1	337.7
Operating profit [1]	**39.3**	34.5	27.7	24.5	38.4
Net interest on interest-bearing loans and borrowings	**(3.2)**	(1.9)	(1.2)	(1.6)	(3.1)
Other financial income / (expense)	**0.1**	0.4	0.2	(0.2)	0.1
Profit before tax [2]	**36.2**	33.0	26.7	22.7	35.4
Cash generated from operating activities	**38.4**	39.1	34.6	42.8	44.3
Net interest paid	**(3.1)**	(1.8)	(1.2)	(2.1)	(3.6)
Tax paid	**(10.8)**	(11.1)	(0.9)	(4.3)	(6.7)
Operating cash flow	**24.5**	26.2	32.5	36.4	34.0
Net capital expenditure on property, plant and equipment and intangible assets	**(13.7)**	(9.7)	(14.5)	(13.7)	(15.0)
Free cash flow [3]	**10.8**	16.5	18.0	22.7	19.0
Capital employed					
Intangible fixed assets	**68.2**	75.0	51.8	58.2	71.6
Tangible fixed assets	**48.6**	50.1	53.4	54.6	63.6
Other net assets	**48.3**	39.5	27.0	21.9	34.9
	165.1	164.6	132.2	134.7	170.1
Financed by					
Shareholders' funds - equity	**114.6**	129.3	124.3	111.2	133.4
Net debt	**63.7**	50.4	28.1	40.6	53.0
Deferred tax	**(13.2)**	(15.1)	(20.2)	(17.1)	(16.3)
	165.1	164.6	132.2	134.7	170.1
Statistics					
Operating profit (%) [1]	**11.4**	9.8	8.9	7.8	11.4
Effective tax rate (%) [1]	**32.9**	32.7	33.0	31.7	33.9
Adjusted basic earnings per share (pence) [4]	**55.8**	51.4	41.9	36.5	55.9
Basic earnings per share (pence)	**13.6**	34.7	42.8	7.5	48.0
Dividends per share (pence)	**22.0**	20.5	19.0	18.3	18.3
Year-end mid-market share price (pence)	**635.3**	555.7	585.0	389.0	235.5

(1) Before charges associated with acquired businesses in 2012 and 2011; and before significant items in 2010, 2009 and 2008.

(2) Before charges associated with acquired businesses and disposal of business in 2012 and 2011; and before significant items in 2010, 2009 and 2008.

(3) 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.

(4) Differences between adjusted basic and basic earnings per share arise from charges associated with acquired businesses and disposal of business 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 2012 to the Dividend Reinvestment Plan, application forms must be received by the Registrars by no later than Monday, 22 April 2013. 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 for shareholders 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 2013 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 either by calling +44 (0)20 8639 3399 (lines are open from 9.00am to 5.30pm Monday to Friday. Calls will be charged at standard overseas rates) 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 2012 payable on Friday, 17 May 2013 must be received by Capita Registrars no later than the record date for the final dividend, Friday, 19 April 2013.

Share price information
The middle market price of a share of The Vitec Group plc on 31 December 2012 was 635.25 pence. During the year, the share price fluctuated between 547 pence and 740 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 2012 final dividend	17 April 2013
Record date for 2012 final dividend	19 April 2013
Annual General Meeting	15 May 2013
Interim management statement	15 May 2013
2012 final dividend payment date	17 May 2013
Announcement of 2013 half year results	22 August 2013
Proposed 2013 interim dividend payment date	October 2013
Interim management statement	November 2013

Analysis of shareholdings as at 31 December 2012

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	534	51.7	203,835	0.5
1,001 to 5,000	277	26.8	660,596	1.5
5,001 to 10,000	70	6.7	517,542	1.2
10,001 to 50,000	72	7.0	1,594,234	3.6
50,001 to 100,000	22	2.1	1,494,161	3.4
100,001 and over	59	5.7	39,220,600	89.8
	1,034	100	43,690,968	100
Institutions and companies	350	33.8	41,269,098	94.5
Individuals including Directors and their families	684	66.2	2,421,870	5.5
	1,034	100	43,690,968	100.0

Find out more
www.vitecgroup.com/shareholder_services

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