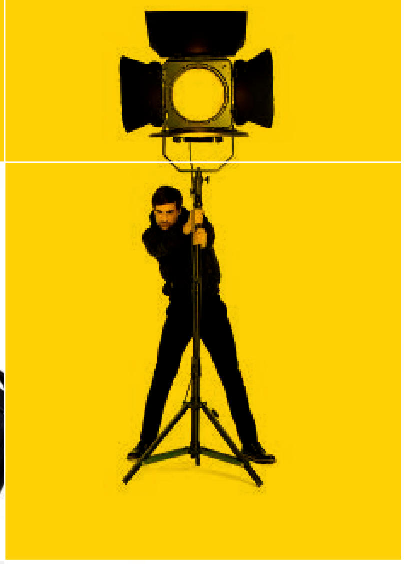
VITEC GROUP
Capture the moment™

The Vitec Group plc Annual Report & Accounts 2013



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Inside this report

Where the story comes to life

Strategic Report

01 Highlights
02 Chairman's Statement
04 Vitec Group overview
06 What we do
08 Our business model
10 Group Chief Executive's Review
12 Market update: Broadcast & Video
14 Market update: Photographic
16 Market update: Military, Aerospace and Government
17 Our world class brands
18 Financial Review
24 Videocom Division
26 Imaging Division
28 Services Division
29 Operations Executive
30 Board of Directors
32 Directors' Report

Remuneration Report

34 Annual Statement by the Chairman of the Renumeration Committee
35 Remuneration Policy Report
44 Annual Report on Remuneration

Corporate Responsibility

54 Vitec's commitment to corporate responsibility
55 Business Ethics
56 Environment
58 Employees
61 Community & Charitable Donations

Corporate Governance

62 Chairman's Report
73 Audit Committee Report

Independent Auditor's Report

78 Independent Auditor's Report

Financial Statements

81 Table of contents
82 Primary Statements
87 Section 1 - Basis of preparation
89 Section 2 - Results for the year
97 Section 3 - Operating assets and liabilities
108 Section 4 - Capital structure
115 Section 5 - Other supporting notes
124 Company Financial Statements
131 Five Year Financial Summary
132 Shareholder Information and Financial Calendar

Key Performance Indicators

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

19 Financial
51 Total Shareholder Return
57 Environmental
58 Health & Safety

The Vitec Group plc website
www.vitecgroup.com

Annual Report & Accounts online
www.vitecgroup.com/annual_report_2013

Cautionary statement: Statements made in the Strategic Report and Directors' Report (pages 1 to 33) 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 this Annual Report and Accounts should be construed as a profit forecast.

Highlights

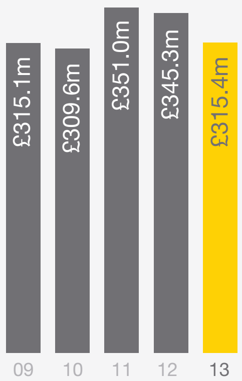
Key points

- Operating profit* in line with our expectations
- Further improvement in margins with a 110 bps increase in operating margin* to 12.5%
- Good margin* performance in all three Divisions despite challenging markets
- Strong free cash flow+ of £21.4 million after £7.9 million of restructuring spend
- Teradek acquisition performing well and complementing our Broadcast activities
- Following the successful restructuring, the streamlined business is strongly positioned to benefit from any market upturn
- Profit before tax increased by 26.7% to £20.4 million
- Recommended 4.5% increase in the total dividend for the full year

Vitec Group - 2013 Financial Highlights

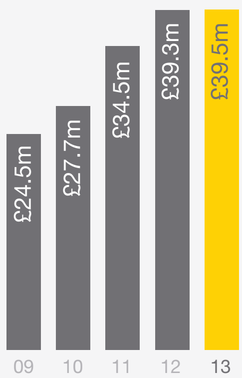
Revenue

£315.4m



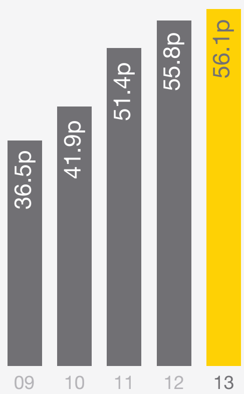
Operating profit*

£39.5m



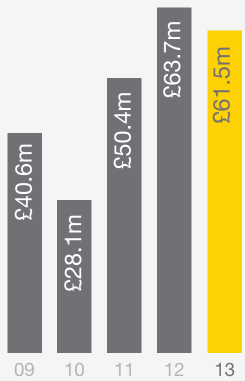
Adjusted basic earnings per share*

56.1p



Net debt

£61.5m



Videocom Division

Revenue	£143.1m	Down 2.1%
Operating profit*	£17.9m	Up 13.3%
Operating margin*	12.5%	Up 170 bps

Imaging Division**

Revenue	£141.2m	Down 10.6%
Operating profit*	£20.1m	Down 12.2%
Operating margin*	14.2%	Down 30 bps

Services Division

Revenue	£31.1m	Down 5.8%
Operating profit*	£1.5m	Up 25.0%
Operating margin*	4.8%	Up 120 bps

* Before restructuring costs and 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.

+ Cash generated from operations in the financial year after net capital expenditure, net interest and tax paid.

Chairman's Statement

Chairman John McDonough reports on good performance in challenging markets

The Group has delivered a good performance in 2013 in challenging markets. We have restructured our business and are well positioned to benefit from any upturn in our markets.

Chairman's Statement
www.vitecgroup.com/chairman

Governance Report
Turn to page 62

Recommended final dividend per share
14.1 pence

Interim dividend per share
8.9 pence

Total dividend for 2013
23.0 pence
Up 4.5%

Performance

I am pleased to report that the Group delivered a good financial performance during 2013 despite challenging markets. We have strengthened our business and delivered further improvement in our margins through streamlining how we do business and managing our cost base. This has been achieved by delivering a complex international restructuring programme which will deliver long-term benefit to the Group.

The Board has continued to focus upon the Group's strategy which provides vital products and services that support the capture of exceptional images to our customers in the Broadcast & Video, Photographic, and Military, Aerospace and Government markets. We continued to make good progress in supporting our customers through our on-going investment in new product development and the provision of market-leading products. We also acquired Teradek in August 2013 which is a world leading provider of wireless video devices used by broadcasters, businesses and web channels to transmit images wirelessly. Vitec's longer-term growth prospects continue to be positive and we are well positioned to benefit from any upturn in our markets.

Dividend

As a result of our financial performance in 2013 and our confidence in the future, the Board has recommended a final dividend of 14.1 pence per ordinary share (2012: 13.5 pence). The final dividend, if approved by shareholders at the 2014 Annual General Meeting to be held on Thursday, 8 May 2014, will be paid on Friday, 9 May 2014. This will bring the total dividend for 2013 to 23.0 pence (2012: 22.0 pence).

Board and governance
We have made good progress in delivering a clear succession plan for our Board. This includes several changes amongst the independent Non-Executive Directors to ensure that we have a strong, diverse Board with relevant experience to support the Company in delivering its growth strategy. During 2013, Maria Richter, John Hughes and Simon Beresford-Wylie stood down as independent Non-Executive Directors and I would like to thank each of them for their considerable contribution to Vitec. In their place we are very pleased to have secured the services of Mark Rollins, Lorraine Rienecker and Christopher Humphrey as independent Non-Executive Directors. These individuals serve as executives in other organisations and bring with them a wide range of experience of growing businesses in global markets. We also appointed Carolyn Fairbairn as Chairman of the Remuneration Committee with effect from 1 December 2013 in succession to Simon Beresford-Wylie. Carolyn will lead the process to ensure our executive remuneration policy appropriately rewards our executives for the execution of strategy and long-term growth in shareholder value. We will continue to review the composition of the Board to ensure that we have the right mix of skills and appropriate diversity to set the strategic direction of your Company and oversee its successful implementation.

The Governance Report on pages 62 to 77 of this Annual Report sets out in greater detail the operation of the Board and its principal committees. However, I can report that we have carried out an internal Board evaluation in 2013 and determined that the Board and its individual Directors are performing effectively. We will, in accordance with the UK Corporate Governance Code (the "Code"), conduct an external Board evaluation in 2014 and will report upon this in next year's Annual Report.

The Board in 2013 has focused upon the Group's strategic direction and performance particularly against challenging markets. We will continue to develop the Group's strategy and report upon progress. The Board continued the practice of setting itself objectives in 2013 and agreeing new objectives for 2014. Performance against the 2013 objectives and details of the 2014 objectives are given in the Governance Report. We have considered regulatory changes impacting corporate reporting and executive remuneration and this Annual Report complies with these changes taking into account emerging best practice. Notably, the Board has determined that the 2013 Annual Report, taken as a whole is fair, balanced and understandable. It provides the information necessary for shareholders to assess the performance, strategy and business model of the Company in accordance with the Code. The Governance Report sets out the process followed to reach this conclusion.

The Board has also taken further steps to embed the right culture throughout the Group by re-communicating the Company's Code of Business Conduct to all employees. This clearly sets out the values and beliefs that we expect of all our people. We will continue to take steps to ensure that these values and beliefs are fully understood and acted upon since they underpin the long-term value of Vitec.

Annual General Meeting
The Company's Annual General Meeting will be held on Thursday, 8 May 2014 and the Notice of Meeting and explanatory notes accompany this Annual Report and can also be found on our website. For the first time we are reporting on compliance with new regulations applying to Directors' remuneration and we will be putting two resolutions to shareholders. The first binding resolution will be on the Directors' remuneration policy for the period from the 2014 Annual General Meeting through to the 2017 Annual General Meeting. The second resolution will be an advisory vote on the annual remuneration paid to Directors in 2013. We propose to conduct a poll vote on all resolutions to ensure that the views of all shareholders are taken into account when conducting voting at the Annual General Meeting. I look forward to the opportunity to meet as many of our shareholders as possible at this meeting.

Our people
Finally, on behalf of the Board I would like to thank all of our people for their significant contribution to our success over the past year. We have implemented major restructuring initiatives during 2013 and the successful and timely delivery of these as well as the financial performance of the Company has been down to the passion, hard work and effort of all our people.

John McDonough CBE
Chairman

25 February 2014

Vitec Group overview

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.

Find out more
www.vitecgroup.com/about_us

What we do
Turn to page 6

World class products and services
Turn to page 7

Our business model
Turn to pages 8 and 9

The Vitec Group is organised into three Divisions:

Videocom Division

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

2013 Revenue
£143.1m

% of Vitec Group 2013 Revenue
45%

2013 average number of employees
921

Brands
Anton/Bauer, Autoscript, Camera Corps, Haigh-Farr, IMT, Litepanels, OConnor, Microwave Services Company, Nucomm, Petrol, RF Central, Sachtler, The Camera Store, Teradek, Vinten, Vinten Radamec

Products
Supports, bags, robotic camera systems, equipment rentals (UK), lighting, microwave systems, mobile power, prompters, wireless video devices

Find out more about our Videocom Division
Turn to page 24

Imaging Division

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

2013 Revenue
£141.2m

% of Vitec Group 2013 Revenue
45%

2013 average number of employees
781

Brands
Avenger, Colorama, Gitzo, Lastolite, Manfrotto, National Geographic*

Products
Supports, bags, lighting

Find out more about our Imaging Division
Turn to page 26

Services Division

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

2013 Revenue
£31.1m

% of Vitec Group 2013 Revenue
10%

2013 average number of employees
175

Brands
Bexel

Products
Equipment rentals (US), support services for TV production

Find out more about our Services Division
Turn to page 28

1

2

3

* National Geographic bags are manufactured and distributed under licence.

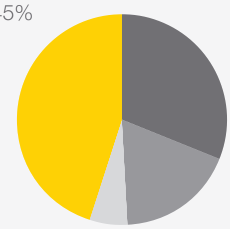
Find out more
www.vitecgroup.com/locations

Our operations

Our global footprint

- We manufacture and distribute our products and services from our facilities in 12 countries
- We employ around 1,800 people in our business
- Our products and services are sold in over 100 countries

Revenue by destination



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1 Autoscript and Vinten Radamec at a broadcast studio.

2 The new BeFree tripod launched in 2013.

3 Bexel at the MetLife Stadium for the Super Bowl.

4 We have an experienced product sourcing team based in Dongguan, China, that works closely with our Asian suppliers.

5 In 2013 we held regional management conferences in China, Italy, the UK and the US, allowing a wide number of employees to hear first-hand updates on key messages and core business priorities from the Executive Directors and Operations Executive.

What we do

Vitec's purpose is to support the capture of exceptional images in its chosen markets of Broadcast & Video, Photographic, and Military, Aerospace and Government (MAG). Our products encompass a variety of technologies and are carefully designed to ensure that, whatever the conditions, the image taker has the best equipment to "capture the moment".

These technologies range from traditional mechanical engineered products, for example in our manual camera supports businesses, through to electronics and software, for example in our wireless businesses. Nonetheless the user is the same – an image taker, whether an enthusiast, a professional cameraman for a broadcaster or corporate event, a wedding photographer or a law enforcement officer.

In the markets we serve, our brands are often market leaders both in terms of the premium product or service supplied and the share of the market our brands capture. Our products and services have enabled some of the most amazing moments to be captured and shared.

Our purpose

To support the capture of exceptional images

Our 3 markets

- Broadcast & Video
- Photographic
- Military, Aerospace & Government (MAG)

Strategic priorities

- Optimising product development
- Growth markets
- Geographic expansion
- Improving margins
- Strong cash generation
- Investing in talent

Progress on our strategic priorities

Optimising product development

- Investment in product development maintained at 4% of product sales (2012: 4%)
- Developed high-power LED products and now offer a complete range of LED lighting for broadcast studio applications
- Launch of expanded Manfrotto bag ranges including professional range to capitalise on strength of Manfrotto brand
- Strengthened position among professional photographers with new 190 series tripod and BeFree lightweight tripod, well-received by market

Growth markets

- Expanded further into the growing pro video segment of the Broadcast & Video market with the Ace tripod
- Acquisition of Teradek in the fast-growing wireless video devices market
- Engaged with new entrants to photography with accessories for smartphones, the PIXI mini tripod and other products targeted at this consumer segment

* Before restructuring costs and charges associated with acquired businesses.

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

World class products and services

We design, manufacture and supply high quality, world class, branded products and services that enable end users to capture exceptional images.

Our products primarily attach to or support a camera – primarily for broadcast, video and photographic applications.

We also provide high-end technical services to major broadcasters.

We are structured as one group; our products serve a variety of end users and are offered as a cohesive package.

View Vitec brands
www.vitecgroup.com/brands

Supports (pedestals, tripods and heads)

- Avenger
- Gitzo
- Manfrotto
- OConnor
- Sachtler
- Vinten

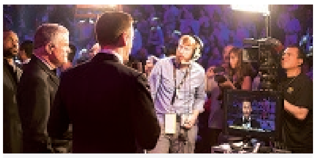
Bags

- Manfrotto
- National Geographic**
- Petrol

Camera accessories

- OConnor
- Manfrotto

Distribution, rental & services



- Bexel
- Camera Corps
- The Camera Store

Lighting & controls

- Colorama
- Lastolite
- Litepanels
- Manfrotto

Wireless systems

- Haigh-Farr
- IMT
- Microwave Service Company
- Nucomm
- RF Central
- Teradek

Mobile power

- Anton/Bauer

Prompters

- Autoscript

Robotic camera systems

- Camera Corps
- Vinten Radamec

** Manufactured and distributed under licence.

Geographic expansion

- Continued to drive sales internationally through our global sales team
- Continued to focus on growing sales into the Asia-Pacific region that accounts for 18% of our global sales
- Worked with multi-national retail and broadcast customers to support them internationally

Improving margins

- Group operating margin* has increased by a further 110bps to 12.5%
- Restructuring delivered on schedule with £6.2 million benefit to profitability during 2013
- Further investments in processes including an in-house painting plant within the Imaging Division to improve operational efficiency

Strong cash generation

- Free cash flow+ increased to £21.4 million (2012: £10.8 million) reflecting continued focus on working capital management
- Monitored our working capital using a variety of key performance indicators including:
  - Inventory days falling to 106 days (2012: 113 days)
  - Trade receivable days falling to 39 days (2012: 43 days)
  - Trade payable days increasing to 49 days (2012: 42 days)

Investing in talent

- Italian sites awarded the "Top Employers" certification by the Top Employers Institute for their high employment standards
- Costa Rican facility achieved "Great Place to Work" accreditation
- Proportion of women employed across the Group increased to 31% in 2013 (2012: 25%)

Our business model

At the Group level

We create value by:

Strategy
We set Group and Divisional strategy in the medium term, especially as regards markets served, customer segments and products supplied.

Budgeting and monitoring
Vitec sets Group and Divisional budgets annually and regularly reviews Divisional performance during the year. This includes regular forecasts to ensure that the financial performance is clearly understandable and appropriate targets are set.

Investor relations
We communicate our strategy, performance and outlook with our investors on a regular basis.

Treasury and tax
Vitec manages its financing, hedging and tax planning activities centrally to ensure that the Group has an appropriate structure and funding to support its geographically diverse business.

Acquisitions and disposals
We buy businesses that provide a good return with clear synergies such as extending our technological, product or geographic footprint. We dispose of those businesses that do not fit strategically or do not offer scope to deliver attractive returns.

Compliance and governance
Vitec ensures that an effective governance framework and policies are in place to ensure a strong culture of governance and ethical behaviour.

Risk management
We set an overall framework for reviewing and assessing risk and taking mitigating strategies as part of the execution of our strategy.

Health and safety
Vitec sets policies to ensure a healthy, safe and productive work environment for all our employees, and ensures they are complied with.

Talent management
We work across the Group to ensure we have consistent policies, processes and initiatives for acquiring, retaining and engaging our best talent.

At the Divisional level

We create value by:

Receiving feedback from end users
Our businesses continually obtain feedback on the markets, competitors and products from end users as well as from research. As our businesses are often the market leader, this enables us to anticipate and respond to developments to ensure our brands remain renowned for their premium offerings.

Designing and developing innovative product and service offerings for our brands
We are at the forefront of embracing new technologies, products and materials that result in innovative high-quality yet cost-effective solutions. We have close relationships with our customers and end-users. This enables us to maintain the premium positioning and pricing of our branded products in our markets.

Sourcing and lean manufacturing
We procure materials from reputable suppliers and produce our products in efficient and environmentally friendly operations and, where appropriate, in lower cost countries such as Costa Rica and China. The majority of our operations are relatively low-volume, small-batch processes.

Working with global logistics providers
With distributors and end users across the globe, we engage with a number of leading logistics partners to ensure responsive and timely delivery of our products to the relevant geography.

Having a global distribution and sales network to serve our customers and end users
We market our products and services through our own sales and marketing teams. The majority of our sales are conducted via a global network of distributors, dealers and retailers who sell on to end users. The breadth of products and our strong brand heritage means that our network of channel partners is unrivalled in the markets we serve.

Everything we do is underpinned by our values

We create value by:

Product excellence
Everything we make and do is exceptional

Vitec products and services are exceptional because they are delivered by outstanding people. We set the highest standards of technical performance and aftercare, designing solutions that do precisely what image-makers need them to do. All our activities reflect our obsession with quality.

Customer focus
We are nothing without our customers

At Vitec, the focus is always on the customer, allowing us to support them no matter what changes and challenges they face. If we respect our customers' creative expertise, they will respect ours.

Creative solutions
We are constantly looking to break new ground

At Vitec we learn fast and think forward, looking for new ways to support our customers and meet their needs.
To stay ahead of the game, our creativity has to be applied to every aspect of our business, not just our products. Our passion, flair and ability to ask "why not?" are at the heart of everything we do.

Collaboration
We work better when we work together

The closer we are to our colleagues and customer contacts, the more successful we will be. If we celebrate achievements, share knowledge, pool resources, test ideas and support each other, life will be more rewarding and more satisfying.

Integrity
What you see is what you get

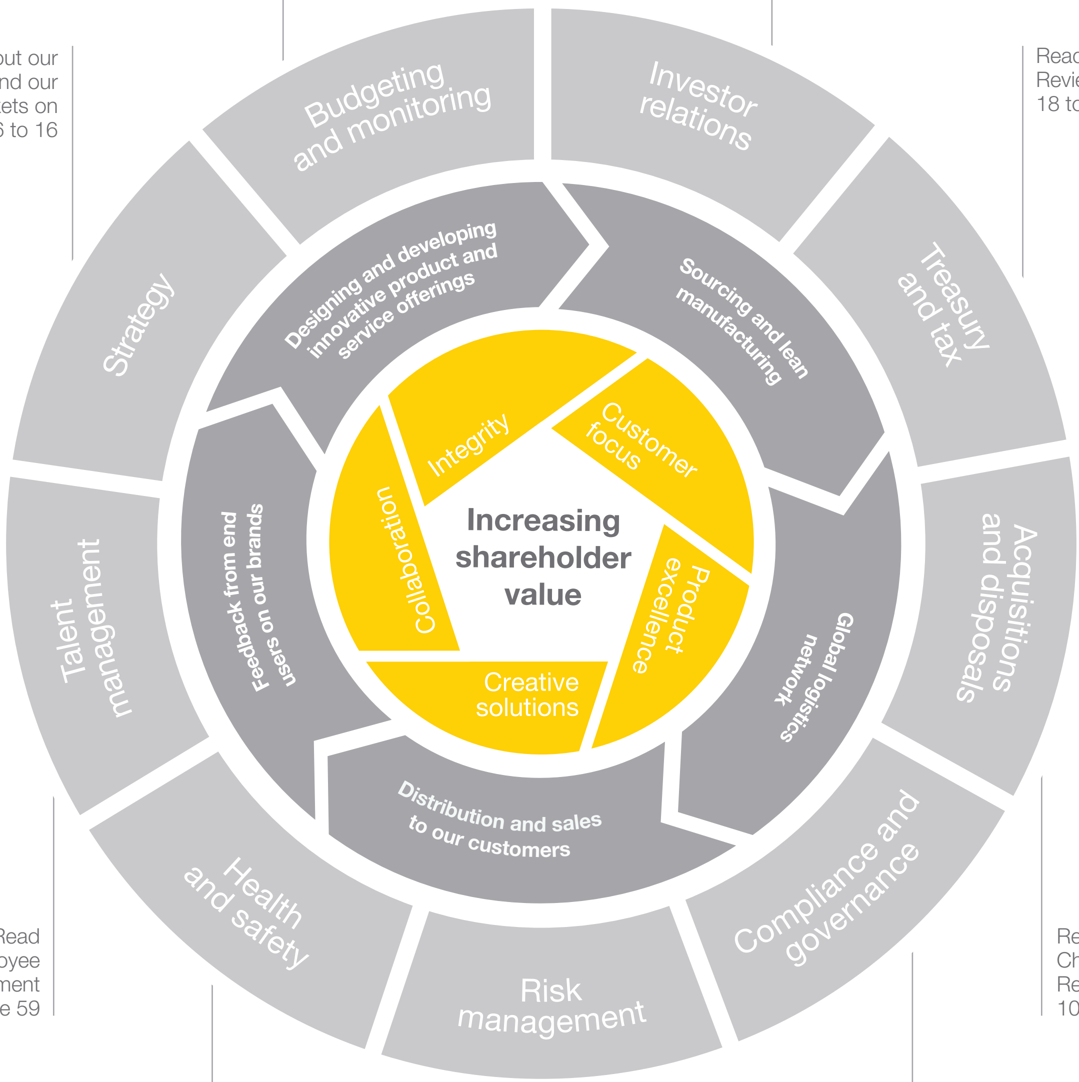
Commitment, fairness and honesty towards our customers, our suppliers and our own people. By being authentic we develop loyalty and trust between ourselves and all those we engage with.

Read the Financial Review on pages 18 to 21

Read about our engagement with shareholders on page 72

Read about our strategy and our markets on pages 6 to 16

Read the Financial Review on pages 18 to 21



Read about employee engagement on page 59

Read the Group Chief Executive's Review on pages 10 and 11

Read about our Health & Safety policy, practice and statistics on page 58

Read the Corporate Governance Report on pages 62 to 77

Read about our principal risks and their mitigations on pages 22 and 23

Vitec's strategy is to focus on three markets that offer good long-term growth potential:

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

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

Military, Aerospace & Government (MAG)
We provide high definition microwave technologies and antennas for mission-critical applications

Group Chief Executive's Review

Group Chief Executive Stephen Bird reviews strategy and performance

Vitec has continued to deliver its strategy and performed well in challenging markets. Following the successful implementation of our restructuring plans, the Group has been streamlined and is well placed to benefit from any upturn in our markets.

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

Chosen markets
www.vitecgroup.com/chosen_markets

Progress on delivering our strategy
We have continued to make good progress in delivering our strategy of focusing on our core markets and supplementing this with selective value-adding acquisitions.

Within our Videocom Division we have further developed our premium product and service offerings to Broadcast & Video customers such as expanding our range of higher power LED lights. We have a global sales team that provides a strong international coverage and is now able to offer a full range of products and services to our customers all over the world. Our products and services were at the Sochi Winter Olympics and will be at the FIFA World Cup in 2014.

Our product offering has been strengthened with the acquisition of Teradek which is a world leading provider of wireless video devices and platforms that are used by broadcasters, businesses and web channels to transmit images wirelessly. Teradek fits perfectly within our current product ranges, and complements our existing video activities including its range of broadcast microwave systems. There is significant scope for Teradek's products to be sold through Vitec's global sales and distributor network.

We have continued to make progress in developing Videocom's MAG activities with its mission-critical visual communication and surveillance products for security and defence applications. The business has delivered a $5.8 million contract with the US Department of Justice in 2013. We have also been successful in providing high quality application-specific antennas on a significant number of programmes including certain space projects.

Our Imaging Division supplies premium ranges of tripods, heads, camera bags, and lighting supports and controls to professional, hobbyist and amateur photographers. In a challenging market, we have continued to serve the traditional photographic speciality stores and increased our penetration in consumer electronics stores and mass merchandising outlets. We have continued to grow our on-line sales to both the professional and consumer segments and maintained or increased our market shares.

We launched a number of innovative products for both professional and amateur users. We are pleased with the initial sales of a number of new tripod and bag ranges that were launched towards the end of 2013.

Our Services Division has improved its performance by focusing on providing premium services and managing its cost base. We will continue to drive the profitable growth of this business which performs more strongly in years of significant sporting events such as the Olympic Games in 2012.

2013 performance overview
Vitec has delivered an improvement in operating profit* and margins* during 2013 in challenging markets. We streamlined the business while continuing to bring innovative new products to market and maintaining or increasing our share in our key markets.

Revenue decreased by 8.7% to £315.4 million (2012: £345.3 million) reflecting the challenging market conditions and the absence of the London Olympics that contributed approximately £10 million of sales in 2012. Despite this decline in revenue, the continued focus on driving profitability has led to a £0.2 million increase in operating profit* to £39.5 million (2012: £39.3 million) and a 110bps improvement in operating margin* to 12.5%.

Within our Videocom Division, the Broadcast & Video businesses performed well, improving operating margins* despite lower volumes through pricing initiatives, tight cost management and the initial benefits of streamlining actions. The performance of this Division also included a strong initial performance from

* Before restructuring costs and 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.

the Teradek acquisition. Our MAG activities, which represent a relatively small part of this Division, made good progress including a $5.8 million contract with the US Department of Justice that was delivered in the year. The Imaging Division maintained a similar margin* percentage despite lower sales. Towards the end of the year, this Division launched a number of new products that are already performing well. The Services Division delivered an improvement in profit* and operating margin* during the year despite it being a non-Olympic year.

Operating expenses* were £8.8 million lower than in 2012 at £99.1 million. This reflects focused cost control and £4.4 million of initial benefit from restructuring activities. The total benefit from restructuring was £6.2 million during the year with £1.8 million of the savings included in gross margin.

Profit before tax* of £35.6 million was £0.6 million lower than the prior year following a full year of the higher interest charges from the renewal of credit facilities in mid-2012. Adjusted earnings per share* increased by 0.5% at 56.1 pence per share (2012: 55.8 pence per share). Group profit before tax of £20.4 million (2012: £16.1 million) was after £11.4 million of restructuring costs (2012: £nil) and £3.8 million charges associated with acquired businesses (2012: £13.7 million).

Free cash flow+ was strong and increased by £10.6 million to £21.4 million reflecting a continued focus on working capital management. 2013 free cash flow+ is reported after £7.9 million of cash outflows on restructuring activities. There was a total cash inflow of £2.0 million (2012: £15.1 million outflow) after outflows relating to acquisitions, purchases of shares to meet share plan commitments and dividend payments.

Streamlining of our UK and international operations
During 2013, we strengthened the Group by streamlining our UK and international operations and improving our business processes. These complex projects have been delivered on schedule and were substantially completed during the year. The main projects were consolidating activities in the UK, Israel and the US and the transfer of manufacturing from the UK to Costa Rica.

As a result of these activities in 2013, there was a one-off restructuring charge of £11.4 million (2012: £nil). There is a remaining expense of approximately £1.0 million to fund the completion of the projects in 2014 with the total restructuring expenditure expected to be in line with our previous guidance.

The benefit of these restructuring plans to our profitability in 2013 was £6.2 million. Cash outflows relating to restructuring were £7.9 million in the year, with a further outflow of approximately £4.0 million anticipated in 2014 to complete the streamlining activities.

Product development
We continue to invest in new products and enhancements to our existing product ranges and I am pleased with the new products that we have launched this year. The level of product development collaboration across our Divisions has also remained strong in 2013, including products such as the LED Spectra light. Further examples of our new products can be seen in the Divisional case studies on pages 25 to 28. We continue to invest around 4% of Group product sales into research and development.

Acquisitions and disposals
We acquired Teradek in the US in August 2013 for an initial consideration of $14.8 million (£9.5 million). The business has been integrated into our Videocom Division and is performing well. We have a strong background in identifying, reviewing and executing on acquisitions and will continue to evaluate opportunities as and when they appear.

Market overview
An overview of our three markets is provided on the following pages.

Approval of Strategic Report
We have provided information in this report on our strategy, business model and objectives which is contained in the Strategic Report. You will find the Strategic Report on pages 1 to 31 and its content has been approved by the Board.

Outlook
Our operational outlook for 2014 remains positive; expected benefits include: a full year impact from having streamlined our business; a full year's ownership of Teradek; and increased activity arising from the Winter Olympics and FIFA World Cup. Foreign exchange movements particularly from the US Dollar and Japanese Yen are expected to negatively impact our results. Although our markets remain challenging, we are well positioned to benefit from any upturn.

Stephen Bird
Group Chief Executive

25 February 2014

Market updates
Turn to page 12

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 Broadcast market comprises products and services used in the production of programmes for broadcasters and cinematographers, whether in studio or on location. Adjacent to this market is the professional video segment, which comprises products and services used in the production of video by non-broadcasters such as education and religious establishments, corporate entities and governmental bodies.

The products manufactured by Vitec are camera supports (pedestals, tripods and heads), robotic camera systems, bags, LED lighting, prompters, mobile power (batteries and chargers) and wireless video transmission systems (using microwave, wi-fi and cellular technology). 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 annually. This includes the traditional broadcast and film markets as well as the video production market.

Vitec has the premium position and largest market share, providing many of the leading products through our brands to the Broadcast & Video markets.

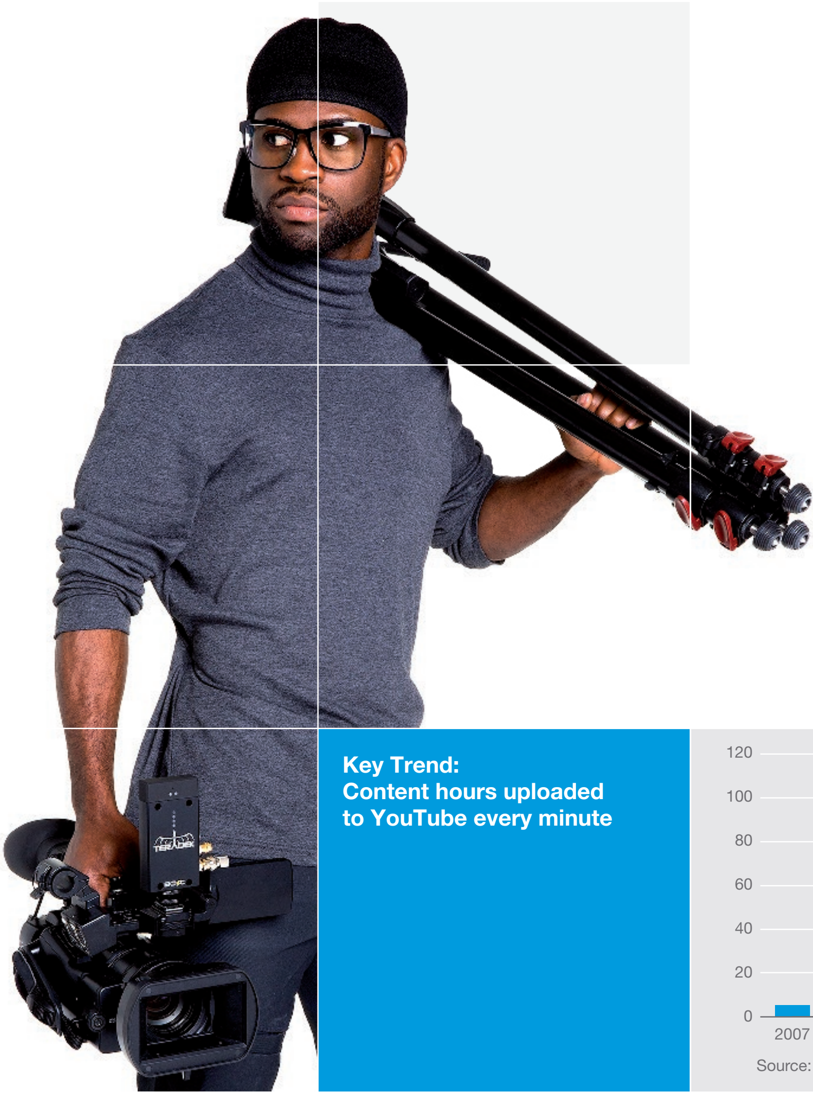
The growth drivers

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.

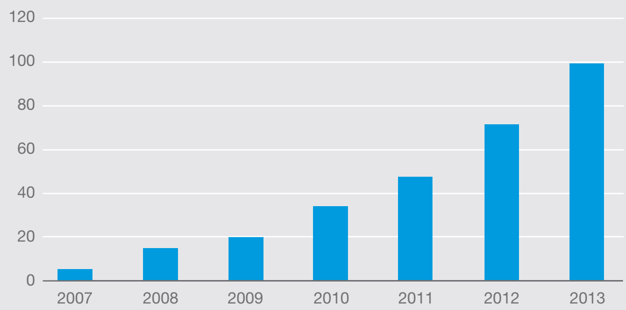
High definition transition and higher image quality
Television production is increasingly being shot in high definition which has resulted in studios being upgraded, camera replacement cycles shortening and increased demand for our products. The first wave of high definition is largely complete in certain 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 have performed well and have expanded with new operations globally. Likewise in emerging markets such as 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



Key Trend:
Content hours uploaded to YouTube every minute



Source: YouTube

Vitec market position

Camera 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 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.

Wireless systems
IMT is number two in the broadcast segment in the US for microwave systems. Teradek has the largest installed base of equipment in the US video segment for cellular and wi-fi systems.

Market update
Photographic

Vitec supplies this market with a variety of products for use alongside a photographic camera.

These comprise products manufactured or sourced by Vitec, such as camera supports (tripods and heads), bags, lighting supports, LED lights and lighting controls (for example, umbrellas and reflectors), and third party products distributed by Vitec such as flashes. The majority of our products are designed for use with an inter-changeable lens camera (ILC) such as a single lens reflex (SLR) camera.

We estimate that the photographic market for product categories supplied or distributed by Vitec is worth around £800 million annually. Approximately half of this market is professional photographers and the remainder is consumers who have a keen interest in photography or who simply want to record and share images. Photography continues to attract new consumers as the number and type of image-taking devices increases and the distribution of images via social media continues to grow in popularity.

The growth drivers

Sales of cameras with inter-changeable lenses (ILCs)
After several years of rapid growth, ILC unit sales in 2013 were 15% lower than in 2012 according to the Camera & Imaging Products Association (CIPA) although there were major regional variations. The installed base of ILCs continues to grow globally and CIPA expects shipments of ILCs to be broadly stable in 2014.

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 emerging market countries has contributed significantly to this new population of photographers. As these new entrants become more interested in photography, they migrate to ILCs and become more likely to acquire our products for use with that ILC.

New distribution channels
The emergence of new distribution channels for photographic products, such as on-line and in consumer electronics stores, has helped stimulate demand from new customers. The growth of sales through on-line channels is continuing.

Vitec market position

Supports
With high quality and innovative products sold under the Manfrotto, Gitzo and Avenger 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.

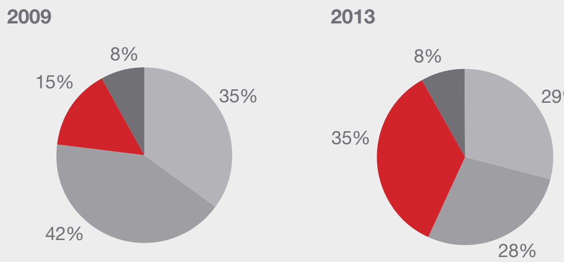
Bags
Sold under the Manfrotto, Kata and, under licence, the National Geographic brands, we have a small share in this large product category. We have grown market share and believe that it provides opportunities for further growth.

Lighting
In lighting supports, primarily used in the professional sector, Manfrotto is the market leader by value. In lighting controls, we are the market leader in EMEA with the Lastolite brand and are 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.

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

Key Trend:
Shift in sales channels with online now the primary distribution channel

Internet | Consumer eletronics | Speciality dealers | Others



Source: Management estimates based on GfK market data.

Market update

Military, Aerospace and Government

Vitec manufactures and supplies the MAG market with microwave transmitters, receivers and antennas to:

- 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 this market to be worth around £400 million annually. Our MAG sales are primarily dependent on the level and timing of investment by the US Government and key US Government agencies. There continues to be investment in the market that we serve but the timing of these investments is uncertain.

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

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.

Vitec market position

Microwave transmitters and receivers for video applications
Vitec's IMT business is the number two player globally in the MAG market for microwave transmitters and receivers for video applications (excluding the in-house operations of prime defence contractors). IMT is the market leader in the US three letter agency segment.

Antennas for airborne applications
Vitec's Haigh-Farr business is the number two player globally in the MAG market for conformal antennas for airborne applications (excluding the in-house operations of prime defence contractors). Haigh-Farr is also joint number two in conformal antennas for space vehicles.

Chosen markets
www.vitecgroup.com/chosen_markets

Our world class brands

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. These products have enabled some of the most amazing moments to be captured under some of the most challenging conditions.

Videocom Division

Broadcast & Video

ANTON BAUER

autoscript a clearer picture

CAMERA CORPS

Litepanels

MICROWAVE SERVICE COMPANY

Nucomm

oconnor

PETROL BAGS

RF CENTRAL

sachtler

TERADEK

tcs equipment hire

Vinten

Vinten RADAMEC BROADCAST ROBOTICS

MAG

HAIGH-FARR

IMT INTEGRATED MICROWAVE TECHNOLOGIES

Imaging Division

AVENGER

Colorama

GITZO

Lastolite Professional

Manfrotto Imagine More

NATIONAL GEOGRAPHIC *

* National Geographic bags are manufactured and distributed under licence.

Services Division

bexel

World class brands
www.vitecgroup.com/products

Financial Review
Group Finance Director Paul Hayes reviews performance

Vitec has performed well in challenging markets and further improved its margins. We have generated strong free cash flow and have successfully streamlined the business.

Financial Review
www.vitecgroup.com/financial_review

Revenue
£315.4m
Down 8.7%

Operating profit*
£39.5m
Up 0.5%

Adjusted basic earnings per share*
56.1p
Up 0.5%

Revenue
The Group's revenue for 2013 at £315.4 million was 8.7% lower than the prior year (2012: £345.3 million). Revenue included a £5.3 million contribution from acquisitions offset by £8.2 million lower revenue due to the disposal of the non-core Staging business in 2012 and approximately £10 million sales due to the non-repeat of the London 2012 Olympics. On an organic basis, after excluding the effect of £4.1 million of favourable movements in exchange rates, revenue fell by £31.1 million or 9.2%.

Operating profit
Operating profit* was £0.2 million higher than prior year at £39.5 million, despite the lower sales activity. On an organic basis, operating profit* decreased by £1.7 million after excluding £0.8 million of contributions from acquisitions, a £0.6 million operating loss at the Staging businesses in 2012, and £0.5 million of favourable exchange rate movements, after hedging.

Operating profit* increased despite the lower revenue as we have focused on improving margins in the more challenging macroeconomic environment. This included £3.1 million of benefits from pricing over commodity cost increases (2012: £1.6 million), £6.2 million savings from restructuring activities, and a further £5.3 million reduction in operating expenses during the year. As a result the operating margin* increased by 110 bps to 12.5%.

We maintained our investment in product development and innovation at 4% of Group product sales (2012: 4%). Research, development and engineering expenditure on a like-for-like basis was £11.1 million (2012: £10.8 million) after adjusting for capitalised expenditure of £2.4 million (2012: £0.3 million) and £0.7 million of amortisation (2012: £0.6 million).

Management's estimate of the main drivers that reconcile the 2013 to the 2012 operating profit* are summarised in the following table:

Operating profit* bridge
2012-13 Variance Analysis (£ million)

2012 Operating profit*		39.3
Gross margin effects:		
- Volume, mix and efficiency	(16.3)	
- Sales price less cost inflation	3.1	
Restructuring savings	6.2	
Underlying operating expenses	5.3	
		(1.7)
Acquisitions	0.8	
Disposals	0.6	
		1.4
Foreign exchange effects:		
- Translation	0.7	
- Transaction after hedging	(0.2)	
		0.5
2013 Operating profit*		**39.5**

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

Net financial expense

Net financial expense totalled £3.9 million (2012: £3.1 million). Interest payable was £3.6 million (2012: £3.2 million) and was covered 15 times (2012: 17 times) by earnings before interest, tax, depreciation and amortisation. Vitec has a $50 million private placement facility. A new five year £100 million multi-currency revolving credit facility was arranged in July 2012. The higher finance costs predominantly reflect a full year of the higher interest charges on the new facility.

Profit before tax

Profit before tax* decreased by £0.6 million to £35.6 million (2012: £36.2 million). The reported profit before tax after restructuring costs, charges associated with acquired businesses and disposal of business increased by 26.7% to £20.4 million (2012: £16.1 million).

Taxation

The effective taxation rate on operating profit* after net finance expense has decreased to 31% (2012: 33%) reflecting the mix of territories in which the profits arose. 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

Earnings per share before restructuring costs, charges associated with acquired businesses and disposal of a business was 56.1 pence per share (2012: 55.8 pence per share) representing growth of 0.5%. This reflects the growth in operating profit* partly offset by a higher net finance expense and a higher weighted average number of shares. The basic reported earnings per share was 31.9 pence per share (2012: 13.6 pence per share).

Acquisitions and disposals

In August 2013, Vitec acquired Teradek in the US for an initial consideration of $14.8 million (£9.5 million) after a $0.2 million credit relating to post-completion adjustments for changes in working capital. This comprised net cash consideration of $11.3 million (£7.3 million), the issue of $2.0 million (£1.3 million) of new Vitec ordinary shares to be held in escrow for two years post-completion, and $1.5 million (£0.9 million) to be paid to certain key employees in cash over a two year period after completion.

$3.2 million (£2.1 million) of deferred consideration is to be paid in 2014 in relation to the results of Teradek for the year ended 31 December 2013. Up to a further $11.0 million (£7.0 million) is payable contingent upon the achievement against stretching annual EBIT targets for the years ending 31 December 2014 and 2015.

The acquisition strengthens Vitec's product offering particularly to the growing number of independent videographers and business users, and will complement our existing video activities including our range of broadcast microwave systems. Teradek operates as an autonomous business unit within the Videocom Division.

During the second half of 2012 Vitec sold its Staging business which had previously been included in the Imaging Division.

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 and are in line with our strategic objectives:

KPI Measure	2013	2012	Definition/Calculation
Delivering value to shareholders			
Basic earnings per share*	**56.1p**	55.8p	Profit for the financial year after tax, before restructuring costs, 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*	**12.5%**	11.4%	Operating profit for the financial year before restructuring costs and charges associated with acquired businesses, divided by revenue for the financial year.
Free cash flow	**£21.4m**	£10.8m	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	**16.5%**	20.0%	Working capital at the end of the financial year divided by annualised Q4 revenue. Working capital at the end of the financial year comprises net inventories, trade and other receivables and trade and other payables.
Inventory days	**106 days**	113 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	**39 days**	43 days	Trade receivables, net of impairment provisions, at the end of the financial year divided by Q4 revenue times number of days in Q4.
Trade payable days	**49 days**	42 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	**(9.2)%**	(1.2)%	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)%**	4.2%	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%.

Financial Review continued

Restructuring costs

In 2013 there was a restructuring charge of £11.4 million (2012: £nil) relating to activities to streamline our operations and improve our processes. Restructuring charges include redundancy payments, closure costs, transfer of manufacturing and project management costs together with specific stock write offs. Of the total charge, £4.5 million is included in cost of sales with the balance of £6.9 million charged within operating expenses. These projects have been delivered on schedule and were substantially completed during the year. The main projects have included the consolidation of activities in the UK, Israel and the US and the transfer of manufacturing from the UK to Costa Rica.

The benefit of these restructuring plans to our profitability in 2013 was £6.2 million which was at the top end of our expectations as outlined in the November 2013 Interim Management Statement. Cash outflows relating to restructuring were £7.9 million in the year.

Charges associated with acquired businesses

The 2013 charges relate to the Group's acquisition activities and amortisation of previously acquired intangibles. In 2012 there was also a one off non-cash impairment charge relating to goodwill.

The amortisation of acquired intangibles of £2.6 million (2012: £3.6 million) related to: Manfrotto Lighting (formerly Lastolite) acquired in March 2011; Haigh-Farr acquired in December 2011; Camera Corps acquired in April 2012; and Teradek acquired in August 2013.

Transaction costs of £0.4 million were incurred in relation to the acquisition of Teradek (2012: £0.3 million in relation to the acquisition of Camera Corps).

Contingent consideration of £0.8 million was accrued during the year to be paid to the previous owners of Haigh-Farr in relation to their 2013 performance targets (2012: £1.2 million).

Cash flow and net debt

Cash generated from operating activities was strong at £52.4 million (2012: £38.4 million) with the Group maintaining a 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.

The working capital to sales metric has decreased to 16.5% (31 December 2012: 20.0%) and overall working capital decreased by £8.6 million (2012: £14.9 million increase).

Trade receivables days decreased to 39 days (2012: 43 days), reflecting strong cash collection. Trade and other receivables decreased by £1.8 million accordingly (2012: £4.4 million increase) and the ageing remained good and well controlled.

Inventory levels decreased by £4.9 million (2012: £1.3 million decrease) to £55.3 million at the year-end, reflecting management focus throughout the year in this area. Inventory days decreased to 106 (2012: 113 days).

Trade payable days increased to 49 days (2012: 42 days) and there was a £3.1 million overall increase in trade and other payables against a relatively low balance at the end of 2012 (2012: £11.8 million decrease).

Capital expenditure, including capitalised software and development costs, totalled £22.7 million (2012: £15.5 million), of which £11.8 million (2012: £7.7 million) related to rental assets including £3.8 million relating to the 2014 Winter Olympics. This was partly financed by the proceeds from rental asset disposals of £3.5 million (2012: £1.6 million). Overall capital expenditure was equivalent to 1.6 times depreciation (2012: 1.1 times) and included investments in manufacturing processes and production tooling.

Net tax paid in 2013 of £8.5 million was lower than in 2012 of £10.8 million mainly due to lower payments in Germany and the UK partially offset by higher payments in Italy.

As a result, free cash inflow+ increased by £10.6 million to £21.4 million (2012: £10.8 million).

Free cash flow+

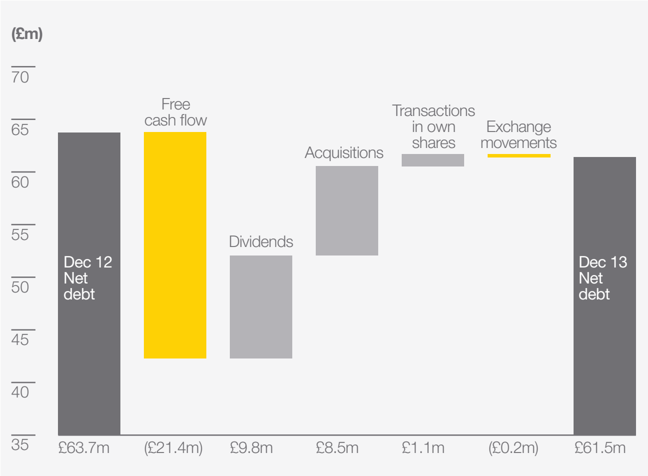
	Year ended 2013 £m	Year ended 2012 £m
Operating profit*	39.5	39.3
Depreciation(1)	14.3	14.2
Changes in working capital	8.6	(14.9)
Restructuring costs (2013 plans)	(7.9)	-
Other adjustments(2)	(2.1)	(0.2)
Cash generated from operating activities	**52.4**	**38.4**
Purchase of property, plant and equipment	(19.3)	(14.2)
Capitalisation of software and development costs	(3.4)	(1.3)
Proceeds from sale of property, plant and equipment, and software	3.8	1.8
Interest paid	(3.6)	(3.1)
Tax paid	(8.5)	(10.8)
Free cash flow+	**21.4**	**10.8**

+ 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.

Net debt



There was a £8.5 million net cash outflow relating to acquisitions and disposals during the year (2012: £10.6 million). In 2012 there was also a cash outflow of £2.1 million relating to the disposal of the Staging business. Dividends paid to shareholders totalled £9.8 million (2012: £9.1 million) and there was a net cash outflow in respect of shares purchased and issued of £1.1 million (2012: £4.1 million). The net cash inflow for the Group was £2.0 million (2012: £15.1 million outflow) which, after £0.2 million favourable exchange (2011: £1.8 million favourable), decreased the net debt to £61.5 million (2012: £63.7 million).

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 portion of its forecast future foreign currency transactions to reduce the volatility from changes in exchange rates. Our main exposure relates to the US Dollar and the table below summarises the contracts held as at 31 December 2013.

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.

Currency hedging

	December 2013	Average rate of contracts	December 2012	Average rate of contracts
US Dollars sold for Euros				
Forward contracts	**$56.2m**	**1.32**	$61.2m	1.29
US Dollars sold for Sterling				
Forward contracts	**$13.5m**	**1.56**	$17.3m	1.57

Financing activities

The Group's principal financing facility is a £100 million five year multi-currency revolving credit facility involving five relationship banks, expiring on 19 July 2017. At 31 December 2013, £44.2 million (2012: £42.2 million) of the facility was utilised.

The Group has a $50 million (£30.2 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 a total of £130.2 million of committed facilities at the year end with drawings of £74.4 million (31 December 2012: £73.0 million).

The average cost of borrowing for the year which includes interest payable, commitment fees and amortisation of set-up charges was 4.4% (2012: 4.0%) reflecting a net interest cost of £3.6 million (2012: £3.2 million).

The Board has maintained an appropriate capital structure without exposing the Group to unnecessary levels of risk and Vitec has operated comfortably within its loan covenants during 2013.

Foreign exchange

2013 operating profit* included a £0.5 million net favourable foreign exchange effect after hedging, mainly due to more favourable £/$ and £/€ rates when compared to 2012.

Dividend

The Directors have recommended a final dividend of 14.1 pence per share amounting to £6.2 million (2012: 13.5 pence per share, amounting to £5.9 million). The dividend, subject to shareholder approval at the AGM, will be paid on Friday, 9 May 2014 to shareholders on the register at the close of business on Friday, 11 April 2014. This will bring the total dividend for the year to 23.0 pence per share (up 4.5%).

Paul Hayes
Group Finance Director

25 February 2014

Financial Review continued

Principal risks and uncertainties

Vitec is exposed to a number of risk factors which may affect its performance. The Group has a well-established framework for reviewing and assessing these risks on a regular basis, and has put in place appropriate processes and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate all risks. The Board has determined that the following are the principal risks facing the Group:

Change in risk profile during 2013

- Increased risk
- Constant risk
- Decreased risk

Specific Risk	Mitigation
Demand for Vitec's products (Increased risk) As experienced during the year in our Imaging Division, demand for our products may be adversely affected by many factors. These include changes in customer and consumer preferences and our ability to deliver appropriate products or to support changes in technology. During the year we have continued to invest in new product development and launched a number of new products particularly in the second half of the year. Demand may be impacted by competitor activity and demand in our target markets particularly in the current challenging market environment.	We value our relationships with our customers and closely monitor our target markets and user requirements. We maintain good relationships with all our key customers and make appropriate investments in product development and marketing activities to ensure that we remain competitive in each market. In support of our new product launches, we have completed consumer research before developing new products to ensure that they are appropriately designed for our target markets.
Major contract awards (Constant risk) 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 MAG business has benefitted from the award of some significant contracts from the US Government during the year but 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 (Increased risk) 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. During the year we have seen a continuation of the trend of sales increasingly being made on-line rather than through stores.	We have a thorough process for assessing and planning the entry into new markets and related opportunities. This includes marketing and advertising strategies for our products and services. 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.
Restructuring activities (Decreased risk) During 2013 we have restructured our business activities to streamline our business and reduce our cost base. This includes streamlining operations by downsizing selected activities in Europe, Israel and the US and expanding manufacturing capabilities in Costa Rica to further shift to lower cost manufacturing. These activities have progressed well and will better position the Group for the future. Our operating performance and cash flow has reflected the effective delivery of these restructuring projects.	Although many of these projects have been completed, some will be finalised in 2014. We have and continue to manage these projects by using experienced project management teams with clearly defined project plans supported by regular reporting of key tasks, financial performance and other metrics. We are separately tracking the costs and benefits of these projects to ensure that we can compare their actual performance against our expectations while monitoring the underlying results of the business. We are implementing these changes professionally including consulting with our employees during this period of change.
Acquisitions and disposals (Constant risk) 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. During the year we acquired Teradek which is being integrated into the Group and is performing strongly.	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. Over the past three years the Group has made four acquisitions and completed the disposal of a non-core business.

Specific Risk	Mitigation
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 product 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.
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. As in previous years, Vitec has no customer that accounts for more than 10% of sales.	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 1,800 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. The restructuring of our business has impacted many of our employees and their motivation and commitment has been important in delivering these projects as well as the underlying performance of the business.	We recognise that it is important to motivate and retain capable people across our businesses to ensure that we are not exposed to risk of unplanned staff turnover. We fairly reward our employees and have appropriate staff recruitment, appraisal, talent management and succession planning strategies to ensure we recruit and retain good quality people across the business. We take our employees' health and safety very seriously and have appropriate processes in place to allow us to monitor and address any issues appropriately.
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.
Reputation of Vitec Group 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 have many premium brands within our niche markets as well as the reputation of the Group.	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 which was recommunicated to all employees in 2013.
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 have also seen a significant weakening of the Japanese Yen that will have a detrimental impact on our future reported performance.	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 specialises in the supply of high-quality broadcast 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 business and industry or "pro-video" users including corporate, educational and religious entities. Videocom also supplies mission-critical wireless communication products to the MAG market. Videocom is well positioned due to its broad geographical reach and premium products. The acquisition of Teradek has strengthened its product offering particularly to the growing number of independent videographers and business users, and will complement our existing activities.

Operations

Videocom's revenue for 2013 was £143.1 million, a decrease of 2.1% on 2012 reflecting market conditions and the absence of the London Olympics. Despite this decline in sales, our operating profit* increased by 13.3% to £17.9 million and operating margin* improved by 170 bps as a result of the streamlining of the business and cost control measures. The restructuring within the Division is substantially complete, including the relocation of certain manufacturing activities to Costa Rica and the streamlining of our US Broadcast and MAG activities. We have simplified and improved our systems and processes within the Division reducing our costs while improving our customer service.

Camera supports sales increased with continuing strong demand particularly for our premium robotics products. Litepanels' LED lighting products benefitted from growth in the EMEA and Asian markets. We are in the process of broadening this product range to maintain our leading position in the market. Our Anton/Bauer mobile power products experienced a challenging video market while making progress in supplying batteries and chargers to medical carts in hospitals.

Camera Corps traded in line with expectations, with a lower level of sales activity reflecting the lack of significant sporting events during the year. This is in comparison to 2012 where the business benefitted from the London Olympics and the UEFA European football championships.

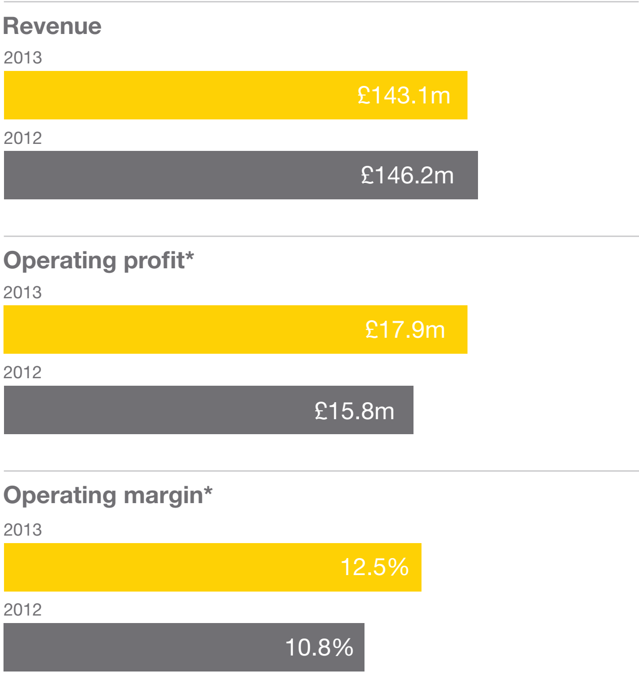
The recently acquired Teradek business performed well, delivering a strong post-acquisition performance.

The Division's MAG sales included $5.8 million of transmitters and receivers to the US Department of Justice. We continue to bid for a number of significant opportunities, though the timing of major awards from US Government agencies remains difficult to predict.

Revenue £143.1m — Down 2.1%

Operating profit* £17.9m — Up 13.3%

Operating margin* 12.5% — Up 170 bps



Our brands

Supports
OConnor
Sachtler
Vinten

Bags
Petrol

Robotic Camera Systems
Camera Corps
Vinten Radamec

Equipment Rentals UK
The Camera Store

Lighting
Litepanels

Wireless Systems
Haigh-Farr
IMT
Microwave Service Company
Nucomm
RF Central
Teradek

Mobile Power
Anton/Bauer

Prompters
Autoscript

* Before restructuring costs and charges associated with acquired businesses.

Vitec in action

Vitec acquires Teradek

The acquisition of Teradek in August 2013 reflects the Group's strategy of expanding into the fast growing pro-video segment through innovative technology products that appeal to the next generation of on-line content creators. Teradek supports a range of broadcasters, businesses and web channels and has recently launched the Bolt Pro 2000 to complement its existing offerings, which enables low latency wireless transmission of images over longer distances. Teradek operates within the Videocom Division, and its products and technologies will be sold through Vitec's entire global sales distribution network.

Litepanels expands Fresnel series

Litepanels broadened its range of professional fixtures with the addition of the award winning Sola 12 and Inca 12 LED Fresnel lights. The Sola 12 and Inca 12 are Litepanels' most powerful LED Fresnels yet and produce full spectrum light appropriate for broadcast and cinema production. These products are ideally suited to replace older studio lighting fixtures by offering the break-through benefits associated with Litepanels' products, including efficient power usage, low heat emission, flicker free performance and a long life.

Consolidation of production in Costa Rica

Our streamlining activities included the transfer of certain of our production lines from the UK to the newly expanded plant in Costa Rica. The transfer has boosted Videocom's capacity in the Americas region where we have a skilled workforce utilising state-of-the-art facilities and high precision machinery. The transfer of manufacturing to Costa Rica is progressing well and is on schedule. It is an important part of our global operations strategy to continuously improve our manufacturing footprint worldwide.

"Going Big" and streamlining our operations

"Going Big" is an international initiative, which was launched at the start of 2013 to enhance our customers' experience of buying products from Videocom and to enhance management and distribution collaboration across all our brands. Improved systems were implemented across Videocom's global businesses resulting in simplified supply chains, unified goods distribution, and improved internal systems and procedures. Further efficiencies were realised through the consolidation of our sales, marketing, global technical support and executive leadership teams. The project has benefitted both our customers and employees with Videocom acting as a collaborative organisation, sharing one vision and one distinct set of values, while retaining our entrepreneurial brand focus.

Imaging Division

The 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, camera bags, lighting supports, LED lights and lighting accessories. We also supply a range of tripods, bags, lighting and other photographic products to the consumer segment.

Operations
Revenue decreased by £16.7 million to £141.2 million reflecting the continuation of the more challenging photographic market from the second half of 2012. Independent market research data shows that we at least maintained or grew our market shares over the period.

Total operating profit* fell by 12.2% to £20.1 million, yet operating margin* was maintained at a similar level to 2012 as a result of price initiatives, restructuring activities and a strong control over the cost base. The restructuring activities included the streamlining of our operations in Israel, the UK and other European activities, which are all substantially complete.

We continue to develop new products for our professional and hobbyist customers including upgraded versions of popular tripod ranges, such as the Manfrotto 190 series, that now have further new exclusive and stylish features. The BeFree, a compact lightweight support for travel photography, has also been well-received by the market.

Our sales into the consumer market continue to grow and are supported by the introduction of a number of new products including the PIXI mini-tripod and an iPhone 5 version of the KLYP that were launched into consumer retail channels.

We saw growth in our Manfrotto branded range of camera bags. We have launched new ranges during the year including a collection aimed at the professional user with a premium shock-absorbing camera system. The market for camera bags has decreased during the year. Although our overall sales of bags has declined, we have grown our relatively small share of this large market.

Revenue
£141.2m
Down 10.6%

Operating profit*
£20.1m
Down 12.2%

Operating margin*
14.2%
Down 30 bps

Revenue

Operating profit*

Operating margin*

Our brands

Supports
Avenger
Gitzo
Manfrotto

Bags
Manfrotto
National Geographic***

Lighting
Colorama
Lastolite
Manfrotto

* Before restructuring costs and charges associated with acquired businesses.

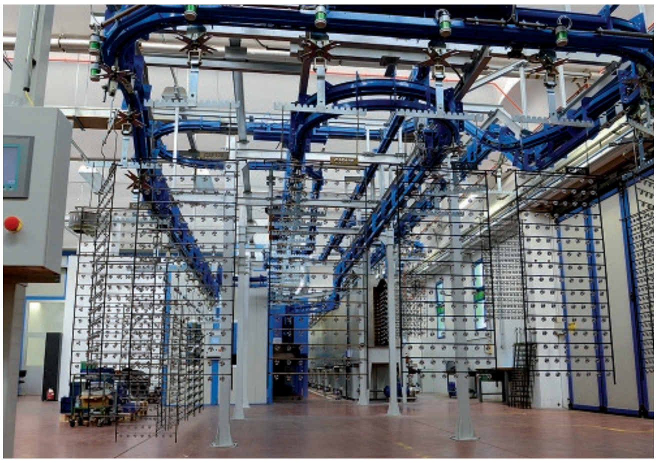
** Excluding the Staging business that was disposed in 2012.

*** Manufactured and distributed under licence.

Vitec in action

Manfrotto's new 190 tripod series: setting the industry benchmark of the future

The 190 series is our most popular tripod range and in October 2013 Manfrotto launched a brand new edition. The new 190 series has a number of new exclusive and stylish features such as a quick power lock system for fast, complete extension of the legs, and operation of all locks with one single hand movement. An easy link attachment was added to expand the tripod's capabilities by allowing a LED light, reflector or other accessories to be attached. Despite these additions, the new edition is more compact than earlier versions. The new 190 has been nominated Best Accessory of the year by the prestigious Amateur Photographer Magazine.



New production processes

We have improved our manufacturing operations in our Feltre, Italy site, with the inclusion of robotic machinery and demand planning solutions to enhance production and sourcing processes. A state-of-the-art painting facility became operational in 2013 to insource a critical step of the tripod manufacturing process that had previously been outsourced. The new facility provides opportunities for product customisation while reducing lead time and inventories.

Spectra - new professional LED lights

Further developments in lighting products led to the design of a new portable lighting system: Spectra LED. The lights are lightweight, compact and portable and can be used not only on cameras, but also in combination with many other supports such as stands, booms, clamps and arms. Spectra LEDs excel in colour fidelity, reliability and lasting power and are marketed for use both in studio or on location, for both photographers and videographers. The Spectra was developed in conjunction with our Litepanels business, emphasising our cross-divisional product development.

Increased bag range for advanced and professional users

Two new bag collections were launched in 2013 aimed at professional and more adventurous photographers. The two new lines feature superior internal protection, called the Camera Protection System or CPS. CPS comprises dividers made from 3D foam specially structured to dampen and absorb any impacts, offering more protection at the heart of the bag. The Manfrotto Professional Backpack 50 won the prestigious Red Dot Award in 2013 in the Product Design category, an internationally recognised mark of quality and innovation.

Vitec in action
www.vitecgroup.com/vitec_in_action

Services Division

Our Services Division provides broadcast equipment rental and technical support to television production teams and film crews. It provides a complete one-stop solution for producers globally, enabling customers to deliver the most demanding projects. It also enables Vitec to closely monitor changes in technology and to showcase our products. The Division has a strategy to focus on events where higher levels of service are most needed.

Revenue
£31.1m
Down 5.8%

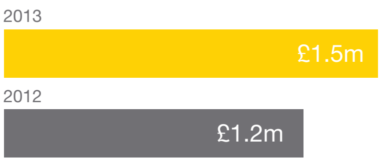
Operating profit*
£1.5m
Up 25.0%

Operating margin*
4.8%
Up 120 bps

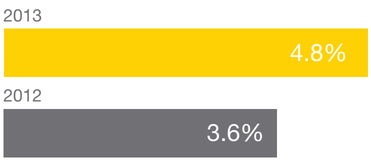
Revenue for 2013 decreased by 5.8% to £31.1 million compared with 2012 which benefitted from contracts to supply the London Olympics and the US Presidential election. The underlying business performed well as we continue to focus on providing premium solutions to broadcasters while streamlining the business. Despite the sales decline the operating profit* increased by 25.0% to £1.5 million with operating margin* 120 bps higher including the benefits of disposing of surplus assets and streamlining its operations.

Revenue

Operating profit*



Operating margin*



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 supports broadcasters at US Open Tennis
Bexel continued to support CBS and ESPN with their coverage of the US Open Tennis Championships, the final tennis major of the Grand Slam. 2013 marked Bexel's fifteenth year supporting CBS and fifth backing ESPN at this event. Bexel provided full high definition control rooms supplying international feeds, along with twelve engineers and staff on site at the US Tennis Association Billie Jean King National Tennis Center, New York. Additional technical services were provided for the first time in 2013 to assist ESPN in Brazil and Argentina.

In the ring in Macau, China
Bexel recently designed a broadcast system for HBO's biggest ever pay-per-view boxing event in Macau, China, dubbed "The Clash in Cotai". HBO needed a complete solution which could overcome the complicated broadcast logistics in Macau. Bexel's Hercules Flypack provided this solution with a lightweight portable system with state-of-the-art high definition technology which could be customised specifically for HBO's requirements. Quick to assemble and compact to transport, the Hercules design brought first-class production facilities to the remote and space-constrained location.

Vitec in action
www.vitecgroup.com/vitec_in_action

* Before restructuring costs and charges associated with acquired businesses.

Operations Executive

The Operations Executive is responsible for leading the organisation. Together the team develops strategy, implements our business plans and ensures we run the Group effectively. It meets 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 53, 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 47, appointed to the Board on 13 June 2011. Previously he was Group Financial Controller at Signet Jewelers Limited between 2007 and 2011. Prior to that, he held a senior role at RHM plc from 2004 to 2007, through its flotation in 2005 and subsequent sale to Premier Foods plc. Paul was with Smiths Group plc for over ten years from 1993, including a number of divisional and operating company finance director roles. He is a Chartered Accountant having qualified with EY, and has a first class Masters degree in Mechanical Engineering.

Martin Green
Group Development and HR Director

Group Development and HR Director, British, aged 45, appointed June 2005. His responsibilities include strategy and M&A, and were expanded in 2012 to include human resources and internal communications. Previously he held corporate development positions at Bunzl plc, at a broadcast equipment rental business and worked in investment banking at N M Rothschild. He trained and qualified as a solicitor with Linklaters & Alliance in the UK and is a Certified Accountant.

Jon Bolton
Group Company Secretary

Group Company Secretary, British, aged 47, 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. He holds a 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 44, 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, US and France. He holds a 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 54, 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). He has 32 years of leadership experience encompassing R&D, product engineering, manufacturing, domestic and international business development and overall general management. He holds the following academic degrees: BEE (Stevens Institute of Technology), MEE and DEE (University of Utah) and MBA (University of Rochester).

Board of Directors




	John McDonough CBE, BSc (Eng)	**Stephen Bird** MA	**Paul Hayes** MEng & Man, ACA	**Carolyn Fairbairn** BA, MA, MBA
Role	Chairman	Group Chief Executive	Group Finance Director	Independent Non-Executive Director
Appointed	15 March 2012 (Chairman from 1 June 2012)	14 April 2009	13 June 2011	1 February 2012
Nationality	British	British	British	British
Age	62	53	47	53
Committee membership	Nominations (Chairman)	Nominations	-	Audit Nominations Remuneration (Chairman)
Skills & experience	John is also Chairman of Vesuvius plc. He 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 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 was previously Group Financial Controller at Signet Jewelers Limited between 2007 and 2011. Prior to that, he held a senior role at RHM plc from 2004 to 2007, through its flotation in 2005 and subsequent sale to Premier Foods plc. Paul was with Smiths Group plc for over ten years from 1993, including a number of divisional and operating company finance director roles. He is a Chartered Accountant having qualified with Ernst & Young, and has a first class Masters degree in Mechanical Engineering.	Carolyn is currently a non-executive director of Lloyds Banking Group plc and the UK Statistics Authority, and became a non-executive director of the Competition and Markets Authority on its formation in October 2013. She was previously a non-executive director of the Financial Services Authority, Director of Group Development and Strategy at ITV plc, and 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.

Christopher Humphrey
BA, MBA, FCMA

Role
Independent Non-Executive Director

Appointed
1 December 2013

Nationality
British

Age
56

Committee membership
Audit
Nominations
Remuneration

Skills & experience
Christopher is currently Group Chief Executive Officer of Anite plc, holding that position since 2008. Previously he was their Group Finance Director between 2003 and 2008. He has held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. He was previously a non-executive director of Alterian plc between 2011 and 2012. He is a Fellow of CIMA.

Nigel Moore
FCA

Role
Independent Non-Executive Director;
Senior Independent Director

Appointed
1 March 2004

Nationality
British

Age
69

Committee membership
Audit (Chairman)
Nominations
Remuneration

Skills & experience
Nigel 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 EY, where he was engagement partner for a number of significant client companies with specific responsibilities for their audits.

Lorraine Rienecker
BEng, MBA

Role
Independent Non-Executive Director

Appointed
1 December 2013

Nationality
British

Age
50

Committee membership
Audit
Nominations
Remuneration

Skills & experience
Lorraine is currently Executive Vice President, Strategy, Sales & Marketing at Meggitt plc, holding that position since 2005. Previously she was Director of Strategy & Planning at BAE Systems and Marconi Electronic Systems (GEC) between 1998 and 2002 and has held several other senior roles at Booz Allen & Hamilton and Bombardier.

Mark Rollins
BEng, ACA

Role
Independent Non-Executive Director

Appointed
2 October 2013

Nationality
British

Age
51

Committee membership
Audit
Nominations
Remuneration

Skills & experience
Mark is currently Chief Executive of Senior plc, being appointed to that position in March 2008. He joined Senior plc in 1998 from Morgan Crucible plc, and became Group Finance Director in 2000. He was formerly a Non-Executive Director of WSP Group from 2006 to 2012. He is a Chartered Accountant and holds a first class degree in Engineering.

Directors' Report

Directors

The Directors who held office at 31 December 2013 and up to the date of this report are set out on pages 30 and 31 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
Maria Richter	Resigned on 15 May 2013	Independent Non-Executive Director
John Hughes	Resigned on 30 June 2013	Independent Non-Executive Director
Mark Rollins	Appointed on 2 October 2013	Independent Non-Executive Director
Simon Beresford-Wylie	Resigned on 1 December 2013	Independent Non-Executive Director and Chairman of the Remuneration Committee
Christopher Humphrey	Appointed on 1 December 2013	Independent Non-Executive Director
Lorraine Rienecker	Appointed on 1 December 2013	Independent Non-Executive Director

All current Directors will be standing for re-appointment at the forthcoming Annual General Meeting to be held on Thursday, 8 May 2014. The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 34 to 53.

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 2013. An analysis of shareholdings is shown on page 132. The closing middle market price of a share of the Company on 31 December 2013, together with the range during the year, is also shown on page 132. For details of own shares held by the Company see note 4.3 to the consolidated financial statements.

Substantial shareholdings

As at 25 February 2014, 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	% of voting rights
Delta Lloyd NV	6,630,137	15.05
Manfrotto	4,788,702	10.87
Harris Associates	3,597,159	8.16
Cazenove Capital Management	2,981,873	6.77
Aberforth Partners	2,742,678	6.22
Schroder Investment Management	2,244,033	5.09
Standard Life Investments	2,156,538	4.89
Heronbridge Investment Management	2,046,893	4.65
Nmás1	1,726,885	3.92
Royal London Asset Management	1,765,105	4.01
M&G Investment Management	1,473,083	3.34

Committees of the Board

The Board has established Audit, Nominations and Remuneration Committees. Details of these Committees, including membership and their activities during 2013 are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report.

Corporate responsibility

The Group's report on corporate responsibility is set out on pages 54 to 61. 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, 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 62 to 77 and forms part of this Directors' Report.

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 114, 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 above;
- 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 Group 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.

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.

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 Strategic Report, 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.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides all the information necessary for shareholders to assess the Company's performance, business model and strategy.

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 (AGM)
The 2014 AGM will be held at 2.30pm on Thursday, 8 May 2014 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 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 Asset Services. The facility includes CREST voting for members holding their shares in uncertificated form. For further information, please refer to the section on on-line services and electronic voting set out in the notes to the Notice of Meeting.

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
Our Auditor, KPMG Audit Plc, has instigated an orderly wind down of its business. KPMG Audit Plc will therefore not be seeking re-appointment as auditor of the Company at the forthcoming AGM. A statement of the circumstances connected with its decision not to seek re-appointment accompanies this Annual Report and can be found on our website. The Board has recommended the appointment of KPMG LLP, an intermediary parent of KPMG Audit Plc as auditor and a resolution concerning its appointment shall be put to the forthcoming AGM. A separate resolution will also be put to the AGM authorising the Board to agree its remuneration.

By order of the Board

Jon Bolton
Group Company Secretary

25 February 2014

Remuneration Report

Remuneration Report on-line
www.vitecgroup.com/remuneration

Section 1:
Annual Statement by the Chairman of the Remuneration Committee

Dear Shareholder

In my first annual statement on remuneration following my appointment as Chairman of the Remuneration Committee, I set out the Committee's approach to Directors' remuneration. The Committee's objective is to set a remuneration policy that is clearly understood by our shareholders and employees, and that drives the right behaviours in terms of incentivising Executive Directors to deliver growth in long-term shareholder value.

The Remuneration Report is split into three sections.

- Firstly, my annual statement summarising the work of the Remuneration Committee in 2013.
- Secondly, the Remuneration Policy Report that sets out in detail the Company's policy on Directors' remuneration. Shareholders will for the first time have a binding vote on this policy at the 2014 Annual General Meeting ("AGM") and it is the intention that this will set the policy for Directors' remuneration for the next three years for the Company, effective from the 2014 AGM. Unless there is a need to change this policy we do not propose putting the Remuneration Policy Report to shareholders for approval again until the 2017 AGM.
- Thirdly, the Annual Report on Remuneration sets out remuneration paid to Directors in 2013 including annual bonus and long-term incentives, as well as details of how we intend to implement our Remuneration Policy for 2014. Shareholders will also have the opportunity for an advisory vote on the Annual Report on Remuneration at the 2014 AGM and this will be an annual process.

2013 performance

Despite 2013 being a challenging year for the Group, we have delivered results in line with market expectations with an operating profit* of £39.5 million, up by 0.5% on 2012, and adjusted basic earnings per share* of 56.1 pence, up by 0.5% on 2012. This has been achieved through a rigorous approach to cost control, including the implementation of a major restructuring programme that will continue to deliver long-term benefit to the Group and our investors. We also successfully completed the acquisition of Teradek during 2013, enhancing our broadcast market offering.

The Group has also produced a strong free cash flow+ in 2013 of £21.4 million (2012: £10.8 million) through a consistent focus on working capital management. As a result, net debt at 31 December 2013 of £61.5 million was £2.2 million lower than that at 31 December 2012 despite cash outflow relating to the restructuring and acquisition activities.

Committee activities

During 2013, the Committee considered a range of issues including:

- Executive Directors' salary increases with effect from 1 January 2014 have been set at 2.5%, reflecting pay increases within the Group's workforce and current market conditions.
- 2013 bonus payments to Executive Directors were 71% and 74% of the maximum potential award for the Group Chief Executive and Group Finance Director respectively. This has been earned against the Group delivering profit before tax* of £35.6 million and strong free cash flow of £21.4 million which is a good result given the challenging markets experienced during 2013. Each Executive Director is required to defer half of their bonus into the Deferred Bonus Plan ("DBP") for three years ensuring that focus on long-term growth is encouraged.
- Long Term Incentive Plan ("LTIP") awards made in 2011 to Executive Directors vested at a level of 28.55% of the maximum, reflecting growth of 33.9% in adjusted basic earnings per share* over the performance period. The element of the award subject to the Total Shareholder Return performance condition failed to achieve the minimum threshold level and therefore lapsed.
- We consulted with our major shareholders and key governance bodies, representing a significant proportion of our share capital, on a proposal to renew the LTIP at the 2014 AGM as the existing rules expire in early 2015. Following this consultation and shareholder feedback we have decided to remove the matching award element of the DBP to simplify our incentive arrangements and bring them more in line with market practice; further details are set out below.

* Before restructuring costs and 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.

\+ Cash generated from operations in the financial year after net capital expenditure, net interest and tax paid.

- The structure of the 2014 Annual Bonus Plan has been designed to incentivise Executive Directors to deliver against challenging targets for 2014 particularly against the backdrop of current market conditions. Its structure is a combination of both financial targets (Group profit before tax* and operating profit converted into operating cash flow) and personal objectives.
- Executive Directors are required to hold a shareholding in the Company of at least one times base salary built up over a reasonable period of time. Both of our Executive Directors have achieved this level, clearly aligning their interests with those of shareholders.

Changes to policy

The Remuneration Committee has monitored executive remuneration packages to ensure that they remain fit for purpose in achieving our objectives, taking into account a range of factors including market conditions, the ability to attract and retain a talented management team, the views of our major shareholders and advice from our remuneration advisor. The structure of executive remuneration has not changed during 2013. However, having consulted with our major shareholders in late 2013 and taking account of emerging best practice, we will remove the matching share element of the DBP with effect from the 2014 AGM. To part compensate for this we will, with effect from this date, increase the annual level of LTIP award to the Executive Directors from 100% of salary to 125% of salary. Both Executive Directors have agreed to waive this increase in 2015. This will simplify our remuneration structure going forward. The Remuneration Committee is satisfied that the policy on remuneration is driving the management team to deliver on the Group's strategy, and that the proposed changes continue to align the interests of Executive Directors with those of its shareholders.

Shareholders will be asked to approve new rules for the LTIP at the 2014 AGM. Further details are set out in the AGM Notice of Meeting that accompanies this Annual Report and is also available on our website.

The Remuneration Committee will continue to monitor the Group's remuneration policy to ensure that it remains fit for purpose.

Annual General Meeting

To conclude, please note that the Directors' Remuneration Policy Report and the Annual Remuneration Report will be put to separate votes at the AGM to be held on 8 May 2014. I will attend the Annual General Meeting and be available to answer questions on this report and our executive remuneration policy.

Carolyn Fairbairn
Chairman, Remuneration Committee

25 February 2014

Section 2: Remuneration Policy Report

Policy report

This Policy Report will cover remuneration for Directors of the Company for a three year period commencing from the Company's AGM on 8 May 2014 until the AGM to be held in 2017. The Policy Report will remain on the Company's website at www.vitecgroup.com. Should there be a need to change the Company's policy covering Directors' remuneration ahead of this date, shareholders will be asked to approve a revised policy.

This Report contains further information required under the Listing Rules and the UK Corporate Governance Code.

Remuneration policy for Executive Directors

Remuneration packages are developed to attract, retain and motivate Executive Directors 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 the remuneration packages of comparable companies that have similar scale international operations. Consideration of remuneration and benefits across the Company's employee population is also taken into account. The Committee also takes into account the views of shareholders and representative bodies where material changes to the Executive Directors remuneration policy are being considered.

Remuneration for the Executive Directors consists of several elements including base salary, annual cash bonus, LTIP, pension contribution and other taxable benefits. The remuneration policy table on the following pages summarises each element of remuneration for the Executive Directors including an explanation of the link to strategy, its operation, maximum opportunity and performance measures.

Remuneration Report

Remuneration Policy Report continued

Remuneration policy table for Executive Directors

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Base salary is set at a level to secure the services of talented Executive Directors with the ability to develop and deliver a growth strategy.	Fixed contractual cash amount usually paid monthly in arrears. Normally reviewed annually, with any increases taking effect from 1 January each year, although the Committee may award increases at other times of the year if it considers it appropriate. This review is dependent on continued satisfactory performance in the role of an Executive Director. It also includes a number of other factors, including experience, development and delivery of Group strategy and Group profitability, as well as external market conditions and pay awards across the Company.	Whilst the Committee has not set a maximum level of salary, the Committee will usually award salary increases in line with average increases awarded across the Group. Larger increases may, in certain circumstances, be awarded where the Committee considers that there is a genuine commercial reason to do so, for example: • where there is a significant increase in the Executive Director's role and duties; • where an Executive Director falls significantly below market positioning; • where there is significant change in the profitability of the Company or material change in market conditions; and • where an Executive Director was recruited on a lower than market salary and is being transitioned to a more market standard package as he or she gains experience.	Not applicable.
Benefits	To provide Executive Directors with ancillary benefits to assist them in carrying out their duties effectively.	Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance. Other ancillary benefits may also be provided where relevant, such as expatriate travel or accommodation allowances. Executive Directors are entitled to participate on the same terms as all UK employees in the Sharesave Plan or any other relevant all-employee share plan.	There is no maximum level of benefits set. However, benefits are set at an amount which the Committee considers to be appropriate, based on individual circumstances and local market practice. The Committee has not set a maximum level of benefit, given that the cost of certain benefits will depend on the individual's particular circumstances. Executive Directors' participation in the UK all-employee Sharesave Plan is capped at the individual entitlement levels set by the UK Government from time to time or as prescribed by the rules of the relevant all-employee share plan.	Not applicable.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable shareholder value. Half of the annual bonus is deferred into the DBP and focuses the Executive Director on long-term value delivery and growth.	Paid annually based on performance in the relevant financial year. The amount is determined based on published full year results after the year end. Award levels and performance measures are reviewed annually. The Committee ensures that performance measures remain aligned to the Company's business objectives and strategic priorities for the year. Half of the annual bonus paid is deferred into core awards under the DBP for a period of three years on a mandatory basis unless the Committee determines an alternative deferral period is appropriate. Awards may be granted in the form of conditional awards, nil-cost options, forfeitable shares or similar rights and may be settled in cash. For DBP awards granted prior to the 2014 AGM participants may also receive a matching award over the same value of shares as are subject to the corresponding deferred bonus award, the vesting of which is subject to achievement of the same performance conditions as for the LTIP. Matching awards will not be made for awards granted after the 2014 AGM under the DBP. The Committee retains full discretion to amend the bonus payout (upwards or downwards), if in its opinion any calculation of payout does not produce a fair result for either the individual or the Company, taking into account the overall business performance of the Company. Any such use of discretion will be clearly reported in the next published remuneration report. Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Business Conduct or otherwise, the Committee may reduce or impose further conditions on awards.	An absolute maximum of 125% of base salary to be paid in each year.	Measures and targets for the annual bonus are set annually by the Committee. Currently, around half of the annual bonus is based on the achievement of annual targets set against the Group's profit before tax*, with the remainder based on the achievement of annual personal objectives and achievement of annual targets set against the Group's operating cash flow generated as a percentage of operating profit*. The Committee reserves the right to annually vary these proportions and also the measures to ensure the annual bonus remains appropriate and challenging. Targets are measured over a one year period. Payments range between 0% and 125% of base salary for threshold and maximum performance. Awards granted under the DBP after the 2014 AGM are not subject to any performance conditions. Details of the performance conditions applicable to matching awards granted prior to the 2014 AGM are described on page 46 of this report.

Remuneration Report

Remuneration Policy Report continued

Remuneration policy table for Executive Directors continued

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ("LTIP")	To provide a long-term performance and retention incentive for the Executive Directors involving the Company's shares. To link long-term rewards to the creation of long-term sustainable shareholder value by way of delivering on the Group's agreed strategic objectives.	The current LTIP rules expire in early 2015, and new LTIP rules are being proposed at the 2014 AGM. Under both the current and the new LTIP, awards are made over a fixed number of shares, which will vest based on the achievement of performance conditions over a performance period of, unless the Committee determines otherwise, at least three years. The performance conditions are set by the Committee at the start of the performance period. Awards can take the form of a conditional award of shares, a nil-cost option or similar rights. Awards may be settled in cash. Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Business Conduct or otherwise the Committee may reduce or impose further conditions on awards.	The maximum value of shares over which awards may be granted in respect of each year is 150% of base salary (although 200% is permitted in exceptional circumstances determined by the Committee). The first set of awards to the current Executive Directors following the 2014 AGM will be granted at no more than 125% of base salary, though Executive Directors have agreed to waive 25% of this award in 2015.	LTIP awards may be based on both financial and share price based performance conditions as determined from time to time by the Committee. It is currently the intention for awards granted to have 50% of the award subject to the Company's Total Shareholder Return compared to a comparator group measured over a three year performance period and 50% of the award subject to targets set against growth (adjusted by the Committee as it considers appropriate) in the Company's adjusted basic earnings per share* over the same performance period. However the Committee reserves the right to change the balance of the measures as it deems appropriate, such that no measure accounts for less than 25% of the total award. At threshold, 25% of the award will vest, increasing on a straight-line basis up to 100% for performance in line with maximum. The Committee also reserves the right to impose an underpin condition on awards such that any level of vesting in the opinion of the Committee is justified by the underlying performance of the Company.
Pension contribution	To provide a benefit comparable with market rates, helping with the recruitment and retention of talented Executive Directors able to deliver a long-term growth strategy.	Usually paid monthly in arrears. Executive Directors may receive a contribution into the Company's Defined Contribution Plan, a personal pension arrangement and/or a payment as a cash allowance.	20% of base salary. Salary is the only pensionable element of Executive Director remuneration.	None.

Notes to the remuneration policy table for Executive Directors

Under the Company's share plans the Committee may: (1) in the event of any variation of the Company's share capital, demerger, delisting, special dividend or other event which may affect the price of shares, adjust or amend awards in accordance with the terms of the plan; and (2) amend a performance condition if an event occurs which causes it to consider an amended condition would be more appropriate and not materially less difficult to satisfy.

Legacy plans

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the policy set out above where the terms of the payment were agreed: (1) before the policy came into effect; or (2) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Performance measures

The annual bonus plan is based on both personal and financial measures. Typically, the majority of the bonus will be based on financial measures such as Group profit before tax*. The measures have been chosen to provide a balance between incentivising the delivery of the Group's key financial priorities in any particular year and important individual strategic objectives. The Committee may vary the specific measures and targets year-on-year to ensure that they reflect the key financial and strategic priorities for the Company in any given year.

The LTIP is currently based on Total Shareholder Return performance against a specific comparator group, and absolute adjusted basic earnings per share* growth. The Committee considers these to be important measures of performance for the Company over the longer term. Whilst Total Shareholder Return links a portion of the LTIP to the creation of value for shareholders, adjusted basic earnings per share* growth is a key performance indicator for the Group. Any changes to these measures will be aligned with the long-term strategy of the business.

Provisions for the withholding and recovery of sums from the Directors are as set out in the table above.

Remuneration policy table for the Chairman and Non-Executive Directors

The table below sets out a description of the operation of the Chairman and Non-Executive Directors' remuneration for the period through to the Annual General Meeting in 2017. Neither the Chairman nor the Non-Executive Directors participate in any annual bonus plan or the Company's share plans:

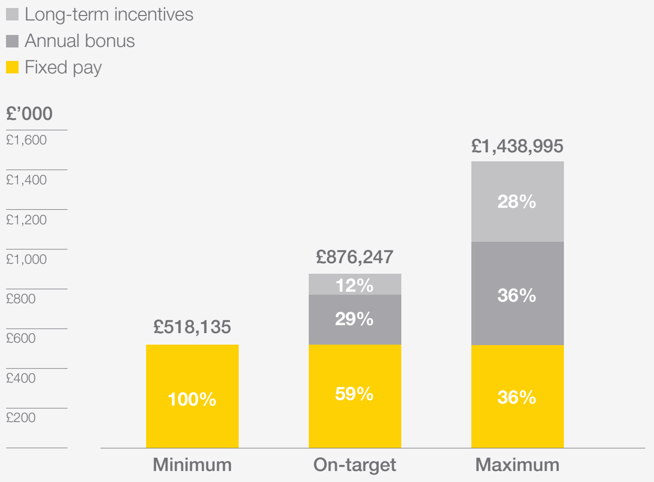
Role	Purpose	Operation
Chairman	To recruit and retain an independent Non-Executive Chairman reflecting the responsibilities and time commitment for the role. To lead an effective Board enabling the delivery on the Group's growth strategy and creation of long-term sustainable shareholder value.	Whilst the Board has not set a maximum level of fee payable to the Chairman, the Board will review the level of fee paid usually on an annual basis and determine whether that is sufficient in terms of market conditions and also the time commitment for the role. The Chairman's fee is an all inclusive consolidated amount. The Chairman's fee is paid in cash usually on a monthly basis in arrears and not in shares. Fees are benchmarked against other FTSE-listed companies of a similar size and complexity to Vitec. Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role. The Chairman's remuneration also covers his chairmanship of the Nominations Committee.
Non-Executive Director	To recruit and retain independent Non-Executive Directors reflecting the responsibilities and time commitment for the role to contribute to an effective Board and to deliver on the Group's growth strategy and creation of long-term sustainable shareholder value.	Fees paid to Non-Executive Directors of the Company consist of the following: • A base fee; • An additional fee for the role of the Senior Independent Director; and • An additional fee for chairing Board Committees. Fees are usually reviewed annually and are benchmarked against other FTSE-listed companies of a similar size and complexity to Vitec and are typically increased in line with annual salary increases for the Executive Directors. All fees above are usually paid in cash and not in shares and are paid monthly in arrears. Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role. The Board has not imposed a maximum level of fee payable.
Benefits	To reimburse Non-Executive Directors for reasonable expenses and bear any costs associated with tax, where relevant.	Expenses are reimbursed as and when incurred (including travel and hotel accommodation).

Remuneration Report
Remuneration Policy Report continued

Illustrative remuneration performance scenarios

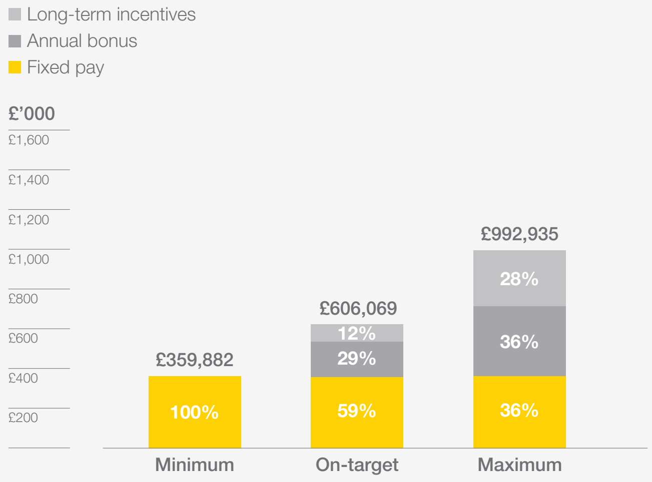
The following charts set out three scenarios for the current remuneration of Stephen Bird and Paul Hayes in the year following the 2014 Annual General Meeting (the first year that the remuneration policy will apply).

Stephen Bird



Minimum Base salary	£409,271
Benefits	£27,010
Pension	£81,854
Total fixed pay (Minimum)	£518,135
On-target performance	Fixed pay - £518,135 Annual Bonus - £255,794 LTIP - £102,318 and totalling - £876,247
Maximum	Fixed pay - £518,135 Annual Bonus - £511,589 LTIP - £409,271 and totalling - £1,438,995

Paul Hayes



Minimum Base salary	£281,357
Benefits	£22,254
Pension	£56,271
Total fixed pay (Minimum)	£359,882
On-target performance	Fixed pay - £359,882 Annual Bonus - £175,848 LTIP - £70,339 and totalling - £606,069
Maximum	Fixed pay - £359,882 Annual Bonus - £351,696 LTIP - £281,357 and totalling - £992,935

The illustrations are based on the following assumptions:

	Minimum	On-target	Maximum
Fixed pay	• Base salary as at 1 January 2014. • The total value of benefits received in the year ending 31 December 2013 and includes car allowance, private healthcare and income protection. • Pension contribution of 20% of base salary.		
Annual bonus	None	50% of the maximum payout (i.e. 62.5% of base salary).	100% of the maximum payout (i.e. 125% of base salary).
Long Term Incentive Plan	None	25% vesting under the LTIP (i.e. 25% of base salary) and set out at face value, with no share price growth or dividend assumptions.	100% of the maximum payout (i.e. 100% of base salary) and set out at face value, with no share price growth or dividend assumptions.

Consideration of employment conditions elsewhere in the Company

The 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 benefits 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 the LTIP.

When setting the remuneration of the Executive Directors, the Committee has regard to general employment terms and conditions within the Company as set out above. However, it is recognised that the roles and responsibilities of Executive Directors are such that different levels of remuneration apply, with a greater proportion of remuneration tied to the financial performance of the Company. The Committee did not consult with the Company's employees when drawing up the Directors' remuneration policy set out in this report.

Policy on outside appointments

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 appointed on 10 January 2013 as 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 he has not taken up any such external non-executive appointment.

Remuneration policy for senior managers and other employees of the Company

The remuneration policy for senior managers in the Company is similar to that of the Executive Directors other than that the quantums are lower. They will participate in the annual bonus plan with the same structure as the Executive Directors, as well as the LTIP, and therefore a significant element of their remuneration is dependent upon the financial performance of the Company and the Company's share price in addition to 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 in those local markets and to help achieve delivery of the Group's agreed strategy. A large proportion of employees are able to participate in bonus plans that are tied to Company or Divisional/Business Unit financial performance as well as individual performance against personal objectives. The structure of bonus plans varies across the employee workforce to achieve different objectives.

Full time employees in some countries (UK, US, Italy and Costa Rica) 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 50 senior managers also participate in the LTIP 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.

Approach to recruitment remuneration

The Committee's policy is to seek to recruit Directors with the requisite skill and experience to lead the business and grow the value of the Company over the long-term. Generally, pay on recruitment will be consistent with the policy for Executive Directors as set out in the policy table above.

However, the Committee may, in its absolute discretion, include remuneration components or awards which are not specified in the policy table, subject to the maximum level of variable pay set out below, where this facilitates the hiring of candidates of an appropriate calibre and skill-set to deliver on the Group's strategy. The Committee will ensure that this is only done where there is a genuine commercial need, and where this is in the best interests of the Company and its shareholders. The Committee does not intend to use this discretion to make a non-performance related payment (for example a "golden hello" payment).

The absolute maximum level of variable pay will be 325% of base salary (excluding any buy-out awards) which is in line with the Remuneration Policy set out above. This comprises up to 125% of base salary under the annual bonus and up to 200% of base salary under the Company's LTIP.

In certain circumstances, the Committee may need to make payments or awards to an executive in respect of buying-out remuneration arrangements relinquished on leaving a previous employer. When doing so, the Committee will aim to do so broadly on a like-for-like basis. It will take a number of relevant factors into account which may include any performance conditions attached to these awards and the time at which they would have normally vested. These payments or awards are excluded from the maximum level of variable remuneration referred to above.

In the event of any such treatment, the Committee will explain in the next annual remuneration report the rationale for the relevant arrangements.

Remuneration Report
Remuneration Policy Report continued

Service contracts
The Executive Directors service contracts are as follows:

	Date of Contract	Notice period from the Company to the Executive	Notice period from the Executive to the Company
Stephen Bird, Group Chief Executive – appointed on 14 April 2009	28 January 2009	12 months	6 months
Paul Hayes, Group Finance Director – appointed on 13 June 2011	3 June 2011	12 months	6 months

A copy of the service contracts for the Executive Directors is available from the Group Company Secretary at the Company's registered office during normal business hours at Bridge House, Heron Square, Richmond, TW9 1EN and is also available on the Company's website www.vitecgroup.com.

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 set out below.

Policy on payment for loss of office
Executive Directors' notice periods under their service contracts are summarised in the above table. The Committee believes that the Company's policy on payment for loss of office and the structure of notice periods is sufficient to ensure that the executive has security of tenure and also that the Company has sufficient retention and notice periods to enable an orderly process for succession planning either through internal or external recruitment. In the opinion of the Committee, any shorter notice period from either party would not be in the Company's best interests. The Committee in accordance with best practice will not give any Executive Director a service contract of greater than 12 months' notice.

In the event of termination of office, the Committee will consider the circumstances in connection with the termination of office including the notice period contained within the service contract, the circumstances around the termination and what is considered to be in the best interests of the Company. The terms of service contracts do not provide for pre-determined amounts of compensation in the event of early termination of employment. The Committee maintains a full discretion to treat each such termination upon its merits trying to mitigate the cost of a termination but ultimately honouring contracted terms. Dealing with each specific element of remuneration for an Executive Director this would mean the following:

Base salary, pension and other benefits – These will be paid for the notice period subject to being mitigated if the Executive Director secures other suitable employment. This means that each element will continue to be paid on a monthly basis in arrears during the notice period either to the end of the notice period or if earlier to the point at which the Executive Director secures another suitable role.

Annual bonus plan – The Committee will generally pro rate an annual bonus to the date of termination and the payment of the annual bonus will be usually dependent upon the satisfaction of financial performance conditions and an assessment of the achievement of personal objectives up to the point of leaving. The Committee reserves an absolute discretion in circumstances which it considers appropriate to enable a full year's annual bonus to be paid in full to an Executive Director in accordance with the limits and rules of the annual bonus plan applying to the Executive Director.

Long Term Incentive Plan

Awards granted under the Company's LTIP are generally treated as follows:

Awards granted after the 2014 AGM

If a participant ceases office or employment with the Group his award will lapse unless he is a good leaver or dies. An individual is a good leaver if he ceases employment because of ill-health, injury, disability, the sale of his employing company or business out of the Group or for any other reason at the Committee's discretion (except where the participant is summarily dismissed). Except in the case of death (where awards vest following death, unless the Committee determines otherwise), awards will normally vest on the normal vesting date, unless the Committee determines that awards should vest at the time the individual ceases employment.

In these circumstances unvested awards will only vest to the extent that the Committee determines, taking into account the satisfaction of the relevant performance conditions. Unless the Committee determines otherwise, the period of time that has elapsed since the award was granted until the date of cessation of employment will also be taken into account (except in the case of death, when time pro-rating will only apply if the Committee so determines).

Awards granted before the 2014 AGM

Awards will lapse on the individual ceasing to be a director or employee within the Group, unless the Committee determines otherwise. Assuming the Committee allows an award to vest, it shall determine the time at which and the extent to which an award will vest, having regard to, unless it determines otherwise in exceptional circumstances, the proportion of the performance period the individual has served and the extent to which the relevant performance conditions have been met. Awards will always lapse for gross misconduct.

Deferred Bonus Plan – Awards granted after the 2014 AGM will vest on the normal vesting date (unless the Committee determines that awards should vest on the individual's cessation of employment) except in the case of: (1) death, when awards will vest following the individual's death; or (2) gross misconduct, when awards will lapse. DBP core awards granted before the 2014 AGM vest on the individual's cessation of employment except for reasons of gross misconduct.

Matching awards will lapse on the individual ceasing to be a Director or employee of the Group, unless the Committee determines otherwise. Assuming the Committee allows a matching award to vest, it shall determine the time at which and the extent to which matching awards will vest, having regard to, unless it determines otherwise in exceptional circumstances, the proportion of the performance period the individual has served and the extent to which the relevant performance conditions have been met.

The Committee will ultimately aim to mitigate the cost of any termination payment to an Executive Director whilst also fairly treating an Executive Director, honouring the terms of a service contract and acting in the Company's best long-term interests. The Committee will, upon reaching an agreement with an Executive Director on the terms of termination, publish the details both with an announcement and with details published in the next following Remuneration Report and this will include an explanation of the use of any discretion around any such termination payment.

Change of control

In the event of a change of control of the Company, LTIP and DBP awards granted after the 2014 AGM will vest with the Committee taking into account, in the case of the LTIP awards, the extent to which the relevant performance conditions have been satisfied and, unless the Committee determines otherwise, the period of time that has elapsed since grant. In the event of a winding-up of the Company, demerger, delisting, special dividend or other event that may affect the price of shares, the Committee may also allow awards to vest on the same basis.

In the event of a change of control or voluntary winding-up of the Company, regarding awards granted under the LTIP and DBP prior to the 2014 AGM, awards will vest in full (in the case of deferred bonus awards) and to the extent determined by the Committee (in respect of LTIP awards and matching awards granted under the DBP) having regard to, except in exceptional circumstances, the time elapsed since grant and the extent to which performance conditions have been satisfied. If the Company may be affected by a demerger, dividend in specie, special dividend or another transaction that may affect the value of the shares, it may also allow awards to vest early.

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. Under the letters of appointment notice can be given by either party upon one month's written notice. Apart from the disclosure under the Remuneration policy table for the Chairman and Non-Executive Directors there are no further obligations which could give rise to a remuneration or loss of office payment under the letters of appointment. All the Non-Executive Directors and Chairman (as well as the Executive Directors) are subject to annual re-election by the shareholders at the AGM.

Copies of the Chairman's and each Non-Executive Director's letters of appointment are available from the Group Company Secretary at the Company's registered office during normal business hours at Bridge House, Heron Square, Richmond TW9 1EN and are also available on the Company's website www.vitecgroup.com.

Consideration of shareholder views

The Committee has taken into account the views of its shareholders in setting the remuneration of Directors.

The Company received over 99% proxy vote support to the 2012 Remuneration Report at the 2013 AGM indicating a strong level of support for the structure of Directors' remuneration.

During 2013, the Committee consulted with its major shareholders, representing over 60% of its share capital, on the renewal of the rules for the LTIP and DBP ahead of the 2014 AGM.

A consistent theme coming out of the consultation concerned the simplification of arrangements, and in particular, around the matching element of the DBP.

The Committee was grateful for the level of feedback it received, and as a result of some of the issues raised by shareholders the Committee proposes to remove the matching element of the DBP with effect from the 2014 AGM. To compensate the Executive Directors for the loss in value as a result of the removal of this element of their package, the Committee is proposing to increase the quantum of awards under the LTIP for the Executive Directors from 100% to 125% of base salary. This will come into effect for awards granted from the 2014 AGM onwards, although the Executive Directors have agreed to waive this increase in respect of the first grant of awards to be made under the LTIP in 2015.

The Committee's Chairman, Carolyn Fairbairn, will be attending the Company's 2014 AGM and is available to answer questions and welcomes the opportunity to listen to the views of shareholders on remuneration at that meeting.

Section 3:
Annual Report on Remuneration

Shareholders will be asked to give an advisory vote on the Annual Report on Remuneration at the AGM to be held on Thursday, 8 May 2014.

Directors' single figure of total remuneration (audited)
The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 December 2013 and 2012:

	Base salary / fees		Benefits		Pension		Annual bonus		Long-term incentives		Total	
	2013 £	2012 £	**2013 £**	2012 £	**2013 £**	2012 £	**2013 £**	2012 £	**2013 £**	2012 £	**2013 £**	2012 £
Executive Directors												
Stephen Bird	**399,289**	389,550	**27,010**	26,519	**79,858**	77,910	**355,616**	386,434	**172,829**	790,236	**1,034,602**	1,670,649
Paul Hayes	**274,495**	267,800	**22,254**	21,879	**54,899**	53,560	**253,050**	267,298	**0**	0	**604,698**	610,537
Richard Cotton (left on 4 February 2011)	**-**	28,393	**-**	400	**-**	5,048	**-**	-	**-**	165,242	**-**	199,083
Non-Executive Directors												
John McDonough (joined 15 March 2012)	**140,000**	111,364	**-**	-	**-**	-	**-**	-	**-**	-	**140,000**	111,364
Nigel Moore	**53,000**	53,000	**-**	-	**-**	-	**-**	-	**-**	-	**53,000**	53,000
Carolyn Fairbain (joined 1 February 2012)	**40,417**	36,666	**-**	-	**-**	-	**-**	-	**-**	-	**40,417**	36,666
Christopher Humphrey (joined 1 December 2013)	**3,333**	-	**-**	-	**-**	-	**-**	-	**-**	-	**3,333**	-
Lorraine Rienecker (joined 1 December 2013)	**3,333**	-	**-**	-	**-**	-	**-**	-	**-**	-	**3,333**	-
Mark Rollins (joined 2 October 2013)	**9,855**	-	**-**	-	**-**	-	**-**	-	**-**	-	**9,855**	-
Michael Harper (left 1 June 2012)	**-**	50,000	**-**	-	**-**	-	**-**	-	**-**	-	**-**	50,000
Simon Beresford-Wylie (left 1 December 2013)	**41,250**	45,000	**-**	-	**-**	-	**-**	-	**-**	-	**41,250**	45,000
John Hughes (left 30 June 2013)	**20,000**	40,000	**-**	-	**-**	-	**-**	-	**-**	-	**20,000**	40,000
Maria Richter (left 15 May 2013)	**14,928**	40,000	**-**	-	**-**	-	**-**	-	**-**	-	**14,928**	40,000
Total	**999,900**	1,061,773	**49,264**	48,798	**134,757**	136,518	**608,666**	653,732	**172,829**	955,478	**1,965,416**	2,856,299

Notes:

1. Taxable benefits includes car allowance, healthcare cover and income protection.
2. Each Executive Director receives a pension contribution of 20% of base salary into a pension arrangement of their choice (including the Company's defined contribution scheme). Both Executive Directors currently take this contribution in the form of a cash payment.
3. In respect of the Annual Bonus 2013, both Stephen Bird and Paul Hayes' bonus potential was 125% of base salary. Further details are set out in the "Further notes" section on the following page.
4. Long Term Incentives comprise LTIP and matching awards under the DBP awards made in 2011 that achieved performance conditions ending on 31 December 2013 based upon Total Shareholder Return and adjusted basic earnings per share* growth. These awards will vest to the individual in March 2014 and for the purpose of the above table a value is shown based on the average market value of the Company's ordinary shares over the quarter ended 31 December 2013 which was £6.69 per ordinary share. The 2014 Remuneration Report will disclose the actual value of the awards when they vest in March 2014. 2012 figures relate to 2010 LTIP and matching awards under the DBP that vested in April 2013 but with performance conditions ending on 31 December 2012. The 2012 values are based on the share price on the actual date of vesting. Further details are provided in the "Further notes" section below.
5. Each Director has confirmed in writing to the Company that the information in the single figure remuneration table is correct and that they have not received from the Company any other items of remuneration other than disclosed.

Further notes to the Directors' single figure of total remuneration table

(1) Base salary

The table below shows base salaries for 2013:

Executive Director	2013 Salary
Stephen Bird	£399,289
Paul Hayes	£274,495

(2) Benefits

The single figure of total remuneration table sets out the total value of benefits received by each Executive Director in 2013. The table below sets out details of these.

Executive Director	Car allowance	Healthcare cover	Income Protection
Stephen Bird	£19,959	£2,251	£4,800
Paul Hayes	£15,203	£2,251	£4,800

(3) Pension allowance

The table below sets out the value of the cash payment in lieu of pension for each Executive Director in 2013:

Executive Director	Pension allowance
Stephen Bird	£79,858
Paul Hayes	£54,899

(4) Annual bonus

In 2013, each Executive Director was entitled to receive a maximum bonus of up to 125% of base salary, half of which is deferred into the Deferred Bonus Plan.

The financial elements of the annual bonus plan for each Executive Director were based upon actual financial results achieved for Group profit before tax* and Group conversion of operating profit into operating cash flow (over a quarterly and full year average target) measured against financial targets set by the Board. The Group profit before tax* financial element represents 50% of the maximum bonus that could be earned and the Group conversion of operating profit* into operating cash flow represents 25% of the maximum bonus that could be earned.

Under the rules of the annual bonus plan there is a link between the two financial performance conditions so that the conversion of operating profit* into operating cash flow element will only pay out if the Group profit before tax* element has at least achieved threshold performance.

The Remuneration Committee considered that these two financial performance conditions are key financial measures for the Group driving the right behaviour in terms of achieving profit and operating cash flow generation and had the most direct impact upon shareholder value for the year ended 31 December 2013.

For both financial targets in 2013 the following trigger points were used in determining performance and whether a bonus was payable:

- 90% or less of target – Threshold – resulting in no pay-out;
- 100% of target – resulting in half of the maximum pay-out;
- 110% of target – Stretch – resulting in the maximum pay-out; and
- A straight line sliding scale operates between each of the above points for both financial targets.

The Remuneration Committee considered that these trigger points were appropriate and sufficiently stretching given the uncertain macroeconomic environment and challenging markets that the Company faced.

The personal objective element of the 2013 annual bonus plan for each Executive Director, representing 25% of the maximum bonus that could be earned, is based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee, as set out below:

Stephen Bird	Paul Hayes
• Continue the development of a world class organisation • Plan and execute restructuring initiatives to deliver sufficient cost savings to achieve 2013 budget • Deliver the strategy for the MAG businesses and increase profitability • Increase Manfrotto market share • Delivery on Videocom strategy • Develop a strategic growth strategy for new territories • Maintain merger and acquisition process	• Develop, drive and control restructuring and cost saving initiatives across the Group • Drive the culture of recognising the importance of operating cash flow and to deliver strong cash generation • Strengthen the self-assurance process within the Group to drive management to regularly assess and strengthen their financial controls • Develop the finance function to have a clear vision and strengthen the team across the Group • Develop the Group's tax strategy

The table below sets out the annual bonus awards made to Executive Directors in respect of the year ended 31 December 2013. The bonus payments were based upon the achievement of Group profit before tax* of £35.6 million and an annual conversion of operating profit* into operating cash flow of 105% for 2013. This bonus payout was at stretch for the operating profit* into operating cash flow financial element and at target for the Group profit before tax* element.

	Group profit before tax*	Group conversion of operating profit* into operating cash flow	Individual performance against personal objectives	Total bonus as a % of 2013 salary	2013 annual bonus
Stephen Bird	£124,778	£124,778	£106,060	89%	£355,616
Paul Hayes	£85,780	£85,780	£81,490	92%	£253,050

Remuneration Report

Annual Report on Remuneration continued

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.

Half of the 2013 bonus will be deferred into the 2005 DBP. The deferred bonus is used to purchase core award shares held in trust for a three year period. Subject to the achievement of performance conditions, the core award shares can be matched on a ratio of up to one matching share for every one core award share. The vesting of the matching shares is based upon the same performance conditions as for the LTIP (see "Scheme interests awarded during the financial year ended 31 December 2013" section on the following page). Following approval of the Remuneration Policy Report and new incentive arrangements at the 2014 AGM, the matching element of the DBP will no longer be used for awards from that date forward.

(5) Long Term Incentives – LTIP and DBP

The long-term incentive awards value shown in the single figure of total remuneration table relate to the following awards:

Awards vesting in respect of performance to 31 December 2013

These relate to awards made in 2011 under the LTIP and matching awards under the DBP. Awards are measured based 50% upon the Company's Total Shareholder Return ("TSR") measured against a comparator group and 50% subject to growth in the Company's adjusted basic earnings per share* ("EPS"). Each performance condition is entirely independent from the other performance condition and there is no re-testing of either performance condition. The detail of each performance condition for each award is set out below.

For that part of an award made in 2011 under the LTIP 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. The comparator group comprised approximately 60 companies of similar market capitalisation to the Company and having at least 50% of their turnover arising outside the UK. The Remuneration Committee reviewed the composition of the comparator group in conjunction with its remuneration advisor ahead of the award being made.

For that part of an award made in 2011 under the LTIP measured against EPS growth, 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 5% (Compound Average Annual 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 10% (Compound Average Annual Growth Rate) or greater. There is a pro-rata straight line vesting between these two points.

The same performance conditions applied to matching awards made in 2011 under the DBP as for the LTIP except that at median performance for TSR or 5% EPS growth one matching share vests for every three core award shares and at the upper quintile point for TSR and 10% EPS growth one matching share vests for every one core award share.

An award lapses if the lower point under both performance conditions is not achieved during the performance period.

The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting.

Performance out-turn

The table below provides an estimate of the value of the awards and the potential level of vesting achieved as a result. The 2014 Remuneration Report will disclose the actual value of the awards when they vest in March 2014:

2011 Awards	Actual performance	Vesting as % of award
TSR	Below median	0%
EPS	33.9% growth over the period	57.1%
Total vesting		**28.55%**

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.

Awards vesting in respect of performance to 31 December 2012

These relate to awards made in 2010 under the LTIP and DBP. The performance conditions for these awards are the same as those outlined above (awards made in 2011) except that the EPS growth figures were 4% growth in excess of RPI and 8% growth in excess of RPI respectively.

The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting.

Both performance conditions were measured to 31 December 2012 and the final outcome resulted in 84.8% of the TSR element vesting and 100% of the EPS element vesting. The combined vesting level of 92.4% for the LTIP and 0.92 matching award shares for every core award share held resulted in awards vesting to participants in April 2013.

Other outstanding awards

Awards vesting in respect of performance to 31 December 2014

For awards made in 2012, 50% of an award is 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. Below threshold performance none of the award will vest.

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% per annum for 25% vesting and 12% per annum for full vesting. A straight line sliding scale will operate between each of the above points and below 6% EPS growth none of the award will vest. Subject to satisfaction of performance conditions to 31 December 2014, these awards will vest in March 2015.

There is no re-testing of either performance condition.

Scheme interests awarded during the financial year ended 31 December 2013

Long Term Incentive Plan 2013 awards

The table below provides details of the awards made under the LTIP on 21 March 2013. Performance for these awards is measured over the three financial years from 1 January 2013 to 31 December 2015. They are subject to the same performance conditions as for the 2012 award except that the EPS growth figure is an absolute growth figure of 6% per annum for threshold with 25% of this part of the award vesting and EPS absolute growth of 12% plus per annum resulting in all of this part of the award vesting, with a straight line sliding scale between these two points. None of this part of the award will vest for EPS absolute growth lower than 6% per annum.

Dividends that would have been paid on shares vesting under the LTIP during the performance period are re-invested in additional shares for each of the above awards.

There is no re-testing of any performance condition under any of the above awards and the Remuneration Committee will also consider the underlying financial performance of the Company before it confirms vesting of any of the above awards.

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.

Long Term Incentive Plan awards

	Type of award	Number of shares awarded	Face value* (£)	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Stephen Bird	Performance shares	61,833	£399,289	100%	25%	100%	31 December 2015
Paul Hayes		42,507	£274,495	100%			

* Face value has been calculated using the Company's share price at the date of grant of 645.75p.

Deferred Bonus Plan awards

The following table provides details of the awards made under the DBP on 8 April 2013. The same performance conditions apply to these awards as described above for LTIP awards made in 2013.

	Type of award	Number of core shares awarded	Face value (£)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Stephen Bird	Core award shares using deferred annual cash bonus	15,969	£102,401	1 matching share for every 3 core award shares	1 matching share for every 1 core award share	31 December 2015
Paul Hayes		11,046	£70,832			

Remuneration Report
Annual Report on Remuneration continued

Payments to Past Directors
Richard Cotton, former Finance Director who left on 4 February 2011, received a payment of £165,242 during the year ended 31 December 2013. This was based on the vesting of awards under the LTIP and DBP made on 8 March 2010 and 9 March 2010 respectively in accordance with the terms of his severance package. The detail is shown on the table on page 49 of this report.

Chairman and Non-Executive Directors
The Chairman and Non-Executive Directors were paid the following fees in 2013:

Role	2013 Annual Fee	Comment
Chairman	£140,000	The fee was agreed upon the Chairman's appointment to the Board on 15 March 2012.
Non-Executive Director	£40,000	Base fee paid to Non-Executive Directors. Fee was last increased in June 2010.
Chairman of Audit Committee	£8,000	Fee was last increased in August 2008.
Chairman of Remuneration Committee	£5,000	Fee was last increased in August 2008.
Senior Independent Director	£5,000	Fee was last increased in July 2011.

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.

Directors' Shareholding Requirements and Share Interests
The Board has determined that Executive Directors of the Company are required to build up, over a reasonable period of time, a substantial holding of shares in the Company of at least one times base salary. A reasonable period is considered to be the life of a performance period tied to an award vesting under the Company's LTIP or DBP. Both Executive Directors satisfied this requirement throughout the whole of 2013 and up to the date of this report. Other members of the Operations Executive are encouraged to do the same up to a level of 50% of base salary.

The Chairman and Non-Executive Directors of the Company have no such requirement and have discretion as to whether to hold shares in the Company or not. The following table sets out the interests in the Ordinary Shares of the Company held by each Director (or connected persons) of the Company during the year ended 31 December 2013:

Executive Director's shareholdings as at 31 December 2013

Executive Director	Share ownership requirement (% of annual salary)	Number of shares owned outright (including connected persons)	Number of shares beneficially owned (DBP core award shares)	Number of shares unvested and subject to performance (DBP matching and LTIP shares)	Ownership requirements met (based on shares owned outright and core award shares)
Stephen Bird	100%	126,854	67,605	67,605	311%
Paul Hayes	100%	29,000	19,889	19,889	113%

Chairman and Non-Executive Directors	1 January 2013 (or date of appointment if later)	31 December 2013 (or date of departure if earlier)
John McDonough, Chairman	25,000	50,000
Nigel Moore	26,154	26,154
Carolyn Fairbairn	0	0
Mark Rollins (appointed on 2 October 2013)	0	0
Christopher Humphrey (appointed on 1 December 2013)	0	5,000
Lorraine Rienecker (appointed on 1 December 2013)	0	0
Simon Beresford-Wylie (ceased to be a director on 1 December 2013)	4,263	4,263
Maria Richter (ceased to be a director on 15 May 2013)	0	0
John Hughes (ceased to be a director on 30 June 2013)	0	0

1. The closing mid-market share price on 31 December 2013 was £6.39 and the calculation of the percentage shareholding requirement achieved for the Executive Directors is based on this closing mid-market share price.
2. The shares shown in the beneficial holdings table above were acquired by the Directors using their own funds and not through any share incentive scheme (or similar) with the exception of the following disclosures in notes 3 and 4 below.
3. Stephen Bird's share interests include 67,605 shares (at 31 December 2013) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group 2005 DBP. These shares will vest out of the DBP in 2014, 2015 and 2016 respectively. Neither these shares or any of the other shares held by Stephen Bird have any performance conditions attached to them. During the year ended 31 December 2013 Stephen Bird acquired 42,334 shares and 24,399 shares through the exercise of awards under the LTIP and DBP respectively arising from awards made in 2010.
4. Paul Hayes' share interests include 19,889 shares (at 31 December 2013) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group 2005 DBP. These shares will vest out of the DBP in 2015 and 2016 respectively. Neither these shares or any of the other shares held by Paul Hayes have any performance conditions attached to them.
5. There has been no change to the Directors' shareholdings described in the table above in the period from 31 December 2013 to 25 February 2014.

Directors' Long-Term Share Incentives (audited)

Sharesave

The Group operates an all-employee savings-related share option scheme in the UK (Sharesave) and a similar international plan in respect of overseas employees in certain countries (US, Italy and Costa Rica). The scheme and plan are open to all the Group's employees in those countries, including the Executive Directors. Both Stephen Bird and Paul Hayes participate in the UK scheme and the details are shown below.

Director	Date of Grant	At 1 January 2013 (shares)	Options exercised during the year	Options lapsed during the year	Options granted during the year	At 31 December 2013 (shares)	Exercise price (pence)	Market price at date of grant (pence) [1]	Date from which exercisable	Expiry Date
Stephen Bird	26 September 2012	1,657	-	-	-	1,657	543	678.5	1 November 2015	30 April 2016
Paul Hayes	26 September 2012	1,657	-	-	-	1,657	543	678.5	1 November 2015	30 April 2016

[1] The market price for the grant of shares under option under Sharesave was calculated on the basis of a three day average of the closing mid-market share price from 29 August 2012 to 31 August 2012 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan. There is no performance condition attached to the exercise of the Sharesave plan which is an all-employee plan.

Long Term Incentive Plan

Executive Directors are annually made a conditional award of shares in the Company, currently representing 100% of annual base salary, based on the three day average closing mid-market share price of the Company in the period just prior to the award. The award is subject to satisfaction of performance conditions over a three year performance period. The following table sets out the outstanding awards under the LTIP as at 31 December 2013 for each of the Executive Directors (including the former Executive Director):

Director	Date of Award	Awards at 1 January 2013	Award exercised during the year	Associated dividend shares with the exercised awards	Awards lapsed during the year	Awards made during the year	At 31 December 2013	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of Performance Period
Stephen Bird	8 March 2010	94,619	87,427	8,030	7,192	-	-	381	641.25	100% of annual salary	35%	31 December 2012
	14 March 2011 [1]	62,352	-	-	-	-	62,352	595	-	100% of annual salary	35%	31 December 2013
	16 April 2012	58,124	-	-	-	-	58,124	674	-	100% of annual salary	25%	31 December 2014
	21 March 2013	-	-	-	-	61,833	61,833	645	-	100% of annual salary	25%	31 December 2015
Paul Hayes	16 April 2012	39,958	-	-	-	-	39,958	674	-	100% of annual salary	25%	31 December 2014
	21 March 2013	-	-	-	-	42,507	42,507	645	-	100% of annual salary	25%	31 December 2015
Richard Cotton (left on 4 February 2011)	8 March 2010	20,650	19,080	1,806	1,570	-	-	381	622.25	100% of annual salary (pro rated to date of departure)	35%	31 December 2012

[1] The LTIP award made on 14 March 2011 has achieved 57.1% of its performance condition based on EPS growth. The TSR performance condition did not achieve the minimum level to vest. 28.55% of the award will therefore vest in March 2014.

Remuneration Report
Annual Report on Remuneration continued

Deferred Bonus Plan
Each year, Executive Directors are required to defer a proportion of their annual bonus into the DBP. The matching awards are subject to satisfaction of performance conditions over a three year performance period.

Director	Date of Award	Awards at 1 January 2013 (shares)	Award exercised during the year	Associated dividend shares with the exercised awards	Awards lapsed during the year	Awards made during the year	At 31 December 2013	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of Performance Period
Stephen Bird	9 March 2010 (core award)	26,185	26,185	2,405	-	-	-	385	641.25	100% of annual bonus	Not applicable	31 December 2012
	9 March 2010 (matching award)	26,185	24,090	2,212	2,095	-	-	385	641.25	100% of annual bonus	33.3%	31 December 2012
	29 March 2011 (core award)	28,690	-	-	-	-	28,690	608	-	100% of annual bonus	Not applicable	31 December 2013
	29 March 2011 (matching award)	28,690	-	-	-	-	28,690	608	-	100% of annual bonus	33.3%	31 December 2013
	12 April 2012 (core award)	22,946	-	-	-	-	22,946	677	-	100% of annual bonus	Not applicable	31 December 2014
	12 April 2012 (matching award)	22,946	-	-	-	-	22,946	677	-	100% of annual bonus	33.3%	31 December 2014
	8 April 2013 (core award)	-	-	-	-	15,969	15,969	641	-	50% of annual bonus	Not applicable	31 December 2015
	8 April (2013) (matching award)	-	-	-	-	15,969	15,969	641	-	50% of annual bonus	33.3%	31 December 2015
Paul Hayes	12 April 2012 (core award)	8,843	-	-	-	-	8,843	677	-	100% of annual bonus	Not applicable	31 December 2014
	12 April 2012 (matching award)	8,843	-	-	-	-	8,843	677	-	100% of annual bonus	33.3%	31 December 2014
	8 April 2013 (core award)		-	-	-	11,046	11,046	641	-	50% of annual bonus	Not applicable	31 December 2015
	8 April 2013 (matching award)	-	-	-	-	11,046	11,046	641	-	50% of annual bonus	33.3%	31 December 2015
Richard Cotton (left on 4 February 2011)	8 March 2010 (core award)	5,569	5,569	-	-	-	-	381	629	100% of annual bonus (pro rated to date of departure)	Not applicable	31 December 2012
	8 March 2010 (matching award)	5,569	5,123	479	446	-	-	381	629	100% of annual bonus (pro rated to date of departure)	33.3%	31 December 2012

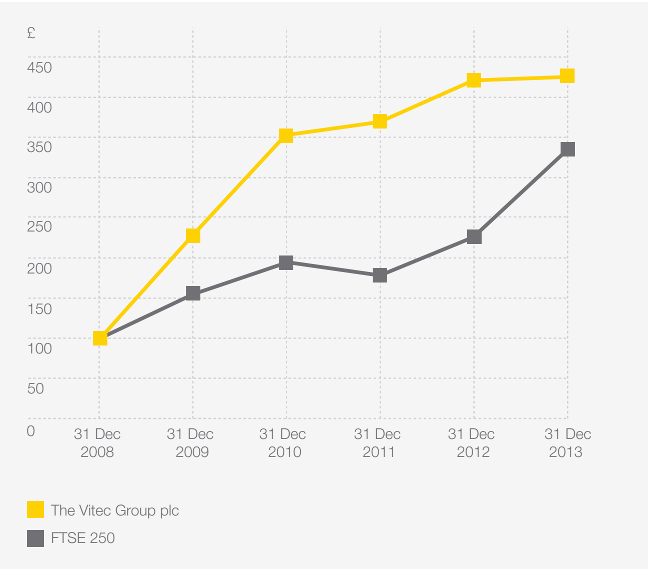
Note: The DBP award made on 29 March 2011 has achieved 57.1% of its performance condition based on EPS growth. The TSR performance condition did not achieve the minimum level to vest. 100% of the core awards and 28% of the matching awards will therefore vest in March 2014.

Performance graph of the Company's ordinary shares compared to comparator group

The Company is required to include a line graph showing the Company's ordinary share performance compared to an appropriate index initially over a five year period, but building up to a ten year performance period over subsequent years. The graph below illustrates the Company's annual Total Shareholder Return (TSR) (share price growth plus dividends that have been declared, paid and re-invested in the Company's shares) relative to the FTSE 250 for the preceding five year period, assuming an initial investment of £100. This index has been chosen since it is the comparator group (excluding financial services companies and investment trusts) for one of the performance conditions tied to awards under the LTIP. The Committee notes that the FTSE 250 index is a recognised broad market equity index, relatively complex and international in nature and is comparable to the Company's business operations where approximately 90% of revenues are generated outside the United Kingdom.

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.



Performance table setting out the total remuneration of the Chief Executive

The following table sets out the single figure of total remuneration paid and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) to the Group Chief Executive for each of the five years ended 31 December 2013. Stephen Bird was appointed Group Chief Executive on 14 April 2009. Prior to Stephen Bird, Alastair Hewgill was interim Chief Executive from 1 October 2008 to 14 April 2009.

Year (ended 31 December)	Group Chief Executive	CEO single figure of total remuneration	Annual Bonus payout against maximum opportunity % (including actual amount paid)	Long-term incentive vesting rates against maximum opportunity %
2013	Stephen Bird	£1,034,602	71% (£355,616)	28.55% (£172,829)
2012	Stephen Bird	£1,697,841	79.4% (£386,434)	92.4% (£817,428)
2011	Stephen Bird	£2,053,828	87.3% (£323,816)	100%
2010	Stephen Bird	£812,946	98.75% (£355,994)	0%
2009	Stephen Bird (from 14 April 2009)	£487,087	68.7% (£172,069)	0%
2009	Alastair Hewgill (from 1 January 2009 to 14 April 2009)	£151,634	42% (£51,911)	0%

Percentage change in remuneration of the Group Chief Executive

The table below sets out a comparison of the following elements of remuneration paid to the Group Chief Executive, Stephen Bird, in the year ended 31 December 2013 compared to the year ended 31 December 2012 and compared to that of UK based employees: Annual Salary; Taxable Benefits; and Annual Bonus. The Remuneration Committee has selected this comparator group on the basis that the Group Chief Executive is UK based and this provides a local market reference, is a sizeable population and a fair representation of the Group's employee base.

	Annual Salary (% change in 2013 compared to 2012)	Taxable Benefits (% change in 2013 compared to 2012)	Annual Bonus (% change in 2013 compared to 2012)
Stephen Bird, Group Chief Executive	2.5%	2.5%	(8)%
UK based employees	2.5%	2.5%	43%

Note: The difference between the percentage change in bonus for the Group Chief Executive and all UK based employees is as a result of a Division which employs a large proportion of the UK workforce missing financial targets in respect of 2012 performance which resulted in low bonus payments in 2012.

Relative importance of spend on pay

The table on the following page sets out for the year ended 31 December 2013 compared to the year ended 31 December 2012 the actual expenditure of the Company in terms of remuneration paid to or receivable by all employees of the Vitec Group and distributions to shareholders by way of dividends. There have been no share buybacks or other significant distributions and payments required to be disclosed that would assist in understanding the relative importance of spend on pay.

Remuneration Report

Annual Report on Remuneration continued

	Year ended 31 December 2013	Year ended 31 December 2012	% change
Total remuneration paid to all Vitec Group employees	£92.5m	£96.9m	(4.5)%
Total dividends paid to shareholders	£9.8m	£9.1m	7.7%

Statement of Implementation of Remuneration Policy in the Year Ending 31 December 2014

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2014.

(1) Base salary

The table below sets out the 2014 base salary for each Executive Director, together with the percentage increase from 2013:

	2014 Salary	Increase
Stephen Bird	£409,271	2.5%
Paul Hayes	£281,357	2.5%

In determining the increases for 2014, the Committee took into account a number of factors, including Company and individual performance, the executive's responsibilities and experience, pay increases for the Company's employees, market rates for Executive Director remuneration, the need for retention of a talented executive team and prevailing economic conditions.

(2) Benefits

The car allowance taxable benefit has been increased in line with base salary increases for 2014. The other taxable benefits of private healthcare and income protection are respectively premium based and contractually based.

(3) Pension allowance

The pension allowances remain unchanged from 2013 representing 20% of base salary. Both Executive Directors currently take this contribution in the form of a cash payment. The table below shows the value of the cash allowance in 2014:

	Pension contribution
Stephen Bird	£81,854
Paul Hayes	£56,271

(4) Annual Bonus

The maximum opportunity remains unchanged since 2013 at 125% of base salary. Half of any annual bonus earned for the year ended 31 December 2014 will be deferred into the DBP for a period of three years and held in the form of shares in the Company. There will be no matching award that can be earned on this deferred bonus.

The table below provides information on the performance measures against which performance for the 2014 annual bonus plan will be measured:

Core measures for 2014 annual bonus plan	Weighting (% of overall opportunity)
Group profit before tax*	50%
Group percentage of operating profit* converted to operating cash flow	25%
Role specific personal objectives set by the Board and Remuneration Committee for the Executive Director	25%

The performance measures selected reflect the strategic and operational objectives of the Group. The Committee considers that the specific targets and personal objectives for 2014 are commercially sensitive and therefore has not disclosed them. The Committee will disclose these targets and objectives at such point that the Committee considers that they are no longer commercially sensitive.

(5) Long Term Incentive Plan

Executive Directors will receive an award of shares under the LTIP equivalent to 100% of base salary in 2014. These awards will be made in the 42 day period following the announcement of the full year results for the year ended 31 December 2013 that will be announced on 26 February 2014. There will be no changes to the performance conditions from the awards granted in 2013, namely: 50% of the 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; and 50% of the award will be subject to adjusted basic earnings per share* growth over a three year performance period. The Remuneration Committee will determine the EPS targets for minimum and maximum vesting levels for 2014 awards taking into account market consensus figures, advice from its corporate broker and internal forecasts to determine that these targets are sufficiently stretching. The detail of the performance conditions will be clearly set out in the announcement detailing the award made.

(6) Chairman and Non-Executive Directors' remuneration

The fee structure for the Chairman and Non-Executive Directors for 2014 is set out in the table below:

	2014 fee	2013 fee
Chairman	£140,000	£140,000
Non-Executive Director	£41,000	£40,000
Chairman of Audit Committee	£10,000	£8,000
Chairman of Remuneration Committee	£9,000	£5,000
Senior Independent Director	£6,000	£5,000

The basic Non-Executive Director fee, Chairman of Audit Committee, Chairman of Remuneration Committee and Senior Independent Director fees were increased with effect from 1 January 2014 as detailed in the table above. This was to reflect the time commitment and to ensure a competitive fee to attract the right level of experience for the roles. This increase took into account benchmark data for fees for Non-Executive Directors and the respective roles provided by Deloitte. The Board has agreed that the basic Non-Executive Director fee will typically be increased in line with the level of salary increases given to Executive Directors on an annual basis in future years and that the fees paid to the Chairman, Senior Independent Director and

Chairman of the Audit and Remuneration Committee will be reviewed again in July 2015.

Voting at Annual General Meeting

At the Company's last AGM held on 15 May 2013, the Directors' Remuneration Report was put to the shareholders for an advisory vote in compliance with regulations applicable at that time. The resolution was approved on a show of hands at the meeting however the table below sets out the proxy votes voted for, against and withheld against the Remuneration Report. In future years, we will disclose this information for both the resolutions to approve the Annual Remuneration Report and the Remuneration Policy Report.

Resolution	For proxy votes and % of votes cast	Against proxy votes and % of votes cast	Withheld proxy votes and % of votes cast
Advisory vote on the Remuneration Report for the year ended 31 December 2012	31,588,489 shares (99.1% of votes cast)	274,752 (0.89% of votes cast)	5,664 shares (0.01% of votes cast)

As at the date of the Company's AGM on 15 May 2013 the Company had 43,810,296 Ordinary Shares in issue. The Remuneration Committee considers that an against or withheld vote of 20% or more of the votes cast is deemed to be significant. Based on the level of support to the Directors' Remuneration Report at the 2013 Annual General Meeting, the Committee did not consider that there were any issues of concern. In the event that a significant level of concern is raised, both the Chairman of the Board and the Chairman of the Remuneration Committee will contact key shareholders to understand and address the detail of concern.

Consideration by the Directors of matters relating to Directors' remuneration

The Remuneration Committee comprised the following members during 2013:

Carolyn Fairbairn
Chairman with effect from 1 December 2013
(Committee member throughout 2013)

Nigel Moore

Mark Rollins
appointed with effect from 2 October 2013

Lorraine Rienecker
appointed with effect from 1 December 2013

Christopher Humphrey
appointed with effect from 1 December 2013

Simon Beresford-Wylie
Chairman until 1 December 2013 when resigned

Maria Richter
resigned with effect from 15 May 2013

John Hughes
resigned with effect from 30 June 2013

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

The Committee, on behalf of the Board, determines the policy and implementation of 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 Committee invites individuals to attend meetings, as it deems necessary, to assist with consideration of remuneration matters. The Chairman, John McDonough, the Group Chief Executive, Stephen Bird, the Group Company Secretary, Jon Bolton and the Group Development and HR Director, Martin Green, attended meetings by invitation in the year ended 31 December 2013. 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 69 and 70 of this Annual Report.

External advisors

The Committee received independent advice from Deloitte LLP as the Committee's appointed remuneration advisor during the year ended 31 December 2013. 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 2012 Directors' Remuneration Report, drafting of the 2013 Directors' Remuneration Report in compliance with the new disclosure requirements, measurement of performance conditions associated with long-term incentive arrangements, changes to performance conditions associated with long-term incentive arrangements, a proposal to renew the Company's LTIP and DBP at the 2014 Annual General Meeting and general remuneration advice. Deloitte's total fees for 2013 work and advice relating to executive remuneration was £58,800 (2012: £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 is a member of the Remuneration Consultants Group and operates under that group's voluntary code of practice for remuneration consultants in the UK. The Committee is satisfied that the advice they have received from Deloitte during 2013 has been objective and independent. The Committee also received advice and administrative support during 2013 from the Group Company Secretary, Jon Bolton, and the Group Business Development and HR Director, Martin Green.

This Annual Remuneration Report has been approved by the Remuneration Committee and signed on its behalf by:

Carolyn Fairbairn
Chairman, Remuneration Committee

25 February 2014

Corporate Responsibility

Stephen Bird confirms Vitec's commitment to corporate responsibility

Corporate Responsibility Report on-line
www.vitecgroup.com/responsibility

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

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. New regulation has also been introduced in 2013 requiring listed companies such as Vitec to disclose publicly their greenhouse gas emissions. In 2013 we have maintained our FTSE4Good index membership demonstrating our commitment to environmental, social and governance matters. We will continue to develop our corporate responsibility activities.

We believe it is important to our stakeholders that Vitec is committed to a sustainable business model and takes corporate responsibility seriously to ensure the long-term value of our business.

A co-ordinated corporate responsibility programme will engage and motivate our employees, add value for our customers and protect our reputation, benefiting the Company, our shareholders and all other stakeholders.

The Board has overall responsibility for corporate responsibility matters and has approved our Code of Business Conduct, Environmental Policy and Health and Safety Policy. Each of these is available on our website and they are the cornerstone of our approach to corporate responsibility. The Board has delegated to me the co-ordination of our corporate responsibility efforts and through senior executives at Group and Divisional level we co-ordinate our efforts on the areas of business ethics, environment, employees and community and charitable donations. Our approach is flexible and pragmatic to reflect the size and scale of our operations and we focus our limited resources where necessary to comply with legal requirements.

2013 has been a year of consolidation given the restructuring initiatives undertaken in the Group. We have focused on two key areas. Firstly, to ensure we accurately capture our greenhouse gas emissions and report them in compliance with new regulations. Secondly we have re-communicated our Code of Business Conduct and whistleblowing arrangements to all employees to ensure that our values are understood and that employees clearly know what is expected of them in terms of behaviour and values. The Operations Executive receives regular updates on corporate responsibility issues from the Group Company Secretary and progress will continue to be monitored and reported on going forward. In turn I report to the Board on our corporate responsibility initiatives including health and safety performance and our approach to ethics.

The following pages describe our 2013 corporate responsibility activities organised in the following areas:

Business Ethics
Page 55

Employees
Page 58

Environment
Page 56

Community & Charitable Donations
Page 61

Business Ethics

Our Vision

To 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, respect for the UN Universal Declaration of Human Rights, respect for the individual and privacy, diversity, health and safety, environmental sustainability, business partners, charitable donations and a clear prohibition on political donations.

To ensure that the Code is understood by our employees, during 2013 we re-communicated our Code to each employee in the Group and we ensure that all new employees receive a copy as part of their induction to Vitec. 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. In 2013 we carried this out for employees at Teradek, who joined the Group in August 2013.

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. Over 500 employees have taken an on-line 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 employees who fit into this category and recently acquired businesses, including Teradek, have undertaken the training in 2013 and our aim is to further develop the training in 2014 to build upon employees' understanding and knowledge of this issue as well as other important governance matters.

In 2012 we communicated our Code on a risk-based approach to our major suppliers, customers, agents and distributors. We have either secured their agreement with the terms of our Code or secured evidence of their own ethics procedures including an express prohibition on bribery. We have continued with this risk based approach in 2013 ensuring that new major suppliers, customers, agents and distributors either sign up to the Company's Code or provide evidence of their own ethics procedures. All agents and distributors have in place formal agreements which clearly prohibit bribery and set out our expectation on behaviour and values.

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 report confidentially any issues around dishonesty, fraud, bribery, malpractice, bullying, unfair treatment, unsafe working practices or other contraventions of our Code. In accordance with a clearly agreed documented procedure, all such reports are notified to the Group Company Secretary, the Group Chief Executive and the Chairman of the Audit Committee, and are investigated independently 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 was re-communicated to all our employees in 2013 with re-branded posters, a letter from the Group Chief Executive and a letter from Expolink explaining the service to ensure that it remains visible and understood. The service is introduced to all employees of new businesses on acquisition and during 2013 was communicated to employees at Teradek. During 2013 we received nine whistleblowing reports principally concerning employee issues in the UK, US, Italy and Costa Rica. All whistleblowing reports were independently investigated with remedial actions taken where necessary.

Information on the whistleblowing service is displayed at all sites on notice boards and in prominent areas where employees and visitors meet. It is our intention to re-communicate the whistleblowing service again in 2015 to ensure that it remains prominent for employees.

Corporate Responsibility

Environment

Our Vision

To 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 2013 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.

Videocom successfully delivered a major strategic project during 2013, with teams working together across the globe to adapt business processes to support a fundamental change to how the Division does business with its customers and employing a leaner approach to its global operations. The successful completion of the project has enabled customers to order multiple products, and receive one delivery and one invoice, thus increasing value to customers with less work and waste.

Environmental Policy on-line
www.vitecgroup.com/environmental_policy

Vitec's green practices

As part of our commitment to responsible business practices, in 2013 we continued 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 electricity, gas 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 2013, confirming the commitment to use energy generated by renewable sources.

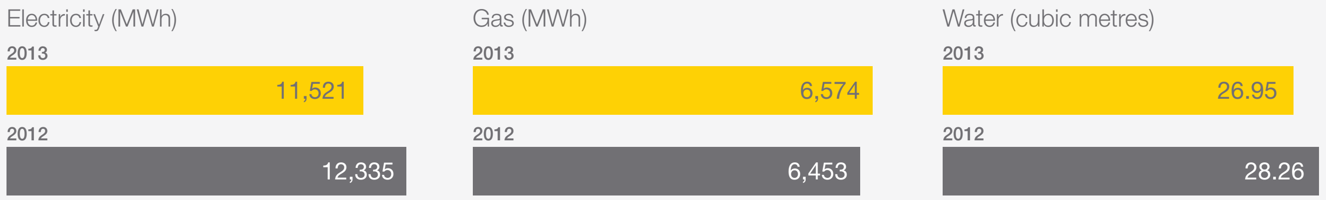
The Group's electricity, gas and water usage per £million of Group revenue over the last five years is set out on the following page.

Whilst the Group's electricity, gas and water usage has increased on the basis of usage per £million of Group revenue in 2013 compared to 2012, actual usage in each of these two years is set out below and has declined for both electricity and water usage during 2013.

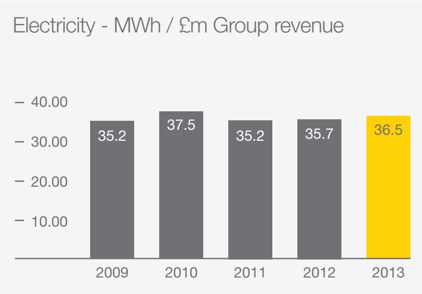
The Imaging Division's sites in Bassano and Feltre in Italy had their ISO 14001 status confirmed in 2013, showing that these operations have designed and implemented effective environmental management systems.

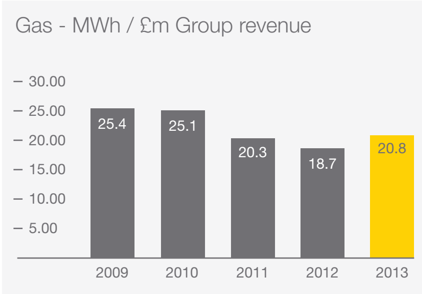
Videocom has focused on manufacturing quality and operational excellence particularly at its Bury St Edmunds site in 2013. A new Global Quality Manager has been tasked with this improvement initiative as well as setting up a new Continuous Improvement Proactive Quality Assurance team. To deliver this, personal development training for employees has been undertaken including Level 7 Advanced Diploma in Strategic Quality Management and ISO9001: 2008 Auditor training.

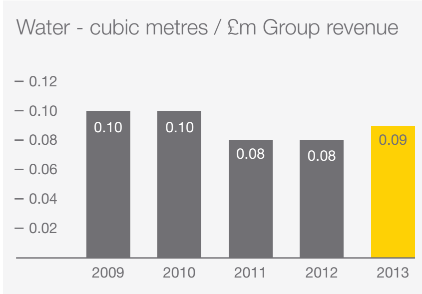
Actual electricity, gas and water usage in 2013 and 2012



Our electricity, gas and water usage based on usage per £million of Group revenue







The table below shows the quantities of materials that were recycled in 2013 at our major manufacturing sites in the UK, Italy and Costa Rica. All measurements are in kilograms.

Feltre, Italy	Bury St Edmunds, UK	Cartago, Costa Rica
Aluminium – 73,616	Aluminium – 30,910	Aluminium – 33,876
Iron and Steel – 32,622	Steel – 4,200	Steel – 7,357
Paper and cardboard – 70,020	Paper and cardboard – 41,300	Paper and cardboard – 18,600
Plastic – 11,394	Plastic – 500	Plastic – 3,849
Wood – 13,030	Wood – 18,000	Carbon fibre – 344
Carbon fibre – 1,180	Brass – 7,187	Magnesium – 1,142
Copper, Bronze and Brass – 80	Green Waste – 580	Iron – 1,179

The recycling largely covers the cost of waste management at our main sites. Similar recycling initiatives are carried out at our other manufacturing sites. Offices and manufacturing sites throughout the Group have waste recycling points to enable the sorting of waste into different recycling streams (paper, glass, plastics, ink toners, batteries and general).

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, we have 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.

Building upon our work in 2012 in preparation for the requirement to report on greenhouse gas emissions with effect from 1 October 2013 in accordance with the Greenhouse Gas Emissions (Directors' Reports) Regulations we have developed our processes to enable the accurate capture and reporting of all material Scope 1 and 2 emissions. These emissions have been recorded at 20 of our major operating sites in the twelve months to 30 September 2013, and arise from on-site energy use and any fugitive emissions, and transport from owned vehicles. We have identified these 20 major operating sites as the material sites for the Group for this requirement as it covers our principal operating sites including: Feltre, Italy; Bury St Edmunds, UK; Cartago, Costa Rica; Burbank, US; Mount Olive, US; Ashby-de-la-Zouch, UK; and Shelton, US. These 20 sites account for over 95% of the Group by revenue. We have excluded our smaller sites as their size and scale of operations are not material with respect to their Scope 1 and 2 emissions. We have also excluded Teradek that was acquired in August 2013 to allow that business sufficient time to adopt our reporting guidelines. As well as enabling the reporting of emissions, this information will enable us to identify potential cost savings going forward.

Our most significant emissions arise from the use of electricity which makes up all our Scope 2 emissions. Approximately two thirds of our Scope 1 emissions arise from the use of natural gas with the remainder mostly arising from transport fuel. All our emissions have been calculated using the latest Defra conversion factors available at www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses.

Greenhouse Gas Emissions for the period from 1 October 2012 to 30 September 2013 (Tonnes of CO_2 equivalent)

For the year ended 30 September 2013	Tonnes CO_2e
Scope 1 emissions	1,713
Scope 2 emissions	4,389
Total gross emissions	6,102
Total carbon emissions per £m of Group revenue	19.3

For the year ended 31 December 2012 we reported CO_2e data giving an indicative overall carbon footprint (Scope 1 and 2) of 8.3 tonnes CO_2e (intensity ratio of 24 tonnes CO_2e/£m of revenue). For 2013, in accordance with reporting regulations and guidance published by Defra we selected a reporting date of 30 September 2013 to enable accurate data to be collated to compile the table above in time for inclusion in this Annual Report. We have conducted an internal review to check the completeness and accuracy of the reported data. Going forward we will report on progress with our greenhouse gas emissions to show year on year figures for the Group.

Potential areas of saving have been identified notably 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 will be assessed as opportunities arise to identify the best opportunities to pursue, balancing the need to deliver on other business priorities in 2014 and beyond.

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. Vitec is committed to respecting the UN Universal Declaration of Human Rights.

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 directly contribute to our strategy, performance and reputation.

In 2013 we continued to focus time and resource on our employees, including initiatives on subjects such as wellbeing, engagement and training events.

In early 2013 Vitec's Italian sites, covering approximately 600 employees, were awarded the Top Employers certification by the Top Employers 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.

Videocom in Costa Rica received an award from Great Place to Work® recognising the good employment practices in the business. The award recognises five specific areas of employee satisfaction as measured by an all-employee survey: credibility, respect, impartiality, pride and partnership.

Our seven year accident record

2013
4 accidents
representing 211 accidents per 100,000 employees

2012
6 accidents
representing 288 accidents per 100,000 employees

2011
8 accidents
representing 390 accidents per 100,000 employees

2010
10 accidents
representing 525 accidents per 100,000 employees

2009
10 accidents
representing 511 accidents per 100,000 employees

2008
16 accidents
representing 723 accidents per 100,000 employees

2007
20 accidents
representing 976 per 100,000 employees

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 responsible.

We have continued to impress the need for excellent health and safety procedures in compliance with the Group's Health and Safety Policy, which is available on the Company 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 and near misses, whether they result in absence from work or not, 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 seven year accident record is shown opposite, which details the number of accidents resulting in over three days' absence from work across the Group. This demonstrates continued improvement in this area across the Group's operations and we will continue to develop our practices to deliver further improvements in this important area.

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 Group Chief Executive updates the Board regularly on health and safety performance by way of monthly reports and verbally 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, 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. Within each of the Group's Divisions separate assessment and training appropriate to operations is carried out for health and safety. For example, the Imaging sites at Bassano and Feltre had their OHSAS 18001 occupational health and safety certification confirmed in 2013. Employees are reminded of the need to work safely with posters on notice boards at all sites. Health and Safety Committees at all major sites hold regular meetings to review safety, to ensure that operating practices are safe and to address potential safety concerns.

Snapshot Issue 4


Vitec shopping cards


Health and safety training in Cartago, Costa Rica

Engagement

In 2013 we developed a mission statement to underpin our Group communications, both internally and externally, which requires us to present our brand and messaging clearly and consistently to engage investors, employees and customers. Guided by this statement we aim to provide our employees with an engaging and stimulating environment where they are encouraged to learn and develop. We communicate with our employees on a regular basis, keeping them informed of business performance at a Group, Divisional and business unit level. Reflecting the diverse global nature of our employees we use multiple channels and a variety of media to communicate with them.

A business overview, focusing on results and key events, is shared with all employees via two annual, global communication videos presented by the Group Chief Executive.

In April and May 2013 we held several management conferences in the US, Italy, UK and China, involving the Group Chief Executive, Group Finance Director and senior managers across the Group covering strategy, results and main achievements. This local format enabled a wider number of employees to attend and hear first-hand updates on key messages and core business priorities.

Alongside 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 internal announcements, breakfast meetings with Divisional management, quarterly business updates via video, and intranet sites.

As an example of the progress made within Divisional communication, Videocom has consolidated and increased its internal communication by launching a new internal portal "Informed". The site focuses on product news and sales team resources and is supported by a weekly digital newsletter.

Employees are also sent local communications, with each Division delivering its own employee newsletter: "Snapshot" within the Imaging Division, "The View" within the Videocom Division; and a monthly e-newsletter from the Services Division.

We have further developed the HUB which is now also a global communication and training resource portal for all employees. 2013 saw the addition of the Communication HUB where news and announcements from the Divisions are collated, enabling employees to share more and work better together.

Wellbeing

Good3
The Good3 project, launched in 2011 in the Group's Imaging Division, continued in 2013 with more initiatives undertaken at several sites.

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. Examples within Imaging included discounted gym memberships at the principal Italian sites of Bassano and Feltre and also Manfrotto's US distribution business based in New Jersey. The Manfrotto UK business rolled out a cycle-to-work scheme in 2013 under the UK Government's cycle scheme initiative. Healthy eating initiatives were promoted within Imaging with a Good3 discounted product line included within site vending machines. The intention is for this to be extended throughout the whole Division.

The focus on educating employees to enable them to make healthy decisions is also active within Videocom. Initiatives across the globe have taken place such as occupational health services and talks in the UK, annual flu vaccinations, healthy eating and exercise programmes across the US as well as weekly on-site dental facilities at Costa Rica.

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 2013, the Group relocated its Manfrotto UK business into a single site in the UK based in Ashby-de-la-Zouch. We further expanded our manufacturing operations in Cartago, Costa Rica and relocated several of our US businesses into new sites improving the working environment and working efficiencies.

Improving manufacturing quality and operational excellence have been a key focus at Bury St Edmunds, UK. A Continuous Improvement Proactive Quality Assurance (CIPQA) team has been established and we continue to develop individuals' skills at the site through additional training.

We have also listened to and responded to our employees' views. 2013 has seen the promotion of family friendly working with a focus on eliminating negative work patterns and stress. Initiatives linked to this have included flexible working opportunities for all Videocom UK employees and the launch of the US East Coast summer hours programme, where employees were able to adjust their working hours during the week and finish early each Friday. Within the Imaging Division, a supplementary labour agreement has presented new flexible working opportunities and an improved working environment for employees, with a specific focus on women in terms of work/life balance.

Benefits

We employ over 1,800 employees in 12 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. In the UK we are implementing auto enrolment for those employees who have not joined the Company pension plan with a staging date of 1 April 2014.

Employees in the UK, US, Italy and Costa Rica are further given the opportunity to join an all-employee 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. Good levels of take up are experienced.

The Imaging Division's Italian sites offer employees a Vitec Shopping Card that 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 and 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. The Organisation and Talent Review (OTR) has continued to be developed 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 HUB continues to act as a learning and development resource to support the Group's four core priorities of building the right organisation, developing commercial acumen, operational excellence and working together. Throughout 2013 it evolved from a senior management resource to a universal tool offering a range of learning and development materials to assist all employees to build on their skills, known as the Talent HUB. These include self-help videos, on-line resources and working toolkits. Recently, personal development planning templates and guides were added to the Talent HUB to help employees analyse their development needs and support career-related discussions.

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 continue to be used to enhance the global programme of talent development for release more widely across the Group.

Working at Vitec
www.vitecgroup.com/working_at_vitec

Targeted learning and development activities have been instigated within the Divisions. In 2013, Videocom launched its Training Academy, delivering product and sales training across all brands to employees at three training academy sites in Germany, the UK and the US. Individual and departmental training programmes have also been launched to increase capabilities in sales, engineering and management. This is a long-term incentive for Videocom with a calendar of training and supporting activity planned for 2014. Within Imaging, Manfrotto's School of Xcellence Shoot and Share training programme continued to educate employees on photography and videography. 19 seminars were attended by more than 170 employees and guests throughout 2013.

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 66 of the Governance Report and on our website. The organisation's current gender breakdown is as follows:

Gender statistics as at 31 December 2013

	Number of men	% of men	Number of women	% of women
Board	6	75%	2	25%
Operations Executive	7	100%	0	0%
Senior Management	21	91%	2	9%
Rest of organisation	1,190	69%	535	31%

This data does not include contractors

Through efforts by the human resources teams to attract women to Vitec and encourage them to apply for promotions the gender balance of the overall workforce has shifted during 2013. We now employ 31% women throughout the organisation, up from 25% at the end of 2012. We are pleased with this improvement and will continue to strive to employ a diverse workforce.

Vitec's approach to diversity has always followed 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. Following feedback from employees, during 2013 we established a working group under the direction of the Group Chief Executive and involving the most senior women throughout the Group to discuss issues pertaining to diversity and the role of women within Vitec. The group comprises the 50 most senior female employees and met for the first time via video-conference in late 2013. A number of initiatives have been set out including a vision to increase the number of women in senior roles by 2016, ensuring that all senior women have personal development plans, encouraging the women to network across the industries we operate in and ensuring that Vitec and its business units encourage flexible working. The group has begun to share ideas via email and will continue to meet during 2014.

It is Vitec's policy that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities 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.

The Vitec Group and its subsidiaries have continued to support charitable and community based causes in 2013.

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

Local community donations

The Bury St Edmunds site in the UK supports local and national charities such as Children in Need and the St Nicholas Hospice in Suffolk. This is also reflected at Manfrotto UK, based in Ashby-de-la-Zouch, who donate to a local hospice, Rainbows. The newly expanded Costa Rican production facility in Cartago invests many hours in the community including sponsoring a local nursing home and holding an event for an adult handicap shelter in the local town of Cot.

Water Aid and reaching the unreached

Manfrotto UK donated £3,000 to Water Aid, a charity helping some of the poorest people in Africa, India and Pakistan gain access to safe water, sanitation and hygiene. It also gave a further £6,000 to Reaching the Unreached, a UK registered charity that supports charitable work in India for the poor, promoting projects involving water, food, medicine and education. The Company has had a long-standing relationship with the town in India that it has supported for over forty years, and employees wish to maintain that link.

A Spot of Red

Manfrotto ran two blood donation awareness campaigns within its Italian and US locations. Manfrotto Italy donated prizes for a competition to promote "A Spot of Red", a campaign run by the Association of Voluntary Italian Blood Donors. Their colleagues in the US supported a blood drive and arranged a specific day to donate blood to support the New Jersey Blood Centre.

Kingston University Television and Video Technology Department

Vitec's Head Office continued its link with Kingston University's Television and Video Technology department with a donation of £4,000 in 2013. This donation was 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.

Match of the Heart and Cheru Cup

Imaging's Bassano and Feltre sites organised an employee football match and tournament in support of a local foundation that helps children suffering with onco-hematology diseases. €2,500 was donated to the charity "Citta della Speranza", after more than 250 people had attended the tournament to support 4 teams playing for the Cheru Cup, named after a former employee who passed away two years ago.

West Suffolk College Media School

Videocom's 2013 initiatives included the donation of Vinten products to a local college media school and sponsorship of one of the business studies graduation prizes.

Corporate Governance
Chairman John McDonough, CBE explains Vitec's corporate governance framework

Corporate Governance on-line
www.vitecgroup.com/corporate_governance

Your Board, under my Chairmanship, is responsible to all Vitec's stakeholders for providing strong leadership and effective decision-making to ensure the continued success of the Group and the implementation of our strategy. This report explains how the Board operates in delivering this. 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 that we have a sound and robust corporate governance framework in place, which I confirm has applied throughout 2013.

2013 has been an important year for the Board and I have spent further time getting to know the business and its people in greater detail, and specifically focusing on the role of the Board in directing the Group's strategy. I have visited more of the Group's businesses, including Cartago, Costa Rica to see operations following the announcement of our expansion at this facility, Bassano and Feltre, Italy where we held our July Board meeting and Bury St Edmunds, UK where our Videocom Division is headquartered. I have also met with several major shareholders during 2013 to hear first-hand their views on the business and to ensure there is a clear and open dialogue.

The Board spent a significant amount of time reviewing and evaluating the Group's strategy and future prospects. I am confident that we have the right strategic plan in place to generate good returns for our shareholders. This is underpinned by high quality business operations and a strong executive management team to meet our stakeholders' expectations of strategic delivery. Alongside the strategic review we have considered the Group's principal risks, and the associated processes and procedures to mitigate them. Further detail on the principal risks can be found on pages 22 and 23.

Under my Chairmanship, the Nominations Committee has focused on succession for the Board during 2013. With the appointments of Mark Rollins on 2 October 2013, and Lorraine Rienecker and Christopher Humphrey on 1 December 2013, all as independent Non-Executive Directors, your Board has been strengthened. They bring with them financial, strategic and technological knowledge and expertise to assist with the implementation of our strategy. They also enhance our diversity in terms of gender, professional and global experience. All three of our Directors are currently working in other international companies, ensuring they have relevant and current commercial experience of the fast-paced changing environment in which we operate. Induction programmes have been developed for each of these Directors and further information on their appointments and the content of their inductions is provided later in this report. Your Board and their biographies are set out on pages 30 and 31.

Maria Richter did not stand for re-appointment at the 15 May 2013 AGM having come to the end of her term of appointment. John Hughes left the Board on 30 June 2013 and Simon Beresford-Wylie left the Board on 1 December 2013. I would like to thank all three for their hard work and commitment to Vitec during their respective tenures.

The Board now comprises eight directors including myself as Chairman, five independent Non-Executive Directors and two Executive Directors. Nigel Moore will have served on the Board for 10 years at the 2014 AGM. The Board believes that Nigel continues to provide rigorous independence and commitment to the role, and his experience particularly on financial matters, governance and the management of risk is considered vital. This is particularly important given his experience with the Group and the short periods of tenure for the newly appointed independent Non-Executive Directors. We believe he remains the right candidate for the roles of Senior Independent Director, having been appointed to this role in May 2011, and Chairman of the Audit Committee. Timely Board succession for these roles remains important and we will advise shareholders of any further changes at an appropriate time.

My governance review has taken into account the UK Corporate Governance Code ("the Code"), as introduced in June 2010 and updated in September 2012, and explains how we have applied its Main Principles. I confirm that the 2013 Annual Report has been drafted in full compliance with the latest version of the Code including its supporting principles and provisions, and that each has been complied with throughout 2013, as required by the Listing Rules.

Leadership

The Board is responsible to shareholders for the creation and delivery of sustainable performance and 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 and these are reviewed annually.

It is my responsibility to manage the Board ensuring its effectiveness in all aspects of its role. 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 Board 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 during 2013. 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 seven members of which are shown on page 29. The Group Chief Executive and I have a good working relationship, meeting at least monthly outside of scheduled Board meetings to discuss strategy and performance, and to ensure that Board meetings cover relevant matters. Our relationship and regular dialogue 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 overseen my evaluation as part of the internal Board evaluation process we carried out in 2013 and this was an important task given the completion of my first full year in the role. Further information on the outcome of my evaluation is provided later in the report. He has also assisted me in the selection and nomination of the new independent Non-Executive Directors.

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 budgets; financial results; dividends; changes in the Board composition including key roles; acquisitions and disposals; material litigation; capital structure; risk management strategy; and various statutory and regulatory approvals. During 2013 the Schedule of Matters Reserved to the Board was reviewed and updated to ensure compliance with best practice. The full Schedule of Matters Reserved to the Board is available on our website.

The Board has taken into account the Code requirement that it confirms that the Annual Report taken as a whole is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, and has retained this power for itself. To achieve this we have asked the Executive Directors and Operations Executive to provide us with clear documentary evidence around the content and process of the 2013 Annual Report. The Audit Committee has confirmed to us that the financial statements as contained in the 2013 Annual Report are true and fair and that the work of the external auditor has been accurate and effective.
On the basis of this process, we are able to confirm that the 2013 Annual Report taken as a whole is fair, balanced and understandable through knowledge of the following processes and reliance on management:

- a detailed planning stage including drafting guidance and co-ordinated project management;
- a verification process dealing with the factual content of the Annual Report, both internally and by the external auditor;
- comprehensive reviews undertaken at different levels in the Group that aim to ensure consistency and overall balance; and
- comprehensive review by the senior management team.

Corporate Governance

Board activities completed during 2013

The Board dealt with a diverse range of matters during 2013 which are summarised here.

At each main meeting the following standing items are considered:

- Confirms compliance with Directors' duties and considers any new conflicts of interest
- Reviews minutes of previous meetings
- Reviews actions from previous meetings
- Reviews progress against agreed Board objectives
- Reports from the Group Chief Executive, Group Finance Director, Group Company Secretary and Group Development and HR Director on key aspects of the business including current trading, strategy, acquisitions and disposals, financial results, health and safety, governance and HR
- Reviews performance against KPIs

There were six scheduled Board meetings and three short notice Board meetings in 2013. Apart from the standing items described above the following is a summary of the material items considered at each meeting in 2013:

February (held in Richmond, UK)

- Annual Results, including review and approval, where appropriate, of:
  - Report from the Audit Committee Chairman
  - Report from the Remuneration Committee Chairman
  - Considered principal risks and mitigation to be disclosed
  - Report on going concern
  - Final dividend recommendation
  - Full year results announcement for the year ended 31 December 2012
  - 2012 Annual Report
  - Approval of resolutions to be submitted to the AGM and content of Notice of AGM
  - Management Representation letter
- Strategy update covering photographic and broadcast markets
- Considered and approved Group-wide restructuring proposal
- Considered discretionary increases for the Vitec Group Pension Scheme
- Approved Imaging Division new product capital expenditure project

May (held in central London, UK)

- Received a strategic update on the Videocom Division from the Videocom Divisional Chief Executive
- Received a briefing on the business to be conducted at the AGM
- Noted the content of the Interim Management Statement
- Reviewed Non-Executive Directors' and Chairman's fees
- Reviewed funding level of the Vitec Group Pension Scheme before the triennial valuation and auto enrolment
- Board training on inside information
- Approved the re-communication of the Group's whistleblowing arrangements to employees
- Considered the 2013 re-forecasted budget

July (held in Feltre/Bassano, Italy)

- Site visit to Imaging Division head office and manufacturing plant in Italy
- Received a strategic update on the Imaging Division from the Imaging Divisional Chief Executive
- Reviewed the Group's 2013/14 insurance renewals
- Considered the 2013 re-forecasted budget
- Approved a multi-currency pooling facility to be made available to the Group
- Report from the Audit Committee Chairman
- Report from the Remuneration Committee Chairman
- Report from the Nominations Committee Chairman
- Approved the giving of letters of support to subsidiary entities in connection with their 2012 annual financial statements

August (held in Richmond, UK)

- Half year results, including review and approval, where appropriate, of:
  - Report from the Audit Committee Chairman
  - Considered principal risks and mitigation to be disclosed
  - Report on going concern
  - Interim dividend
  - Half year results announcement for the period ended 30 June 2013
  - Management Representation letter
- Considered an update on Board composition
- Received a strategic update on the MAG business from the IMT President
- Received strategic opportunities presentation
- Considered diversity within the organisation

August (short notice meeting held by conference call)

- Considered and approved the terms of the acquisition of Teradek

October (short notice meeting held by conference call)

- Approved the appointment of Mark Rollins as an independent Non-Executive Director

October (held in Richmond, UK)

- Report from the Remuneration Committee Chairman
- Report from the Nominations Committee Chairman
- Received a strategy update
- Considered the 2013 re-forecasted budget
- Agreed the funding plan for the Vitec Group Pension Scheme
- Approved property lease for Litepanels

November (short notice meeting held by conference call)

- Approved the appointments of Christopher Humphrey and Lorraine Rienecker as independent Non-Executive Directors

December (held in Richmond, UK)

- Received an update on the Group's strategic plans
- Received a strategic update on the Imaging Division from the Imaging Divisional Chief Executive
- Considered and approved the 2014 budget
- Reviewed the outcome of the 2013 internal Board evaluation
- Report from the Audit Committee Chairman
- Report from the Remuneration Committee Chairman
- Reviewed updated Board governance documents and key policies including the Code of Business Conduct
- Reviewed Chairman's and Non-Executive Directors' fees

We normally hold a dinner for the Board around each scheduled meeting to enable Directors to discuss current business matters and also to give an opportunity for senior management or external advisors to attend to give updates on trading, markets or wider industry matters. This is a very useful format enabling a less formal opportunity for the Board to get to know one another and also executive management. It also enables the business to be discussed at the Board meeting to be introduced and for more time to consider matters.

At least twice a year we also hold Non-Executive Director only meetings, scheduled around the February and August Board meetings. These enable the Non-Executive Directors to raise any issues that they may wish to without executive management present. In my role as Chairman I will feed back to the Executive Directors on these discussions and take any actions necessary to address matters raised.

To monitor its ongoing performance during 2013, the Board set itself several objectives for the year which are detailed in the section on Board performance evaluation. Progress against each objective was tracked at each scheduled Board meeting during 2013. The key output from the 2013 Board evaluation has allowed us to set further objectives for 2014 that I will report on in next year's Annual Report.

In addition to the matters reserved to it, 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 and, during 2013, a Disclosure Committee was formed. Each Committee operates under clear Terms of Reference which were updated during the year to reflect emerging best practice and, specifically for the Remuneration Committee, the need to comply with the new reporting requirements as set out by the Companies Act 2006. Copies of each Committee's current Terms of Reference are available on our website.

Each Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and to obtain, at the Company's expense, outside legal or other professional advice on any matter within its Terms of Reference. Each Committee, at least once a year, reviews its own performance, constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommends any changes it considers necessary to the Board for approval.

The Remuneration and Audit Committees each agreed their objectives for 2013 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 2014 and an evaluation of progress against these objectives will be reported in next year's Annual Report.

Details of Directors' attendance at Board and Committee meetings is shown in the table on page 72 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 visited the Group's operations in Italy in July 2013, visiting both the Imaging Division's head office in Bassano and the manufacturing plant in Feltre. During the visit the Board was able to meet the Division's senior management and learn more about the business operations. The Board was given a demonstration of new products, including those still under development. 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 2013, 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 has been particularly useful during 2013 as we have spent a significant amount of time considering not only the Group's strategy as a whole, but that of each individual Division. We will continue to welcome members of the Operations Executive and other senior management to Board and Committee meetings in the future.

Corporate Governance

Effectiveness

2013 has been a year of change for the Board with three newly appointed independent Non-Executive Directors and three Non-Executive Directors retiring. This has been a structured process to ensure that the Board has the right skills, talent and diversity to effectively deliver the Company's agreed strategy. All newly appointed Directors participated in at least one set of Board and Committee meetings in 2013 and we have worked hard on apprising them with the Group's operations as quickly as possible.

Each of 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 Carolyn, Fairbairn, Christopher Humphrey, Nigel Moore, Lorraine Rienecker and Mark Rollins are independent in accordance with the recommendations of the Code. Each Director brings a complementary set of skills and diversity to the Board, having served in companies of varying size, complexity and market sector. 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. Each of Christopher Humphrey, Lorraine Rienecker and Mark Rollins are undergoing this process, which includes meeting with all of their fellow Board members, the Operations Executive, key external advisors, receiving briefings on each area of the business in turn and visiting the Group's principal operations including sites in the UK, Italy and US.

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 2013 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, Deloitte and Slaughter and May. 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, inside information, 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, prepare 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 and HR 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 or the Deputy 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 next meeting. Any concerns raised by Directors are clearly recorded in the minutes of each meeting.

The Board has the 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 as prescribed by the Company's Articles. 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, each Director is required to stand for annual re-appointment. Full details are included within the 2014 Notice of AGM.

On making appointments to the Board, amongst other criteria, the issue of diversity is considered. The Board agreed its policy on diversity during 2011 which was reviewed during the year and deemed to remain appropriate. 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 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, in accordance with the requirements of the Companies Act 2006.

Board performance evaluation

We conducted an internal Board evaluation in 2013 and it is expected that the next externally facilitated evaluation will be conducted in 2014 and reported upon in next year's Annual Report.

Four areas were covered by the 2013 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
- Evaluation of the Chairman led by the Senior Independent Director taking into account the views of the Board

The 2013 evaluation took the form of questionnaires, individual meetings and discussion at the Board meeting held in December 2013. 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 my evaluation, 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 2013, 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 and its Committees were also deemed to be effective and robust.

Each Director was asked to report on the key items for the Board to focus on during 2014. As in previous years these key items have been incorporated into the Board's agreed objectives for 2014 and will focus on the areas of Group strategy, Board structure including the successful induction of newly appointed Directors, market trends, technology, succession planning for the Executive Directors and senior management, and development of the governance environment in line with emerging best practice. I will report to you on progress against each of these objectives in the 2014 Annual Report.

Following the internal Board evaluation in 2012, the Board set itself several objectives for 2013. These are summarised below with an evaluation of performance against each:

2013 Board Objectives	Progress during 2013
Finalise the development of the Group and Divisional strategies and regularly review progress	Received regular detailed updates from each Division on progress against each of their strategic plans with Divisional Chief Executive Officers attending Board meetings; identified and discussed key areas concerning strategy and agreed programme for on-going review of strategy; approved the acquisition of Teradek in August 2013; reviewed other corporate action opportunities
Ensure suitable Board succession plans	Appointed Mark Rollins as an independent Non-Executive Director on 2 October 2013; appointed Christopher Humphrey and Lorraine Rienecker as independent Non-Executive Directors on 1 December 2013; appointed Carolyn Fairbairn as Chairman of the Remuneration Committee with effect from 1 December 2013; and completed internal board evaluation in 2013
Implement talent management programme, ensure senior executive succession plans in place and ensure diversity is under consideration within the business	Received an update on talent development strategy including succession planning for key roles in the Group; supported the introduction of a diversity group for senior female employees; met with each member of the Operations Executive to learn more about the "bench strength" of the executive management
Monitor Executive Director and senior executive remuneration and ensure reporting is in compliance with new regulations	99% shareholder support by way of submitted proxies for the 2012 Remuneration Report at 2013 AGM; received updates from the Remuneration Committee on emerging best practice; oversaw consultation with shareholders on new LTIP and DBP rules and amendment of the DBP structure following shareholder feedback; oversaw drafting of new remuneration report to be published in March 2014
Maintain best practice governance standards	2012 Annual Report complied with UK Corporate Governance Code and all resolutions approved at 2013 AGM; established a Disclosure Committee; re-communicated key policies (including Code of Business Conduct and whistleblowing arrangements) to all employees and introduction of new policies on inside information and whistleblowing; ensured acquired companies received all necessary governance materials
Ensure significant business risks are agreed and regularly monitored	Reviewed detailed risk assessment and mitigation process and disclosed principal Group risks in 2012 Annual Report; reviewed key strategic risks for each Division
Measure Board effectiveness using performance indicators	Monthly monitoring of financial performance and health & safety indicators; quarterly monitoring of the Company's Total Shareholder Return

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 2013 annual bonus.

Corporate Governance

Overview of the Nominations Committee

The Board has appointed the Nominations Committee to oversee the composition of the Board, senior executive recruitment and succession, and the process for appointments of Directors. The Nominations Committee, that I chair, has agreed terms of reference that are available on the Company's website.

Chairman	Members
John McDonough	**Stephen Bird**
	Carolyn Fairbairn
	Christopher Humphrey (from 1 December 2013)
	Nigel Moore
	Lorraine Rienecker (from 1 December 2013)
	Mark Rollins (from 2 October 2013)
	Simon Beresford-Wylie (until 1 December 2013)
	John Hughes (until 30 June 2013)
	Maria Richter (until 15 May 2013)

Current Committee members are shown in bold

Duties

- 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

The Nominations Committee uses the support of external executive search consultants where necessary to facilitate searches for new Directors. During 2013 JCA Group assisted with the selection and appointments of Mark Rollins, Christopher Humphrey and Lorraine Rienecker as independent Non-Executive Directors. JCA Group assisted in drafting a clear brief on the role, skills and personal attributes that the Board was looking for, taking into account Board diversity, and followed up with a search process to identify suitable candidates. Initial interviews were held with candidates with both myself and the Group Chief Executive, following which a shortlist was created taking into account the skills of each candidate and perceived fit with the Board and senior management team. The majority of the Board then met with each preferred candidate individually to ensure that the correct person with the right skills and dynamic fit with the Board was appointed. This same process would occur whether the role was executive or non-executive in nature. The process for the appointments in 2013 was led by me as Chairman of the Committee. However, should a search for the role of Chairman be necessary, this would be conducted by 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 by the Nominations Committee to the full Board for approval.

Following the changes made during 2013 I am confident that we have the right mix of skills, personalities and diversity on the Board to shape the direction of the Group going forward, deliver on strategy, monitor on-going performance and discharge good corporate governance. I will remain mindful of the need to have the right balance on the Board and future Board changes will take this into consideration.

Each newly appointed Non-Executive Director has commenced a thorough induction programme. This has comprised individual meetings with the Executive Directors, members of the senior management team and myself as Chairman. Visits to major business sites in the US, UK and Italy have either been organised or will be held during 2014 taking into account other commitments. Sessions have been held on 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, each newly appointed Non-Executive Director has met with our corporate advisors including KPMG, Investec and Rothschild.

Nominations Committee activities during 2013

At each main meeting:

- Confirms compliance with Directors' duties and considers any new conflicts of interest
- Reviews minutes of previous meetings
- Reviews actions from previous meetings
- Reviews progress against objectives

The Committee met four times during 2013 and covered the following matters:

July

- Considered the recruitment of independent Non-Executive Directors, including role specification, engagement of JCA Group to facilitate the search and reviewed candidate profiles
- Reviewed vision statement on diversity and gender diversity statistics for the Group
- Reviewed progress on talent management and senior management succession planning

October (two meetings)

- Recommended to the Board the appointment of Mark Rollins as an independent Non-Executive Director; and considered the appointment of Carolyn Fairbairn as Chairman of the Remuneration Committee in succession to Simon Beresford-Wylie
- Reviewed further candidate profiles

November

- Recommended to the Board the appointments of Christopher Humphrey and Lorraine Rienecker as independent Non-Executive Directors

Overview of the Remuneration Committee

The Remuneration Committee was chaired by Simon Beresford-Wylie until 1 December 2013 when he was succeeded by Carolyn Fairbairn. The Remuneration Committee comprises exclusively independent Non-Executive Directors. The Chairman, Group Chief Executive, the Group Development and HR Director and the Group Company Secretary have all been invited to meetings throughout 2013. The Committee met five times in 2013.

The Board has delegated to the Remuneration Committee the setting of a remuneration framework or broad policy for the Company's Group Chief Executive, other Executive Directors and members of the Operations Executive. The Committee's full Terms of Reference can be found on our website.

An overview of the work completed by the Remuneration Committee during the year is set out in the following table. The Remuneration Report for the year ended 31 December 2013 on pages 34 to 53 provides an introduction from the Committee Chairman, sets out the Group's remuneration policy for Executive and Non-Executive Directors and gives full details of Executive and Non-Executive Directors' remuneration during 2013.

Chairman	Members
Carolyn Fairbairn (from 1 December 2013) Simon Beresford-Wylie (until 1 December 2013) Current Committee members are shown in bold	**Christopher Humphrey** (from 1 December 2013) **Nigel Moore** **Lorraine Rienecker** (from 1 December 2013) **Mark Rollins** (from 2 October 2013) Carolyn Fairbairn (until 1 December 2013) John Hughes (until 30 June 2013) Maria Richter (until 15 May 2013)

Duties in accordance with Terms of Reference

- 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 and targets for any performance related pay schemes
- Reviewing the design of all share incentive plans
- Reviewing remuneration trends and major changes in employee benefits across the Group
- Reviewing termination arrangements in accordance with contractual terms
- Ensuring full disclosure is made regarding remuneration in the Company's Annual Report in accordance with prevailing regulations
- Ensuring advice is obtained from appropriate sources
- Agreeing objectives and reviewing performance against each one

Corporate Governance

Remuneration Committee activities during 2013

During 2013 the Remuneration Committee had five meetings, of which four were scheduled and one was held at short notice. At each scheduled meeting the Committee considers the following matters:

- Confirms compliance with Directors' duties and considers any new conflicts of interest
- Reviews minutes of previous meetings
- Reviews actions from previous meetings
- Reviews progress against objectives

The following specific business was dealt with at each meeting held in 2013:

February

- Approved the Remuneration Committee Report to be included in 2012 Annual Report
- Reviewed and agreed on personal objectives for Executive Directors for 2012 and 2013
- Reviewed outcome of 2012 annual bonus plan
- Reviewed satisfaction of performance conditions tied to LTIP and DBP awards made in 2010
- Reviewed and approved awards to be made under the LTIP and DBP in 2013
- Reviewed the structure and performance conditions of the 2013 annual bonus plan

July

- Reviewed a proposal on the renewal of the long-term incentive plans and the format of an associated consultation with shareholders
- Received a presentation on the impact of new Remuneration Reporting Regulations

October

- Considered shareholders' feedback to the long-term incentive plans renewal consultation
- Reviewed a paper on the key features of the new Remuneration Report to be included in the 2013 Annual Report
- Received a market update on executive remuneration from Deloitte
- Reviewed indicative bonus outcomes under the 2013 annual bonus plan

November

- Reviewed Executive Director and Operations Executive benchmark remuneration information
- Reviewed the structure of the proposed renewal of long-term incentive plans and agreed to communicate changes to shareholders

December

- Considered and agreed the outcome of 2013 objectives and set 2014 objectives for the Committee
- Received an update on further feedback received from shareholders on the restructure of long-term incentive plans
- Reviewed a draft of the Remuneration Report to be included in the 2013 Annual Report
- Received an update on indicative outcome for the 2013 annual bonus plan
- Reviewed remuneration and proposed salary increases for 2014 for the Executive Directors and Operations Executive
- Reviewed structure of the 2014 annual bonus plan

The Remuneration Committee set itself several objectives for 2013, the detail and progress against which is detailed below:

2013 Remuneration Committee Objectives	Progress during 2013
Ensure remuneration policies and practices reward fairly and responsibly with clear link to strategic objectives, corporate and individual performance	• 2012 Remuneration Report received over 99% support in terms of proxies submitted for the 2013 AGM • Agreed that annual bonus was 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 a shareholding stake in the Company of at least one times gross annual salary; and claw-back provisions across all bonus and long-term incentives • Agreed on the drafting of the remuneration policy to be disclosed in the 2013 Annual Report
Consult with major shareholders on the renewal of the LTIP and DBP in advance of the 2014 AGM	• Reviewed remuneration structure in light of investor body views to have simple remuneration arrangements • Agreed on removing the matching element of the DBP and increasing the potential under the LTIP in response to investor feedback
Ensure best practice annual Remuneration Report and that approved by shareholders at the AGM, both for 2012 report and 2013 report under the new Directors' remuneration regulations	• 2012 Remuneration Report fully compliant with all applicable regulations and received over 99% of the proxy votes for the resolution at the 2013 AGM • Agreed on the drafting of the revised Remuneration Report to be disclosed in the 2013 Annual Report, to include a Chairman's Statement, a policy report and an implementation report
Monitor executive remuneration trends including the views of investors and investor advisory bodies	• Received voting guidance from investor advisory bodies in advance of 2013 AGM • Received ongoing updates from Deloitte on market practice • Considered responses to consultation from major shareholders in connection with the renewal of the LTIP
Continue to monitor progress and success of Deloitte in supporting the Remuneration Committee around new reporting requirements and remuneration policy supporting the Group's strategy	• Provided support on the consultation with major investors • Provided drafting guidance on the new Remuneration Report • Provided detailed benchmark data and analysis to support pay rises and the amendments to the LTIP and DBP for Executive Directors and senior executives

The Remuneration Committee has set itself objectives for 2014 and will report on progress against these in the 2014 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 fulfil 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 it and for putting in place procedures to monitor and manage those 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 financial capital projects, property leases, 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 principal risks and uncertainties and mitigation for them for the Group are set out on pages 22 and 23 of this Annual Report.
- 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
  - comprehensive system of financial reporting including weekly flash reports, 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 2013, 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 and IT processes. An internal audit plan for 2014 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 2013 Annual Report and that it accords with the publication by the Financial Reporting Council on Internal Control: Guidance to Directors (formerly known as the Turnbull Guidance) in respect of internal controls.

Corporate Governance

Relations with Shareholders

Maintaining regular contact with our shareholders remains an important part of our activities. In 2013 this has involved face to face meetings between the Group Chief Executive, Group Finance Director and each of our major shareholders tied into the publication of our full year and half year results. I have also met with several major shareholders to discuss progress of the business and its governance. We have consulted with our major shareholders on changes in our executive remuneration arrangements in 2013. We aim to ensure that our business, strategy, governance and remuneration policies are clearly understood and that any concerns are addressed in a constructive way. Establishing and maintaining reliable lines of communication is fundamental to good corporate governance.

I was pleased to meet some of our shareholders at the 2013 AGM and look forward to meeting you again at the 2014 AGM. This offers an opportunity for you to meet with our Directors and to hear more about the Group's strategy. 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 and which is available on our website.

For the 2014 AGM and for future general meetings of shareholders, I propose that voting on resolutions will be made by way of a poll. This reflects best practice in terms of meeting administration and ensures that all the views of shareholders who submit proxy forms are taken into account in terms of the actual voting at the general meeting. The necessary procedures for a poll will be complied with in accordance with the Company's Articles. The outcome of the voting at the AGM will be announced by way of a Stock Exchange announcement and full details will be published on the Company's website shortly after the meeting. At the 2013 AGM over 70% of our shares were voted by way of proxies submitted. Separate resolutions are proposed for each substantive issue upon which shareholders are asked to vote. Shareholders attending the AGM will still have the opportunity to raise questions at the meeting.

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 AGM 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, Senior Independent Director, Chairman of the Remuneration Committee and I also meet with investors from time to time to discuss relevant matters.

Regular updates from the Executive Directors 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 shareholder presentations.

We will continue to evolve our investor relations arrangements to ensure that our shareholders and stakeholders remain informed on the Company's strategy and ongoing financial performance.

John McDonough CBE
Chairman

25 February 2014

Attendance table for Governance Report 2013

	Board		Audit		Remuneration		Nominations	
	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice
Number of meetings	**6**	**3**	**4**	**-**	**4**	**1**	**2**	**2**
Current Directors								
John McDonough	6	3	-	-	-	-	2	2
Carolyn Fairbairn	6	3	4	-	4	1	2	2
Christopher Humphrey (appointed 1 December 2013)	1/1	-	1/1	-	1/1	-	-	-
Nigel Moore	6	3	4	-	4	1	2	2
Lorraine Rienecker (appointed 1 December 2013)	1/1	-	1/1	-	1/1	-	-	-
Mark Rollins (appointed 2 October 2013)	2/2	1/1	1/1	-	2/2	1	1/1	1/1
Stephen Bird	6	3	-	-	-	-	2	2
Paul Hayes	6	3	-	-	-	-	-	-
Former Directors who served during 2013								
Simon Beresford-Wylie (until 1 December 2013)	5/5	3	3/3	-	3/3	1	2	2
John Hughes (until 30 June 2013)	0/2*	-	0/1*	-	0/1*	-	-	-
Maria Richter (until 15 May 2013)	2/2	-	1/1	-	1/1	-	-	-

* John Hughes did not attend the scheduled Board, Audit Committee and Remuneration Committee meetings held in February 2013 and the scheduled Board meeting in May 2013 due to personal circumstances.

Corporate Governance

Report from Nigel Moore, Chairman of the Audit Committee

Corporate Governance on-line
www.vitecgroup.com/corporate_governance

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 will explain in more detail the Committee's activities in my report.

The Audit Committee at the date of this report comprises five Non-Executive Directors, all of whom are considered independent. During 2013 the members were:

Chairman	Members
Nigel Moore	**Carolyn Fairbairn**
	Christopher Humphrey (from 1 December 2013)
	Lorraine Rienecker (from 1 December 2013)
	Mark Rollins (from 2 October 2013)
	Simon Beresford-Wylie (until 1 December 2013)
	John Hughes (until 30 June 2013)
Current Committee members are shown in bold	Maria Richter (until 15 May 2013)

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 the past year, with emphasis on the specific matters we have considered, including compliance with the UK Corporate Governance Code ("the Code") and associated Guidance on Audit Committees. I confirm that we have fully complied with the requirements of the Code as issued in September 2012 and which applies to financial years beginning on or after 1 October 2012.

I have been Chairman of the Committee since 2004, and have the necessary recent and relevant financial experience as required by the Code having formerly been a London-based partner of EY, 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. The other members of the Committee have a broad range of appropriate skills and experiences covering financial, commercial and operational matters and their biographies are summarised on pages 30 and 31.

The Committee has four scheduled meetings a year and I work closely with the Group Finance Director, Group Risk Assurance Manager and Deputy 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 Company's website), the Group's annual reporting requirements and any other matters which arise on an ad-hoc basis. The Committee maintains a balance between the review of financial reporting and the risk assurance process to ensure they both receive appropriate consideration and challenge. Full detail of the work we completed during 2013 is set out in the table on page 77.

Corporate Governance

We assessed the effectiveness of the annual audit by the external auditor, KPMG. This included reviewing their audit approach; the strength of the audit team and their knowledge of the Group's businesses; and the robustness of their challenge specifically on more judgemental areas. This was supported by separate discussions at the Audit Committee with Executive Directors, senior executives and representatives of the audit team. The Committee did not find any areas of concern raised during its discussions and review of the external audit.

We concluded that KPMG had completed the external audit effectively and in accordance with 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 appointment of KPMG as auditor of the Company at the 2014 AGM for the forthcoming year.

As explained in the Chairman's letter accompanying the Notice of AGM our auditor, KPMG Audit Plc, has instigated an orderly wind down of its business and has therefore informed the Company that the entity which conducts audit services in the future is to change from KPMG Audit Plc to KPMG LLP. KPMG Audit Plc will therefore not stand for re-appointment at the Company's 2014 AGM. As a consequence of this wind down, the Board and Audit Committee has decided to put KPMG LLP forward to be appointed as auditor and a resolution to this effect will be considered at the 2014 AGM. Whilst the legal entity performing the audit will change from the 2014 AGM, I confirm that the audit partner, Robert Brent, and the audit team will remain unchanged. The Company is required to send you a copy of the statement of the circumstances connected with KPMG Audit Plc's decision not to seek re-appointment. This will be circulated with the Notice of AGM and will be available on the Company's website at www.vitecgroup.com.

As already explained by the Chairman, the Board takes responsibility for determining that the Annual Report, taken as a whole, is fair, balanced and understandable. At the request of the Board, the Audit Committee has concentrated its review of the full year results on the financial statements only. Following a review of the process around the annual audit as described above and the content of the financial statements, the Audit Committee recommended to the Board at its meeting on 24 February 2014 the adoption of the financial statements and that they provide a true and fair view of the financial performance of the Group.

Significant issues

The Committee considered several significant accounting issues, matters and judgements in relation to the Group's financial statements and disclosures for the year ended 31 December 2013. As part of the half year and full year reporting process, management present an accounting paper to the Committee, and the external auditors are asked to also comment on the key areas of accounting judgement and disclosure. The information presented is used by the Committee to critically review and assess the key policies and judgements that have been applied, the consistency of policy application from year to year and the appropriateness of key disclosures made, together with compliance with the applicable accounting standards. The significant issues arising and a description of how each was addressed is shown in the following table.

Significant issue	How it was addressed
Goodwill arising on acquisition of businesses	The carrying value is subject to annual impairment testing undertaken by management who apply a series of assumptions concerning future revenue and cash flows and discount rates for cash generating units. Management presented the outcome of the impairment review to the Audit Committee, highlighting the level of headroom, and this summary is also commented upon by the external auditor. The Committee critically reviewed management's assessment of the carrying value of these intangible assets and their disclosure in the Group's financial statements and concurred with management's conclusion that no impairment charges were required for the year ended 31 December 2013.
Working capital management	The Committee critically reviewed the carrying value of the Group's working capital taking into account management's assessment of the appropriate level of provisioning against inventory obsolescence and the collectability of receivables. Management presented to the Committee the experience of bad debts during the year, and the debtor concentration and days outstanding. With regard to inventory the gross levels held and the provisions recorded against obsolescence were also presented to the Committee. In addition the external auditor presented their findings with regard to the key audit testing over working capital covering all the major locations. The Committee concurred with management's assessment of the Group's working capital position.

Significant issue	How it was addressed
Provisions and other liabilities	The Committee considered the judgemental issues relating to the level of provisions and other liabilities. The more significant items include post-employment obligations and taxation. For each area management presented to the Committee the key underlying assumptions and the key judgements applied. The external auditor also presented on each of these areas and their view of the range of potential outcomes. The Committee has used this information to review the position adopted in terms of the amounts charged and recorded as provisions, acknowledging the level of subjectivity that needs to be applied.
Restructuring costs and provisions	The Committee considered the presentation and accounting for the costs that arose in connection with the various restructuring activities that were announced during the year. Management presented an analysis of the types of costs incurred, the nature of the provisions held at the year end and the proposed presentation and disclosures. The external auditor reported on the findings from the audit work performed and commented on the accounting requirement with regard to recognising restructuring provisions at the year end. The Committee reviewed the analysis with consideration to how other similar companies present and disclose restructuring activities and concurred with the disclosures and presentations proposed.
Initial assessment of contingent considerations in relation to acquisitions	On 28 August 2013 the Group acquired Teradek, LLC for which future consideration is potentially payable under an earn-out provision contingent on the achievement of agreed milestone targets. The Committee has reviewed the accounting valuation of the contingent consideration and management's assessment of the fair value as measured at the acquisition date. In addition the Committee discussed and agreed with the external auditor the accounting treatment to be applied for the current year and to any future adjustments to the amount provided, and the appropriate disclosures that were proposed to be presented in the financial statements.

I invite the audit partner from the Company's external auditor, KPMG, to attend meetings of the Committee on a regular basis and during 2013 they attended each meeting, either in whole or for part of the meeting. The Chairman, Group Chief Executive, Group Finance Director, Group Risk Assurance Manager and Group Company Secretary 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 management were not present for part of the meeting so that members of the Committee could meet with the external auditor in private. I will continue to encourage the practice of the Committee meeting in private with the external auditor 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 the external audit arrangements in 2010 and as a result Robert Brent of KPMG was appointed and has been the audit partner since the audit of the 2011 results. His term of appointment is currently expected to end in 2016. In accordance with the new Code, and acknowledging the Competition Commission's proposal that FTSE 350 companies must put their statutory audit engagement out to tender at least every ten years, it is possible 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 auditor for non-audit services that has been in place for a number of years. The use of the external auditor 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 auditor 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: 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 auditor is excluded: This includes internal accounting or other internal financial services, design development or implementation of financial information or internal controls systems, internal audit services or their outsourcing, forensic accounting services, executive or management roles and functions, IT consultancy, litigation support services and other financial services such as broker, financial adviser or investment banking services.

Corporate Governance

I confirm that during 2013 the policy has been followed without exception and that no changes to the scope of the policy have been made. During 2013, £0.15 million was paid to KPMG in respect of non-audit work compared to an audit fee of £0.4 million. This non-audit work included the financial due diligence of Teradek, LLC that was acquired during the year. In addition, the non-audit fees have increased in comparison to last year due to the inclusion of fees payable to Makinson Cowell that has provided the Company with investor relations advice for a number of years. This is due to the acquisition of Makinson Cowell by KPMG during 2013.

Our performance as a Committee was assessed through the internally facilitated Board performance evaluation, information on which has been provided earlier in the Governance Report. The Audit Committee was deemed to be working effectively and no major suggestions for improvement were noted.

To ensure that we continue to be an effective Committee, we set and measure our performance against specific objectives every year. These objectives vary annually and the details of our objectives for 2013 and the progress made is summarised below. I am pleased to confirm that we successfully achieved all of these objectives. Progress on achievement against our 2014 objectives will be reported in next year's Annual Report.

Audit Committee specific objectives

2013 Audit Committee Objectives	Progress during 2013
Review risk assurance mapping process to assess and drive appropriate coverage across all key areas	The risk assurance mapping process was further developed during the year and these developments were reviewed and approved by the Committee. This included strengthening the controls and processes around IT systems, project management and business continuity to further improve the level of assurance.
Review updated self-assessment process to ensure that it supports management in analysing the effectiveness of internal controls	A new self-assessment questionnaire has been implemented across the business to improve the level of assurance from this process. This was reviewed and approved by the Committee after considering the results from an initial testing phase and feedback after it had been implemented.
Review the effectiveness of using external advisors to provide local-language internal audit services	External audit teams with local language skills and familiarity with local culture were used to provide internal audit services in a number of regions including China, Hong Kong, Japan and Costa Rica. The Committee reviewed the performance of these activities and concluded that it was effective and should continue to be used, where appropriate, going forward.
Review and approve a "vision" for the Group's finance function to assist in driving a cohesive partnership throughout the business	The Group Finance Director alongside senior members of the finance team defined the vision for the Group's finance function including: business partnership; governance and controls; efficiency and continual improvement; and team development and sharing best practice. The Committee supports this vision having reviewed and approved it before it was put in place.
Ensure appropriate disclosures are made in the 2012 Annual Report in compliance with the UK Corporate Governance Code, specifically around the workings of the Audit Committee	The Committee reviewed the financial statements in the 2012 Annual Report and the separate disclosures on the workings of the Audit Committee, including the letter from the Audit Committee Chairman. It determined that these met the requirements of the UK Corporate Governance Code in place at that time. The approach taken for the Committee's review of the 2013 Annual Report recognises that the Board has retained responsibility for confirming that the Annual Report taken as a whole is fair, balanced and understandable.

Audit Committee activities during 2013

During 2013 the Audit Committee had four scheduled meetings. At each scheduled meeting the Committee considers the following matters:

- Confirms compliance with Directors' duties and considers any new conflicts of interest
- Reviews minutes of previous meetings
- Reviews actions from previous meetings
- Reviews Risk Assurance Report covering risk, assurance, internal audit and internal controls
- Reviews progress against current year objectives
- Reviews whistleblowing reports and action plans to resolve matters reported

The following specific business was dealt with at each meeting held in 2013:

February

- Annual results for 31 December 2012, including reviews of:
  - Accounting issues report
  - Full year report from the external auditor including Auditor's Report to be included in the 2012 Annual Report
  - Consolidated financial statements for the year ended 31 December 2012
  - Report on internal controls
  - Separate report on the work of the Audit Committee
  - Performance, effectiveness and independence of the external auditor
  - Fees for non-audit services and professional fees
- Recommendations to the Board on:
  - The consolidated financial statements
  - The re-appointment of and fees for the external auditor
  - Independence and objectivity of the external auditor
  - Management's representation letter to external auditor
- Reviewed utilisation of local language auditors supporting internal audit
- Reviewed 2013 internal audit plan
- Received update on Group's compliance with the Bribery Act 2010
- Reviewed site risk surveys that had been conducted at each of the Group's main manufacturing sites
- Private meeting between the Committee and external auditor without executive management present

July

- Reviewed and approved vision for Vitec's finance function
- Reviewed proposed Group self-assessment process
- Reviewed external audit strategy paper for the year ended 31 December 2013
- Received training on developments in corporate reporting
- Considered Financial Reporting Council's requirement of Fair, Balanced and Understandable
- Reviewed whistleblowing, anti-bribery and corruption procedures, confirming that the Group has adequate procedures in place

August

- Half year results for 30 June 2013, including reviews of:
  - Accounting issues report
  - Report from the external auditor
  - Half year results for the half year ended 30 June 2013
  - Fees for non-audit services and professional fees
  - Principal risks and uncertainties
- Recommendations to the Board on:
  - The half year results
  - Management's representation letter to external auditor

December

- Reviewed a paper on the process for year end reporting
- Considered which financial reporting issues were deemed to be significant for disclosure in the 2013 Annual Report
- Considered the outcome of 2013 objectives and agreed 2014 objectives

Nigel Moore
Chairman of the Audit Committee

25 February 2014

Independent Auditor's Report to the members of The Vitec Group plc only

Opinions and conclusions arising from our audit

1. Our opinion on the financial statements is unmodified

We have audited the financial statements of The Vitec Group plc for the year ended 31 December 2013 set out on pages 81 to 131. 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 2013 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
- 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.

2. Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements, the risks of material misstatement that had the greatest effect on our audit are shown in the table below.

For further reference to these risks, refer to pages 74 and 75 (Report from Nigel Moore, Chairman of the Audit Committee) and page 88 (Critical accounting judgements and estimates).

	The risk	Our response
Valuation of inventory (£55.3 million) Refer to note 3.3 of the financial statements	The inventory held at the year end covers a wide range of products and the demand for these and the ability of the Group to sell this inventory in the future may be adversely affected by many factors. Such factors include, among others, changes in customer and consumer preferences, competitor activity including pricing, the introduction of new products and technology and the current uncertain economic outlook. The risk is that the Group may not recover the cost of inventory via future sales, and may not hold appropriate provisions against obsolete and slow moving inventory. Accordingly the net book value recorded may be materially incorrect.	Our audit procedures included, among others, inspecting the ageing of inventory to identify any slow moving inventory lines and we critically assessed whether appropriate provisions had been established for slow moving and obsolete inventory. We checked the average prices achieved on sales in the year and after the year end across the range of product lines to test whether these exceeded the book value of inventory. We compared the methodology and assumptions used by the Group in calculating the inventory provisions to those used in the prior years and, as part of this, we considered whether we would expect a change to the methodology and assumptions based on any changes to the current markets that the Group serves, noting the demand factors highlighted in this table. Further, we considered the historical accuracy of provisions recorded by examining the utilisation or release of previously recorded provisions. We also considered the adequacy of the Group's disclosures (see Note 3.3) in relation to provisions for risks concerning inventory obsolescence.
Valuation of trade receivables (£35.8 million) Refer to note 3.3 of the financial statements	Vitec sells products to a wide customer base located across numerous countries each with different macroeconomic environments, and with no dependency on any one particular customer. The recoverability of trade receivables is dependent on the credit worthiness of customers and their ability to settle the amounts due. There is a risk of non-payment and non recovery of the amounts recorded as trade receivables at the year end. Accordingly provisions are required for amounts that are no longer considered recoverable.	Our audit procedures included, among others, considering the appropriateness of the provisions recorded against trade receivable balances with reference to cash received after the year end, the ageing analysis, the concentration of counterparty risk, and considering the historical accuracy of provisions recorded by examining the utilisation or release of previously recorded provisions. We have also considered the adequacy of the Group's disclosures (see Note 3.3) in relation to provisions for risks concerning recoverability of trade receivables.

	The risk	Our response
Current tax liability (£5.2 million) Refer to note 2.4 of the financial statements	The level of current tax liability recognised requires judgements as to the likely outcome of decisions to be made by the relevant tax authorities across the large number of tax jurisdictions in which the Group operates. There is a risk that the judgements on which tax liabilities are based do not take into account or properly reflect the latest available tax information or an appropriate application of tax legislation, and as a result the Group's tax liabilities are either over or understated.	In this area our audit procedures included, among others, challenging the appropriateness of the assumptions applied and estimates made in relation to current tax liabilities by considering the range of possible outcomes that may be assessed under the applicable tax laws. We involved our own tax specialists to assist in critically assessing the assumptions used by reference to international and local tax legislation in different jurisdictions. We also assessed whether the Group's tax disclosures set out in Note 2.4 are appropriate and in accordance with relevant accounting standards.
Goodwill carrying value (£56.0 million) Refer to note 3.1 of the financial statements	The Group records goodwill that totals £56.0 million. This is subject to annual impairment testing and the impairment calculations are based on discounted projected cash flows of the relevant cash generating units ("CGUs"). This analysis is inherently subjective as it involves future projections and requires estimation with regard to future growth rates and discount rates specific to each CGU. There is a risk that the key assumptions, estimates and judgements on which the calculations are based are inappropriate and that goodwill is overstated as a result.	Our audit procedures in this area included, among others, assessing the key inputs such as projected economic growth, country specific risk factors and discount rates by reference to external data where available. We tested the sensitivity of the impairment calculation to changes in the key judgements and assumptions to assess the level of headroom within the calculations. In addition, we tested the principles and integrity of the Group's discounted cash flow model. We also assessed whether the Group's disclosures (see Note 3.1) about the impairment tests and the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.
Restructuring provision (£2.7 million) and disclosure of costs incurred (£11.4 million) Refer to notes 2.2 and 3.5 of the financial statements	The Group has implemented various restructuring activities for which significant costs (£11.4 million) have been recorded during the year. This includes costs that are committed at the year end and for which provisions have been recorded (£2.7 million). Such provisions require estimations concerning final redundancy settlements and onerous lease commitments, and as such are inherently subjective. Accordingly there is a risk that the amounts recorded may be materially incorrect. There is also a risk that the disclosures included in the financial statements are insufficient to allow the reader a full understanding of the nature of the costs incurred and included within the restructuring charge.	In this area, our audit procedures included, among others, critically assessing whether the restructuring programmes and commitments were sufficiently advanced to trigger the need for a provision in accordance with relevant accounting standards. We considered the commitments made via public announcements and other communications with those to be affected. We tested the accuracy of provisions through agreeing individual provisions to supporting information. We also considered the adequacy of the Group's disclosure in respect of the restructuring activities and provision (see Notes 2.2 and 3.5) in detailing the amounts incurred and provided for at year end.
Teradek acquisition accounting – deferred and contingent consideration Refer to note 3.4 of the financial statements	As detailed in Note 3.4, the Group acquired Teradek on 28 August 2013. The acquisition includes future consideration contingent on the achievement of performance targets for the years ending 31 December 2014 and 2015. Establishing the fair value of the contingent consideration is inherently subjective as it involves future projections and requires estimation with regard to future performance. There is a risk that the key assumptions, estimates and judgements on which the calculations are based are inappropriate and that as a result the associated goodwill is under or overstated. In addition, any payments that would be made relating to 2014 and/or 2015 shall be charged to the Income Statement as and when incurred.	In this area, our audit procedures included, among others, inspecting Teradek forecasts that were prepared and approved by the Board to support the acquisition in August 2013, and also the base case projections for the business as approved as part of the Group's annual budgeting cycle in the fourth quarter of 2013. We assessed these against Teradek's actual performance in 2013 understanding any variances to budget and the key assumptions underlying the future forecast. We considered the range of possible fair value assessments based on the performance targets agreed, the base case forecasts, and the actual performance to date. We have also considered the adequacy of the Group's disclosures about the deferred and contingent consideration as set out in Note 3.4.

Independent Auditor's Report to the members of The Vitec Group plc only

3. Our application of materiality and an overview of the scope of our audit

The materiality for the Group financial statements as a whole was set at £2.8 million. This has been determined with reference to a benchmark of Group gross revenue (of which it represents 1%) which we consider to be one of the principlal considerations for members of the Company in assessing financial performance of the Group.

We agreed with the Audit Committee to report all corrected and uncorrected misstatements we identified through our audit with a value in excess of £140,000, in addition to other audit misstatements below that threshold that we believe warranted reporting on qualitative grounds.

Audits for Group reporting purposes were performed by component auditors at the reporting components in the following countries: UK, Italy, France and Germany. In addition, specified audit procedures were performed by component auditors in the US. These Group procedures covered 81.8% of Group revenue and 90.8% of Group operating profit before restructuring costs and charges associated with acquired businesses.

The audits undertaken for Group reporting purposes at the key reporting components of the Group were all performed to a materiality level of £1.5 million set by the group audit team.

Detailed audit instructions were sent to all the auditors in these locations. These instructions covered the significant audit areas that should be covered by these audits (which included the relevant risks of material misstatement detailed above) and set out the information required to be reported back to the group audit team. The group audit team visited reporting components in the following locations: UK, US and Italy. Telephone meetings were held with the auditors at all other reporting component locations.

Statutory audits are performed at the majority of the subsidiaries to local materiality levels which are below those applied for Group reporting but generally these are completed after the date of this report.

The remaining 18.2% of Group revenue and 9.2% of Group operating profit before restructuring costs and charges associated with acquired businesses is represented by 24 reporting components around the world. Review procedures are performed on all 24 reporting components by the group audit team. Local statutory audits are performed over five of these components, but generally these are completed after the date of this report.

4. Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

5. We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the Annual Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the Directors' statement that they consider that the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy; or
- the Corporate Governance Statement does not appropriately address matters communicated by us to the Audit Committee.

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 33, in relation to going concern; and
- the part of the Corporate Governance Statement on pages 62 to 77 relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code (2010) specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope of the report and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 33, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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.
This report is made solely to the Company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2013a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

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

Chartered Accountants
15 Canada Square
London
E14 5GL

25 February 2014

Table of contents

The notes are grouped under the following sections:

Primary Statements
- Consolidated Income Statement ... 82
- Consolidated Statement of Comprehensive Income ... 83
- Consolidated Balance Sheet ... 84
- Consolidated Statement of Changes in Equity ... 85
- Consolidated Statement of Cash Flows ... 86

Section 1 - Basis of preparation ... 87

Section 2 - Results for the year ... 89
- 2.1 Profit before tax (including segmental information) ... 89
- 2.2 Restructuring costs and charges associated with acquired businesses ... 92
- 2.3 Net finance expense ... 92
- 2.4 Tax ... 93
- 2.5 Earnings per share ... 96

Section 3 - Operating assets and liabilities ... 97
- 3.1 Intangible assets ... 97
- 3.2 Property, plant and equipment ... 100
- 3.3 Working capital ... 102
- 3.4 Acquisitions and disposals ... 104
- 3.5 Provisions ... 107

Section 4 - Capital structure ... 108
- 4.1 Net debt ... 108
- 4.2 Financial instruments ... 109
- 4.3 Share capital and reserves ... 114

Section 5 - Other supporting notes ... 115
- 5.1 Employees ... 115
- 5.2 Pensions ... 116
- 5.3 Share-based payments ... 120
- 5.4 Leases ... 122
- 5.5 Related party transactions ... 122
- 5.6 Principal Group investments ... 123
- 5.7 Subsequent events ... 123

The Vitec Group plc Company financial statements
- Company Balance Sheet ... 124
- Reconciliation of Movements in Shareholders' Funds ... 125
- Notes to the Company financial statements ... 126

Five year financial summary ... 131

Shareholder Information and Financial Calendar ... 132

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 2013

	Notes	2013 £m	2012 £m
Revenue	2.1	**315.4**	345.3
Cost of sales	2.2	**(181.3)**	(198.1)
Gross profit		**134.1**	147.2
Operating expenses	2.1 / 2.2	**(109.8)**	(121.6)
Operating profit	2.1	**24.3**	25.6
Comprising			
- Operating profit before restructuring costs and charges associated with acquired businesses		**39.5**	39.3
- Restructuring costs	2.2	**(11.4)**	-
- Charges associated with acquired businesses	2.2	**(3.8)**	(13.7)
		24.3	25.6
Net finance expense	2.3	**(3.9)**	(3.1)
Disposal of business		**-**	(6.4)
Profit before tax		**20.4**	16.1
Comprising			
- Profit before tax, excluding restructuring costs, charges associated with acquired businesses and disposal of business		**35.6**	36.2
- Restructuring costs	2.2	**(11.4)**	-
- Charges associated with acquired businesses	2.2	**(3.8)**	(13.7)
- Disposal of business	3.4	**-**	(6.4)
		20.4	16.1
Taxation	2.4	**(6.4)**	(10.2)
Profit for the year attributable to owners of the parent		**14.0**	5.9
Earnings per share	2.5		
Basic earnings per share		**31.9p**	13.6p
Diluted earnings per share		**31.8p**	13.4p
Average exchange rates			
Euro		**1.17**	1.23
US$		**1.56**	1.58

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	2013 £m	2012 £m
Profit for the year	**14.0**	5.9
Other comprehensive income:		
Items that will not be reclassified subsequently to profit and loss:		
Remeasurements of defined benefit obligation, net of tax	**(0.2)**	(3.8)
Items that may be reclassified subsequently to profit and loss:		
Foreign exchange gain recycled to the Income Statement on disposal of business	**-**	(2.0)
Currency translation differences on foreign currency subsidiaries	**(2.8)**	(8.2)
Net gain on designated effective net investment hedges	**0.5**	2.4
Amounts released to Income Statement in relation to cash flow hedges, net of tax	**(1.8)**	0.3
Effective portion of changes in fair value of cash flow hedges	**2.6**	2.1
Total comprehensive income/(loss) for the year attributable to owners of the parent	**12.3**	(3.3)

Consolidated Balance Sheet

As at 31 December 2013

	Notes	2013 £m	2012 £m
Assets			
Non-current assets			
Intangible assets	3.1	**76.3**	68.2
Property, plant and equipment	3.2	**53.5**	48.6
Trade and other receivables	3.3	**0.4**	0.5
Derivative financial instruments	4.2	**1.0**	0.6
Deferred tax assets	2.4	**14.0**	14.4
		145.2	132.3
Current assets			
Inventories	3.3	**55.3**	59.5
Trade and other receivables	3.3	**48.5**	50.1
Derivative financial instruments	4.2	**2.5**	1.8
Current tax assets	2.4	**2.7**	1.0
Cash and cash equivalents	4.1	**12.9**	10.0
		121.9	122.4
Total assets		**267.1**	254.7
Liabilities			
Current liabilities			
Bank overdrafts	4.1	**-**	0.7
Trade and other payables	3.3	**48.1**	44.4
Derivative financial instruments	4.2	**0.1**	0.1
Current tax liabilities	2.4	**5.2**	6.6
Provisions	3.5	**6.5**	2.5
		59.9	54.3
Non-current liabilities			
Interest-bearing loans and borrowings	4.1	**74.4**	73.0
Other payables	3.3	**0.8**	1.0
Post-employment obligations	5.2	**9.1**	9.4
Provisions	3.5	**1.4**	1.2
Deferred tax liabilities	2.4	**1.3**	1.2
		87.0	85.8
Total liabilities		**146.9**	140.1
Net assets		**120.2**	114.6
Equity			
Share capital		**8.8**	8.8
Share premium		**12.1**	10.4
Translation reserve		**(4.3)**	(2.0)
Capital redemption reserve		**1.6**	1.6
Cash flow hedging reserve		**2.3**	1.5
Retained earnings		**99.7**	94.3
Total equity	4.3	**120.2**	114.6
Balance Sheet exchange rates			
Euro		**1.20**	1.23
US$		**1.66**	1.63

Approved by the Board on 25 February 2014 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 2013	**8.8**	**10.4**	**(2.0)**	**1.6**	**1.5**	**94.3**	**114.6**
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	**14.0**	**14.0**
Other comprehensive income							
Remeasurements of defined benefit obligation, net of tax	-	-	-	-	-	**(0.2)**	**(0.2)**
Currency translation differences on foreign currency subsidiaries	-	-	**(2.8)**	-	-	-	**(2.8)**
Net gain on designated effective net investment hedges	-	-	**0.5**	-	-	-	**0.5**
Amounts released to Income Statement in relation to cash flow hedges, net of tax	-	-	-	-	**(1.8)**	-	**(1.8)**
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	**2.6**	-	**2.6**
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	**(9.8)**	**(9.8)**
Own shares purchased	-	-	-	-	-	**(1.5)**	**(1.5)**
Share-based payment charge, net of tax	-	-	-	-	-	**2.9**	**2.9**
New shares issued	-	**1.7**	-	-	-	-	**1.7**
Balance at 31 December 2013	**8.8**	**12.1**	**(4.3)**	**1.6**	**2.3**	**99.7**	**120.2**
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							
Remeasurements of defined benefit obligation, 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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Profit for the year		14.0	5.9
Adjustments for:			
Taxation		6.4	10.2
Depreciation		12.4	12.6
Amortisation of intangible assets		4.5	5.2
Impairment of goodwill		-	8.8
Net gain on disposal of property, plant and equipment and software		(2.1)	(0.3)
Fair value gains on derivative financial instruments		-	(0.2)
Share-based payment charge		1.4	1.8
Contingent consideration since date of acquisition		0.8	1.0
Disposal of business		-	6.4
Net finance expense		3.9	3.1
Operating profit before changes in working capital and provisions		41.3	54.5
Decrease in inventories		4.9	1.3
Decrease/(increase) in receivables		1.8	(4.4)
(Decrease)/increase in payables		3.1	(11.8)
(Decrease)/increase in provisions		1.3	(1.2)
Cash generated from operating activities		52.4	38.4
Interest paid		(3.6)	(3.1)
Tax paid		(8.5)	(10.8)
Net cash from operating activities		40.3	24.5
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and software		3.8	1.8
Purchase of property, plant and equipment		(19.3)	(14.2)
Capitalisation of software and development costs		(3.4)	(1.3)
Acquisition of businesses, net of cash acquired	3.4	(8.5)	(10.6)
Disposal of business		-	(2.1)
Net cash used in investing activities		(27.4)	(26.4)
Cash flows from financing activities			
Proceeds from the issue of shares		0.4	0.7
Own shares purchased		(1.5)	(4.8)
Proceeds from interest-bearing loans and borrowings		1.9	18.8
Dividends paid		(9.8)	(9.1)
Net cash used in financing activities		(9.0)	5.6
Increase in cash and cash equivalents	4.1	3.9	3.7
Cash and cash equivalents at 1 January		9.3	6.2
Effect of exchange rate fluctuations on cash held		(0.3)	(0.6)
Cash and cash equivalents at 31 December		12.9	9.3

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 2013 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 Strategic Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 4.2 "Financial Instruments" includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to foreign currency risks, interest rate risks and liquidity risk.

The Group has considerable financial resources, including undrawn borrowing facilities at the end of the year of £66.6 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 external loans and borrowings and on long-term inter-company loans that form part of the net investment in the subsidiaries 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.

Working capital

Provisions over trade receivables are maintained to reflect expected credit losses based on collection history and specific risks identified on a customer-by-customer basis. Provisions against slow-moving, excess and obsolete inventory are estimated to reflect its net realisable value. Details about the provisions recorded are set out in note 3.3 "Working capital".

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). Similarly determining the fair value of deferred and contingent consideration requires the use of estimates and judgements, in particular concerning future performance and growth. Details concerning the acquisition made in the year are set out in note 3.4 "Acquisitions and disposals".

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

IAS 19 "Employee Benefits (2011)"

The principal changes require the replacement of the interest income on plan assets and the interest charge on pension liabilities with a single net financing cost, based on the discount rate. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. The change had no significant impact on the consolidated financial statements, and accordingly, the 2012 comparatives have not been restated.

IFRS 13 "Fair Value Measurement"

IFRS 13 replaces and expands the disclosure requirements in other IFRSs, including IFRS 7 "Financial Instruments: Disclosures". These had no significant impact on the consolidated financial statements, and accordingly, the Group has not provided 2012 comparatives.

IAS 1 "Presentation of financial statements"

The Group has modified the presentation of items of other comprehensive income in its consolidated statement of other comprehensive income, to present separately items that would be reclassified to the consolidated income statement in the future from those that would never be. Comparative information has also been re-presented accordingly.

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 2013, and have not been adopted early in preparing these consolidated financial statements. None of these are anticipated to have any material impact on these consolidated financial statements.

Section 2 – Results for the year

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

2.1 Profit before tax (including segmental information)

2.2 Restructuring costs and 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 sales tax 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 (including segmental information)

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 Strategic Report.

	Videocom		Imaging [1]		Services		Corporate and unallocated		Consolidated	
	2013 £m	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m	**2013 £m**	2012 £m
Revenue from external customers:										
Sales	**140.0**	137.1	**141.2**	166.1	**9.4**	7.0	**-**	-	**290.6**	310.2
Services	**3.1**	9.1	**-**	-	**21.7**	26.0	**-**	-	**24.8**	35.1
Total revenue from external customers	**143.1**	146.2	**141.2**	166.1	**31.1**	33.0	**-**	-	**315.4**	345.3
Inter-segment revenue [2]	**2.2**	2.5	**0.6**	0.2	**-**	0.1	**(2.8)**	(2.8)	**-**	-
Total revenue	**145.3**	148.7	**141.8**	166.3	**31.1**	33.1	**(2.8)**	(2.8)	**315.4**	345.3
Segment result	**17.9**	15.8	**20.1**	22.3	**1.5**	1.2	**-**	-	**39.5**	39.3
Restructuring costs	**(5.3)**	-	**(5.6)**	-	**(0.5)**	-	**-**	-	**(11.4)**	-
Fair value adjustment to contingent consideration on previous acquisitions	**(0.8)**	(1.2)		0.2	**-**	-	**-**	-	**(0.8)**	(1.0)
Transaction costs relating to acquisitions	**(0.4)**	(0.3)	**-**	-	**-**	-	**-**	-	**(0.4)**	(0.3)
Impairment of goodwill	**-**	(8.8)	**-**	-	**-**	-	**-**	-	**-**	(8.8)
Amortisation of acquired intangible assets	**(2.2)**	(3.1)	**(0.4)**	(0.5)	**-**	-	**-**	-	**(2.6)**	(3.6)
Operating profit	**9.2**	2.4	**14.1**	22.0	**1.0**	1.2	**-**	-	**24.3**	25.6
Net finance expense									**(3.9)**	(3.1)
Loss on disposal of Staging business	**-**	-	**-**	(6.4)	**-**	-	**-**	-	**-**	(6.4)
Taxation									**(6.4)**	(10.2)
Profit for the year									**14.0**	5.9
Segment assets	**120.5**	111.6	**85.5**	90.8	**26.2**	22.4	**5.3**	4.5	**237.5**	229.3
Unallocated assets										
Cash and cash equivalents							**12.9**	10.0	**12.9**	10.0
Current tax assets							**2.7**	1.0	**2.7**	1.0
Deferred tax assets							**14.0**	14.4	**14.0**	14.4
Total assets									**267.1**	254.7
Segment liabilities	**27.0**	23.1	**25.3**	27.2	**6.6**	3.9	**7.1**	4.4	**66.0**	58.6
Unallocated liabilities										
Bank overdrafts							**-**	0.7	**-**	0.7
Interest-bearing loans and borrowings							**74.4**	73.0	**74.4**	73.0
Current tax liabilities							**5.2**	6.6	**5.2**	6.6
Deferred tax liabilities							**1.3**	1.2	**1.3**	1.2
Total liabilities									**146.9**	140.1
Cash flows from operating activities	**14.8**	2.8	**15.3**	13.1	**6.8**	5.4	**3.4**	3.2	**40.3**	24.5
Cash flows from investing activities	**(13.5)**	(14.2)	**(5.8)**	(6.8)	**(7.8)**	(5.3)	**(0.3)**	(0.1)	**(27.4)**	(26.4)
Cash flows from financing activities	**-**	-	**-**	-	**-**	-	**(9.0)**	5.6	**(9.0)**	5.6
Capital expenditure										
Property, plant and equipment	**3.7**	3.1	**4.2**	4.2	**11.4**	6.8	**-**	0.1	**19.3**	14.2
Software and development costs	**1.7**	0.6	**1.6**	0.6	**0.1**	0.1	**-**	-	**3.4**	1.3

[1] 2012 includes Staging business, which was sold by the Group during the second half of 2012.

[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 2013 or 2012.

Geographical segments

	2013 £m	2012 £m
Analysis of revenue from external customers, by location of customer		
United Kingdom	**26.5**	32.9
The rest of Europe	**71.6**	79.4
North America	**142.0**	155.5
Asia Pacific	**56.8**	60.4
The rest of the World	**18.5**	17.1
Total revenue from external customers	**315.4**	345.3

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

	2013 £m	2012 £m
Analysis of operating expenses		
- Restructuring costs and charges associated with acquired businesses [1]	**10.7**	13.7
- Other administrative expenses	**43.7**	48.2
Administrative expenses	**54.4**	61.9
Marketing, selling and distribution costs	**46.0**	48.6
Research, development and engineering costs	**9.4**	11.1
Operating expenses	**109.8**	121.6

[1] Of the total £11.4 million restructuring costs, £6.9 million is included in operating expenses and the remaining £4.5 million in cost of sales.

Operating profit

	2013 £m	2012 £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	**0.4**	0.3
- Transaction and other services	**0.2**	0.1

Section 2 – Results for the year

2.2 Restructing costs and charges associated with acquired businesses

Restructuring costs and 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. Restructuring costs include employment termination, streamlining of operations, relocation of certain manufacturing activities to Costa Rica, improvement of systems and processes, and inventory write off. Charges associated with acquired businesses include non-cash charges such as 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.

	2013 £m	2012 £m
Restructuring costs [1]	(11.4)	-
Contingent consideration since date of acquisition [2]	(0.8)	(1.0)
Transaction costs relating to acquisitions [3]	(0.4)	(0.3)
Impairment of goodwill	-	(8.8)
Amortisation of acquired intangible assets	(2.6)	(3.6)
Restructuring costs and charges associated with acquired businesses, before tax	(15.2)	(13.7)
Tax on restructuring costs and charges associated with acquired businesses	4.6	1.3
Restructuring costs and charges associated with acquired businesses, net of tax	(10.6)	(12.4)

[1] One-off restructuring costs of £11.4 million relate to the Group streamlining certain operations by downsizing selected activities in the UK, Italy, Israel and US and expanding its manufacturing capabilities in Costa Rica to further shift to lower cost manufacturing. This includes employment termination costs of £6.2 million and other site rationalisation and closure costs of £5.2 million. Of the total £11.4 million restructuring costs, £4.5 million is included in cost of sales of which £0.9 million represents inventory write off, and the remaining £6.9 million in operating expenses. A provision of £2.7 million has been recognised at the end of the period in relation to restructuring primarily related to committed redundancy costs. These actions have better positioned the Group for the future.

[2] A fair value adjustment of £0.8 million has been provided for in respect of contingent consideration of Haigh-Farr, a prior period acquisition. This is included within administrative expenses, in the restructuring costs and charges associated with acquired businesses.

[3] £0.4 million transaction costs were incurred in relation to the acquisition of Teradek. See note 3.4 “Acquisitions and disposals”.

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 cash and inter-company loans that are not net investment hedges; and
- net interest expense on net defined benefit scheme liabilities.

Net finance expense

	2013 £m	2012 £m
Finance income		
Net currency translation gains	-	0.3
Finance expense		
Interest payable on interest-bearing loans and borrowings	(3.6)	(3.2)
Net interest expense on net defined benefit pension scheme liabilities [1]	(0.3)	(0.2)
	(3.9)	(3.4)
Net finance expense	(3.9)	(3.1)

[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

	2013 £m	2012 £m
The total taxation charge/(credit) in the Income Statement is analysed as follows:		
Before restructuring costs, charges associated with acquired businesses and disposal of business		
Current tax	11.2	9.8
Deferred tax	(0.2)	2.1
	11.0	11.9
Restructuring costs, charges associated with acquired businesses and disposal of business		
Current tax (1)	(4.6)	-
Deferred tax (2)	-	(1.7)
	(4.6)	(1.7)
Summarised in the Income Statement as follows		
Current tax	6.6	9.8
Deferred tax	(0.2)	0.4
	6.4	10.2

(1) Current tax credits of £4.6 million were recognised in respect of restructuring costs, charges associated with acquired businesses and disposal of businesses. This tax credit is split between restructuring costs (£3.5 million) and amortisation of intangible assets in the period (£1.1 million).

(2) No overall net deferred tax charge or credit arises from restructuring costs, charges associated with acquired businesses and disposal of businesses in 2013. In 2012, deferred tax credits of £1.7 million were recognised; £1.3 million related to the deferred tax impacts of the amortisation of intangible assets and the remaining £0.4 million related to the deferred tax impact of the Staging disposal.

Section 2 – Results for the year

2.4 Tax

	2013 £m	2012 £m
Current tax expense		
Charge for the year	6.8	10.0
Adjustments in respect of prior years	(0.2)	(0.2)
	6.6	9.8

The UK current tax charge represents £0.1 million of the total Group current tax charge of £6.6 million with the remaining charge of £6.5 million relating to overseas tax. The UK corporate tax rate reduced from 24% to 23% on 1 April 2013 and further reductions in the rate to 21% with effect from 1 April 2014 and 20% from 1 April 2015 have been substantively enacted.

	2013 £m	2012 £m
Deferred tax expense		
Origination and reversal of temporary differences	(0.2)	0.4

The UK deferred tax credit represents £0.4 million of the total Group deferred tax credit of £0.2 million. The remaining charge of £0.2 million relates to overseas tax.

	2013 £m	2012 £m
Tax charge/(credit) recognised in the Statement of Changes in Equity (SOCIE)		
Current tax recognised in SOCIE [3]	(1.4)	-
Deferred tax recognised in SOCIE [4]	0.5	-
	(0.9)	-

[3] Excess current tax deductions of £1.4 million related to share-based payments on exercised options have been reflected in the SOCIE.

[4] Deferred tax charges relating to the UK defined benefit pension scheme of £0.4 million and the impact of cash flow hedges of £0.2 million have been partially offset by a £0.1 million credit in respect of the estimated excess tax deductions related to share-based payments, have been reflected in the SOCIE.

Reconciliation of Group tax charge	2013 £m	2012 £m
Profit before tax	20.4	16.1
Income tax using the domestic corporation tax rate at 23.3% (2012: 24.5%)	4.7	4.0
Effect of tax rates in foreign jurisdictions	-	(1.3)
Non-deductible expenses	0.6	1.0
Impact of business disposal	-	2.5
Impact of tax credits in respect of prior years	(0.4)	(0.7)
Impact of goodwill impairment	-	3.3
Impact of tax losses not recognised	1.2	1.5
Other	0.3	(0.1)
Total income tax expense in Income Statement	6.4	10.2

Tax - Balance Sheet

Current tax

The current tax liability of £5.2 million (2012: £6.6 million) represents the amount of income taxes payable in respect of current and prior periods. The current tax assets of £2.7 million (2012: £1.0 million) mainly relates to income tax receivable in Germany and the UK.

Deferred tax assets and liabilities

	2013 £m	Recognised in income £m	Recognised on acquisitions £m	Eliminated on disposals £m	Exchange movements £m	2012 £m
Assets						
Inventories	2.9	(0.3)	0.3			2.9
Intangible assets	(2.1)	(0.5)	(0.4)		0.1	(1.3)
Tax value of loss carry-forwards recognised	4.1	0.1			(0.1)	4.1
Property, plant, equipment and other	9.1	1.1	0.1	(0.5)	(0.3)	8.7
	14.0	0.4	-	(0.5)	(0.3)	14.4
Liabilities						
Intangible assets	(1.3)	(0.2)			0.1	(1.2)
	(1.3)	(0.2)	-	-	0.1	(1.2)
Net	12.7	0.2	-	(0.5)	(0.2)	13.2

	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

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 £9.0 million (2012: £9.2 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:

	2013 £m	2012 £m
Losses	8.9	7.7
Temporary differences on share options	0.2	1.2
Total	9.1	8.9

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 £13.5 million at 31 December 2013 (2012: £61.2 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 restructuring costs, 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	2013 £m	2012 £m
Profit for the financial year	14.0	5.9
Add back:		
Restructuring costs and charges associated with acquired businesses, net of tax	10.6	12.4
Loss on disposal of Staging business, net of tax	-	6.0
Earnings before restructuring costs, charges associated with acquired businesses and disposal of business	24.6	24.3

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	2013 Number	2012 Number	2013 pence	2012 pence	2013 pence	2012 pence
Basic	43,869	43,520	56.1	55.8	31.9	13.6
Dilutive potential ordinary shares	204	426	(0.2)	(0.5)	(0.1)	(0.2)
Diluted	44,073	43,946	55.9	55.3	31.8	13.4

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 note 2.4 "Tax".

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

3.1 Intangible assets

3.2 Property, plant and equipment

3.3 Working capital

3.4 Acquisitions

3.5 Provisions

3.1 Intangible assets

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

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

Accounting policies

Goodwill

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

The 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.

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 10 years
Technology	3 to 10 years

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.

Section 3 – Operating assets and liabilities

3.1 Intangible assets

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 CGUs which are identified by the way goodwill is monitored for impairment. The most significant elements of the Group's total consolidated goodwill of £56.0 million at 31 December 2013 are allocated to: Vitec Videocom: £23.4 million (2012: £23.4 million); Imaging: £12.6 million (2012: £12.7 million); and Haigh-Farr: £12.5 million (2012: £12.7 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 CGU is assessed for impairment annually and whenever there is a specific indication of impairment. The carrying value of the remaining CGUs exceed their recoverable amounts.

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 CGU based on the actual operating results, the most recent Board approved budget, strategic plans and management projections.

The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long-term growth rates beyond 2018 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 2018 are assumed to be 2% (2012: 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 10% to 12% (2012: 9% to 14%) reflecting different geographies have been used for impairment testing (10% applied to the Haigh-Farr CGU and 12% applied to the Vitec Videocom and Imaging CGUs).

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 was applied.

Intangible assets

	Total £m	Goodwill £m	Acquired intangible assets £m	Capitalised software £m	Capitalised development costs £m
Cost					
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	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	8.1	5.0	3.1	-	-
At 31 December 2012	126.8	65.4	46.0	13.0	2.4
At 1 January 2013	**126.8**	**65.4**	**46.0**	**13.0**	**2.4**
Currency translation adjustments	**(2.6)**	**(1.1)**	**(1.4)**	**-**	**(0.1)**
Additions [(1)]	**3.5**	**0.1**	**-**	**1.0**	**2.4**
Disposals	**(0.4)**	**-**	**-**	**(0.4)**	**-**
Acquisitions [(2)]	**10.6**	**4.5**	**6.1**	**-**	**-**
At 31 December 2013	**137.9**	**68.9**	**50.7**	**13.6**	**4.7**
Amortisation and impairment losses					
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	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
At 1 January 2013	**58.6**	**13.1**	**34.0**	**10.2**	**1.3**
Currency translation adjustment	**(1.2)**	**(0.2)**	**(1.0)**	**-**	**-**
Amortisation in the year	**4.5**	**-**	**2.6**	**1.2**	**0.7**
Disposals	**(0.3)**	**-**	**-**	**(0.3)**	**-**
At 31 December 2013	**61.6**	**12.9**	**35.6**	**11.1**	**2.0**
Carrying amounts					
At 1 January 2012	75.0	57.1	12.9	3.5	1.5
At 31 December 2012 and 1 January 2013	68.2	52.3	12.0	2.8	1.1
At 31 December 2013	**76.3**	**56.0**	**15.1**	**2.5**	**2.7**

(1) The increase in goodwill of £0.1 million arose from the final fair value adjustment to the net assets of Camera Corps, acquired in April 2012.

(2) Goodwill of £4.5 million and acquired intangible assets of £6.1 million arose on the acquisition of Teradek. See note 3.4 "Acquisitions and disposals".

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 2012	144.9	30.5	100.1	14.3
Currency translation adjustments	(4.9)	(0.7)	(3.6)	(0.6)
Transfers between asset 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
At 1 January 2013	**143.4**	**29.6**	**97.8**	**16.0**
Currency translation adjustments	**0.1**	**0.2**	**-**	**(0.1)**
Transfers between asset categories	**-**	**-**	**(0.1)**	**0.1**
Additions	**19.3**	**1.5**	**17.0**	**0.8**
Disposals	**(20.2)**	**(0.2)**	**(18.9)**	**(1.1)**
At 31 December 2013	**142.6**	**31.1**	**95.8**	**15.7**
Depreciation				
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
At 1 January 2013	**94.8**	**13.0**	**70.8**	**11.0**
Currency translation adjustment	**0.5**	**0.1**	**0.5**	**(0.1)**
Transfers between asset categories	**-**	**-**	**(0.2)**	**0.2**
Depreciation charge in the year	**12.4**	**1.4**	**9.6**	**1.4**
Disposals	**(18.6)**	**(0.1)**	**(17.5)**	**(1.0)**
At 31 December 2013	**89.1**	**14.4**	**63.2**	**11.5**
Carrying amounts				
At 1 January 2012	50.1	17.6	27.8	4.7
At 31 December 2012 and 1 January 2013	48.6	16.6	27.0	5.0
At 31 December 2013	**53.5**	**16.7**	**32.6**	**4.2**

Plant, machinery and vehicles includes broadcast equipment rental assets with an original cost of £42.5 million (2012: £45.2 million) and accumulated depreciation of £24.8 million (2012: £31.4 million).

Capital commitments at 31 December 2013 for which no provision has been made in the accounts amount to £0.5 million (2012: £0.7 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, and 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

	2013 £m	2012 £m
Raw materials and components	**14.8**	15.9
Work in progress	**9.3**	11.8
Finished goods	**31.2**	31.8
Inventories, net of impairment provisions	**55.3**	59.5

	2013 £m	2012 £m
Impairment provisions against inventory		
Balance at 1 January	**17.0**	20.9
Net increase during the year [(1)]	**5.5**	3.6
Utilised during the year	**(3.6)**	(6.0)
Disposals - on divestment of business	**-**	(0.8)
Currency translation adjustments	**(0.2)**	(0.7)
Balance at 31 December	**18.7**	17.0

[(1)] Of the £5.5 million net increase in inventory impairment provision, £0.9 million relates to restructuring costs. See note 2.2 “Restructuring costs and charges associated with acquired businesses”.

Trade and other receivables

	2013 £m	2012 £m
Short-term receivables		
Trade receivables, net of impairment provisions	35.8	38.2
Other receivables	8.9	9.5
Prepayments and accrued income	3.8	2.4
	48.5	50.1
Long-term receivables		
Other receivables	0.4	0.5
Total receivables	48.9	50.6

	2013 £m	2012 £m
Gross trade receivables - days overdue [1]		
Current	30.2	32.4
1-30 days	5.8	6.6
31-60 days	1.2	1.6
61-90 days	0.4	0.3
over 90 days	1.4	0.9
Gross trade receivables	39.0	41.8

[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 2013	3.6	1.5	2.1
Net increase during the year	4.2	0.8	3.4
Utilised during the year	(4.5)	(0.4)	(4.1)
Currency translation adjustments	(0.1)	(0.1)	-
Balance at 31 December 2013	3.2	1.8	1.4

Trade and other payables

	2013 £m	2012 £m
Current trade and other payables		
Trade payables	25.1	22.4
Other tax and social security costs	2.6	3.3
Other non-trade payables, accruals and deferred income	20.4	18.7
	48.1	44.4
Long-term payables		
Other non-trade payables, accruals and deferred income	0.8	1.0
Total payables	48.9	45.4

Section 3 – Operating assets and liabilities

3.4 Acquisitions and disposals

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 until the assessment is complete the allocation period will remain open up to a maximum of 12 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.

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 Teradek

On 28 August 2013, the Group acquired the partnership interests in Teradek, LLC (Teradek), a private company based in Irvine, California, US.

Teradek is a world leader in the design and manufacture of wireless video devices and platforms that are used by broadcasters, businesses and web channels to transmit images wirelessly. Its products are used in live electronic news gathering, real-time monitoring and recording, aerial visual capture and webcasting. The acquisition complements the Group's existing video activities including its range of broadcast microwave systems and its products are marketed through the Group's global distribution network. Teradek operates within the Videocom Division.

The acquisition was funded in part by the issue of 214,847 new Vitec ordinary shares worth US$2.0 million (£1.3 million) to be held in escrow for two years post-completion, and net cash consideration of US$11.3 million (£7.3 million) after taking account of US$0.5 million (£0.3 million) of cash in the business at the acquisition date.

A summary of the effect of the acquisition of Teradek 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	-	6.1	6.1
Property, plant and equipment	0.3	(0.3)	-
Inventories	1.6	(0.3)	1.3
Trade and other receivables	0.8	-	0.8
Trade and other payables	(1.0)	-	(1.0)
Provisions	-	(0.1)	(0.1)
Cash	0.3	-	0.3
	2.0	5.4	7.4
Goodwill			4.5
Consideration			11.9

Satisfied by	
- Issue of new ordinary shares	1.3
- Deferred and contingent consideration	3.0
- Cash consideration	7.6
	11.9

The trade receivables acquired had a fair value of £0.7 million and a gross contractual value of £0.8 million. No net deferred tax asset or liability has arisen on the net assets acquired.

Of the US$4.7 million (£3.0 million) deferred and contingent consideration, US$3.2 million (£2.1 million) is due to be paid on 31 March 2014 dependent upon the results of Teradek for the year ended 31 December 2013 and is subject to final agreement. The remaining US$1.5 million (£0.9 million) is payable over a two year period after the acquisition date.

Under the terms of the acquisition, there is a total potential contingent consideration of US$15.5 million that is dependent on the performance against certain EBIT targets over the three year period to 31 December 2015. Management's assessment at the acquisition date is that US$3.2 million is payable relating to Teradek's performance in 2013 (as described on the previous page) and that no further payments are payable relating to Teradek's performance for the years ending 31 December 2014 and 2015. This reflects that the targets for 2014 and 2015 are over and above those included in the Board approved acquisition projections and confirmed by the approved 2014 budget. Any payment that would be made relating to 2014 and/or 2015 shall be charged to the Income Statement as and when incurred. Up to a third of any deferred consideration paid to the vendors may be satisfied by issuing new Vitec ordinary shares with the remainder paid in cash. The recipients of these shares are required to hold them for a certain period under the terms of this acquisition.

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

	2013 £m
Revenue	4.9
Operating profit [(1)]	1.0

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

Had the acquisition been made at the beginning of the year (i.e. 1 January 2013) it would have contributed £12.6 million to revenue and £2.0 million to the operating profit [(1)] of the Group.

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

	2013 £m
Net outflow of cash in respect of acquisition	
Total purchase consideration	11.9
Issue of new ordinary shares	(1.3)
Deferred and contingent consideration	(3.0)
Cash consideration	7.6
Transaction costs	0.4
Cash acquired	(0.3)
Net cash outflow in respect of 2013 acquisition	7.7
Contingent consideration in relation to Haigh-Farr, acquired in December 2011	1.2
Net cash outflow in respect of acquisitions [(2)]	8.9

[(2)] Of the £8.9 million net cash outflow in respect of acquisitions, transaction costs of £0.4 million are included in cash flows from operating activities and the net cash consideration paid of £8.5 million is included in cash flows from investing activities.

Section 3 – Operating assets and liabilities

3.4 Acquisitions and disposals

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 being 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 being 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:

	2012 Book value at acquisition £m	2012 Provisional fair value adjustments £m	2012 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 the acquisition date amounted to £0.3 million reflecting management's estimate of the fair value to be attributed.

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

	2012 £m
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 (1)	10.9

(1) 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.

Disposals in 2012

During the second half of 2012 the Group sold its Staging business, which was previously included in the Imaging Division. The Staging companies were based in the UK, US, Mexico, Italy and Slovakia.

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).

3.5 Provisions

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

Accounting policies

Provisions

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

Provisions for warranties, based on historical warranty data, are recognised when the underlying products or services are sold.

Obligations arising from restructuring plans are recognised when detailed formal plans have been established and the restructuring has either commenced or has been announced.

Provisions for onerous contracts are recognised when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

	Total £m	Warranty £m	Restructuring £m	Onerous lease £m	Deferred and contingent consideration £m
At 1 January 2013	3.7	1.3	0.6	0.6	1.2
Charged to the Income Statement	12.7	0.5	11.4	-	0.8
Provisions utilised during the year	(11.2)	(0.6)	(9.2)	(0.2)	(1.2)
Provisions reversed during the year	(0.1)	-	-	(0.1)	-
Acquisition of subsidiary undertaking	3.1	0.1	-	-	3.0
Currency translation adjustments	(0.3)	-	(0.1)	-	(0.2)
At 31 December 2013	**7.9**	**1.3**	**2.7**	**0.3**	**3.6**
Current	6.5	0.8	2.5	0.2	3.0
Non-current	1.4	0.5	0.2	0.1	0.6
	7.9	1.3	2.7	0.3	3.6

Warranty provisions

Warranties over the Group's products typically cover periods of between one 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 the Group streamlining certain operations by downsizing selected activities mainly in the UK, Italy, 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. The restructuring provision which principally relates to committed redundancy costs 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 two years, or earlier if exited.

Deferred and contingent consideration

The Group paid £1.2 million of contingent consideration provided for at 31 December 2012 in relation to Haigh-Farr, acquired in December 2011.

Of the £3.6 million deferred and contingent consideration provision at 31 December 2013, £0.7 million is in respect of a prior period acquisition, Haigh-Farr (see note 2.2 "Restructuring costs and charges associated with acquired businesses") and £2.9 million relates to amounts payable in respect of Teradek (see note 3.4 "Acquisitions and disposals").

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 includes 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.

	2013 £m	2012 £m
Increase in cash and cash equivalents	3.9	3.7
Proceeds from interest-bearing loans and borrowings	(1.9)	(18.8)
Decrease/(increase) in net debt resulting from cash flows	2.0	(15.1)
Effect of exchange rate fluctuations on cash held	(0.3)	(0.6)
Effect of exchange rate fluctuations on debt held	0.5	2.4
Effect of exchange rate fluctuations on net debt	0.2	1.8
Movements in net debt in the year	2.2	(13.3)
Net debt at 1 January	(63.7)	(50.4)
Net debt at 31 December	(61.5)	(63.7)
Cash and cash equivalents in the Balance Sheet	12.9	10.0
Bank overdrafts	-	(0.7)
Cash and cash equivalents in the Statement of Cash Flows	12.9	9.3
Interest-bearing loans and borrowings	(74.4)	(73.0)
Net debt at 31 December	(61.5)	(63.7)

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. These policies are implemented by a central treasury department that has formal procedures to manage foreign currency 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 businesses that operate around the world and accordingly record their results in a number of different functional currencies. Some of these operations also have some customers or suppliers that transact in a foreign currency. The Group's results which are reported in Sterling are therefore exposed to changes in foreign currency exchange rates across a number of different currencies with the most significant exposures relating to the US Dollar, Euro and Japanese Yen. The Group pro-actively manages a proportion of its short-term transactional foreign currency exposures using derivative financial instruments, but remains exposed to the underlying translational movements which remain outside the control of the Group.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts including the US Dollar, Euro and Japanese Yen. Forward exchange contracts are typically used to hedge approximately 75% of the Group's forecasted foreign currency exposure in respect of forecast cash transactions for the following 12 months and a proportion of the Group's forecasted foreign currency exposure in respect of forecast cash 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 relate to both the Income Statement and net assets of overseas subsidiaries which are converted into Sterling on consolidation. The Group does not seek to hedge the translational exposure that arises primarily to changes in the exchange rates of the US Dollar, Euro and Japanese Yen against Sterling. However the Group does finance overseas investments partly through the use of foreign currency borrowings in order to provide a net investment hedge over the foreign currency risk that arises on translation of its 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. In addition the Group manages the denomination of surplus cash balances across the overseas subsidiaries to allow natural hedging where effective in any particular country.

It is estimated that the Group's operating profit before restructuring costs and charges associated with acquired businesses for the year ended 31 December 2013 would have increased/decreased by approximately £1.3 million from a ten cent stronger/weaker US Dollar against Sterling, by approximately £1.5 million from a ten cent stronger/weaker Euro against Sterling and by approximately £0.4 million from a ten Yen stronger/weaker Japanese Yen against Sterling. This reflects the impact of the sensitivities to the translational exposures and to the proportion of the transactional exposures that is not hedged. The Group, in accordance with its policy, does not use derivatives to manage the translational risks. During 2013 the Group's operating profit benefitted from a net gain of £1.7 million (2012: £0.8 million loss) upon the crystallisation of forward exchange contracts as described later in this note.

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 2013, 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 44% of the £100 million Multicurrency Revolving Credit Facility at 31 December 2013. 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 24 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 24 months.

	Currency	As at 31 December 2013 millions	Average exchange rate of contracts	As at 31 December 2012 millions	Average exchange rate of contracts
Cash flow hedging contracts					
USD / GBP forward exchange contracts	USD	13.5	1.56	17.3	1.57
USD / EUR forward exchange contracts	USD	56.2	1.32	61.2	1.29
USD / RMB forward exchange contracts	USD	-	-	3.0	6.40
EUR / GBP forward exchange contracts	EUR	17.2	1.20	18.4	1.21
JPY / GBP forward exchange contracts	JPY	506.9	143.7	361.1	123.0
JPY / EUR forward exchange contracts	JPY	618.0	121.5	491.0	101.0

A net gain of £1.7 million (2012: £0.8 million loss) relating to forward exchange contracts that crystallised 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 2013 £m	Fair value 2013 £m	Carrying value 2012 £m	Fair value 2012 £m
Forward exchange contracts - assets	3.5	3.5	2.4	2.4
Forward exchange contracts - liabilities	(0.1)	(0.1)	(0.1)	(0.1)
Cash at bank and in hand	12.9	12.9	10.0	10.0
Net trade receivables	35.8	35.8	38.2	38.2
Trade payables	(25.1)	(25.1)	(22.4)	(22.4)
Fixed rate borrowings	(30.2)	(31.7)	(30.8)	(32.7)
Floating rate borrowings	(44.2)	(44.2)	(42.9)	(42.9)
	(47.4)	(48.9)	(45.6)	(47.5)

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 US Dollar, Euro and Japanese Yen 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
US Dollar	**44.1**	**30.2**	**13.9**
Euro	**16.6**	**-**	**16.6**
Sterling	**12.0**	**-**	**12.0**
Japanese Yen	**1.7**	**-**	**1.7**
At 31 December 2013	**74.4**	**30.2**	**44.2**
US Dollar	39.4	30.8	8.6
Euro	20.2	-	20.2
Sterling	12.0	-	12.0
Japanese Yen	2.1	-	2.1
At 31 December 2012	73.7	30.8	42.9

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.

2013	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	(74.4)	(82.8)	(2.2)	(80.6)	-
Trade payables	(25.1)	(25.1)	(25.1)	-	-
Forward exchange contracts	(0.1)	(0.1)	(0.1)	-	-
	(99.6)	(108.0)	(27.4)	(80.6)	-

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)	-

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

Expiring in:	2013 £m	2012 £m
Less than one year		
- Uncommitted facilities	10.8	25.4
More than one year but not more than two years		
- Uncommitted facilities	-	-
More than one year but not more than five years		
- Committed facilities	55.8	57.8
Total	66.6	83.2

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 2013 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 2013	43,690,968	8.8
Consideration for acquisition	214,847	-
Exercise of share options	154,803	-
At 31 December 2013	44,060,618	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 2013 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	396,712	131p-543p	2014-2018
International Sharesave Schemes	371,568	131p-577p	2014-2018
	768,280		

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 2013 the Company's Employee Benefit Trust held 83,150 ordinary shares.

Dividends
After the Balance Sheet date the following final dividend for the year ended 31 December 2013 was recommended by the Directors and subject to approval by shareholders at the AGM on 8 May 2014 will be paid on 9 May 2014. The dividend has not been provided for at the year end and there are no tax consequences.

	2013 £m	2012 £m
14.1p per ordinary share (2012: 13.5p per ordinary share)	6.2	5.9

Section 5 – Other supporting notes

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

5.1 Employees

	2013 £m	2012 £m
Employee costs, including Directors' remuneration, comprise:		
Wages and salaries	**73.9**	77.9
Employers' social security costs	**11.5**	11.6
Employers' pension costs - defined benefit schemes	**1.1**	1.0
Employers' pension costs - defined contribution schemes	**1.5**	1.4
Other employment benefits	**3.1**	3.2
Share-based payment charge	**1.4**	1.8
	92.5	96.9

Details of Directors' remuneration and share incentives are disclosed in the Remuneration Report. Employee costs exclude employment termination costs.

	2013 £m	2012 £m
Average number of employees during the year		
Videocom	921	920
Imaging	781	960
Services	175	183
Head Office	21	22
	1,898	2,085

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

The Group has adopted IAS 19 Employee Benefits (2011) as of 1 January 2013. The principal changes require the replacement of the interest income on plan assets and the interest charge on pension liabilities of defined benefit pension schemes with a single net financing cost, based on the discount rate. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return. The change had no significant impact on the consolidated financial statements, and accordingly, the 2012 comparatives have not been restated.

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 and 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 2013 was £1.6 million (2012: £1.4 million). There were no outstanding or prepaid contributions to these plans as at 31 December 2013 (or at 31 December 2012).

Defined benefit schemes

The Group's defined benefit schemes are disclosed below.

	2013 £m	2012 £m
Amounts recognised on the Group Balance Sheet		
Plan assets		
- Equities	24.0	21.4
- Bonds	23.2	24.9
- Other	3.0	2.7
Total fair value of plan assets	50.2	49.0
Present value of defined benefit obligation	(59.3)	(58.4)
Net deficit recognised in the Group Balance Sheet	(9.1)	(9.4)

	2013 £m	2012 £m
Analysis of net recognised deficit		
Total funded plan (UK Pension scheme)	(5.1)	(4.8)
Total unfunded plans (non-UK Pension schemes)	(4.0)	(4.6)
Liability recognised on the Group Balance Sheet	(9.1)	(9.4)

	2013 £m	2012 £m
Amounts recognised in the Income Statement		
- Administration costs incurred during the period	1.2	1.2
- Past service gain	(0.1)	(0.2)
Included in operating costs	1.1	1.0
Net interest expense on net defined benefit pension scheme liabilities	0.3	0.2
Total amounts charged to the Income Statement	1.4	1.2

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 future benefit accrual with effect from 31 July 2010. As a result, since that date, no contributions are payable in respect of future accrual of benefits. As the 5 April 2013 funding valuation of the scheme disclosed a funding surplus, no recovery plan is required under the Pensions Act 2004. For these reasons, expected member and employer contributions to the scheme over the year to 31 December 2014 are £nil. The scheme is subject to all legislation and regulations that apply to UK occupational pension schemes.

The main risk to which the Group is exposed to by the scheme is that the cost of the benefits provided by the scheme is greater than expected, for example due to lower than expected investments returns or members of the scheme living longer than expected, which may result in additional contributions being required from the Group.

Impact on defined benefit obligation (DBO) of changes in the three key individual assumptions	
Discount rate increased by 0.1% points	-2.0%
RPI inflation increased by 0.1% points [1]	+1.5%
Long-term rate of future improvements in mortality reduced by 0.25% points	-1.5%

[1] This change has been carried through to assumed CPI inflation and pension increases, as appropriate.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

	2013 % pa	2012 % pa
Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December were:		
Price inflation (RPI)	3.3	2.8
Price inflation (CPI)	2.3	2.1
- Discretionary (pre - 6 April 1997 accrual in excess of GMP)	3.2	2.7
- Guaranteed LPI 5% (6 April 1997 - 30 June 2008)	3.2	2.7
- Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.4	2.4
Rate of increase for deferred pensions	2.3	2.1
Discount rate	4.5	4.4

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 22.6 to 24.9 years
- Non-pensioners currently aged 50: ranging from 23.6 years to 26.1 years

	2013 £m	2012 £m
Change in DBO for the year to 31 December		
Present value of DBO at start of year	53.8	49.3
Interest cost	2.3	2.3
Actuarial (gain)/loss - experience	(1.9)	0.3
Actuarial loss on demographic assumptions	0.7	-
Actuarial loss on financial assumptions	1.9	3.6
Actual benefit payments	(1.4)	(1.6)
Past service gains	(0.1)	(0.1)
Present value of DBO at end of year	55.3	53.8

At 31 December 2013, the weighted-average duration of the scheme's DBO was 19 years (2012: 19 years).
The proportion of DBO in respect of pensions in payment is 50% and that in respect of deferred pensioners is 50%.

	Fair value 2013 £m	Quoted split %	Unquoted split %	Fair value 2012 £m
Scheme assets and proportion which have quoted market price, at 31 December				
Equities	24.0	77	23	21.4
Bonds	23.2	70	30	24.9
Property	2.2	-	100	2.0
Cash/non-cash assets	0.5	-	100	-
Insurance policies	0.3	-	100	0.7
Total value of assets	50.2			49.0

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

	2013 £m	2012 £m
Change in fair value of assets for the year to 31 December		
Fair value of assets at start of year	49.0	48.9
Interest income on scheme assets	2.1	2.2
Return on scheme assets greater/(less) than discount rate	0.7	(0.5)
Actual benefit payments	(1.4)	(1.4)
Administration expenses paid	(0.2)	(0.2)
Fair value of assets at end of year	50.2	49.0

	2013 £m	2012 £m
Development of net balance sheet position at 31 December		
Present value of defined benefit obligation	(55.3)	(53.8)
Assets at fair value	50.2	49.0
Net defined benefit liability	(5.1)	(4.8)

	2013 £m	2012 £m
Reconciliation of net balance sheet position		
Net defined benefit liability at start of year	(4.8)	(0.4)
Total amounts charged to the Income Statement	(0.3)	-
Remeasurement effects recognised in Other Comprehensive Income (OCI)	-	(4.4)
Defined benefit liability at end of year	(5.1)	(4.8)

	2013 £m	2012 £m
Amounts recognised in the Group Income Statement		
- Administration costs incurred during the period	0.2	-
- Past service gains	(0.1)	(0.1)
Included in operating costs	0.1	(0.1)
Net interest expense on net defined benefit pension scheme liability	0.2	0.1
Total amounts charged to the Income Statement	0.3	-

	2013 £m	2012 £m
Amounts recognised in OCI		
Actuarial (gain)/loss due to liability experience	(1.9)	0.3
Actuarial loss due to liability assumption changes	2.6	3.6
Actuarial loss arising during the period	0.7	3.9
Return on scheme assets (less)/greater than discount rate	(0.7)	0.5
Remeasurement effects recognised in OCI	-	4.4

	2013 £m	2012 £m
Defined benefit pension scheme cost		
Administration costs incurred during the period	0.2	-
Past service gains	(0.1)	(0.1)
Net interest expense on net defined benefit pension scheme liability	0.2	0.1
Remeasurement effects recognised in OCI	-	4.4
Total defined benefit pension scheme cost	0.3	4.4

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 with the exception of the Unapproved Share Option Plan. None of the Directors participated in this plan, hence it is not described in the Remuneration Report. No awards have been made under the Unapproved Share Option Plan since 2008 and its rules expired in 2012. The remaining awards under the Unapproved Share Option Plan were exercised by certain employees during the year ended 31 December 2013.

Share-based payments expense

The amount recognised in the Income Statement for share-based payment transactions with employees for the year ended 31 December 2013 was £1.3 million (2012: £2.0 million), of which £0.1 million credit (2012: £0.2 million charge) related to employers' tax liability.

The outstanding employers' tax liability recognised in the Balance Sheet for UK awards was £0.2 million (2012: £0.5 million) and for non-UK awards £nil (2012: £0.1 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 and 2011 International Sharesave Plan as at 31 December 2013, 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	171,798	1.31	1
£3.01 - £4.00	10,650	3.49	2
£4.51 - £5.00	58,102	4.72	1
£5.01 - £5.50	362,381	5.25	3
£5.51 - £6.00	156,482	5.77	1
Total	759,413	4.41	2

Options granted, exercised and lapsed during the years ended 31 December 2012 and 2013 under these share option plans were as follows:

	Sharesave	Weighted average Exercise Price (£)	USOP	Weighted average Exercise Price (£)
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**
Exercised during 2013	**(195,242)**	**3.49**	**(62,421)**	**3.03**
Lapsed during 2013	**(132,576)**	**5.05**	**-**	**-**
Granted during 2013	**197,750**	**5.06**	**-**	**-**
Awards at 31 December 2013	**759,413**	**4.14**	**-**	**-**
Awards exercisable at 31 December 2013	**-**	**-**	**-**	**-**

The weighted average share price at the date of exercise for share options exercised during the year was £6.00 (2012: £6.49).

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	25 Sep 2013	25 Sep 2013	25 Sep 2013	21 March 2013	08 April 2013
Number of instruments granted	75,301	103,211	19,238	523,018	44,792
Exercise price	£5.33	£5.02	£5.02	n/a	n/a
Share price at date of grant	£6.81	£6.81	£6.81	£6.45	£6.30
Contractual life (yrs)	2.3	3.6	5.6	n/a	n/a
Expected option life (yrs)	2.3	3.3	5.3	n/a	n/a
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)	28.0%	28.0%	28.0%	25.3%	25.3%
Risk free interest rate	0.50%	0.85%	1.57%	n/a	n/a
Expected dividend yield	3.50%	3.50%	3.50%	n/a	n/a
Expected departures (per annum from grant date)	5%	5%	5%	10%	15%
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	79%	81%
Fair value per granted instrument determined at the grant date	£1.56	£1.79	£1.88	£6.45/£3.50 (2)	£6.30/£3.53 (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 2013 £m	Land and buildings £m	Other £m	Total 2012 £m
Expiring within one year	0.4	0.1	0.5	0.7	0.2	0.9
Expiring two to five years	8.5	1.0	9.5	9.5	1.0	10.5
Expiring after five years	9.0	-	9.0	10.2	-	10.2
	17.9	1.1	19.0	20.4	1.2	21.6

During the year £5.0 million (2012: £5.9 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 detail in the Remuneration Report.

The compensation of the seven (2012: ten) members of the Operations Executive during the year, including the Executive Directors is shown in the table below.

	2013 £m	2012 £m
Salaries	1.7	2.1
Performance-related bonuses	1.5	1.5
Share-based payment charge (1)	0.6	1.1
Other short-term employee benefits	0.2	0.2
Post employment benefits	0.2	0.3

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

5.6 Principal Group investments

The Group's principal subsidiaries as at 31 December 2013 are listed below. All subsidiaries are 100% owned within the Group.

	Country of incorporation
Vitec Group US Holdings, Inc	US
Vitec Group Holdings Limited [1]	Guernsey
Vitec Investments Limited	UK
Videocom	
Autoscript Limited	UK
Vitec Videocom Limited [1]	UK
Vitec Videocom, Inc [2]	US
Vitec Videocom Limitada	Costa Rica
Integrated Microwave Technologies, LLC	US
Haigh-Farr, Inc	US
Camera Corps Ltd	UK
Teradek, LLC	US
Imaging	
Manfrotto Distribution, Inc	US
Manfrotto Distribution KK	Japan
Vitecgroup Italia SpA	Italy
Manfrotto UK Limited [3]	UK
Manfrotto Bags Ltd	Israel
Services	
Vitec Broadcast Services Inc	US

(1) Indicates companies directly owned by the parent company.

(2) Formerly called Anton/Bauer Inc - name changed with effect from 3 January 2014

(3) Formerly called Manfrotto Lighting Limited - name changed with effect from 7 January 2014.

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 2013

	Notes	2013 £m	2012 £m
Fixed assets			
Tangible fixed assets	f)	**1.4**	1.6
Investments in subsidiary undertakings	g)	**398.3**	389.1
		399.7	390.7
Current assets			
Debtors	h)	**6.9**	7.0
Cash at bank and in hand		**13.9**	11.9
		20.8	18.9
Liabilities falling due within one year			
Creditors	i)	**(11.4)**	(14.8)
Provisions	j)	**(0.2)**	(0.2)
		(11.6)	(15.0)
Net current assets		**9.2**	3.9
Total assets less current liabilities		**408.9**	394.6
Liabilities falling due after one year			
Creditors	i)	**(105.1)**	(103.0)
Provisions	j)	**(0.1)**	(0.4)
		(105.2)	(103.4)
Net assets		**303.7**	291.2
Capital and reserves			
Called up share capital	k)	**8.8**	8.8
Share premium account	l)	**12.1**	10.4
Revaluation reserve	l)	**0.9**	0.9
Merger and other reserves	l)	**55.3**	55.3
Profit and loss account	l)	**226.6**	215.8
Equity shareholders' funds		**303.7**	291.2

Approved by the Board on 25 February 2014 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 2013

	2013 £m	2012 £m
Profit for the financial year	19.2	112.1
Dividends paid	(9.8)	(9.1)
Retained profit for the year	9.4	103.0
Own shares purchased	(1.5)	(4.8)
Share-based payment charge, net of tax	2.9	1.8
New shares issued	1.7	0.7
Net increase in shareholders' funds	12.5	100.7
Opening shareholders' funds	291.2	190.5
Closing shareholders' funds	303.7	291.2

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 and fittings	3 to 10 years

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

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

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

Pensions
The Company participates in the Group’s defined benefit scheme operated in the UK, which was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Company are now offered membership of a 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.

c) Employees

Employee costs comprise:	2013 £m	2012 £m
Wages and salaries	3.3	3.2
Employers' social security costs	0.4	0.3
Employers' pension costs - defined contribution schemes	0.1	0.1
Share-based payment charge (1)	1.4	1.8
	5.2	5.4

(1) Share-based payment charge represents the Group total.

	2013	2012
Average number of employees during the year	21	22

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

	2013 £m	2012 £m
The aggregate amount of dividends comprises		
Final dividends paid in respect of prior year but not recognised as liabilities in that year	5.9	5.4
Interim dividends paid in respect of the current year	3.9	3.7
	9.8	9.1

A final dividend of 14.1p per share has been recommended by the Board.

Notes to the Company financial statements

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 2013 and 31 December 2012	3.2	2.6	0.5	0.1
Depreciation				
At 1 January 2013	1.6	1.4	0.1	0.1
Charge for the year	0.2	0.1	0.1	-
At 31 December 2013	1.8	1.5	0.2	0.1
Net book value				
At 1 January 2013	1.6	1.2	0.4	-
At 31 December 2013	1.4	1.1	0.3	-

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 had the following commitments during the following year, under non-cancellable operating leases:

	Land and buildings	
	2013 £m	2012 £m
Expiring in two to five years	0.3	0.3

g) Investments in subsidiary undertakings

	Total £m	Investment in other shares £m	Loans £m
Cost			
At 1 January 2013	389.7	328.7	61.0
Additions	23.9	22.1	1.8
Disposals	(14.7)	(14.7)	-
At 31 December 2013	398.9	336.1	62.8
Provisions			
At 1 January 2013 and 31 December 2013	0.6	0.6	-
Net book value			
At 1 January 2013	389.1	328.1	61.0
At 31 December 2013	398.3	335.5	62.8

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

h) Debtors

	2013 £m	2012 £m
Amounts falling due within one year		
Amount owed by subsidiary undertakings	0.2	2.6
Corporation tax	1.2	-
Other debtors	1.6	1.8
Derivative financial instruments - forward exchange contracts	3.4	2.4
Deferred tax assets	0.3	-
Prepayments and accrued income	0.2	0.2
	6.9	7.0

i) Creditors

	2013 £m	2012 £m
Amounts falling due within one year		
Amounts owed to subsidiary undertakings	5.1	9.2
Derivative financial instruments - forward exchange contracts	3.4	2.4
Other creditors	0.1	1.8
Accruals and deferred income	2.8	1.4
	11.4	14.8
Amount falling due after more than one year		
Bank loans (unsecured)	74.4	73.0
Amounts owed to subsidiary undertaking	30.7	30.0
	105.1	103.0

Contingent liabilities

There are no contingent liabilities at 31 December 2013 (2012: £nil).

j) Provisions

	Onerous lease £m
At 1 January 2013	0.6
Provisions utilised during the year	(0.2)
Provisions reversed during the year	(0.1)
At 31 December 2013	0.3
Due within one year	0.2
Due after more than one year	0.1
	0.3

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.

Notes to the Company financial statements

k) Called up share capital

	Number of shares	Nominal value £m
Issued and fully paid		
At 1 January 2013	43,690,968	8.8
Consideration for acquisitions	214,847	-
Exercise of share options	154,803	-
At 31 December 2013	44,060,618	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 2013	10.4	0.9	55.3	215.8
Dividends paid	-	-	-	(9.8)
Own shares (Employee Benefit Trust) purchased	-	-	-	(1.5)
Share-based payment charge, net of tax	-	-	-	2.9
New shares issued	1.7	-	-	-
Profit for the year	-	-	-	19.2
At 31 December 2013	12.1	0.9	55.3	226.6

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

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 25 February 2014. There were no events after the Balance Sheet date that require disclosure.

Five Year Financial Summary

Years ended 31 December

	2013 £m	2012 £m	2011 £m	2010 £m	2009 £m
Revenue	**315.4**	345.3	351.0	309.6	315.1
Operating profit [(1)]	**39.5**	39.3	34.5	27.7	24.5
Net interest on interest-bearing loans and borrowings	**(3.6)**	(3.2)	(1.9)	(1.2)	(1.6)
Other financial (expense)/income	**(0.3)**	0.1	0.4	0.2	(0.2)
Profit before tax [(1)]	**35.6**	36.2	33.0	26.7	22.7
Cash generated from operating activities	**52.4**	38.4	39.1	34.6	42.8
Net interest paid	**(3.6)**	(3.1)	(1.8)	(1.2)	(2.1)
Tax paid	**(8.5)**	(10.8)	(11.1)	(0.9)	(4.3)
Operating cash flow	**40.3**	24.5	26.2	32.5	36.4
Net capital expenditure on property, plant and equipment and intangible assets	**(18.9)**	(13.7)	(9.7)	(14.5)	(13.7)
Free cash flow [(2)]	**21.4**	10.8	16.5	18.0	22.7
Capital employed					
Intangible fixed assets	**76.3**	68.2	75.0	51.8	58.2
Tangible fixed assets	**53.5**	48.6	50.1	53.4	54.6
Other net assets	**39.2**	48.3	39.5	27.0	21.9
	169.0	165.1	164.6	132.2	134.7
Financed by					
Shareholders' funds - equity	**120.2**	114.6	129.3	124.3	111.2
Net debt	**61.5**	63.7	50.4	28.1	40.6
Deferred tax	**(12.7)**	(13.2)	(15.1)	(20.2)	(17.1)
	169.0	165.1	164.6	132.2	134.7
Statistics					
Operating profit (%) [(1)]	**12.5**	11.4	9.8	8.9	7.8
Effective tax rate (%) [(1)]	**30.9**	32.9	32.7	33.0	31.7
Adjusted basic earnings per share (p) [(3)]	**56.1**	55.8	51.4	41.9	36.5
Basic earnings per share (p)	**31.9**	13.6	34.7	42.8	7.5
Dividends per share (p)	**23.0**	22.0	20.5	19.0	18.3
Year-end mid-market share price (p)	**639.0**	635.3	555.7	585.0	389.0

[(1)] Before restructuring costs, charges associated with acquired businesses and disposal of business in 2013, 2012 and 2011; and before significant items in 2010 and 2009.

[(2)] 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.

[(3)] Differences between adjusted basic and basic earnings per share arise from restructuring costs, 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), or any of the items detailed below, please contact the Company's registrar:

Capita Asset Services ("Capita")	
Website	www.capitashareportal.com
Email	shareholderenquiries@capita.co.uk
Address	The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Phone from UK	0871 664 0300*
Phone from overseas	+44 (0)20 8639 3399**

* Calls cost 10p per minute plus any network extras. Lines are open from 9.00am to 5.30pm Monday to Friday.

** Calls will be charged at standard overseas rates.

Dividend reinvestment plan

The Company, in conjunction with Capita, offers a Dividend Reinvestment Plan that enables shareholders to reinvest cash dividends into additional shares in the Company. You must arrange for your Dividend Reinvestment Plan application form to be received by Capita no later than Monday, 14 April 2014 to join the plan for the final dividend for the year ended 31 December 2013.

Online services and electronic voting

You can check your shareholding, make a transaction or dividend payment enquiry, add or change a dividend mandate or change your registered address by logging in to your on-line account with Capita via the website address above. The Company will again be making use of Capita's electronic voting facility. By selecting The Vitec Group plc via Capita's website you will find details of the 2014 Annual General Meeting, including the venue and detail of resolutions. Shareholders have the option to vote for, against or withhold their vote on 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 log in on-line, 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.

International dividend payment service

Overseas shareholders may wish to consider electing to receive their dividends in a local currency instead of in Sterling and you can find out more about this by calling the international phone number above or by visiting http://international.capitaregistrars.com. Any election to receive dividends in local currency in respect of the final dividend for the year ended 31 December 2013 payable on Friday, 9 May 2014 must be received by Capita no later than the record date for the final dividend, Friday, 11 April 2014.

Share price information

The closing middle market price of a share of The Vitec Group plc on 31 December 2013 was £6.39. During the year, the share price fluctuated between £5.59 and £7.26. 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.

Share scams

Shareholders should be aware that fraudsters may try and use high pressure tactics to lure investors into share scams. Information on share scams can be found on the Financial Conduct Authority's website: www.fca.org.uk/scams or via their consumer helpline: 0800 111 6768.

Financial calendar

Ex-dividend date for 2013 final dividend	9 April 2014
Record date for 2013 final dividend	11 April 2014
Annual General Meeting	8 May 2014
2013 final dividend payment date	9 May 2014
Announcement of 2014 half year results	14 August 2014
Proposed 2014 interim dividend payment date	October 2014

Analysis of shareholdings as at 31 December 2013

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	508	52.2	192,926	0.4
1,001 to 5,000	266	27.3	644,832	1.5
5,001 to 10,000	60	6.2	448,964	1.0
10,001 to 50,000	68	7.0	1,538,607	3.5
50,001 to 100,000	20	2.1	1,490,170	3.4
100,001 and over	51	5.2	39,745,119	90.2
	973	100	44,060,618	100
Institutions and companies	323	33.2	41,794,192	94.9
Individuals including Directors and their families	650	66.8	2,266,426	5.1
	973	100	44,060,618	100

Find out more
www.vitecgroup.com/Investors/Shareholderservices.aspx

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