



Enabling the capture
and sharing of
exceptional content

The Vitec Group plc
Annual Report and Accounts 2020





Strategic Report

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www.vitecgroup.com

Front cover image captured by: Brandon Woodard, Creative Director, Vitec Creative Solutions

Capture. Share.

Vitec is a leading global provider of premium branded hardware products and software solutions to the growing content creation market.

Our customers include broadcasters, film studios, production and rental companies, photographers, independent content creators ("ICCs"), and enterprises.

We design, manufacture and distribute high performance products and solutions, including camera supports, video transmission systems and monitors, live streaming solutions, smartphone accessories, robotic camera systems, prompters, LED lighting, mobile power, bags and motion control, audio capture and noise reduction equipment.

We employ around 1,600 people in 11 different countries and are organised in three Divisions: Imaging Solutions, Production Solutions and Creative Solutions.

Image: Rachid Dahmoun

2020 financial highlights¹

Revenue

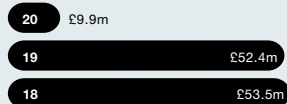
£290.5m

↓ Down 22.8%

Adjusted operating profit*

£9.9m

↓ Down 81.1%



Statutory operating loss

£-3.3m

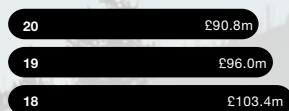
↓ Down £35.3m

Recommended final dividend per share

4.5p

Net debt

£90.8m



Adjusted operating margin*

3.4%

↓ Down 1050 bps

Statutory operating margin

-1.1%

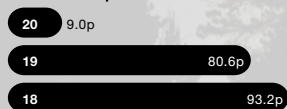
↓ Down 960 bps

Interim dividend per share

0.0p

Adjusted basic earnings per share*

9.0p



Basic loss per share from continuing and discontinued operations

-11.6p

↓ Down 56.5p

Recommended total dividend per share

4.5p

↓ Down 7.8p

(1) 2018 net debt has been restated and prepared under IFRS 16 "Leases"

* This report provides Alternative Performance Measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to improve the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary on pages 180 and 181.

Key points

- FY 2020 results as expected; H2 significantly outperformed H1 as markets started to recover having been only about 20% open in April when film and scripted TV productions shut down, sporting events postponed, professional photographers affected, and many retail outlets closed
- Vitec is starting to benefit from the structural market changes that have occurred over the last 12 months as more video content is being created, consumed and shared than ever before
- Many areas saw revenue growth vs 2019, including JOBY smartphonography accessories (+c.70%) and streaming products (+c.50%) with recurring revenue doubling
- Strong cash performance, high operating cash conversion* leading to net debt reduction
- Resuming dividend payments with a proposed final dividend of 4.5p per share
- £22.6 million FY 2020 cost reductions delivered vs FY 2019; completed the expanded restructuring in Imaging Solutions and delivered further operating efficiencies in Production Solutions
- Intend to repay CCFE early and to repay UK furlough proceeds
- We have had a strong start to 2021, with a record order book, even though our markets are only about 70% open

* In addition to statutory reporting, Vitec reports Alternative Performance Measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to improve the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary on pages 180 and 181.

At a glance

Vitec's purpose is to enable our customers to capture and share exceptional content.

Our portfolio of market-leading brands encompasses a variety of technologies, designed and engineered to ensure that, whatever the conditions, the content creator has the best equipment to capture the moment.

These technologies range from traditional mechanically engineered products, for example manual camera

supports, through to electronics and software. Nonetheless, the user is the same – a content creator – who may be a broadcaster, film studio or production company, a corporate or religious establishment, operating as an independent business or a professional photographer or vlogger.

We sell our products globally via multiple distribution channels, our own sales teams, and through e-commerce via our own and third party websites.

Our core customers

Professional or hobby photographer/videographer, professional influencer and social media vlogger

Broadcaster creating TV programmes, news or live sports in a studio or on location

Production company and content creator making content for feature films, scripted TV shows and advertisements

Enterprises, governments, healthcare providers, education establishments and churches, communicating with their employees, customers and communities

Our product categories and brands

Our brands are leaders in the markets we serve, both in terms of premium products and market share.

Our products typically attach to, or support, a camera – primarily for broadcast, cinematic, video, photographic and smartphone applications. Our products serve a wide range of end users and are offered as a cohesive package.

Camera accessories

- Teradek
- Wooden Camera

Supports

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

Robotic camera systems

- Camera Corps
- Vinten

Prompters

- Autocue
- Autoscript

Mobile power

- Anton/Bauer

Motion control & stabilisers

- Manfrotto
- Syrp

Lighting & controls

- Colorama
- JOBY
- Lastolite by Manfrotto
- Litepanels

Bags

- Gitzo
- Lowepro
- Manfrotto
- National Geographic#
- Sachtler

Video transmission systems

- Teradek

Monitors

- SmallHD

Audio capture

- JOBY
- Rycote

Distribution, rental & services

- Camera Corps
- The Camera Store

Smartphonography

- JOBY

IP video

- Teradek

Live streaming

- Teradek

Lens control systems

- Teradek

Manufactured under licence

Our Divisions

Imaging Solutions



Vitec's Imaging Solutions Division designs, manufactures and distributes premium branded equipment for photographic and video cameras and smartphones, and provides dedicated solutions to professional and amateur image makers, ICCs, professional influencers, vloggers and enterprises. This includes camera supports and heads, camera bags, smartphone accessories, lighting supports, LED lighting, lighting controls, motion control, audio capture and noise reduction equipment.

➔ **Read more about Imaging Solutions in the operational review on page 24**

£156.7m

Revenue: down 20.3%

Production Solutions



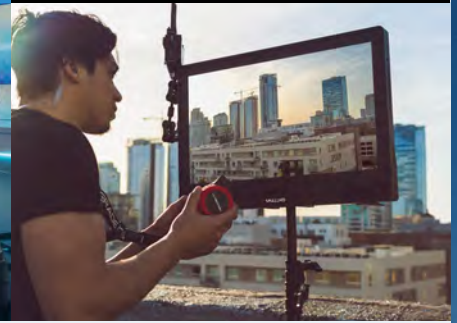
Vitec's Production Solutions Division designs, manufactures and distributes premium branded and technically advanced products and solutions for broadcasters, film and video production companies, ICCs and enterprises. Products include video heads, tripods, LED lighting, batteries, prompters and robotic camera systems. It also supplies premium services including equipment rental and technical solutions.

➔ **Read more about Production Solutions in the operational review on page 28**

£80.1m

Revenue: down 28.4%

Creative Solutions



Vitec's Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for ICCs, enterprises, broadcasters, and film and video production companies. It is made up of a number of brands that Vitec has acquired and includes Teradek, SmallHD, Amimon, Wooden Camera and RTMotion. Products include video transmission and lens control systems, monitors, camera accessories, live streaming solutions and software applications.

➔ **Read more about Creative Solutions in the operational review on page 32**

£53.7m

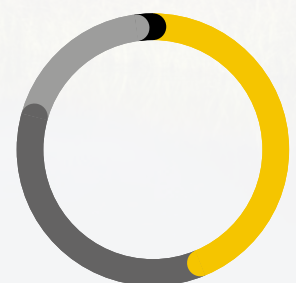
Revenue: down 20.7%

Our global footprint



■ Vitec manufacturing, R&D and procurement sites
 ■ Distribution sites

2020 revenue



■ North America:	44%
■ Europe:	35%
■ APAC:	19%
■ Rest of the world:	2%
Total:	100%

Chairman's welcome



Dear Shareholder

2020 was a year like no other for our employees, shareholders, customers, suppliers and wider society in general. At the time of writing, while our end markets have started to recover, it is clear that the COVID-19 pandemic is set to continue until a widescale vaccination programme is well progressed across the globe and as a consequence, there will be some continuing impact upon Vitec. Our thoughts are with those who have been directly impacted by this disease and we are immensely grateful for the efforts of all front-line workers.

Vitec's end markets were significantly impacted from March 2020 onwards. In April 2020, we estimated that only 20% of our end markets were open and a significant number of our sites closed, with employees either working remotely or being placed on furlough. A clear priority has been to protect the health and wellbeing of our people, and once the impact of the pandemic became clearer, we introduced stringent guidelines and sites were reopened but with strict adherence to social distancing and safety measures. The Board worked closely with the executive management team to look after our people and to ensure the financial wellbeing of the Company, meeting more frequently to coordinate Vitec's response. Our main goals in 2020 were to deliver an acceptable financial performance, preserve the long-term capabilities of the business and maintain the trust of our stakeholders. On reflection, the Board and I believe that the management team has navigated the Company well through this unprecedented period, achieving these goals and ensuring that we are well placed to take advantage of growth opportunities as our markets fully reopen.

While 2020's financial performance was significantly impacted by COVID-19, the Company achieved a small adjusted profit for 2020 and delivered strong operating cash flow, reducing Group net debt compared to 2019. This is an exceptional outcome and was achieved while ensuring that the Company remains well placed to take advantage of future growth opportunities.

During the pandemic, the Board has not been able to function as normal, with all of our meetings held remotely. Despite the obvious drawbacks, the Board performed very well. We conducted an internal Board performance evaluation at the end of 2020, and we are confident that the Board continues to operate to high standards. Full details are in the Governance section of this Annual Report. We aim to conduct an externally facilitated Board evaluation in 2021. Due to the pandemic, we were not able to physically visit our sites and meet our people, however we continued to maintain close contact with the senior leadership team and are looking forward to getting out to our businesses when we are able to do so.

Key measures to deal with the pandemic included the need to cancel the 2019 final dividend and 2020 interim dividend. Whilst this was disappointing, it was entirely appropriate to ensure the financial wellbeing of the Company. We have announced that we are to reinstate a final dividend for 2020 of 4.5 pence per share, that subject to approval at the AGM on 6 May 2021, will be paid on Friday, 14 May 2021. We rigorously controlled the cost base of the business to ensure it remained aligned with the reality of performance, protecting R&D investment to be able to benefit from growth opportunities as markets reopened. We accessed Government furlough schemes to protect the long-term capabilities of the business, and we also took advantage of the UK Government's Covid Corporate Finance Facility ("CCFF"). We have agreed to repay the CCFF money early in March 2021 and will also repay the UK Government furlough money. The Board and senior leadership team waived a percentage of their 2020 salary in response to the pandemic. In addition, we agreed revised covenants for 2020 under our £165 million Revolving Credit Facility with our existing banks, who remain unanimously supportive.

I maintained close dialogue with several of our major shareholders during 2020 to discuss first-hand the response to the pandemic, business recovery and strategy. I will continue to do this in 2021.

Despite the challenges presented by COVID-19, the Board remained focused on the strategic direction of the Group, including key growth opportunities around 4K/HDR products and live streaming solutions. We have a robust balance sheet, our market drivers remain intact and we are seeing recovery in our end markets. We believe that the Company is well positioned to take advantage of the increased demand for content as circumstances improve; Vitec has an agile business model and is able to respond swiftly to emerging or accelerated market trends.

The Board makes succession planning a priority, including developing the management team to build for the future. As a great example of this, and as reported in last year's statement, Martin Green became Group Finance Director on 10 February 2020, following a detailed search process. It has been a baptism of fire for Martin, given the impact of COVID-19, however I am delighted to report that Martin settled into the role very well and has been pivotal in steering the Company through this unprecedented period. There were no other changes to the Board in 2020.

Vitec has a clear purpose and strategy, and integral to delivering this is being a socially responsible company which demonstrates strong governance and ethical behaviour. These behaviours are well embedded within the organisation and are closely monitored by the Board. One focus in the year ahead will be to enhance the monitoring and reporting of our sustainability initiatives, as well as setting new ESG targets. We will report on this during 2021, on our website and in detail in 2021's Annual Report.

Details regarding our 2021 AGM are included in the accompanying AGM Notice.

In conclusion, the Board and I would like to sincerely thank the Group's employees for their efforts and sacrifices during this most challenging of years. Thanks to the fantastic response of our people, the Company is well placed for the future.

Ian McHoul
Chairman
25 February 2021

Investment case

Vitec is a strong, agile business and the Group's market-leading brands, operational excellence and sustained technology innovation make us uniquely positioned to take advantage of the growing content creation market and to deliver long-term value to our shareholders.

- Content creation market will return to growth
- Robust financial position, long-term financing and short-term flexibility
- Well positioned for medium-term organic growth post COVID-19
- Market-leading brands with premium pricing, increasing technology capability
- M&A opportunities

Our strategy for long-term growth and value creation remains just as relevant as it was before the pandemic



Stephen Bird
Group Chief Executive

Strategic priorities

Our strategic priorities remain unchanged. 2021 will be a year of recovery and investment, and we believe that our markets will grow faster longer term than we previously expected and that we will deliver strong margin recovery.

1

Organic growth

We leverage our premium brands by investing in faster growing market segments. We launch innovative new products, expand our geographical reach, and maximise our distribution and digital channels to get closer to our customers and increase market share. Our experienced people and agile organisation allow us to adapt swiftly to changing market trends.

2

Margin improvement

We are focused on improving our operating profit margins by optimising our manufacturing and assembly portfolio, by improving productivity, by growing our higher margin e-commerce channel and Creative Solutions Division, and from capturing synergies from acquisitions.

3

M&A activity

Although we did not complete any acquisitions in 2020, we continue to review opportunities which could expand our addressable markets and further increase our technology capabilities.





2020 was a tough year and COVID-19 clearly had a significant impact on our financial performance. We acted swiftly to protect our people and our financial position, while preserving the long-term capabilities of the business.

2020 was a tough year and COVID-19 clearly had a significant impact on our financial performance. We acted swiftly to protect our people and our financial position, while preserving the long-term capabilities of the business. This was achieved thanks to the outstanding hard work of employees across the Group.

Our response to the COVID-19 pandemic

COVID-19 significantly impacted customer demand from March onwards, with film and scripted TV productions shut down, sporting events postponed, professional photographers affected, and many retail outlets closed. Markets began to recover in H2 and our performance significantly improved compared to H1. We estimate that our markets were only c.20% open in April but had recovered to be c.70% open by the end of the year.

We implemented significant and far-reaching mitigating actions to cut costs and manage cash, incremental to restructuring and other ongoing efficiency savings. The benefit was to reduce costs by £22.6 million versus 2019. The majority of these costs will return, but in a phased and controlled manner, as trading conditions continue to improve. We used government support globally where possible to limit making permanent headcount reductions. We received £2.8 million from these schemes (£1.2 million from the UK furlough scheme, which in 2021 the Board decided to repay). The Group has largely protected R&D investment and continues to develop world leading products to maximise our future growth potential. Gross R&D spend in 2020 was £20.3 million versus £23.1 million in 2019 (7% of revenue in 2020 versus 6% in 2019).

Our logistics hubs remained open throughout the pandemic; and although all of our manufacturing sites were closed for short periods of 2020, all of them are now operational.

The response of our teams has been outstanding. We have worked hard to safeguard our people while ensuring that our operations have been able to continue. We developed and executed comprehensive operating guidelines and internal communications plans to inform, reassure and retain the trust of our employees. The Group has worked with its manufacturing teams and followed Government guidelines to put stringent health & safety and social distancing measures in place.

2020 financial performance

Revenue decreased by 23% to £290.5 million (2019: £376.1 million), resulting in adjusted operating profit* of £9.9 million (2019: £52.4 million). Revenue declined by 10% in H2 at constant currency versus 2019, which was significantly better than in H1 (37% decline), despite the second wave of the pandemic in the last few months of 2020. Adjusted profit before tax* of £5.5 million was £42.5 million lower than the prior year (2019: £48.0 million). Adjusted basic earnings per share* was 9.0 pence (2019: 80.6 pence). Strong operating cash conversion was a record 257%.

Net debt at 31 December 2020 was £5.2 million lower than at 31 December 2019 (£96.0 million) and £16.6 million lower than at 30 June 2020 (£107.4 million). We consider this a strong performance given the impact on our business from COVID-19.

Liquidity at 31 December 2020 totalled £143.2 million; comprising £122.3 million unutilised RCF, £17.3 million of cash and £3.6 million unused overdraft facility. As previously announced, the Group has drawn down £50 million of the CCF, which is to be repaid during March, earlier than planned, given the strong cash generation in 2020.

Market and strategy update, and medium-term prospects

Our markets are recovering well, our end market drivers remain intact and we have seen many areas of growth. More people have become accustomed to communicating via video and watching more video content on subscription platforms, and we believe that the demand for, and investment in, original content (e.g. films, scripted TV shows, live news, sport, videos and photos) will continue to grow. This benefits Vitec as our market-leading technology enables people to capture and share content.

In addition, we are investing to benefit over time from the substantial opportunities that exist as a result of the structural changes to our market. In the medium-term, we believe that our Total Addressable Market has expanded, mainly due to our ability to serve the streaming market. This has grown strongly during the pandemic, the high end enterprise segment has doubled in the last 12 months, and this represents a significant growth opportunity for us. Video communication has grown exponentially driving demand for our streaming solutions. More content has been consumed on subscription channels like Netflix and Amazon Prime and when production sets reopen we expect original content creation to grow dramatically driving demand for our video transmission and monitoring systems. Further automation of TV studios to ensure safe distancing will benefit our robotic camera systems and voice-activated prompting solutions, and vlogging, social media usage and homeworking has increased, with more people using smartphones and compact system cameras to create content using our JOBY products.

We continue to make good progress delivering our strategic objectives and although 2021 will be a year of recovery and investment, we believe our markets will grow faster than we previously expected.

Organic growth

We have broadly maintained our R&D investment to leverage our premium brands in the faster growing market segments.

Imaging Solutions – we expect to recover well and are focusing on continued growth in the higher margin e-commerce channel and JOBY smartphone and compact system camera accessories, as well as new audio and motion control products.

We expect a recovery of the professional, high end photographic segment (c.55% of our Imaging Division's revenue), driven by the reopening of studios and rental houses. In addition, 2020 releases of higher value compact system cameras target the professional market, thus benefiting Vitec's premium brands versus lower quality competitors. The entry-level (hobbyist) camera segment is declining, and this impacts our low end photo supports and bags (c.20% of our Imaging Division's revenue). However, we expect continued growth from JOBY, with premium products used by professional vloggers, YouTubers and podcasters, along with growth in our B2B, motion control and audio capture products, to offset this decline. We expect the transition to the higher margin e-commerce channel to continue in the short to medium-term and we have already restructured the Division to benefit from this continued change.

2020 saw the launch of numerous new products, including a new line of Manfrotto handheld stabilisers, which sold out within two weeks of the October 2020 launch, and new Rycote stands and grips for audio professionals.

During 2021, production of some of the flagship JOBY GorillaPod products will be brought in-house to our automated facility in Italy from China. The "Made in Italy" stamp differentiates us from our competitors, gives us greater control of the design and manufacturing process, improves customer service, has a lower environmental impact, is cost competitive, and enables us to capture the manufacturing margin. We will continue to target further operational improvements across the Division.

CEO review (continued)

Production Solutions – we expect a strong recovery and are focusing on products for on-location news and rescheduled sporting events, as well as robotic camera systems and voice-activated prompting to enable safe distancing in studios.

TV and news productions continue globally, and safe distancing and continuing cost pressures in studios and at live events should benefit remote controlled products such as robotic camera systems and voice-activated prompting, although short-term equipment budgets could be constrained. We also expect to benefit from growth in LED lighting and mobile power for the broadcast, cine and ICC segments, as well as the rescheduling of major sporting events from 2020 to 2021.

During 2020, we launched a significant number of new products, including Sachtler's revolutionary aktiv fluid head and the largest ever expansion of Anton/Bauer's battery range. In addition, our Litepanels brand won an Emmy Award for its pioneering engineering development and creativity in LED lights for television production.

Creative Solutions – we expect a strong bounce back from the increasing spend on original content, although the exact timing is uncertain. We are focusing on the 4K/HDR replacement cycle and the significant new streaming opportunity in both the cine and enterprise markets.

We expect the volume of new cine productions and scripted TV shows to increase once production sets reopen, and therefore spending on equipment should recover quickly. The potential shift from large blockbuster films to smaller budget scripted TV productions is a positive trend for Vitec as it will mean a greater volume of productions.

2020 saw the launch of our new SmallHD 4K/HDR Production Monitors, which completed the end-to-end 4K/HDR workflow of wireless video products for the cine market. Despite the temporary closure of many film sets during the pandemic, these products have been well received. Although short-term sales have been impacted by the pandemic, we remain focused on the significant multi-year opportunity to replace the installed base of HD transmitters and receivers.

In February 2021, Creative Solutions received two Oscars (Scientific and Engineering Awards) from the Motion Picture Academy of Arts and Sciences, for the development of the Teradek Bolt wireless video transmission system and the Amimon wireless chipset technology that is incorporated within the Bolt. These awards reflect the team's technological expertise which has changed the way video content is produced. The development and distribution of Amimon's unique technology inside the rugged Teradek Bolt has freed video cameras from the restriction of long and tethered cables, allowing creatives to deploy cameras in an entirely new and dynamic way.

The pandemic is driving fundamental and lasting structural changes to the cine market to enable safe productions and social distancing on set. This change includes growth in live streaming, more remote monitoring and remote production, and "back to work" legislation mandating more monitors on set. Throughout 2020, Teradek and SmallHD provided solutions to get cine customers back to work by enabling the collaboration of off-set personnel, post-production workflows and greater distance between crew on set.

2020 saw an exponential growth in the streaming of video across all industries to facilitate remote working. A wide range of customers, including enterprises, governments and schools, used Teradek's market-leading live streaming solutions to maintain communications with their employees, customers and communities during lockdowns. We believe that many forms of remote working will remain post-pandemic and are focusing our resources to invest in incorporating Amimon's unique technology to develop a patented, high quality, low latency, premium video streaming solution.

Margin improvement

We will continue to optimise our manufacturing and assembly portfolio, improve productivity, grow our higher margin e-commerce channel and Creative Solutions Division, and capture synergies from acquisitions.

M&A activity

Although we did not complete any acquisitions in 2020, we continue to review opportunities which could expand our addressable markets and further increase our technology capabilities. We feel well positioned to make opportunistic acquisitions that will strengthen our position in the longer term.

Outlook

Our markets are recovering well, our end market drivers remain intact and we have seen many areas of growth. We are investing to benefit over time from the substantial opportunities that exist as a result of the structural changes to our market:

- Video communication has grown exponentially driving demand for our streaming solutions
- More content has been consumed on subscription channels like Netflix and Amazon Prime and when production sets fully reopen we expect original content creation to grow dramatically driving demand for our video transmission and monitoring systems
- Further automation of TV studios to ensure safe distancing will benefit our robotic camera systems and our voice-activated prompting solutions
- Vlogging, social media usage and homeworking have increased with more people using smartphones and compact system cameras to create content and communicate via video using our JOBY products

We have had a strong start to 2021. Although there remains some uncertainty about the duration of the impact of COVID-19 and FX is an increasing headwind, our confidence that underlying trading conditions will continue to improve has increased. 2021 will be a year of recovery and investment, but we believe our markets will grow faster in the longer term than we previously expected, and that we will deliver strong margin recovery.

Approval of Strategic Report

We have provided information in this report on our strategy, business model and objectives. You will find the Strategic report on pages 1 to 53 and its content has been approved by the Board.

Stephen Bird
Group Chief Executive
25 February 2021



Market trends

The content creation market is a dynamic market that has transformed over the past decade and is continuing to change. Technology innovation, social media and remote working have driven the “democratisation” of content creation and consumption, and a sustained demand for new and replacement products.

1

Multiple new image capture devices

Imaging technology has continued to improve. Many different devices now enable customers to create content.

In the cine and broadcast markets, most cameras now film in at least 4K and have high quality recording capabilities. In the professional photography market, many cameras can shoot video as well as stills. The transition from traditional DSLR to compact system cameras (“CSC”) has become clearer, and most of the traditional manufacturers have launched new CSC flagship models which have become the technology of choice for professional content creators.

Continued technology enhancements mean that mirrorless cameras, drones, action cameras and smartphones have been adopted by customers to complement or replace traditional DSLRs. However, small viewfinders make it difficult to monitor the shot and poor audio deteriorates the video experience.

This has opened up further opportunities for Vitec to develop innovative products. Creative Solutions has led the market with daylight viewable monitors from SmallHD. Imaging Solutions has developed a comprehensive range of products designed for use with CSCs such as Manfrotto gimbals, a new generation of Syrp robotic heads, JOBY compact tripods, lights and microphones for smartphones and CSCs, alongside well established Manfrotto Befree and Gitzo Traveler tripods.

2

Proliferation of new media platforms

Growth in new media and third party streaming applications has resulted in a significant increase in video consumption, and thus video creation.

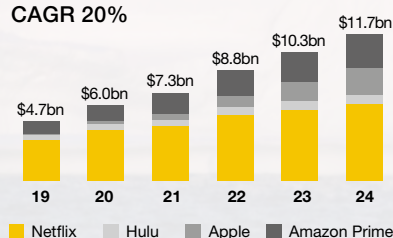
Creatives must deliver content to more platforms and devices than ever before to build brand awareness and retain their audience. Free streaming platforms allow content creators to stream live to mobile devices and computers.

In addition, online subscription platforms such as Netflix and Amazon Prime continue to increase spending on original content. To encourage subscriptions, these platforms have invested in high value productions akin to traditional films.

This has driven the growth of smaller independent producers who typically require more affordable products.

Our products are designed to meet the needs of these ICCs and companies, and include a wide range of mobile equipment such as Manfrotto and JOBY tripods and monopods, and Litepanels and JOBY portable lights. Teradek’s wireless video transmission systems are used to monitor video on set as well as remotely.

Estimated \$bn spend on original content creation 2019-2024:
CAGR 20%



Source: 2020 S&P Global Market Intelligence

3

Growth in streaming and remote video transmission

Growth in transmitting data, video and images through Ethernet, Wi-Fi, cellular networks or proprietary video networks.

COVID-19 saw an exponential growth in the streaming of video across all industries to maintain communications, using streaming products to facilitate remote working.

For example, professional content creators working from home for the first time required remote streaming with high image quality, low delay and robust security for post-production. And governments, enterprises, schools and businesses also needed to communicate with their communities, customers and employees.

Teradek saw a substantial increase in the sale of streaming software and solutions and has introduced new and improved products at both the high end professional and low end ICC price points. We believe that many forms of remote working will stay post-pandemic and are investing further in our streaming solutions to meet this need, especially targeting the professional remote workflows that can not use consumer grade applications like Zoom. We are also transferring the Amimon zero delay technology to other vertical markets – for example, medical, education, governments, houses of worship and e-sports, which increasingly rely on high quality, secure, zero or low delay video transmission.

COVID-19 impacted the Group's end markets significantly at the start of the pandemic. However, our markets are recovering well, our end market drivers remain intact and we have seen many areas of growth. More people have become accustomed to communicating via video and watching more video content on subscription platforms, and we believe that the demand for, and investment in, original content (e.g. films, scripted TV shows, live news, sport, videos and photos) will continue to grow. This benefits Vitec as our market-leading technology enables people to capture and share content.

In addition, we are investing to benefit over time from the substantial opportunities that exist as a result of the structural changes to our market. In the medium-term,

we believe that our Total Addressable Market has expanded, mainly due to our ability to serve the streaming market. Video communication has grown exponentially driving demand for our streaming solutions. More content has been consumed on subscription channels like Netflix and Amazon Prime and when production sets reopen we expect original content creation to grow dramatically driving demand for our video transmission and monitoring systems. Further automation of TV studios to ensure safe distancing will benefit our robotic camera systems and voice-activated prompting solutions, and vlogging, social media usage and homeworking have increased with more people using smartphones and compact system cameras to create content using our JOBY products.

4

Changes in distribution channels

Continued growth in digital distribution channels and online retailers.

The pandemic accelerated the transition to the e-commerce channel and Vitec continued to grow direct sales through our own websites as well as through pure e-tailers such as Amazon and JD.com, and established outlets such as B&H Photo and Video who also have a strong online presence.

As a result, there has been further consolidation among photo speciality stores and consumer electronics outlets; in parallel, new routes to market have opened up, for example, telecoms resellers for JOBY, and B2B for education and training, corporate and medical applications.

Imaging Solutions and Creative Solutions have adapted to the change in distribution channels by transforming their digital and e-commerce capabilities. In 2020, approximately half of Imaging Solutions revenue came from online platforms, and Creative Solutions direct e-commerce and Amazon sales grew significantly in the year.



5

Further technology innovation

4K/HDR resolution adoption has increased rapidly, with Netflix, Amazon, Sky and Apple all offering 4K Ultra HD streaming services, and advances in 5G, Artificial Intelligence ("AI") and Virtual Reality ("VR") are revolutionising amateur photography.

As adoption grows around the globe, studios and video cameras are being upgraded with new technology resulting in increased demand for our high end products and software to accommodate the new formats.

The adoption of 4K/HDR video technology in DSLRs, CSCs and prosumer video cameras is attracting a growing number of creatives who can now produce high quality visual content in either still or motion picture formats with highly dependable, portable and affordable equipment. This positive trend is expected to further consolidate with the evolution of 4K into 8K technology.

In 2020, Vitec launched the world's first 4K/HDR zero delay wireless video eco-system for the cine market including SmallHD monitors. We also launched Manfrotto fast deployment video tripods and multiple new smartphone and CSC accessories under the JOBY brand to enhance photo/video capabilities.



6

Exciting and unusual content

Content creators are increasingly keen on novel viewing angles to capture innovative and differentiated content.

Traditional broadcasters and sports rights holders, such as the Olympic Broadcasting Services, welcome the opportunity to feature original shots. This can enable them to differentiate their content from other broadcasters and to increase viewing figures. Dynamic, untethered camera movement is required to achieve this. This has become even more important during the pandemic with reduced or no live audiences.

News crews need to be able to deploy their equipment quickly and efficiently and ICCs are keen to deploy new tools such as sliders, gimbals and drones to make their content more interesting by using, for example, time lapses and hyper lapses.

Vitec has pioneered the use of specialist cameras in sports events like the Olympic Games and we are capitalising on Rycote's audio expertise to develop innovative audio products.

Vitec's carbon fibre flowtech tripod is popular for electronic news gathering and with ICCs as it allows much faster and easier camera deployment. In 2020, we also launched the Sachtler aktiv fluid head which, together with flowtech, enables camera operators to capture the widest range of shots in the shortest time. In 2020 we were the first company to launch an integrated system of gimbal supports.

Our business model

Our experienced teams, clear strategy, premium brands, efficient supply chain and global distribution focus on delivering long-term value to our shareholders, outstanding products and service to our customers, and rewarding careers for our people.

Structured for long-term growth and value creation:



Clear strategy

Our strategy is focused on delivering long-term growth and margin improvement. We consider how key strategic decisions will impact our stakeholders and the environment, and you can read more on this in the Governance report on pages 78 and 79.

Our structure

Our structure is agile and lean with only two layers – Group and Divisions. This enables focused decision-making and allows us to react quickly to customer, market and technological changes. Our three Divisions focus on the different needs of our customer segments. They are decentralised and entrepreneurial but work with a global mindset in specific areas, where it makes sense to share our capabilities to benefit our stakeholders.

Robust Group governance

At Group level, we create value by setting and monitoring strategic plans, budgets and forecasts, managing treasury and tax, health and safety, and assessing risk. The team ensures that a robust governance framework, policies and procedures are in place to ensure a strong culture and ethical behaviour, as well as managing acquisitions and disposals, corporate reporting and investor relations.

People, communities and culture

We work across the Group to ensure that we have consistent policies and processes in place to acquire, engage and retain our best talent. We focus on supporting the communities we operate in and further reducing our impact on the environment.

Section 172

Under the 2018 UK Corporate Governance Code and The Companies (Miscellaneous Reporting) Regulations 2018 there is a requirement for the Board to understand the views of the Company's key stakeholders and to describe how those interests and the matters set out in Section 172 of the Companies Act 2006 have been considered in Board discussions and decision-making. Section 172 imposes a duty on a director to act in a way that he or she considers, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole. Further information on how the Board engages with its stakeholders is set out in the Governance report on pages 78 and 79.

How we create value:

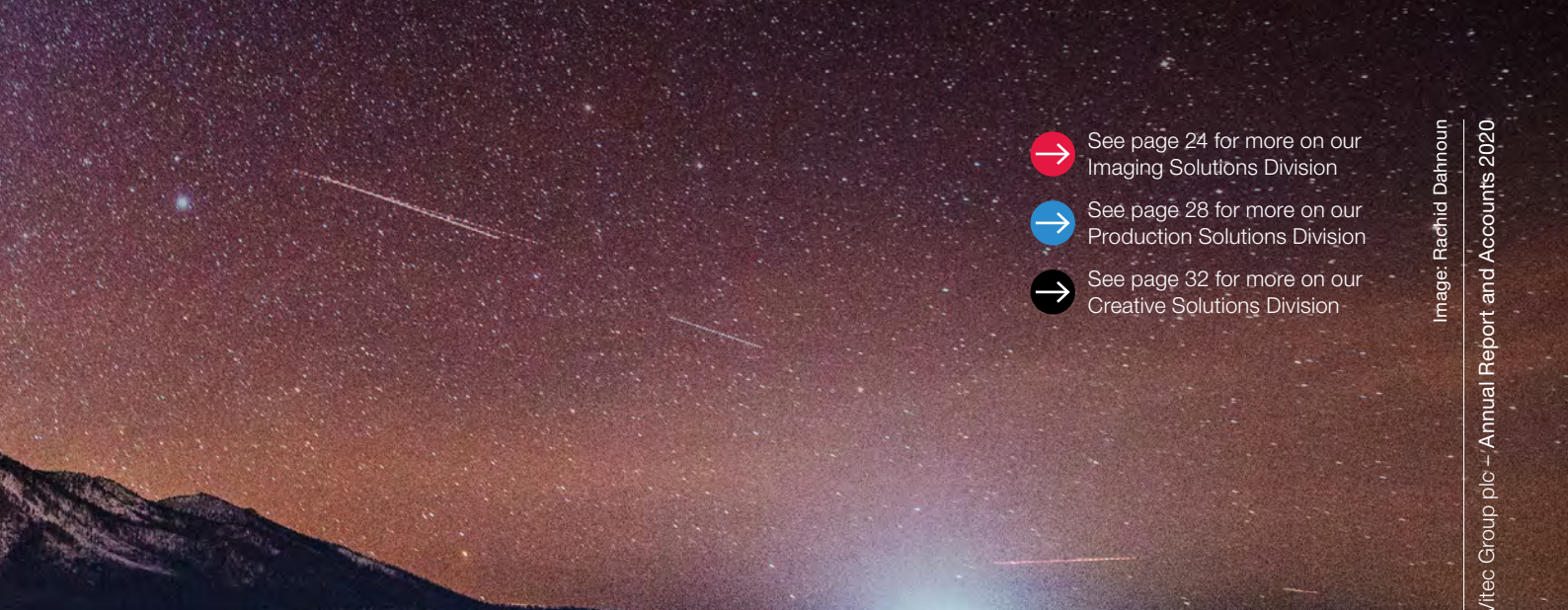



Market knowledge and customer insight



Designing innovative products to make our customers' lives easier is what drives us. Our Divisions continually obtain customer feedback on market trends, competitors and their products, as well as from research.

Our long-standing and extensive market expertise enables us to remain close to our customers, anticipating and responding to developments to ensure that our brands remain at the forefront of the industry, renowned for their premium offerings and innovative technology.



-  See page 24 for more on our Imaging Solutions Division
-  See page 28 for more on our Production Solutions Division
-  See page 32 for more on our Creative Solutions Division



Innovative product development



For a business like Vitec, intelligent and sustained investment in new products, technologies, markets and people enables us to retain our market-leading positions and create value in the future.

Our experienced, specialist engineers apply new technologies, products and materials to develop high quality, high performance solutions. Our innovative products are protected by patents and trademarks and marketed under our world-renowned brands.

We produce the majority of our products in-house and work with selected, market-leading partners for specialist solutions. We supplement in-house new product development with carefully selected acquisitions or partnerships in new markets and technologies.

Going forward, we will have a greater focus on product sustainability; for example our Imaging Division has made sustainability a pivotal part of future product development, which includes making extensive use of recycled packaging and textiles.



Sourcing and manufacturing excellence



Focused on safety, quality, efficiency, sustainability, cost and on-time delivery, sourcing and manufacturing excellence is one of Vitec's core competitive strengths.

Our supply chain is efficient and our people highly trained and multi-skilled. We procure materials from reputable suppliers and make our products in efficient and environmentally-friendly operations and, where appropriate, manufacture or source from lower-cost countries such as Costa Rica.

The majority of our operations are relatively low-volume, small-batch processes and our continuous improvement culture enables us to optimise our global operations to maximise quality, service and efficiency, while reducing costs.



Distribution and routes to market



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, retailers and e-tailers who sell on to customers. The breadth of our product portfolio and our strong brand heritage means that our network of channel partners is unrivalled in the markets we serve.

We continue to expand our growing digital and e-commerce capabilities, working closely with our customers and suppliers to develop our online presence. This has been accelerated due to the COVID-19 pandemic.

We engage with a number of leading logistics partners to ensure responsive and timely delivery of our products to the relevant geography, and remain conscious of the impact of our distribution channels on the environment.

Our people and culture

Vitec's clear strategy, simple structure and entrepreneurial culture allows us to adapt quickly to changing markets, constantly innovating to make our products the best in the world.

Our people are key to Vitec. Their attitude and abilities, experience and market knowledge, talent and commitment create a culture that supports product excellence, creativity and integrity.

The Group has a decentralised structure with three Divisions, which allows us to react quickly to customer, market and technological changes. This, together with our entrepreneurial culture, enables focused decision-making and minimised bureaucracy.

Response to COVID-19

Throughout the pandemic, our priority has been to protect the health and wellbeing of our people and to ensure a safe working environment so our operations can continue.

We developed and executed comprehensive operating guidelines and internal communications plans to inform, reassure and retain the trust of our employees, and we worked with our manufacturing teams and followed Government guidelines to put stringent health & safety and social distancing measures in place. We implemented a wide range of measures, including enhanced hygiene protocols, homeworking, split shifts and social distancing in the workplace. We used Government support globally where possible to limit making permanent headcount reductions to preserve the long-term capabilities of the business.

Employee Survey

Our employees are critical to our success. Passionate, engaged and skilled employees in safe working environments positively contribute to our strategy, performance and reputation.

In May 2020, we conducted an all employee survey to help gather direct feedback from employees on how the Company was responding to the COVID-19 pandemic. Feedback was overwhelmingly positive demonstrating that our employees are highly engaged and very supportive of the Group. Further details can be found on page 17.

Employee Assistance Programme

During the year, we introduced a new wellness programme for all employees and their direct families to help resolve financial, legal, physical and psychological issues. This is a confidential and free service delivered by a third party company and is accessible 24 hours a day, 365 days a year. It includes counselling sessions, practical guidance and support on legal, financial, family and work matters, as well as online health and wellbeing resources such as videos, podcasts and downloads.

Development, succession and retention

We monitor and improve areas that are important to our people, ensuring that we have consistent policies and processes in place to acquire, engage and retain our best talent. Initiatives focus on wellbeing, working environment, sustainability, diversity, employee benefits and training.



We have comprehensive benefits packages to support and retain talent, and remain competitive globally. Participation in our Sharesave Scheme is excellent and demonstrates close alignment between our employees and shareholders.

Learning and development is encouraged in line with personal development plans, annual performance appraisals and organisational need. Reviews of senior employees include succession planning matrices to understand the organisation's capacity and capability for achieving its strategic plans. We encourage inter-company recruitment between Divisions, including the Group Head Office. Senior management communicates with employees on a regular basis, keeping them informed of strategy and business performance at a Group, Divisional and regional level.



Core values

We have a clear purpose that is founded on a set of core values that form the Vitec Mindset: “Enabling the capture and sharing of exceptional content”

Exceptional product performance
We set the highest standards of technical performance

Customer focus
We are nothing without our customers

Leading a fast-changing market
We apply our creativity and harness our diversity to engineer innovative new products and solutions

Global capability
We share knowledge, pool resources, test ideas and learn from each other

Transparency, integrity, respect
We hold to the highest professional and corporate standards



After four years with Vitec, I was given the opportunity to lead the Manfrotto communications team. This is the first time I've been in a working environment that inspires me and where I discover new skills and opportunities every day. I am delighted to be part of an incredibly motivated team.

Martina Testarmata

Communications Manager Video, Vitec Imaging Solutions, Cassola, Italy



Working at Amimon for the past three years, I have had the opportunity to learn from the best, most creative and innovative Engineers and to develop Algorithms that directly affect the user's experience of Creative Solutions products. Exciting times are ahead of us as we develop new technology aimed at new markets.

Dvir Olansky

Algorithms Design Engineer, Vitec Creative Solutions, Israel



After five years at Wooden Camera, most recently as the Director of Marketing Strategy, I was thrilled to be tasked with developing a new e-commerce department for the Creative Solutions Division. To work remotely this past year and build a team based on talent not location, has been a privilege.

Kaitlin McNaughton

E-Commerce Manager, Vitec Creative Solutions, Dallas, US



From the Vitec Group to Creative Solutions Divisional level, we saw all necessary measures taken to guarantee the safety of employees during the pandemic.

Besides, the Employee Assistance Programme shows Vitec really cares for its people. I feel safe and honoured to work for Vitec.

Mark Ye

Country Manager, Vitec Creative Solutions, China

There's no way I could have imagined the year ahead when I joined Vitec in January 2020.

The company has been extremely supportive throughout, including allowing flexible hours to accommodate juggling a one year old before the nurseries opened.

David Barclay

Head of Financial Planning & Analysis, Richmond, UK

In 2020, I was promoted to the role of Supply Chain and Logistics Manager.

I feel privileged to be part of an organisation that values and cultivates the unique skills of each individual, and that demonstrates that it cares for the wellbeing of its people.

Jared Cornish

Supply Chain and Logistics Manager, Vitec Imaging Solutions, Australia

I joined Vitec in 2013 as a Quality Engineer, and in January 2020 I got promoted to Manufacturing Improvement Manager.

2020 brought us a whole new challenge with the pandemic. We had to introduce new measures to protect our employees and to keep our production safe and efficient.

Kirti Rajwani

Manufacturing Improvement Manager, Vitec Production Solutions, Bury St Edmunds, UK

Employee engagement



Despite the impact of COVID-19 during 2020, we have been able to continue with our employee engagement initiatives. Notably, we undertook an all employee survey focused on the Company's response to the pandemic and we carried out an employee review in our Creative Solutions Division for the first time. The Board and I remain clear that Vitec remains a great place to work and that our people are our greatest asset.

Caroline Thomson
Non-Executive Director

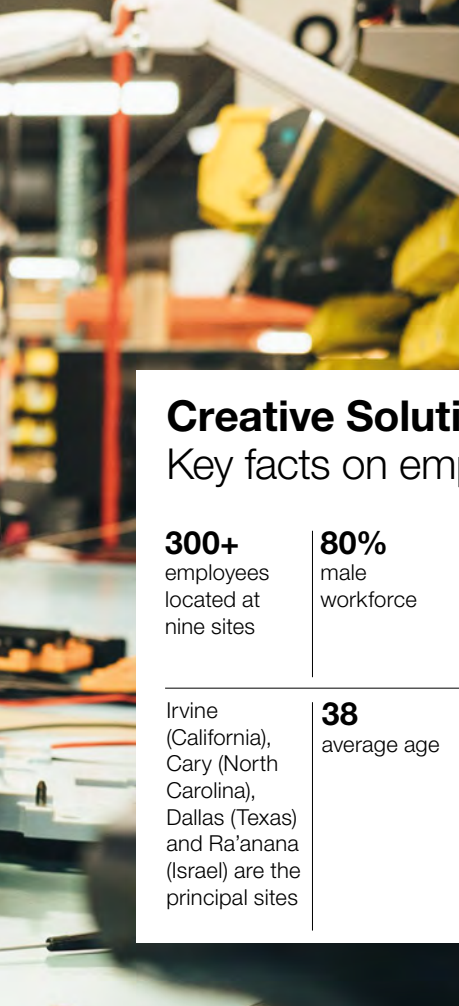


In response to the 2018 UK Corporate Governance Code, the Board considered how best to handle Code Provision 5 – dealing with the Board's engagement mechanism with the wider workforce at Vitec. It was agreed that this was best achieved by the Board designating one of the existing Non-Executive Directors to cover this role. Given her wide industry experience, notably at the BBC, and also her role as Chair of the Remuneration Committee, the Board considered that Caroline Thomson was best suited to fulfil this important role.

2020 was the second full year of this arrangement. Due to the pandemic we had to structure employee engagement so that remote sessions were held with no face-to-face meetings or site visits organised. Working with Jon Bolton, the Group Company Secretary and Group HR Director, and the Creative Solutions HR Vice President, a series of meetings were held remotely with employees at several Creative Solutions sites. The sessions covered employee engagement, including how the Company had responded to the pandemic and ensured the safety and wellbeing of employees, working conditions, remuneration and benefits, work-life balance, communications, and development and training.

Creative Solutions

In December 2020, several video conference sessions were held with over 30 Creative Solutions employees and Caroline Thomson, covering the Creative Solutions sites at Irvine, Cary and Dallas in the US, and Ra'anana, Israel. Originally, it was intended that these meetings would be held face-to-face in June 2020, however, this was not possible due to the pandemic. Caroline had a preliminary meeting with Nicol Verheem, Creative Solutions Divisional CEO, and Efrat Birav, Creative Solutions HR Vice President, to hear about HR initiatives and working practices, particularly to bring the separate business units of Teradek, SmallHD, Wooden Camera and Amimon under one Divisional structure. The update covered business progress, remuneration and benefits across the Division, engagement, working conditions, health and safety, longevity of service, CSR initiatives and engagement with all employees.



Creative Solutions

Key facts on employees

300+ employees located at nine sites	80% male workforce	20% female workforce	85% sharesave participation
Irvine (California), Cary (North Carolina), Dallas (Texas) and Ra'anana (Israel) are the principal sites	38 average age	4.7 years average length of service	9% voluntary employee turnover

Employee survey

Do you feel that Vitec is responding appropriately to the COVID-19 crisis?

- Yes 98.6%
- No 1.4%



Do you feel that the Company is communicating with you enough?

- Yes 95.7%
- No 4.3%



Feedback from the sessions was gathered on a no names basis to give comfort to employees that they could give open views on working within Creative Solutions. Key feedback noted that employees felt that they had been well looked after during the pandemic and that the Company had taken the right steps to ensure their safety and wellbeing both on sites and working from home. Communication had been good, regular and clear. Good progress on creating a cohesive divisional structure was being made across each of the business units with further work remaining to be done. Finally, further work around employees, talent and development, including a better understanding of remuneration decisions, was needed in 2021. This feedback has been shared with Divisional management to develop HR initiatives and address any employee concerns going forward. Caroline Thomson reported back to the Board on the key issues coming out of the employee engagement session for Creative Solutions at the December 2020 Board meeting.

Employee survey

In May 2020 we conducted an all employee survey to help gather direct feedback from employees on how the Company was responding to the COVID-19 pandemic. The survey focused on three key questions – (1) Do you feel that Vitec is responding appropriately to the COVID-19 crisis? (2) Do you feel the Company is communicating enough with you? (3) Is there anything that you would like the Company to think about or do differently in connection with the crisis? 1,364 employees out of 1,600 participated in the survey, representing 85% of the Group's workforce. Feedback was overwhelmingly positive demonstrating that our employees are highly engaged and very supportive of the Group; 99% of employees believe the Company was doing the right things and 96% believe that the Company was communicating well.

Comments focused on when offices/facilities would reopen, ensuring safe working practices in response to the pandemic, support to employees given the need for remote working, smart working arrangements and ongoing communications.

As a consequence of the survey, the Board and executive management team were assured that the Company's response and level of communication was appropriate, and that the trust of our people had been maintained during this unprecedented period. Management continued to ensure a regular flow of communication to all employees and that safe working practices were being adhered to, with many employees working remotely from home where possible.

Future plans

In 2021, subject to restrictions, we plan to recommence site visits and face-to-face meetings with employees. While video conference meetings are satisfactory, it is simply not as good as physically visiting sites and meeting our employees in person. We aim to revisit Production Solutions and Imaging Solutions employees, who were last seen by a Board member in 2019, and to cover our European Services employees for the first time. We will continue to report annually on this important initiative to demonstrate the importance of our employees to our wider stakeholders.

Principal risks and uncertainties

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.

Overview

In order to achieve its strategic objectives, Vitec recognises that it will take on certain business risks.

The Company aims to take business risks in an informed and proactive manner, such that the level of risk after mitigating action is aligned with the potential business rewards. Management regularly reviews risk exposures against current business risk level tolerances.

The risk management framework includes formal risk reviews and risk registers maintained at Group, Divisional and business unit level.

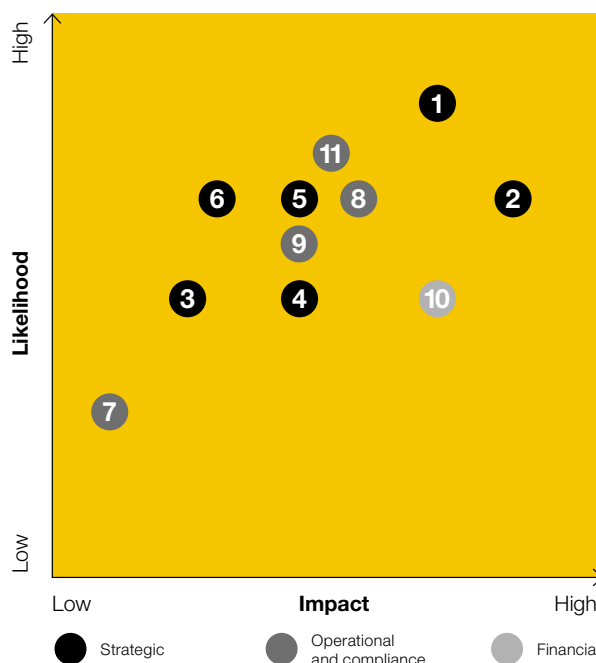
Our approach is underpinned by a commitment to fairness and honesty in our relationship with customers, suppliers, our people and all our stakeholders. The Group is risk averse with respect to risks that could negatively affect the safety of our employees and products, our brands or reputation, or risks that could lead to breaches of laws and regulations or endanger the future existence of the Group.

We have a disciplined financial management approach and in particular we seek to minimise the impact of short-term currency fluctuations on our business. The Group is committed to full compliance with all statutory obligations and full disclosure to tax authorities.

To support our strategic priorities, we have several business objectives which drive the way in which we proactively manage risks. These include: being a strong innovator and investing in research and development; identification of acquisition opportunities; optimising supply chain efficiency and operational excellence; and robust HR processes for resourcing and talent development.

Update since 2019




- Our principal risks are reported net (after mitigation).
- The majority of risks are long-term in nature and in general do not change significantly in the short-term. The impact of COVID-19 affects several of the principal risks.
- COVID-19 has had a material impact on the short-term demand for Vitec's products, and there is still some uncertainty about the timing of recovery of several industry sectors which are critical to Vitec. At the same time, there are promising growth segments/some areas which have done well throughout the crisis – this has led to a reorientation of certain R&D activities.
- The risk relating to new markets and channels of distribution has increased due to Vitec increasing its presence in markets, in particular streaming, with which it is less familiar. The prominence of e-commerce has continued to increase relative to traditional distribution.
- The risk relating to reputation has increased, due to the greater scrutiny of businesses and increased stakeholder expectations in several areas, particularly in relation to the Group's ESG (Environmental, Social and Governance) programme. We fully embrace our responsibility in this area.
- The risk related to the effectiveness and impact of restructuring projects is no longer a principal risk; the main restructuring initiatives, including Imaging Solutions' Digital programme, are now substantially complete.






Principal risks



Movement

1. Demand for Vitec's products	→ Stable
2. New markets and channels of distribution	↑ Increased
3. Acquisitions	→ Stable
4. Pricing pressure	→ Stable
5. Dependence on key suppliers	→ Stable
6. Dependence on key customers	→ Stable
7. People	→ Stable
8. Laws and regulations	→ Stable
9. Reputation	↑ Increased
10. Exchange rates	→ Stable
11. Business continuity including cyber security	→ Stable




Principal risk	Specific priority	Movement	Strategic priority	Mitigation
1	<p>Demand for Vitec's products Demand for our products may be adversely affected by many factors, including changes in customer and consumer preferences and our ability to deliver appropriate products or to support changes in technology. Demand may be impacted by changes in distribution channels.</p> <p>The Group increasingly produces and sells products that are more technologically advanced, including encoders, transmitters and on-camera monitors. These products have a shorter life cycle than our historical products, and continuous investment in new product development is needed to keep up with changing demand. Demand may also be impacted by competitor activity, particularly from low-cost countries.</p> <p>The COVID-19 pandemic has had a short-term impact on demand for Vitec's products due to postponement of large sporting events, cine market closure, and temporary retail closures. The timing and extent of the recovery and pent-up demand is still uncertain.</p> <p>We expect that there may be a more permanent impact in some markets, in particular we expect that the photographic hobbyist segment will contract further. This will be offset by growth opportunities in several other areas such as streaming, smartphonography, gimbals, and monitoring solutions which facilitate social distancing on set. The long-term fundamentals for the content creation market remain strong.</p>		<ul style="list-style-type: none"> 1 Organic growth 2 Margin improvement 3 M&A activity 	<p>We value our relationships with our customers and to mitigate this risk we closely monitor our target markets and user requirements. We maintain good relationships with our key customers and make significant investments in product development and marketing activities to ensure that we remain competitive. We complete appropriate market analyses before developing new products to ensure that they are appropriately designed for our target markets. We closely monitor the demand for new products and phase out old product lines. We are actively pursuing growth in selected emerging markets.</p> <p>We actively pursue a strategy to reduce reliance on traditional market segments through the development of e-commerce platforms, and products for adjacent niche markets.</p> <p>In response to COVID-19, we have further reoriented our product strategy and research and development. For instance, some of the new product development budget is redirected to streaming products, in order to quickly capitalise on growth in that area.</p>
2	<p>New markets and channels of distribution As we enter new markets and channels of distribution we may achieve lower than anticipated trading volumes and pricing levels or higher costs and resource requirements. This may impact the levels of profitability and cash flows delivered.</p> <p>We expect that the proportion of our business conducted through online channels will continue to increase, and we will continue our investment in new innovative products which address the needs of independent content creators. We are also increasing our presence and investment in APAC.</p> <p>During 2020, due to COVID-19, the Group has also increased its exposures and attention to those markets which remained active and where we are seeing an increased demand, in particular the JOBY vlogging and smartphonography products, and other products such as encoders which support content streaming.</p> <p>The Group is planning to further invest in developing its streaming capabilities. Some of the Group's proprietary wireless communication modules have applications in other vertical segments, such as medical, which we wish to leverage further.</p> <p>As a result, the risk relating to New Markets and Channels of Distributions has increased.</p>		<ul style="list-style-type: none"> 1 Organic growth 2 Margin improvement 3 M&A activity 	<p>To mitigate these risks, 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 and the related opportunities and risks in these markets. We adapt our approach taking into account our actual and anticipated performance. We review our channels of distribution to make sure that they remain appropriate. Our increased online presence creates IT security and compliance challenges which the Group is continually addressing.</p> <p>In 2020, we continued to invest in new online platforms, in particular through the launch of www.Joby.com. We have further streamlined our e-commerce infrastructure.</p> <p>We have continued to invest in developing our streaming solutions and plan to further increase this in 2021. Using our unique Amimon wireless technology, we seek to expand our product offering to other industry segments.</p>
3	<p>Acquisitions In pursuing our business strategy, we continuously explore opportunities to expand our business through development activities such as strategic acquisitions. This involves a number of calculated risks including: acquiring desired businesses on economically acceptable terms; integrating new businesses, employees, business systems and technology; and realising satisfactory post-acquisition performance.</p>		<ul style="list-style-type: none"> 3 M&A activity 	<p>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 advisors where appropriate. The post-acquisition performance of each business is closely monitored and, before completion of any acquisition, a plan is developed to integrate the acquired businesses in an effective way.</p>

Principal risks and uncertainties (continued)

Principal risk	Specific priority	Movement	Strategic priority	Mitigation
<p>4</p> <p>Pricing pressure Vitec provides premium branded products and faces a number of competitors. The strength of this competition varies by product and geographical market.</p> <p>We continue to face price pressure from new market entrants, which we are responding to through the launch of new competitive product ranges. We continually review our production and sourcing activities for cost saving opportunities. We have also faced issues relating to parallel trades/price arbitrage particularly in our Imaging Solutions business which led us to enforce "Minimum Advertised Price" where this is permitted.</p>	<p>Pricing pressure Vitec provides premium branded products and faces a number of competitors. The strength of this competition varies by product and geographical market.</p> <p>We continue to face price pressure from new market entrants, which we are responding to through the launch of new competitive product ranges. We continually review our production and sourcing activities for cost saving opportunities. We have also faced issues relating to parallel trades/price arbitrage particularly in our Imaging Solutions business which led us to enforce "Minimum Advertised Price" where this is permitted.</p>		<p>2 Margin improvement</p>	<p>We ensure that our product and service offering remains competitive by investing in new product development and in appropriate marketing and product support, and by improving the management of supply chain costs. This, and by working closely with our suppliers and managing expenses and cost base appropriately, allows us to support price increases when required. We are rationalising our product range to reduce complexity, which will also allow us to achieve some cost saving on production.</p> <p>Most of our products and services have a premium or niche differentiation. Vitec has in the past exited markets where the margins and sales volumes were unattractive. We continue to monitor our pricing across the main currencies to reflect ongoing fluctuations.</p>
<p>5</p> <p>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.</p> <p>Our overall dependence on key suppliers has increased over the last few years as a result of the Group's decision to reduce its costs by outsourcing some manufacturing and assembly activities. For several of our products we are heavily dependent on a specific supplier for the provision of core elements of the products.</p>	<p>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.</p> <p>Our overall dependence on key suppliers has increased over the last few years as a result of the Group's decision to reduce its costs by outsourcing some manufacturing and assembly activities. For several of our products we are heavily dependent on a specific supplier for the provision of core elements of the products.</p>		<p>1 Organic growth 2 Margin improvement</p>	<p>To address this risk, 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 and outsourced providers globally on an ongoing basis. Where economical we look to source materials closer to the manufacturing facilities to reduce lead times and improve control over the supply chain. For example, some of the Group's metal firmware requirements are now sourced from Vitec's Costa Rica plant. We look to insource manufacturing capability for strategic components where possible, in order to reduce reliance on third parties.</p> <p>Group's business interruption insurance (within deductible limits) provides coverage for named suppliers.</p>
<p>6</p> <p>Dependence on key customers While 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.</p> <p>Vitec's largest customer accounted for marginally more than 10% of the Group's total turnover in 2020. The business also works with a variety of customers on large sporting events, and the extent of these activities varies year-on-year.</p>	<p>Dependence on key customers While 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.</p> <p>Vitec's largest customer accounted for marginally more than 10% of the Group's total turnover in 2020. The business also works with a variety of customers on large sporting events, and the extent of these activities varies year-on-year.</p>		<p>1 Organic growth 2 Margin improvement</p>	<p>We mitigate this risk by closely monitoring our performance with all customers through developing strong relationships and dedicated account management teams, and we monitor the financial performance of our key customers and the receivable balances outstanding from them. We continue to expand our customer base including entering into new channels of distribution. The increased investment in digital platforms will enable the Group to better serve end consumers and reduce reliance on third party distributors.</p> <p>In 2020, we started to insure against the risk of bad debt (covering approximately 50% of the total trade debtor portfolio).</p>

Principal risk	Specific priority	Movement	Strategic priority	Mitigation
7	<p>People</p> <p>We employ around 1,600 people and are exposed to a risk of being unable to retain or recruit suitable diverse talent to support the business. We manufacture and supply products from a number of locations and it is important that our people operate in a professional and safe environment.</p> <p>The overall risk is stable. There is a strong talent pool at all levels in the organisation. Turnover of management personnel is low and retention plans are in place for key employees.</p> <p>At the same time, the health and safety compliance requirements are more challenging due to COVID-19. There may also be a risk that the morale of our employees becomes eroded by the impact of the crisis and initiatives such as furlough and other cost reduction programmes.</p>		<p>1 Organic growth</p> <p>3 M&A activity</p>	<p>We recognise that it is important to motivate and retain capable people across our businesses to ensure we are not exposed to risk of unplanned employee turnover. We reward our people fairly and have appropriate recruitment, appraisal, talent management and succession planning strategies to ensure we recruit and retain diverse, good quality people and leadership 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.</p> <p>During the COVID-19 pandemic our primary concern is the health of our employees and their relatives. The Group complies fully with all regulatory requirements. We have put in place additional measures and safe working practices, maximised the use of remote working, and implemented a programme of regular testing at some of the largest sites. We have engaged with our employee population throughout the pandemic and have launched an employee wellness programme which offers a free, professional counselling service.</p> <p>We mitigate the risk around our people by normalising pay in line with recovery and adopting mitigating measures such as restricted shares.</p>
8	<p>Laws and regulations</p> <p>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, environment and climate change, taxation, data protection regimes, 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 may also incur additional cost from any legal action that is required to protect our intellectual property. The EU state aid investigation is still ongoing and may result in a maximum exposure of £8.5m.</p> <p>The recent increases in tariffs on imports from China to the US have had an adverse effect on the purchase cost for some of our raw materials.</p> <p>The UK's exit from the European Union (Brexit) is not expected to have a material impact on the Group's results. The longer term legal, regulatory and commercial ramifications need to be monitored closely.</p>		<p>1 Organic growth</p> <p>2 Margin improvement</p>	<p>We address this risk by having resources dedicated to legal and regulatory compliance supported by external advice where necessary. We monitor and respond to developments in the regulatory environment in which our companies operate, including the effect of tax changes.</p> <p>We enhance our controls, processes and employee knowledge to maintain good governance and to comply with laws and regulations. The Group has processes in place, including senior management training, to ensure that its worldwide business units understand and apply the Group's culture and processes to their own operations. We actively protect our intellectual property, and will legally pursue parties that infringe our intellectual property rights.</p> <p>We will continue to monitor the impact of Brexit, in particular any trade flow disruption which so far has been minimal. Due to the Group's diversified geographical footprint, and the characteristics of the industry sectors in which the Group operates, we believe that we are well positioned to manage any negative impact.</p> <p>With regard to the China/US tariffs affecting imports from China into the US, we continually evaluate our pricing and sourcing strategy to mitigate the impact of additional tariff costs.</p> <p>We are sourcing products in alternative locations if possible (e.g. LED lights now sourced from Thailand and some of the bags production moved out of China).</p>

Principal risks and uncertainties (continued)

Principal risk	Specific priority	Movement	Strategic priority	Mitigation
9	<p>Reputation of the 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 are mindful of the increasing levels of regulatory and stakeholder scrutiny of companies' affairs, coupled with the widespread impact of social media.</p> <p>The societal impact of our brands and the sustainability of our operations are increasingly important to consumers of Vitec products and our investor community.</p>		1 Organic growth	<p>We manage this risk by recognising the importance of our reputation and attempting 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 Conduct. Our IT Policy covers social media matters and is communicated to all employees and contractors. A whistleblowing facility is in place to allow employees to confidentially report any compliance issues.</p> <p>We have implemented a compliance programme with key vendors which includes site inspections and compliance database checks, and we require all vendors to sign up to the Vitec Code of Conduct or equivalent standards.</p> <p>For many years, we have implemented corporate citizenship initiatives and programmes to reduce Vitec's environmental impact. We have now launched a structured, Board-led ESG programme.</p>
10	<p>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, Euro and Japanese Yen.</p>		1 Organic growth 2 Margin improvement	<p>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. 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.</p>
11	<p>Business continuity including cyber security There are risks relating to business continuity resulting from specific events such as natural disasters including earthquakes, floods, fires, or pandemic flu. These may impact our manufacturing plants or supply chain, particularly where these account for a significant amount of our trading activity.</p> <p>We are also dependent on our IT platforms continuing to work effectively in supporting our business and therefore there is a cyber security risk for the Group. The latter continues to be a major focus for the Group; arguably the risk is exacerbated by the increased extent of remote working due to COVID-19.</p> <p>The pandemic also provided a test of the resilience of key functions including distribution, IT and manufacturing.</p> <p>The COVID-19 outbreak impacted our supply chain and availability of components in the early phases of the pandemic.</p>		1 Organic growth	<p>We address this risk with Business Continuity Plans and Disaster Recovery Plans at our key sites, and by carrying out periodic IT and cyber security vulnerability assessments. There are standard procedures in place to escalate breaches and remediate IT security incidents.</p> <p>We have global insurances in place which provide cover for certain business interruption events. We review coverage annually to determine whether adjustments are needed.</p> <p>We continue to closely monitor our supply chain following the COVID-19 pandemic. Overall, we believe that Vitec's proactive response to the pandemic has allowed it to maintain continuity of key functions.</p>



VITEC IMAGING SOLUTIONS

Operational review

The Imaging Solutions Division designs, manufactures and distributes premium branded equipment for photographic and video cameras and smartphones, and provides dedicated solutions to professional and amateur image makers, ICCs, professional influencers, vloggers and enterprises. This includes camera supports and heads, camera bags, smartphone accessories, lighting supports, LED lights, lighting controls, motion control, audio capture and noise reduction equipment marketed under the most recognised accessories brands in the industry.

Revenue

£156.7m

↓ Down 20.3%

Adjusted operating profit*

£9.7m

↓ Down 64.2%

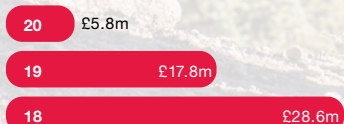
Revenue



Adjusted operating profit*



Statutory operating profit



* For Imaging Solutions, before charges associated with acquisition of businesses and other adjusting items of £3.9m (2019: £9.3m).



Image: Renan Ozturk



We are passionate about helping content creators elevate the quality of their portfolios to stand out in an industry where more still and video content is being produced and shared than ever before.

Marco Pezzana

Divisional Chief Executive, Vitec Imaging Solutions



Addressable market

Pre-pandemic, we estimated the addressable market for products manufactured by Vitec’s Imaging Solutions Division to be worth around £1.1 billion annually and growing at c.1% CAGR over the 2019-2022 period. During the pandemic, we believe the market temporarily reduced but that it will recover to 2019 levels in the near future. The photographic market represents 60% of this and ICCs make up the remainder. CSCs and smartphones have also been adopted by professionals and advanced consumers as the distribution of images via social media continues to grow. Vitec is focusing on the opportunity to develop and commercialise innovative, high end accessories for CSCs and smartphones, as well as its more traditional DSLR market. We sell our products globally via multiple distribution channels and increasingly online via our own direct e-commerce capability and third party platforms.

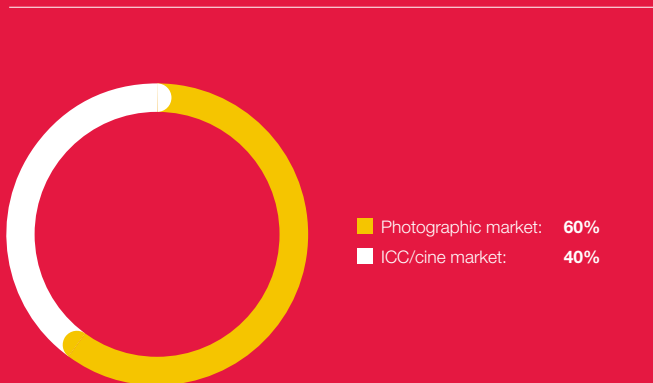
Market position

Vitec has leading premier brands in camera supports and heads, camera bags, smartphone accessories, motion control, lighting, audio capture and noise reduction equipment for the professional and enthusiast photographer, videographer, professional influencer and vlogger.

Operational review

We expect Imaging Solutions to recover well and we are focusing on the continued growth in the higher margin e-commerce channel and JOBY smartphone and compact system camera accessories, as well as new audio and motion control products.

Target audience



Our brands

Product category	Brand	Market position†
Supports	Avenger JOBY Gitzo Manfrotto	1
Bags	Lowepro Manfrotto National Geographic#	1
Lighting & controls	Colorama JOBY Lastolite by Manfrotto	2
Motion control & stabilisers	JOBY Syrp	New
Smartphonography	JOBY	1
Audio capture	JOBY Rycote	New

Manufactured under licence.

† Management estimates by sales value in the market segments in which these products are sold.

Vitec Imaging Solutions (continued)

Operational review (continued)

Imaging Solutions' revenue declined by 20% to £156.7 million and by 21% at constant exchange rates compared with 2020. Revenue in H2 declined by 9% at constant currency compared with 2020, as markets started to recover from the severe disruption in Q2 2020.

In the consumer segment (c.15% of Divisional revenue), there was strong growth in JOBY smartphone and compact system camera accessories, driven in part by the new vlogging kit launched at the start of 2020. JOBY smartphonography revenue grew by c.70% compared to 2019.

B2B revenue (c.10% of Divisional revenue) increased by 12% compared to 2019 due to demand for a variety of supports for thermal cameras, portable audio/video recording, distance learning, in-house photo studios and portable medical equipment.

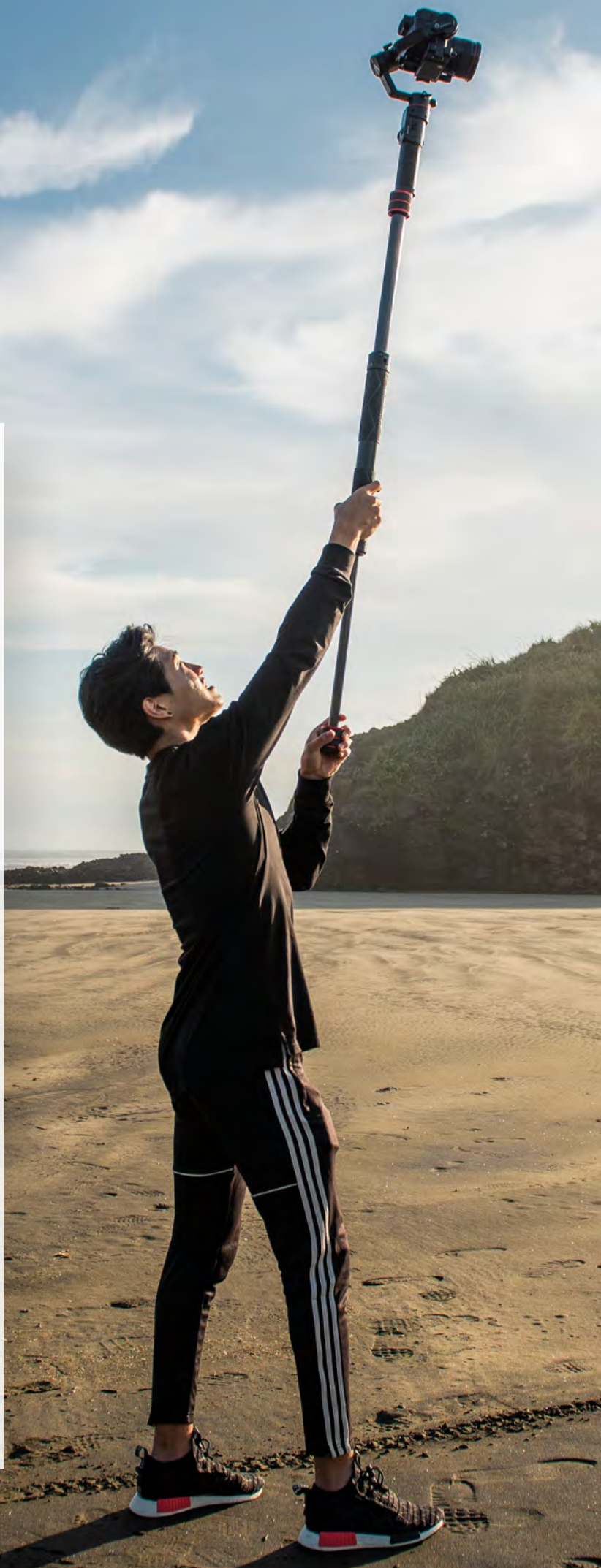
Lastolite Chroma Key Backgrounds revenue grew by c.90% compared to 2019. The backgrounds offered a low-cost, re-usable solution to enable production to continue by keying in location backgrounds in a strict COVID-controlled studio environment.

The professional (c.55% of Divisional revenue) and hobbyist (c.20% of Divisional revenue) segments saw significant declines in demand due to the global restrictions on travel and events, such as weddings, and the closure of physical retail outlets. While the markets started to recover in H2, they are estimated to still only be at 80% of the level they were pre-COVID. The destocking trend that occurred in 2019 continued into the first half of 2020 but now has ended.

In 2019, Imaging Solutions announced a restructure to benefit from the move to the higher margin e-commerce channel. As previously announced, this has been expanded following the accelerated shift to e-commerce as a result of the pandemic. The expected total investment is now £9.7 million and annual savings from 2021 of £7.0 million. In 2020, £1.6 million of expense was incurred and £3.0 million of cash cost, with £3.5 million incremental savings delivered. Cumulatively by the end of 2020, £7.4 million of expense and £5.9 million of cash cost has been incurred, with £4.9 million of savings delivered.

Adjusted operating profit* decreased to £9.7 million primarily due to lower volumes, partly offset by the mitigating actions taken (2019: £27.1 million). Adjusted operating margin* was 6.2%.

Statutory operating profit was £5.8 million (2019: £17.8 million), which included £3.9 million of charges associated with acquisition of businesses and other adjusting items (2019: £9.3 million).





Case studies

JOBY growth – THE accessory brand for smartphones and compact system cameras

JOBY launched a new brand strategy in early 2020, expanding its accessory product range for consumers and professional influencers to include lights and microphones. We also entered new distribution partnerships with global telecoms companies. Despite being launched just a few weeks before the first lockdown, 2020 sales of smartphonography accessories were up c.70% year-on-year, and in April, JOBY became the number two photographic support brand in the US, second to Vitec's Manfrotto brand at number one.

During 2021, production of some of the flagship JOBY GorillaPod products will be brought back to our automated facility in Italy from China. The “Made in Italy” stamp differentiates us from our competitors, gives us greater control of the design and manufacturing process, improves customer service, has a lower environmental impact, is cost competitive, and enables us to capture the manufacturing margins.

Digital acceleration with scalable direct e-commerce capabilities

2020 saw exponential growth in e-commerce and social media consumption. Vitec expanded the previously announced restructuring to improve our web marketing and e-commerce capabilities across all of Imaging Solutions' brands, where we outperform the competition and enjoy higher margins. The restructuring was completed during the year, rebalancing our sales and marketing competencies by channel. As a result, Imaging is positioned as the largest online community in the industry, and total direct e-commerce revenue grew c.50% year-on-year. We also continued to grow with our key e-commerce partners, and in 2020, approximately half of total Divisional revenue came from online platforms.

Manfrotto's all new Gimbal Collection comes to life

In an era where professional videographers and vloggers are looking to produce smooth and dynamic footage, Manfrotto developed a new line of handheld stabilisers which sold out within two weeks of the October 2020 launch. Manfrotto's gimbals are designed with intuitive LCD touchscreen controls and a quick attach mechanism, ideal for creative and high quality shots. Manfrotto is the first company to launch an integrated eco-system of gimbal supports, including an innovative gimbal-dedicated boom, “GimBoom”.

Rycote professional audio supports

In 2020, Vitec developed the new Rycote-branded quick release connection system (“PCS”) between microphones and a variety of stands and grips to improve the workflow for sound professionals and to enable social distancing, whether in the field, studio, or at live events. Made in Italy, the ergonomic design of the PCS ensures a simple and safe one-handed operation, while the new stands and grips allow sound professionals to flexibly, accurately and quickly position microphones and accessories in unusual settings.

The Manfrotto FAST GimBoom is an essential filmmaking tool that

allows me to elevate my shots and shooting angles. The GimBoom is unique – smaller form factor for travelling, fast set up time, sturdy carbon construction and mounting points for accessories such as monitors or mics.

Alan Stockdale

Filmmaker and producer



We are thrilled to see the PCS system becoming an industry standard, one-stop

solution for all mechanical connections in the audio broadcast world. Rycote's audio knowledge combined with Manfrotto's mechanical experience creates a unique system.

Timo Klinge

Audio Innovation Manager & CTO, Rycote

Lastolite's Panoramic Chroma Key background was a game changer.

A fantastic portable green screen that gave us the environment to produce broadcast quality webinars. We need the right tools to get the job done professionally and Lastolite provides the perfect solution.

Tuhin Dasgupta

CEO, Studio Stream and Toinspire Productions



90% year-on-year sales growth of Lastolite Chroma Key Backgrounds

Severe travel restrictions during the pandemic curtailed on-location filming and photographic shoots. Lastolite's Chroma Key Backgrounds offer a low-cost, re-usable solution to enable production to continue by keying in virtual location backgrounds in a strict COVID-controlled environment. The 2-metre distance rule was easily achievable against the 4-metre wide Panoramic background. In addition, the Panoramic Chroma Key was used extensively by businesses and schools to deliver online training and education.

VITEC PRODUCTION SOLUTIONS

Operational review

The Production Solutions Division designs, manufactures and distributes premium branded and technically advanced products and solutions for broadcasters, film and video production companies, ICCs and enterprises. Products include video heads, tripods, LED lighting, batteries, prompts and robotic camera systems. It also supplies premium services including equipment rental and technical solutions.

Revenue

£80.1m

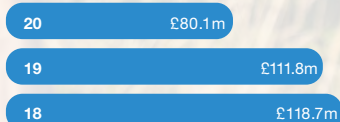
↓ Down 28.4%

Adjusted operating profit*

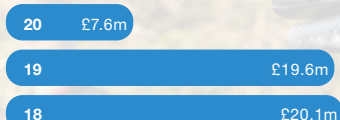
£7.6m

↓ Down 61.2%

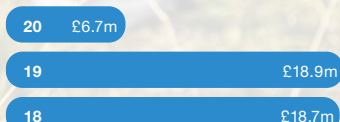
Revenue



Adjusted operating profit*



Statutory operating profit



* For Production Solutions, before charges associated with acquisition of businesses and other adjusting items of £0.9m (2019: £0.7m).





Working closely with our customers, we are advancing production technology for broadcasters, cinematographers and content creators, enabling them to improve workflows and expand their creativity.

Nicola Dal Toso

Divisional Chief Executive, Vitec Production Solutions



Addressable market

Pre-pandemic, we estimated that the broadcast market for products and services supplied by Vitec's Production Solutions Division was worth around £0.4bn annually and was broadly flat. During the pandemic, we believe the market temporarily reduced but that it is recovering. Vitec is well positioned due to its broad geographical reach and premium products. We have a global sales team that offers a full range of products and services to our customers all over the world, either directly or via distributors, both online and in stores.

Market position

Vitec is the market leader in most of its product categories, providing leading products through our brands to the broadcast, cinema and video production markets, as well as to ICCs.

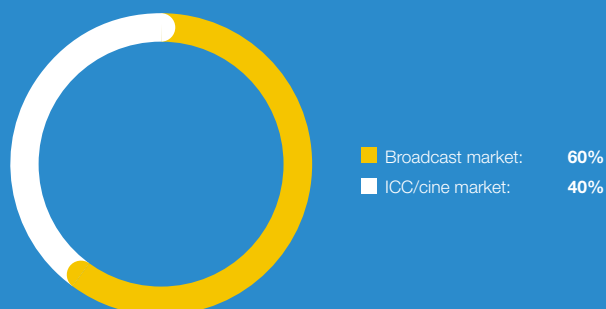
Operational review

We expect a strong recovery in Production Solutions and are focusing on products for on-location news and rescheduled sporting events, as well as robotics and voice-activated prompting to enable safe distancing in studios.

In February 2021, Nicola Dal Toso succeeded Alan Hollis as Divisional Chief Executive of Vitec Production Solutions. After five years with the Company, Alan Hollis decided to step back from the day-to-day management of the Division. Alan has done a tremendous job rebuilding Production Solutions through a period of significant change and is working with Nicola as he transitions into the role.

Nicola has been with Vitec for six years, most recently as Chief Operating Officer for Imaging Solutions, with additional responsibility for Syrp gimbals and sliders, and developing audio products under the JOBY and Rycote brands. Nicola's promotion

Target audience



Our brands

Product category	Brand	Market position†
Supports	OConnor Sachtler Vinten	1
Prompters	Autocue Autoscript	1
Lighting	Litepanels	2
Mobile power	Anton/Bauer	1
Robotic camera systems	Camera Corps Vinten	2
Distribution, rental & services	Camera Corps TCS	1

† Management estimates by sales value in the market segments in which these products are sold.

Vitec Production Solutions (continued)



Operational review (continued)

demonstrates Vitec's commitment to developing our internal talent to ensure that we have a strong leadership pipeline for the future.

Production Solutions' revenue decreased by 28% to £80.1 million. This was driven by the slowdown in broadcast, feature film and scripted TV production and on-location news, as well as the postponement of live sporting events. Revenue in H2 declined by 16% at constant currency compared with 2020 as broadcast started to reopen, although the recovery in scripted TV has been slower than in other segments.

There were two significant new products in H2 2020. Voice-activated prompting, developed by Autoscript, enables and helps broadcasters adapt to social distancing and began shipping in H2, with a full launch to come in 2021. The new generation Sachtler aktiv fluid heads, launched in October, allow camera operators to mount, level and lock the head in seconds and to switch quickly from tripod, slider or hand-held shots in an instant to capture the widest range of shots in the shortest time. These have seen strong sales in the first few months (1,000 systems ordered within three weeks of launch). October also saw Turner Sports use the Basecam, developed by Camera Corps, to show previously unseen camera angles from Major League Baseball.

Production Solutions continues to drive operational efficiencies and completed the transition to the same third party logistics provider in the US as used by Imaging Solutions, which delivered £0.6 million of savings in 2020. In November, a restructuring project was completed costing £0.9 million but is expected to deliver £1.7 million of annualised savings in 2021.

Adjusted operating profit* decreased to £7.6 million, driven by lower volumes, partly offset by the mitigating actions taken (2019: £19.6 million). Adjusted operating margin* decreased to 9.5%.

Statutory operating profit was £6.7 million (2019: £18.9 million), which included £0.9 million of adjusting items (2019: £0.7 million).



Case studies

Sachtler reinvents the tripod head

In October 2020, Sachtler launched the revolutionary aktiv fluid head which incorporates unique SpeedLevel and SpeedSwap technology. This allows camera operators to mount, level and lock the head using a single lever, enabling them to switch quickly from tripod to slider or hand-held shots. Together with Sachtler's award-winning carbon fibre flowtech tripod, aktiv enables camera operators to capture the widest range of shots in the shortest time. Customer feedback has been exceptional, with over 1,000 systems ordered within three weeks of launch.

Anton/Bauer comprehensive range upgrade powers space architects

In 2020, Anton/Bauer announced the largest ever expansion of its battery range to include smaller and slimmer batteries ideal for monitors, follow focus and on-camera lighting, as well as pure power batteries designed for high-performance cine lights and specialist cameras.

To secure a contract to design the lunar habitat, award-winning Danish Space Architects – Sebastian Aristotelis and Karl-Johan Sorensen – lived in their LUNARK habitat in Arctic Greenland for 100 days to test the extreme living conditions they would experience on the moon. With temperatures of -25°C and hurricane winds they used Anton/Bauer DIONIC XT batteries and Sachtler flowtech tripods to document each step of the way for an upcoming film in collaboration with Ridley Scott Creative Group.

Litepanels Gemini brought a unique colour palette to life

Award winning Director of Photography, Jamie Cairney, used Litepanels Gemini LED lights on the set of the Netflix original series *Sex Education* to limit the environmental impact and increase flexibility. He chose the Litepanels Gemini 2x1 panel for its white light accuracy, lighting continuity between sets and locations, and the built-in power supply, meaning fewer cables, and greater flexibility and creativity.

Litepanels wins an Emmy® Award for Technology and Engineering

Litepanels won an Emmy® Award in 2020 for its pioneering engineering development and creativity in LED Lights for TV production.

Continued margin improvement

Production Solutions continued to drive underlying margin improvements in 2020. We completed the transition of our US logistics operation to a 3rd party during Q1 2020, delivering a c.£0.6 million year-on-year benefit. Supply chain optimisation through purchasing price initiatives and refinement of our supplier base delivered a further c.£0.3 million savings. The Division continues to invest in optimising processes and driving efficiencies, for example, enhancing our flowtech machine shop at our Bury St Edmunds site and increasing our in-house paint shop capability at our Costa Rica site, both of which will deliver further benefit in 2021.

The aktiv range is just incredible and means that I have no concerns about having time to get that shot – this system is so quick and so easy.

Stuart Howells
Cameraman and Journalist

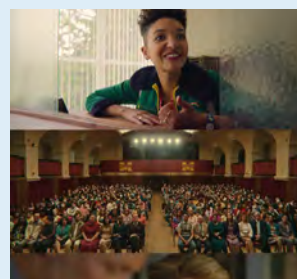


We work a lot during golden hour with a limited window to catch the best light, so we need to have gear that is fast; aktiv is perfect for this.

Mortiz Sieber
*Creative Director,
Peak Frames*

You can only bring so much equipment on these missions. We used the Anton/Bauer batteries every day. The temperature outside was -25°C, and they ran for 48 hours, incredible! They performed better than any other batteries we had.

Sebastian Aristotelis
Space Architect



Gemini addresses many of the shortcomings of LED lighting technology, specifically skin tone reproduction and working at low dimming levels. They were operated remotely using a tablet via Wi-Fi. I could zone the lighting in seconds; everyone looked great under the Gemini lighting.

Jamie Cairney
Director of Photography

VITEC CREATIVE SOLUTIONS

Operational review

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for ICCs, enterprises, broadcasters, and film and video production companies. It is made up of a number of brands that Vitec has acquired and includes Teradek, SmallHD, Amimon, Wooden Camera and RTMotion. Products include wireless video transmission and lens control systems, monitors, camera accessories, live streaming and IP video devices, and software applications.

Revenue

£53.7m

↓ Down 20.7%

Adjusted operating profit*

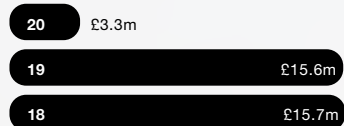
£3.3m

↓ Down 78.9%

Revenue



Adjusted operating profit*



Statutory operating (loss)/profit



* For Creative Solutions, before charges associated with acquisition of businesses and other adjusting items of £8.1m (2019: £10.3m).



The demand for original content continues to grow as daily screen time and video consumption expand. We make the tools to help tell the stories, share the news or spread the word.

Nicol Verheem
Divisional Chief Executive, Vitec Creative Solutions



Addressable market

Pre-pandemic, we estimated that the camera accessories market, focusing on content creators for products and services supplied by Vitec’s Creative Solutions Division, was worth around £0.5bn annually and growing at 6% CAGR over the 2019-2022 period. This included film, scripted television series, independent video and enterprise video production. During the pandemic, we believe the market temporarily reduced but that it will recover shortly. On top of this traditional TAM, we have identified a growth opportunity in the mid to high end, hardware-enabled live streaming market, for those companies looking for better quality, secure streaming with low latency (corporates, churches, medical, police, education, governments, etc.). We believe the addressable market to be c.£0.2bn in 2020 (c.£0.1bn in 2019 pre-pandemic) and growing fast. Vitec has a strong position due to its premium brands, market-leading technology and dedicated team of innovative product specialists with extensive experience in shooting both professional and amateur video content.

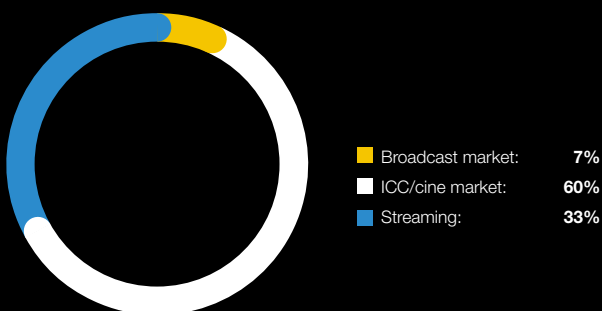
Market position

Vitec is the market leader in most of its product categories, providing leading products through our brands to the independent content creator, enterprise and filmmaker markets.

Operational review

Of our three Divisions, Creative Solutions has the greatest market opportunity, fastest area of growth and potentially the highest margins. We continue to expect a strong bounce back from the increasing spend on original content, although the exact timing is uncertain. Also, we are focusing on the 4K/HDR replacement cycle and the significant new streaming opportunity in both the cine and enterprise markets.

Target audience



Our brands

Product category	Brand	Market position†
Video transmission systems	Teradek	1
Monitors	SmallHD	1
Lens control systems	Teradek	3
Live streaming	Teradek	1 (in our niche)
IP video	Teradek	3
Camera accessories	Wooden Camera	3

† Management estimates by sales value in the market segments in which these products are sold.

Vitec Creative Solutions (continued)



Operational review (continued)

Creative Solutions' revenue decreased by 20% to £53.7 million. While scripted TV shows and feature film productions were initially paused in response to COVID-19 and some have remained on hold, the revenue decline was less than in the other Divisions owing to revenue growth in the streaming market.

H2 2020 revenue was in line with H2 2019 at constant currency, which was significantly better than the 38% decline seen in H1. The improvement was driven by growth in streaming solutions, and cine production starting to recover.

The enterprise and independent content creator markets turned to Teradek as a trusted supplier to help them live stream news and information. Streaming solutions grew by c.50% compared to 2019. R&D investment is now underway to further improve the product range.

The cine market is estimated to be about 50% open and the scripted TV market is starting to recover, though feature films production is recovering more slowly. In California, productions remained open throughout the lockdown in Q4, with film and television production designated as "essential" businesses.

SmallHD 4K/HDR monitors began shipping in H2, to complete Creative Solutions' full range of 4K/HDR wireless video products. A lower end 4K Bolt was also launched in September to take advantage of opportunities in that segment of the market.

Creative Solutions continued to expand in the medical market, where Amimon's CONNEX medical solutions enable wireless procedures in operating theatres. Medical sales grew by c.80% compared to 2019, to £2.9 million.

Adjusted operating profit* decreased to £3.3 million driven by lower volumes (2019: £15.6 million, £9.1 million excluding SmallHD insurance proceeds), with an adjusted operating margin* of 6.1%. Adjusting for SmallHD insurance proceeds, which were included in profit but not revenue, the adjusted operating margin* in 2019 was 13.4%.

Statutory operating loss was £4.8 million (2019: £5.3 million profit), which included £8.1 million of charges associated with acquisition of businesses and other adjusting items (2019: £10.3 million).



Case studies

Launch of 4K/HDR – wireless video transmission eco-system

Designed to replace the installed base of HD transmitters and receivers, 2020 saw the launch of our new SmallHD 4K/HDR Production Monitors and the Teradek Bolt 4K LT, which completed the end-to-end 4K/HDR workflow of wireless video products for the cine market. Despite the temporary closure of many film sets during the pandemic, the 4K/HDR products have been well received.

Growth in Teradek live streaming solutions to enable customers to stay connected through the pandemic

2020 saw an exponential growth in the streaming of video across all industries to facilitate remote working. A wide range of customers, including enterprises, governments and schools, used Teradek's market-leading live streaming solutions to maintain communications with their employees, customers and communities during lockdowns. We believe that many forms of remote working will remain post-pandemic and are focusing our resources to invest in incorporating Amimon's unique technology to develop a patented, high quality, low latency, premium video streaming solution.

Teradek and SmallHD remote monitoring solutions promote safe film and television production

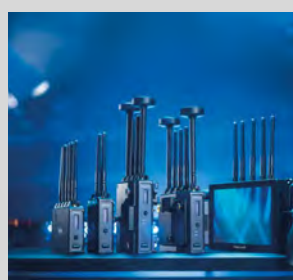
COVID-19 is driving fundamental and lasting structural changes to the cine market to enable safe productions and social distancing on set. This includes live streaming, more remote monitoring and remote production, and "back to work" legislation mandating more monitors on set. Throughout 2020, Teradek and SmallHD provided solutions to get cine customers back to work by enabling the collaboration of off-set personnel, post-production workflows and greater distance between crew on set.

Amimon's CONNEX medical solutions enable wireless procedures in operating theatres

From state-of-the-art endoscopy stations to in-light cameras, operating theatres are moving to wireless connectivity. The CONNEX product line uses Amimon's patented technology to wirelessly link high quality, zero-latency video between operating room cameras and displays to enable surgeons to safely conduct live endoscopy and camera monitoring procedures. Wireless technology removes the risk of tripping over cables during surgery, as well as eliminating the expense and time taken to sterilise cables. Medical sales grew by c.80% compared to 2019.

Creative Solutions awarded two Oscars

In February 2021, Creative Solutions received two Oscars (Scientific and Engineering Awards) from the Motion Picture Academy of Arts and Sciences, for the development of the Teradek Bolt wireless video transmission system and the Amimon wireless chipset technology that is incorporated within the Bolt. These awards reflect the team's technological expertise which has changed the way video content is produced. Amimon's unique technology inside the rugged Teradek Bolt has freed video cameras from the restriction of long and tethered cables, allowing creatives to deploy cameras in an entirely new and dynamic way.



Teradek's wireless 4K eco-system is incredibly dynamic – the same zero-delay wireless signal, but with huge improvements in colour and image detail. This amount of clarity allows me to make confident creative decisions in the field, because I know that what I'm seeing is exactly what the audience will see.

Jason Johnson
Digital Imaging Technician

I'm always on the run, so my gear has to be both lightweight and reliable.

Bolt 4K LT allows me to send perfect 4K/HDR wireless video to clients – it gives me the freedom to go wherever I need to be.

Graham Ehlers Sheldon
Producer and Director of Photography



Our crew learnt new storytelling possibilities with virtual production and collaborated through live streaming with Teradek products.

Greg Ciaccio
ASC Associate Member & Workflow Chair of the Motion Imaging Technology Council

Financial review



Martin Green
Group Finance Director

Revenue

£290.5m

↓ Down 22.8%

Adjusted operating profit*

£9.9m

↓ Down 81.1%

Statutory operating loss

£-3.3m

↓ Down £35.3m

Adjusted basic earnings per share* from continuing operations

9.0p

↓ Down 88.8%

Basic (loss)/earnings per share from continuing and discontinued operations

-11.6p

↓ Down 56.5p

* This report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to improve the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary on pages 180 and 181.



Revenue decreased by 23% to £290.5 million (2019: £376.1 million), resulting in adjusted operating profit* of £9.9 million (2019: £52.4 million). Revenue declined by 10% in H2 at constant currency versus 2019, which was significantly better than in H1 (37% decline), despite the second wave of the pandemic in the last few months of 2020.

Group adjusted gross margin* of 39.0% fell from 45.2% in 2019. This primarily reflects the impact of lower volumes, offset in part by the cost actions outlined above. Adjusting for SmallHD insurance proceeds, which were included in profit but not revenue, the adjusted gross margin* in 2019 was 43.5%.

Adjusted operating expenses* were £14.2 million lower than 2019 at £103.5 million, reflecting the management actions taken. Adjusted profit before tax* of £5.5 million was £42.5 million lower than the prior year (2019: £48.0 million). Net finance expense was £4.4 million including £3.0 million of interest on loans, £0.9 million of amortisation of one-off upfront fees on the RCF and CCFF, and £0.8 million of interest expense on lease liabilities.

The Group's effective tax rate ("ETR") on adjusted profit before tax* was 25% in 2020 (2019: 24%).

Adjusted basic earnings per share* was 9.0 pence (2019: 80.6 pence). Statutory basic loss per share was 11.6 pence (2019: 44.9 pence earnings).

Statutory loss before tax of £7.7 million (2019: £27.6 million profit) decreased due to the factors referred to above. Charges associated with acquisition of businesses and other previously highlighted adjusting items were £13.2 million (2019: £20.4 million).

2020 adjusted profit before tax* included a £0.1 million favourable foreign exchange effect after hedging. The impact on 2021 adjusted profit before tax* from a one cent stronger/weaker US Dollar is expected to be an increase/decrease of approximately £0.4 million. At current spot rates there is expected to be a £4.2 million adverse impact versus 2020; primarily due to the weaker dollar.

Cash flow and net debt

Strong operating cash conversion* was a record 257% as set out below.

£m	2020	2019	Variance
Adjusted operating profit*	9.9	52.4	(42.5)
Depreciation ⁽¹⁾	19.0	18.6	0.4
Working capital dec/(inc)	8.0	(7.2)	15.2
Capital expenditure ⁽²⁾	(15.7)	(18.6)	2.9
Other ⁽³⁾	4.2	(0.7)	4.9
Operating cash flow*	25.4	44.5	(19.1)
Interest and tax paid	(9.0)	(10.6)	1.6
Earnout and retention bonuses	(2.7)	(0.1)	(2.6)
Restructuring cash outflow	(4.2)	(3.3)	(0.9)
Free cash flow*	9.5	30.5	(21.0)

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

(2) Purchase of Property, Plant & Equipment ("PP&E") and capitalisation of software and development costs.

(3) Includes change in provisions, share based payments charge, proceeds from the sale of PP&E, gain on disposal of PP&E, fair value derivatives, impairment losses on PP&E, and foreign exchange movements.

Working capital decreased by £8.0 million in 2020, driven by a £10.6 million reduction in inventory following sustainable actions taken to run with a leaner level of inventory. A decrease in trade payables (£11.3 million) was largely offset by a decrease in trade receivables (£8.3 million).

Capital expenditure included £5.1 million of property, plant and equipment (of which £1.4 million was on assets for the postponed Tokyo Olympics and Euros, which will be used in 2021 and beyond) compared with £6.2 million in 2019 and £8.4 million in 2018. This reflects the drive to limit non-essential capital expenditure.

R&D investment was largely protected and as such did not reduce by the same level as property, plant and equipment spend.

£m	2020	2019	Variance
Gross R&D	20.3	23.1	(2.8)
Capitalised	(10.1)	(11.2)	1.1
Amortisation	4.8	3.4	1.4
P&L Impact	15.0	15.3	(0.3)

'Other' cash flow primarily relates to share based payments; £3.7 million in 2020 compared to £2.3 million in 2019, higher in part due to payment of salaries via shares held by the Employee Benefit Trust to conserve cash.

Interest and tax paid decreased by £1.6 million due to lower tax payments following lower profit; partly offset by the payment of the RCF upfront and arrangement fees, and CCFF fees.

Restructuring cash outflow mainly reflects the restructuring in the Imaging Solutions Division.

Net debt at 31 December 2020 was £5.2 million lower than at 31 December 2019 (£96.0 million) and £16.6 million lower than at 30 June 2020 (£107.4 million). We consider this a strong performance given the impact on our business from COVID-19.

December 2019 closing net debt	(96.0)
Free cash flow*	9.5
Upfront fees on RCF	1.4
Employee incentive shares	(1.2)
Net lease additions	(3.5)
FX	(1.0)
December 2020 closing net debt	(90.8)

Liquidity at 31 December 2020 totalled £143.2 million; comprising £122.3 million unutilised RCF, £17.3 million of cash and £3.6 million unused overdraft facility. As previously announced, the Group has drawn down £50.0 million of the CCFF, which is to be repaid during March; earlier than planned given the strong cash generation in 2020.

Charges associated with acquisition of businesses and other adjusting items

Charges associated with acquisition of businesses and other adjusting items in profit before tax were £13.2 million versus £20.4 million in 2019.

	2020 £m	2019 £m
Amortisation of acquired intangible assets	7.6	9.4
Restructuring costs	2.8	6.2
Earnout charges and retention bonuses	1.9	2.5
Effect of fair valuation of acquired inventory	0.9	1.8
Loss on disposal of business	-	0.4
Transaction costs relating to acquisition of businesses	-	0.1
Charges associated with acquisition of businesses and other adjusting items	13.2	20.4

Financial review (continued)

Viability statement

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking account of the Group's current financial and trading position as summarised in this Annual Report, the principal risks and uncertainties set out on pages 18 to 22 and the latest management forecasts. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period from the date of this Annual Report to 31 December 2023.

The Directors believe that a three-year period is an appropriate period over which a reasonable expectation of the Group's longer term viability can be evaluated and is aligned with the Group's business and strategic planning time horizon. It reflects the nature of the Group's key markets, its businesses and products and its limited order visibility. While the Directors have no reason to believe that the Group will not be viable over a longer period, they believe that the three-year period presents readers of the Annual Report with a reasonable degree of confidence.

The Group's strategic and financial planning process reflects the Directors' best estimate of the future prospects of the Group, but they have also considered a range of scenarios through to the end of 2023. Modelling is impacted by a number of factors including assumptions around the overall global economic environment, how long it takes for our end markets to fully resume creation of original content, and continued actions that governments might take in relation to controlling the pandemic such as the closure of retail stores.

The Directors have reviewed the forecast scenarios as set out below:

- The Group's latest forecast, which projects an improvement in trading performance in 2021 and beyond, following the deterioration in 2020 due to COVID-19;
- Three downside scenarios which primarily vary the speed and length of recovery with the key changes to estimates being as follows:
 1. Reducing the rate at which forecast sales would recover across all three years;
 2. Lower level of sales in 2021 versus scenario 1, with recovery to forecast by 2023; and
 3. Considering the possibility of a further wave in the US along with reversal of the easing of restrictions.

The downside scenarios are considered possible but not probable and include an assumed operating leverage of 55% versus forecast. They also factor in cost savings from management actions which would be taken to partly offset a decline in trading performance. These are proportionate and do not take into account all discretionary actions which could be taken; nor do they consider renegotiation of the RCF covenants or Government support (both of which occurred in 2020).

Revenue in 2020 declined by 23% versus 2019, with a decline of 35% in the first half followed by a significant recovery in the second half (decline of 11% versus H2 2019). Revenue would need to decline by 18% in 2021 versus 2019 to result in a breach of the covenants. Although the pace and shape of the recovery in our markets is hard to predict, the Directors currently consider this scenario remote, given markets have now adapted to respond to trading under pandemic conditions.

The Directors have also considered the Group's capacity to remain viable after consideration of future cash flows, expected debt service requirements, undrawn facilities and access to capital markets. The two main elements of the Group's committed borrowing facilities at 31 December 2020 were the £165 million five-year RCF and the £50 million Bank of England's CCFF. As at 31 December 2020, the Group had utilised £42.7 million (26%) of the RCF and £50 million of the CCFF.

Dividend

Given the strong management of the cash position, and improving outlook of market conditions, the Board recommends the resumption of dividends. A total dividend of 4.5 pence per share amounting to £2.1 million (2019: 12.3 pence per share, amounting to £5.6 million), subject to shareholder approval at the 2021 Annual General Meeting, will be paid on Friday, 14 May 2021 to shareholders on the register at the close of business on Friday, 23 April 2021. The Board's objective is for a growing and sustainable dividend and believes it is appropriate for the Group to target a future dividend cover of 2.0-2.5 times underlying EPS, subject inter alia to maintaining a strong financial position.

Martin Green
Group Finance Director
25 February 2021

Key Performance Indicators

KPI	2020	Performance	Progress	Link to strategy
Health and safety: accident record Number of accidents resulting in greater than three days' absence	Nil	20 0 19 2 18 2	In 2020 we met our target of zero accidents	n/a
Constant currency revenue (decline)/growth Change in revenue on operations at constant exchange rates excluding the impact of EU Services	-22.9%	-22.9% 20 19 -3.0% 18 2.5%	Driven by reduced customer demand from March onwards due to the pandemic. This improved from -37% at HY 2020 as markets began to reopen in the second half of the year	1, 3
Adjusted operating margin* Adjusted operating profit* divided by revenue	3.4%	20 3.4% 19 13.9% 18 13.9%	Decline in adjusted operating margin driven by lower volumes and the non-repeat of SmallHD insurance income, partly offset by management's cost saving actions	2, 3
Adjusted profit before tax* Adjusted profit before tax*	£5.5m	20 £5.5m 19 £48.0m 18 £51.2m	Decline driven by lower volumes, partly offset by £23m of cost saving actions	1, 2, 3
Adjusted EPS* Adjusted operating profit* divided by average total assets less current liabilities excluding the current portion of interest bearing borrowings	9.0p	20 9.0p 19 80.6p 18 93.2p	Decline driven by lower adjusted profit*	1, 2, 3
Return on Capital Employed⁽¹⁾ Adjusted operating profit* divided by the average total assets, current liabilities excluding the current portion of interest-bearing borrowings, and non-current lease liabilities	3.7%	20 3.7% 19 19.0% 18 21.8%	Decline driven by lower profit*	1, 2, 3
Operating cash conversion* Operating cash flow* divided by adjusted operating profit*	257%	20 257% 19 85% 18 84%	2020 operating cash conversion* driven by tight control of cash including sustainable reduction in inventory	1, 2
Revenue in APAC Revenue from selling to countries in the Asia Pacific region as a percentage of total revenue	18.9%	20 18.9% 19 20.2% 18 20.4%	Revenue in APAC as a percentage of Group revenue was slightly lower than 2019 due to streaming growth predominantly focused in the US	1, 3

* A summary of APMs is given in the Glossary on pages 180 and 181.

(1) 2019 has been restated to include the non-current lease liabilities, which were not included in the 2019 calculation.

Responsible business

Stephen Bird, Group Chief Executive, explains how Vitec tackles environmental, social and governance issues, and our ambitions for the future.



“

Vitec is a socially responsible company which demonstrates strong governance and ethical behaviour, and we are committed to continually enhancing our existing environmental, social and governance activities.

Stephen Bird
Group Chief Executive

2020 has been a wake-up call on the importance of ensuring we have a sustainable business and that we do business in the right way as a socially responsible company within the communities in which we operate and wider society in general. The impact of COVID-19 and the changes it has brought cannot be underestimated. In addition, climate change and the negative impact it is having and will continue to have on all of society is something that Vitec and our employees must work harder at addressing. We all have a part to play and the Board and I are firmly committed to ensuring that Vitec enhances its sustainability initiatives. There are also continuing issues around inclusivity, diversity and opportunity in wider society to which Vitec can contribute.

Our Code of Conduct is key to how we do business, how we behave and sets out our responsibility to our stakeholders. We are a small company but with a global footprint and we aim to continue to improve our environmental, social and governance credentials. The Board has therefore committed to several important initiatives in 2021 that we will regularly report on.

We have established an ESG Committee that I chair. It comprises representatives from each Division and sets objectives, monitors progress and will deliver continuing improvement in this area. To ensure traction with this, myself and my senior team have an element of personal objectives under the Annual Bonus Plan tied to our ESG performance.

We have set ourselves the objective to be carbon neutral by 2050 and we will commence a planned programme to deliver on this. We will expand our reporting, particularly on environmental issues including our energy usage, our water consumption, and our waste and recycling initiatives. We will look to set targets around these to track a continuing programme of improvement.

We will also look to task our supply chain to deliver these same goals going forward.

These are challenging aspirations and we need to ensure we deliver on them. We will report progress through our Annual Report and also through our website.

We remain committed to our aim for Vitec to positively impact one disadvantaged person for every Vitec employee in the communities in which we operate. So, 1,600 students or young people by 2021. In 2019 our employees helped 410 people and in 2020, despite the challenges of COVID-19 we helped 122 people. By the end of 2021 we aim to achieve this goal.

The following pages show our commitment to being a socially responsible company, what we have done in 2020 despite the challenge presented by COVID-19 and that we have a sound basis upon which to develop further. I am confident that we can deliver significantly on this over the next few years and that our people will rise to this great challenge.

Stephen Bird
Group Chief Executive
25 February 2021



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Responsible business

Business ethics

Our vision

To ensure that our employees have a clear understanding of what is expected of them in conducting business ethically, with a common set of values. We expect our business partners to act in a manner which aligns with our approach.

Our approach

Vitec's Code of Conduct sets out our values, beliefs and behaviours and has been communicated to all employees and business partners. It is available on our website and is translated into local languages used within the Group. We regularly educate and train our employees on business ethics.



Despite 2020 being the most challenging of years, Vitec has continued with its robust programme on ethics and business values.

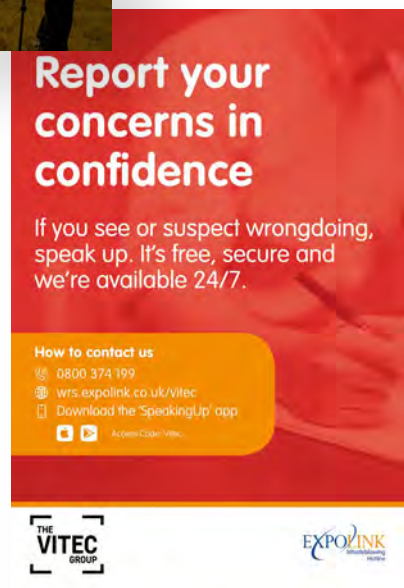
Jon Bolton

Group Company Secretary and Group HR Director



Our Code of Conduct

Whistleblowing poster



Management of responsible business

The Board has overall responsibility for compliance and ethics and considers and approves our key policies, including but not limited to our Code of Conduct ("Code"), Environmental Policy, Anti-Corruption and Bribery Policy, Health and Safety Policy, Modern Slavery Policy, Supply Chain Policy, IT Policy and Cyber Security Policy. These policies set a standard for all our employees, are available on our website, and are central to our approach to being a responsible business.

The Board has delegated the coordination of our responsible business efforts to Stephen Bird and, together with the Executive Management Board and senior management, he focuses his efforts on the areas outlined above. We established a cross-divisional Environmental, Social and Governance Committee in early 2021 that will oversee the Group's continuing approach to ESG. This is chaired by the Group Chief Executive and Group Company Secretary and meets on a regular basis to review progress against all ESG matters. We will report on this in more detail in 2021's Annual Report as well as on our website.

The Board and Executive Management Board regularly consider the Group's reputation and measures progress against our responsible business objectives. Examples include: monthly health and safety performance reviews; whistleblowing and anti-bribery reports; and regular training of employees ensuring that the right corporate culture and good governance practices are developed.

Anti-bribery and corruption

We educate our employees to ensure that they are clear on the right ways of doing business and that there is a zero tolerance of bribery and corruption. Our Code of Conduct is expressly clear that bribery and corruption will not be tolerated. We have a policy on anti-bribery and corruption measures. The policy is available on our website and sets out a zero tolerance approach to bribery and corruption, a clear commitment to doing business the right way, covers gifts and hospitality, prohibition on facilitation payments and kickbacks and how employees are to raise issues of concern. We regularly train our employees on anti-bribery and corruption measures using web-based training modules and through face-to-face training on our Code of Conduct.

To mitigate the risk around bribery and corruption, we actively screen all major third parties we do business with including customers, suppliers, distributors and agents. This is done through a third party software that screens third parties for reputational risk issues including bribery and corruption, sanctions, politically exposed persons and adverse media reports. This covers over 750 entities and continues to be expanded. We train our people to ensure that as part of doing business with a new partner, that the new partner is screened through this service.

The Board and the Audit Committee are regularly updated on the Group's anti-bribery and corruption measures including training initiatives and status of screening of third parties.

Our agents and distributors are party to agreements which prohibit bribery and set out our expectations on behaviour and values.

Whistleblowing service

We operate an independent whistleblowing service in conjunction with NAVEX. This enables any employee or third party who feels that the normal reporting channels through line management are not appropriate, to confidentially report on any issues around alleged wrongdoing or other Code contraventions. Anyone making a report can choose to do so anonymously.

All reports are notified to the Group Chief Executive, the Group Company Secretary 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 and remedial action taken where necessary. The Board is notified of all whistleblowing reports and the outcome of all investigations.

This service is communicated to all employees with posters prominently visible at all sites, and a letter sent explaining the service to ensure that it remains visible and understood. The documents are also available on the Group intranet with all communications translated into local languages. There is a policy on how whistleblowing reports will be investigated and the Board is expressly clear that all reports made in good faith which are genuine and not malicious in intent, will not result in an employee or third party being subject to recriminations or disciplinary action. During 2020, there were four whistleblowing reports that were HR related and that related to the US and UK. Each matter was thoroughly investigated and corrective actions taken where necessary.

We plan to recommunicate the whistleblowing service to all employees in 2021.

Slavery and human trafficking statement

We support the Modern Slavery Act 2015 and have adopted a slavery and human trafficking statement, setting out our processes to ensure that this issue is not in existence in our operations or supply chain. The statement can be viewed on our website. Through screening our supply chain using third party software and physically inspecting our supply chain, we are confident that this is not an issue within our operations. We expect our business partners to have similar values to our own to ensure that slavery and human trafficking is not something we are associated with. Our internal audit function also checks the integrity of the supply chain as part of its internal audit programme. We train our employees on this issue through a combination of web-based training modules and also through our Code of Conduct.

Code of Conduct

Our Code forms the backbone of our culture and provides clear guidance to our employees on how they are expected to behave towards colleagues, suppliers, customers, shareholders and on our wider responsibility to the communities within which we operate.

Our Code defines our approach to business integrity, including an absolute prohibition on bribery, kickbacks and political donations, along with guidance on gifts and hospitality, conflicts of interest, books and records, competition, share dealing, respect for the UN Universal Declaration of Human Rights, compliance with anti-slavery legislation, respect for the individual and privacy, diversity, health and safety, environmental sustainability, business partners and charitable donations.

Our Code has been communicated to all employees, including new employees joining the Group, and is available on the Company website translated into local languages. We require all senior management to undertake an online training module covering the Code, good corporate governance including issues such as share dealing, conflicts of interest, legal duties and other reputational issues.

Breach of the Code of Conduct, upon investigation, may lead to disciplinary action being taken against an individual and in the worst case, dismissal. Any investigation around the Code of Conduct would be conducted by the Group's HR functions. During 2020 no employee was dismissed from the business due to a breach of the Code of Conduct.

Human rights

The Company fully supports the principles set out in the UN Universal Declaration of Human Rights. The Company's policies and procedures reflect the principles contained within the Declaration.

Information systems and technology

Given the ever-increasing importance of Information Technology to the Company's operations and performance, we have an IT policy that is available on our website. Responsibility for IT ultimately rests with the Group Finance Director and the IT policy sets out standards to be followed across the Group for its employees, contractors and third parties around the use of the Group's IT systems. The policy has been implemented to ensure that the Company's IT is fit for proper business purpose and is a safe environment for all our users. Breach of the IT policy may lead to disciplinary action being taken. Notably, the IT policy covers issues such as confidentiality of data, GDPR requirements, inappropriate content, security of data including cyber security and reporting processes. The Group's Audit Committee receives regular updates on the Group's IT arrangements including matters such as pen testing, user access and training of employees.

Responsible business

Employees

Our vision

To be the preferred employer for the very best people in our sector by providing an entrepreneurial environment that offers opportunities for our people to develop and thrive.

Our approach

To attract, retain and grow a talented and diverse workforce, providing equal opportunities for all, while nurturing a sense of pride in being part of Vitec.

Our people

Our employees are the best in the sector, our greatest single asset and critical to our success. Passionate, motivated and skilled employees in safe working environments directly contribute to our strategy, performance and reputation.

Employee engagement

We aim to provide our employees with an engaging and stimulating entrepreneurial environment where they are encouraged to learn and develop. We communicate with our employees on a regular basis using multiple channels, keeping them informed of business performance at a Group and Divisional level. In 2020 we increased the amount of engagement with our employees in response to COVID-19. This was to give assurance to our people and to retain their trust through this most challenging of years. The Employee Engagement section of this Annual Report on pages 16 and 17 sets out more detail.

During 2020 employees received regular updates on the business, performance and measures to deal with the pandemic from the Group Chief Executive. These took the form of all-employee emails, and videos. Employees also received regular all-hands updates on performance and business issues from Divisional senior management.

We also undertook an all-employee staff survey in 2020 to seek feedback from employees about the Company's response to the pandemic. The detail of this is covered in the Employee Engagement section on pages 16 and 17.

More informal communications also take place. Breakfast with the Divisional CEO is an informal opportunity for employees in our Imaging Solutions Division to exchange ideas and opinions on business strategies and takes place globally. While we had to suspend this in early 2020 due to COVID-19, we are planning to reintroduce these events virtually. Welcome meetings take place at the Imaging Solutions' sites quarterly to introduce new colleagues to the business in an informal way and we have adapted this in 2020 using technology to allow such meetings virtually. In the Production Solutions Division, *The View* is a quarterly publication sent to all employees updating them on business activities, product launches, employee initiatives and introducing colleagues. *On Air* is a local publication to employees in the Bury St Edmunds, UK office which lets them know about local events and updates on operations at that site. All-hands meetings take place at all our sites, allowing employees to hear regularly from management on progress for the business and in 2020 particularly to stay in touch with large numbers of employees working remotely.

Health and wellbeing

Vitec understands the importance of healthy and nurturing working environments for our staff. 2020 has provided the greatest challenge to this and we have had to adapt to the impact of COVID-19. As part of ensuring the wellbeing of all our employees during this most difficult period, in 2020 we introduced an all-employee assistance programme in conjunction with ICAS. This service provides free and confidential support to all our employees and their families on a range of matters including counselling for emotional and psychological support, practical guidance and support on legal, financial, family and work matters and online health and wellbeing guidance. This service has been rolled out to every employee and translated into the local languages used in the Group.

ICAS employee assistance programme



Canteen in Imaging Solutions with screens for separation

In addition to the wellness programme we offer our employees in many territories several levels of healthcare cover for employees and their families. In the UK this is provided as a non-contributory taxable benefit through AXA Health. UK employees who do not join this healthcare arrangement can join an alternative arrangement provided by Healthshield. In the US, our employees are offered healthcare cover through several providers including Cigna and Kaiser, with employees able to select the level of healthcare cover they want.

While the pandemic has curtailed the opportunity to hold face-to-face meetings and events in 2020 we have looked for ways to ensure that our people are engaged, motivated and looked after. At our manufacturing sites we have provided meals to employees in staff canteens enabling employees to get a healthy meal and avoid the need to travel and expose themselves to risks. Meals have either been subsidised or provided for free.

Several of our sites including Bury St Edmunds, UK and Cartago, Costa Rica, offered flu jab clinics during the year with over 140 employees taking up the offer of flu jabs.

Health and safety

An important part of our culture is to ensure that all our employees are able to work in a safe and secure environment and we encourage our management and employees to actively take responsibility for this. 2020 has added an additional complication with the business having to deal with the impact of COVID-19. From the outset of the pandemic we have implemented stringent safe-working practices at all our sites around the world following local government guidance and ensuring a minimum Group-wide standard. At the start of the pandemic, many of our sites were closed for a period of time with employees either working from home, placed on furlough or similar arrangements. As permitted, we have reopened our sites, especially the manufacturing sites of Bury St Edmunds, Feltre, Cartago, Ashby-de-la-Zouch, Irvine, Cary and Stroud, ensuring that only those employees necessary have been on site and that strict safe-working practices are adhered to. This has included social distancing measures, wearing of masks, ensuring that employees regularly wash hands, providing tests if required, ensuring that travel to and from work is by safe means, regular cleaning of facilities and also ensuring that the workflow around sites ensures social distancing. Where employees have been able to work from home, we have provided appropriate equipment to enable them to ergonomically continue to work during this challenging period. Each site has prepared risk assessments to mitigate the risks around COVID-19 and practices have evolved as the pandemic has progressed.

We have actively recorded where employees have been infected or have had to self-isolate and provided support where possible. We have tracked health and safety performance throughout the pandemic to ensure that issues are identified early, that employees feel safe and that best practice is shared across the Group.

We have a Health and Safety policy that is available on our website. This policy sets 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. We expanded the policy in 2020 to reflect the reality of dealing with COVID-19. The policy is communicated to site management and employees. Our objective is to eliminate all accidents on site and while we achieved this for accidents resulting in over three days' absence in 2020, we still experienced accidents resulting in less than three days absence.

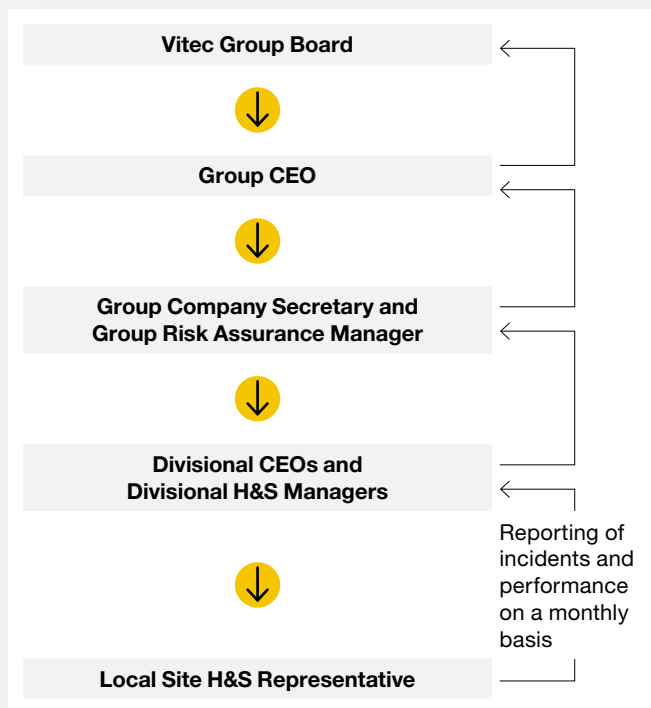
All accidents and near misses are reported, whether they result in absence from work or not. Any remedial actions are identified and implemented to prevent repeat occurrences. Reporting is prompt and any accident resulting in over three days' absence is reported to senior management as well as the Group Chief Executive within 24 hours. Every month the health and safety performance of each Division is reviewed with the Divisional Health and Safety representatives, Group Risk Assurance Manager and Group Company Secretary to review accidents or near misses, corrective measures and to ensure that best practices and lessons learned are shared across the Group. Health and safety performance is regularly reviewed with the Executive Management Board and at every Board meeting.

Our five-year accident record is shown on the following page and details the number of accidents resulting in over three days' absence from work across the Group. There were no such accidents in 2020 compared to two in 2019. There were, however, 43 accidents resulting in under three days' absence and 109 recorded near misses. Each one of these events has been investigated and remedial actions taken. There have been no work-related fatalities since the Group began collating health and safety statistics in 2002.

Responsible business

Employees (continued)

All major sites have Health and Safety Committees who hold regular meetings to review safety, ensure that operating practices are safe and address potential safety concerns. Our structure for health and safety management across the Group is as follows:



The Production Solutions' sites in Cartago, Costa Rica, and Bury St Edmunds, UK, as well as the Imaging Solutions' sites in Bassano and Feltre, Italy, were certificated with the standard UNI EN ISO 45001. This means that over 700 employees (44%) of the Group are covered by accreditation on health and safety. This management system audit helps in building a framework to manage health and safety impacts and in meeting legal compliance.

To protect employees' health and to reduce the risk of transmission within the Production Solutions Division, consistent standards that met or exceeded local standards were implemented globally during 2020. These included social distancing measures, increased sanitising and hygiene provision, maximum attendance on site for those unable to work from home and additional employee training and guidance for all working situations. These were audited by the Division's occupational health service provider and BSI Auditor. These measures ensured good business continuity within Production Solutions.

The Imaging Solutions Division also gave the highest priority to the health and safety of employees, implementing several actions to prevent and protect during the pandemic.

These included: dividing workers into shifts to ensure social distancing and use of smart working; continuous training on new safety standards in operation at sites; body temperature measurement upon entrance to premises; distribution of masks and sanitising products to employees on site; ban of visits from customers and suppliers to our premises; weekly site sanitisation; serological tests and rapid swab tests performed in a screening mode every few weeks. All canteens and offices were equipped with Plexiglass separators and safe virtual communication, and safety check lists were applied in all our offices worldwide, also according to local legislation.

During 2020, we continued to train our people on safe working practices relevant to their roles and also expanded this to cover safe working practices on our sites in response to COVID-19 and ensure that our employees working from home did so in a safe manner. All employees received training on COVID-19 safety measures during 2020. Notably, training material focused on social distancing, need to wear masks, regular hand washing and to ensuring employees are sitting properly at their desks with adequate lighting and taking regular breaks to ensure their wellbeing while working from home.

2020

0 accidents resulting in over 3 days absence

Representing 0 accidents per 100,000 employees

Average number of employees – 1,569

2019

2 accidents

Representing 117 accidents per 100,000 employees

Average number of employees – 1,714

2018

2 accidents

Representing 116 accidents per 100,000 employees

Average number of employees – 1,723

2017

7 accidents

Representing 418 accidents per 100,000 employees

Average number of employees – 1,675

2016

4 accidents

Representing 239 accidents per 100,000 employees

Average number of employees – 1,676



Working on site in Costa Rica



An employee working safely on site in Production Solutions, Bury St Edmunds, UK

Sharesave 2020

We offer the Sharesave Scheme to all our employees in the UK, US, Italy, Costa Rica, France, Germany, Singapore, Hong Kong, Japan, Australia, New Zealand and Israel. Sharesave allows employees to save a fixed monthly amount up to £350 with the option to purchase a fixed number of shares in the Company at a discount of up to 20% on the prevailing share price at the time of the offer. Sharesave is extremely popular among our employees as a valuable employee benefit and we have specifically improved communication of Sharesave to employees to ensure it is well understood and that as many employees as possible participate in the scheme. This has included face-to-face presentations at sites and eye-catching communications. In 2020, given the challenges presented by COVID-19 with many employees working from home and social distancing on sites, we used a microsite on the Company's website to make the offer to employees with a short explanatory video and supporting materials. Communications use plain language to explain Sharesave and are translated into local languages. As a consequence, participation rates have continued to improve and by the end of 2020 over 1,000 Group employees participated in Sharesave.

We plan to offer Sharesave in future years to enable as many of our employees as possible to share in the success of the Company. With this in mind we obtained shareholder approval at the 2020 AGM to renew the Sharesave scheme for a further ten years.



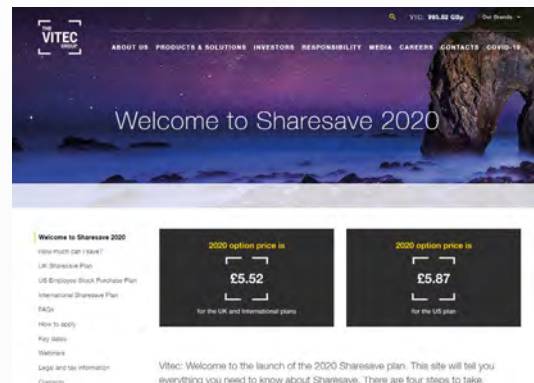
The launch of Sharesave has become an annual tradition in Ashby that is genuinely looked forward to. The microsite set up to promote the scheme this year was positively received, especially by those new to the process.

Annette Grigg

HR Business Partner UK & DE,
Vitec Imaging Solutions, UK

Level of Sharesave participation as at 31 December 2020

Country	Outstanding options at 31-Dec-2020	Active participants at 31-Dec-2020
AUSTRALIA	19,276	17
COSTA RICA	32,149	43
FRANCE	11,590	6
GERMANY	37,844	20
HONG KONG	20,407	8
ITALY	645,001	318
JAPAN	74,165	35
NETHERLANDS	3,046	1
NEW ZEALAND	31,510	16
SINGAPORE	22,452	7
ISRAEL	111,966	49
UK	401,717	229
USA	335,837	271
Total	1,746,960	1,020



Sharesave microsite

Responsible business

Employees (continued)



Due to the pandemic, I started working from home in 2020. I'm safe and I'm able to do my job in the same way. The support from Vitec during these hard times has been crucial to carrying on.

Mariel Gonzalez

Senior Quality Engineer Anton Bauer/Litepanels,
Vitec Production Solutions, Costa Rica

Diversity and inclusion

We strive to employ a diverse workforce and foster an equal opportunities culture, and our Code of Conduct sets out an express prohibition on discrimination of any kind. Our approach to diversity follows a strict policy of sourcing the best person for the role irrespective of race, gender, age, religion, sexual preference or disability. Flexible working policies are in place across our three Divisions and open to all employees. This is usually granted, unless the needs of the business cannot otherwise be met.

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. Our Diversity and Inclusion Policy is available on our website.

Employee turnover by Division

The table shows employee turnover in 2020, reflecting employees who had resigned from their employment within the Group.

Creative Solutions	9.0%
Production Solutions	2.1%
Imaging Solutions	2.9%
European Services	4.0%
Group/Head office	0.0%
Average across the whole Group	3.6%

Gender diversity[#]

The Board continues to monitor progress on equality and the Group's gender breakdown at the end of 2020, with 2019 as a comparison, is shown below. The Company works to attract women to Vitec and to encourage them to apply for promotions.

	2020				2019			
	M	%	F	%	M	%	F	%
Group Board of Directors ⁽¹⁾	6	86%	1	14%	6	86%	1	14%
Executive Management Board ⁽²⁾	6	86%	1	14%	6	86%	1	14%
Senior Management ⁽³⁾	28	88%	4	12%	31	86%	5	14%
Rest of Organisation	1,041	70%	446	30%	1,089	69%	484	31%

We employ around 1,600 employees in 11 countries who work in accordance with local employment legislation, policies and our organisational values.

[#] Contractors are excluded.

(1) Group Board of Directors are those listed on pages 54 to 55 of the Annual Report.

(2) The Executive Management Board are those listed on page 60 of the Annual Report and includes the Group CEO and Group Finance Director.

(3) The Senior Management Team are the senior most employees or teams within each Division and Group head office.



Regular temperature checks in Italy

Vitec is supportive of employees enjoying a healthy work-life balance. Flexible working policies are in place across our businesses, and a positive impact can be seen. Examples of flexible working policies above statutory requirements include: smartworking, part time working for parents with young children, optional maternity leave and flexible hours working.

Each Division provides further benefits for employees: discounted childcare options and gym memberships in the UK, Italy and US; long service awards; or a cash allowance to be spent on a multitude of benefits such as gym membership or private healthcare to suit an individual's needs in Italy.

In Italy where we employ over 450 employees, the supplementary labour agreement was extended for 2021. The agreement focuses on employee benefits including flexible working, childcare and bonus arrangements.

Many of our sites including Feltre, Bassano, Bury St Edmunds, Irvine and Costa Rica either have on-site canteens providing good, healthy meals or organise for meals to be brought on site. Such arrangements are subsidised for employees.

Our employees are entitled to freedom of association and trade unions operate at our sites in Cassola and Feltre, Italy, and Bury St Edmunds, UK.

We offer our employees maternity and paternity leave above statutory requirements and we operate flexible policies to help our employees with dependants' care needs and special leave if necessary to deal with exceptional personal circumstances.

Training and development

Vitec aims to offer a comprehensive training and development programme, linked to performance reviews and development plans, taking all Divisional requirements into consideration. In 2020 the Board reviewed leadership and succession plans across each of the Group's Divisions to ensure there was a structured approach to growing and developing the Company's future leaders.

All employees receive training on health and safety procedures that are appropriate to their line of work and environment. For example, 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.

We continually review and expand training options for staff. In 2020, the Imaging Solutions Division initiated several training courses including a new appraisal system and also a specific course for non-Italian employees across the Division to learn to speak and read Italian.

In 2020, given the increasing risk around cyber security and the ever present need to ensure that data is securely handled, we ran an online training programme for our employees around the need for vigilance on cyber security and the issue of data protection. Approximately 800 employees have completed this training and we will continue to build on awareness and knowledge. This has been increasingly important in 2020 with a large number of our employees having to work remotely as part of the response to COVID-19.

Employee volunteering

We encourage a culture of active participation in the communities in which we operate and staff around the world give their time and money to various social programmes in their local communities. Our HR policies provide the opportunity for employees to take time off from work to dedicate time to support social programmes and charities in their local communities. In response to the pandemic, Imaging Solutions had 15 employees based in Cassola, Italy, volunteer for worthwhile causes around the world, sharing their skills and knowledge.

Diversity and Culture

We promote a diverse workforce and culture of inclusivity. Our Code of Conduct expressly prohibits any form of discrimination. Page 48 of this Annual Report give further details about our culture and diversity. Our Diversity and Inclusivity Policy is available on our website.



Working safely at our Cary, US, site

Responsible business

Community

Our vision

To support and integrate with the local communities and economies where we operate.

Our approach

We invest in projects that align with our core values and look for opportunities to positively impact one disadvantaged person for every Vitec employee in the communities in which we operate.

The positive power of images

We believe in the positive power of images to convey ideas, create wealth and positive social and environmental value. As a leader in our markets, our employees are experts in photography, videography, engineering and technology, and we aim to share this knowledge to enable positive social and environmental outcomes. In particular, we focus on ways in which our products and skills can benefit those who are disadvantaged.

Supporting our communities

Access to our communities was restricted due to the pandemic but our teams adapted to support our communities remotely and via donations. The following are a few examples of positive contributions we made in 2020 in the communities in which we operate.

Investing in future industry talent

Vitec often donates or lends its professional photographic, TV and cinematic equipment to educational institutions around the world in order to assist with the upskilling of future talent in the image capture and sharing industry. Examples of this have included Kingston University, UK, and the University of North Texas, US.

Picture of Life

Imaging Solutions' Picture of Life project is a photography education initiative comprising training programmes for young people who have faced hardship and disenfranchisement. The collaboration between Vitec, the non-profit organisation, Jonathan and the Italian Justice Ministry started in 2014. As part of it, Divisional ambassadors teach techniques in different locations and under different circumstances (e.g. city, nature, wildlife), aimed at educating young people to use photography and videography to work through difficult personal issues.

Vitec supports the project by donating photographic equipment to equip participants with all they need for the duration of the programme and by organising all aspects of the course. Since its initial launch in Italy, the initiative has proved so successful that it has been replicated in New York and Chicago, US; Shanghai, China; Johannesburg, South Africa; and the UK. The 2020 course was run by Imaging Solutions' ambassador Salvatore Esposito and the focus was on Street Photography in Naples. The participants' goal was to capture meaningful images related to the "new normal" the city was experiencing due to the pandemic.

Charity

The Production Solutions team in Costa Rica took part in a textbook donation that supported 12 students and encouraged them to consider a technical or engineering career in the future. The team in Costa Rica also assisted a further 12 students at the Argentina Góngora School by providing them with new school kit to enable them to continue with their primary school education.

The Production Solutions team in Shelton, US, made virtual monetary donations to the Connecticut Food Bank, surpassing their fundraising goal to raise over \$600 which allowed 52 turkeys for Thanksgiving to be purchased to support struggling families. The team in the US also donated gifts to the 2020 Under the Tree Project which benefits families affected by domestic violence, mental illness and addiction.



School kit donation in Costa Rica



Textbook donation in Costa Rica

In Imaging Solutions in Italy, Christmas cakes were purchased from the Giotto Bakery in Padua. Located inside a prison, the bakery allows detainees to learn a skill which they can use upon their release.

The Production Solutions US-based sales team donated over \$1,200 in 2020 to provide bikes to young children through a Connecticut organisation called Bikes for Kids whose objective is to provide bikes to children in need.

In April 2020, Creative Solutions launched a project called The Still Rolling Initiative in response to the impact of COVID-19 on the filmmaking community. The business wanted to throw a lifeline to individuals who had lost work and been impacted by the pandemic. A total of over \$14,000 was raised through a series of initiatives enabling grants and donations to be made to charities and individuals in the filmmaking community.

Partnership with Richmond Theatre Trust to jointly run Young Filmmakers courses

In January 2020, Vitec announced a three-phase partnership with The Richmond Theatre Trust to reach one local teenager in the Richmond, UK, area who has faced hardship or marginalisation and not had access to the creative arts, for every employee at the Company's Richmond Head Office. The aim of the partnership is to give teenagers new life skills and build their confidence in the creative arts. The first phase took place in February 2020, with 20 teenagers taking part in a four-day filmmaking course and receiving an Arts Award qualification.

Vitec donated equipment to each participant including the JOBY GorillaPod Mobile Rig as well as a £2,000 contribution to course supplies. The participants received a product demonstration from Vitec before breaking into film companies. A screening session for friends and families was held on the final day. Feedback from participants was overwhelmingly positive and Vitec plans to deliver phase two in 2021.

We estimate that in 2020 the Group as a whole donated approximately £15,000 to charitable and community good causes.

Apprenticeships and work experience initiatives

In Italy, the Imaging Solutions team continued to collaborate with universities to share employee know-how with students and future industry professionals via webinars and online lectures. A mentoring partnership was set up with the Universities of Venice and Padua which included virtual meetings and online HR lectures.

The Production Solutions team in Costa Rica worked with a local university to develop a ventilator in response to the pandemic for use in Costa Rican healthcare services.



Participants in 2020's Picture of Life programme



The Still Rolling Initiative

Responsible business

Environment

Our vision

Ensuring we limit any negative impact on the environment and protect the natural resources we rely on, creating long-term sustainability for the business.

Our approach

We adopt technologies, materials and processes that ensure we minimise our impact on the environment and maximise our use of sustainable resources. Our environmental policy is available on our website.

The ESG Committee that we have established has responsibility for climate change and the climate change policy for the Group. It will oversee environmental reporting and initiatives to mitigate the Group's impact upon the environment.

ESG Committee

We have established an Environmental, Social and Governance ("ESG") Committee that coordinates the Group's environmental, social and governance initiatives. It meets regularly and its terms of reference are available on the Company's website. The ESG Committee comprises representatives from each Division and the Head Office and it regularly reports on ESG initiatives to the Board and is responsible for developing and implementing our ESG programme. Priorities for 2021 will be developing the Company's environmental initiatives including responding to climate change and reporting on wider environmental matters.

Vitec's products and processes

We continue to implement initiatives aimed at sustaining and protecting the environment in the areas of energy efficiency, reducing carbon emissions, water use and waste; and sustainable use of materials, packaging and waste disposal. We also encourage a culture of environmentally sustainable behaviour at work and ensure that our employees understand how they can contribute.

Our products and services have a comparatively low impact on the environment. We use low hazard materials, minimise the use of resources during the manufacturing process and search for materials that are sustainable and can be recycled or re-used. Our efforts and environmental awareness have continued to evolve, not only to comply with regulations but also to make our business better and more sustainable.

The pandemic put a restriction on international travel but all facilities and locations were able to utilise their on-site conferencing facilities with virtual meetings held with internal and external parties. This is a practice the Company intends to continue with in the future to reduce the need for unnecessary air travel.

We have set ourselves the objective to be carbon neutral by 2050 and are starting a planned programme to deliver on this.

Energy use

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.

Many buildings within the Group have timer and motion sensors for lighting to save on electricity usage. The majority of the Group's sites already have or are working towards having LED lighting throughout, which will significantly cut our overall electricity usage. For example, in 2020 in Feltre, Italy, 220-240W neon lights were replaced with LED bulbs resulting in a 58,000kWh reduction and a cost saving of £11,000 per annum. The Feltre facility also installed new air compressors with an energy saving inverter system. Other buildings have programmable thermostats that are centrally managed to optimise heating and cooling needs.

Electricity at our Bury St Edmunds, UK, and Cartago, Costa Rica, facilities is supplied from renewable energy sources to reduce the impact of our operations on the environment. Due to the pandemic and resulting changes in working patterns and number of employees on site, there has been a significant reduction in energy use at these manufacturing sites.

The electricity contracts with Green Certificates at our two main sites in Italy were renewed in 2017 until 2021, confirming Vitec's commitment to use energy generated by renewable sources. Sites in Italy, Bury St Edmunds and Costa Rica maintained their ISO 14001 compliance which were renewed in 2020.

Sustainable resource management

Greenhouse Gas Reporting and Energy Usage

Our 2020 Greenhouse Gas Emissions (Scope 1 and 2) and Energy Usage compared to 2019 are set out on the next page.

Emissions arising from on-site energy use and owned transport have been recorded at 22 of our sites in the 12 months ending 30 September 2020. We have selected these sites as they are the material operating sites for the Group, and included operations at Cassola and Feltre, Italy; Bury St Edmunds, UK; Cartago, Costa Rica; Irvine, USA; Ashby-de-la-Zouch, UK; Stroud, UK; Ra'anana, Israel; Cary and Shelton, USA. These sites represent over 95% of Group revenue for 2020. Smaller sites have been excluded as their size and operations are comparatively immaterial for Greenhouse Gas or Energy usage reporting.

Reporting is based on the requirements for quoted companies introduced by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018 effective from 1 April 2019. In reporting our Greenhouse Gas Emissions we have followed the UK Government's Environmental Reporting Guidelines issued in March 2019. Our operational carbon footprint is stated in tonnes carbon dioxide (CO₂e) equivalent and covers Scope 1 and 2 emissions as described in the GHG Protocol – Corporate Standard (March 2004 revised edition). The financial control approach has been applied in our corporate GHG reporting. We have selected a reporting period of 1 October 2019 to 30 September 2020 to enable data to be collated in time for inclusion in the Annual Report. The Intensity Ratio we have adopted is tonnes Total Carbon Dioxide equivalent (CO₂e) per £m of Group revenue.

Scope 1 Emissions (direct emissions from our own operations e.g. fuel combustion) are converted to CO₂e figures using conversion factors published by BEIS/DEFRA in June 2020. These factors are also used for converting UK and global data into kWh.

Scope 2 Emissions (indirect emissions generated from purchased electricity) are calculated based on the "location" method outlined in the GHG Protocol. For all UK facilities we use the BEIS/DEFRA 2020 conversion factors. For all non-USA facilities we use national carbon conversion factors for grid purchased electricity from a variety of published sources; including national grid suppliers and Government agencies. For USA sources we use the latest regional intensity factors available from the Environmental Protection Agency's Emissions & Generation Resource Integrated Database (eGrid).

The following table sets out the emissions for 2020 compared with 2019. Carbon emissions relating to diesel transport were understated in 2019. The table below shows the corrected Scope 1 figure and corresponding revised total.

GHG Scope 1 & 2 Emissions

Scope	2020 tonnes CO ₂ e	2019 tonnes CO ₂ e
1	833	1,328
2	2,072	2,677
Global total (excluding UK)	2,905	4,005
UK total	630	724
UK proportion of total	17.8%	18.1%
Total scope 1 + 2 Intensity (Tonnes CO₂e per £m of Group revenue)	10	10.64

Energy Use

	2020 kWh	2019 kWh
Global total (excluding UK)	10,860,347	15,432,224
UK total	2,900,826	3,109,797
UK Proportion of total	21.1%	16.8%

COVID-19 impact

The pandemic has understandably led to reduced carbon emissions for the period March 2020 to September 2020. Electricity consumption has been reduced due to safe working practices introduced at our facilities to deal with the pandemic, including fewer employees working in our facilities and some facilities being closed for a period of time with many staff working from home. Travel restrictions meant significantly fewer journeys were made in terms of visiting customers, suppliers and distributors during the pandemic. It is reasonable to expect that as the pandemic subsides and normal working practices begin to return that carbon emissions will increase. The Group's response to the pandemic including the safety and wellbeing of its employees and the financial security of the Group has been the priority in 2020. We recognise however that our focus will shift over the next year or two to ensure that the Group works towards dealing with its impact upon the environment and climate change.

During 2021, we plan to capture the Group's water usage, waste and recycling initiatives at all our sites, as well as use of packaging, to report on the amount of business-related travel, including flights, and to report on this in a similar manner to Greenhouse Gas Reporting and Energy usage.

Various initiatives around the Group took place in 2020 to build on our work to reduce the amount of waste created in our operations. At our Production Solutions site in the US, Call2Recycle recycles batteries for the site as well as for existing Vitec customers. Tradebe in the US recycles electronic waste from the Shelton site. Waste metals at our Bury St Edmunds site are sorted and recycled with a return on revenue. We sort waste for recycling at our manufacturing sites in Italy, the UK, the US and Costa Rica using colour coded bins to improve segregation.

The Imaging Solutions Division launched the Safe & Green Project which aims to reduce plastic use within the Division through a few small but significant actions. All employees were provided with reusable stainless steel water bottles to eradicate the need for plastic water bottles. Still or sparkling water is available from dispensers in all break areas. Disposable plastic coffee cups were replaced with tetra pack ones and all stirrers are now wooden. With this initiative the Division estimates that they will eliminate 1,500kg of plastic waste per year from their Italian sites alone. The aim of this initiative is also to encourage employees to start adopting sustainable behaviours in their everyday lives.

The printers at our Italian facilities are automatically programmed to print in black and white and double-sided to reduce costs, waste and emissions.

Going forward, we will have a greater focus on product sustainability. For example our Imaging Division has made sustainability a pivotal part of future product development, which includes making extensive use of recycled packaging and textiles.

The Production Solutions Division has adopted DocuSign to reduce its impact on the environment by enabling employees to electronically sign documents reducing the need for printing. DocuSign also helps to reduce the transmission of COVID-19 by avoiding the handling of paper and pens. The Division also reuses packaging boxes and bubble wrap to ship between sites to reduce waste generated.

Our Bury St Edmunds, UK, and Cartago, Costa Rica, sites are both certificated to ISO14001 environmental management systems. The Management system audit helps in building a framework to manage environmental impacts and assist in meeting legal compliance.

In our Creative Solutions Ra'anana office in Israel, colleagues have embraced a Green Revolution, whereby they aim to stop using disposable tools in order to reduce unnecessary waste.

None of the Group's businesses were subject to any environmental fines in 2020.

Board of Directors



Ian McHoul
BSc, ACA



Stephen Bird
MA



Martin Green
MA, MBA, ACCA

Role Chairman	Group Chief Executive	Group Finance Director
Appointed to Board 25 February 2019 – tenure of 2 years (Chairman from 21 May 2019)	14 April 2009 – tenure of 11 years and 10 months	4 January 2017 – tenure of 4 years and 1 month
Nationality British	British	British
Age 61	60	52
Committee membership Nominations (Chairman)	Nominations	–
Skills and membership Ian is currently a non-executive director and the Chairman of the Audit Committee of Bellway plc, Young & Co's Brewery P.L.C and Britvic plc, where he is also Senior Independent Director. He was formerly a Non-Executive Director of Wood Group PLC (2017 to 2018) and Premier Foods plc (from 2004 to 2013). He held several roles in his executive career including Chief Financial Officer at Amec Foster Wheeler plc between 2008 to 2017, Group Finance Director at Scottish & Newcastle plc from 2001 to 2008 (Ian was with the business from 1998 in the role of Finance Director for Scottish Courage Ltd), and Finance & Strategy Director, The Intreprenuer Pub Company from 1995 to 1998. Prior to this he held several roles with Foster's Brewing Group and qualified as a Member of the Institute of Chartered Accountants in England and Wales when with KPMG.	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. He was responsible for setting up Weir's Oil & Gas Division, part of Weir Group plc, and was its Managing Director until he left to join Vitec. Prior to this he worked in senior roles at Danaher Corporation, Black & Decker, Unipart Group, Hepworth PLC and Technicolor Group. Stephen has an MA from St John's College, Cambridge.	Martin was appointed to the Board on 4 January 2017 as Group Business Development Director. Martin has been with the Group since April 2003 in a variety of roles and on 10 February 2020 was appointed Group Finance Director. Martin is an ACCA-qualified accountant and began his Vitec career in financial reporting. He has an MA in Law from Trinity Hall, Cambridge, and an MBA from Cranfield School of Management. He trained and qualified as a solicitor with Linklaters & Alliance in the UK. Previously he held corporate development positions at Bunzl plc, at a broadcast equipment rental business and worked in investment banking at N M Rothschild.



Christopher Humphrey
BA, MBA, FCMA



Duncan Penny
MA



Caroline Thomson
BA, D.Univ



Richard Tyson
BSc (Hons), DipM, FRAes

Independent Non-Executive Director

Independent Non-Executive Director

Independent Non-Executive Director

Independent Non-Executive Director

1 December 2013
– tenure of 7 years
and 2 months

1 September 2018
– tenure of 2 years
and 5 months

1 November 2015
– tenure of 5 years
and 3 months

2 April 2018
– tenure of 2 years
and 10 months

British

British

British

British

64

58

66

50

Audit (Chairman),
Nominations, Remuneration

Audit, Nominations,
Remuneration

Audit, Nominations,
Remuneration (Chairman)

Audit, Nominations,
Remuneration

Chris is Senior Independent Director and Chairman of the Audit Committee of AVEVA Group plc and Non-Executive Chairman of Eckoh plc. He was a non-executive director of SDL PLC from June 2016 to November 2020 and formerly Group Chief Executive Officer of Anite plc, holding that position from 2008 until August 2015. 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 Chartered Management Accountant and a Fellow of CIMA.

Duncan is currently an Executive Director at XP Power having formerly been its Chief Executive from February 2003 to January 2021 and was previously its Finance Director from April 2000 to 2003. Duncan will retire from XP Power in April 2021. Prior to XP Power, Duncan held senior roles with Dell Computer Corporation and LSI Logic Corporation and was an audit manager at Coopers & Lybrand. Duncan has an MA in Chemistry from Oxford University.

Caroline is currently Chair of Digital UK, a non-executive director of UKGI and Chair of its Remuneration Committee, and a trustee of Tullie House Gallery in Cumbria. She was formerly Executive Director of English National Ballet where she is now a trustee. Until September 2012 Caroline was Chief Operating Officer at the BBC, serving 12 years as a member of the Executive Board. Caroline received an honorary doctorate from York University in 2013 and was made an honorary Fellow of the University of Cumbria in 2015. She is a Fellow of the Royal Television Society, a trustee of The Conversation and of the National Gallery Trust. Caroline is a Deputy Lieutenant for Cumbria.

Richard is currently Chief Executive Officer of TT Electronics plc, holding that position since 2014. He was formerly President of the Aerospace & Security Division of Cobham plc from 2008 to 2014 and a member of their Executive Committee. He was previously responsible for TRW Aeronautical Systems (formerly part of Lucas Industries) European aftermarket business before joining Cobham plc in 2003 to run its Flight Refuelling Division. Richard is a fellow of the Royal Aeronautical Society and a Governor of St Swithun's Independent School for Girls in Hampshire.

Corporate Governance

Chairman's statement



Our response to COVID-19 has been positive and timely and we have maintained our focus on business with strong governance.

This report provides detailed information on how Vitec has managed its response to COVID-19 and the governance, culture and framework under which Vitec operates.

COVID-19

The COVID-19 pandemic impacted Vitec earlier than many other businesses. The first effects were felt on our supply chain at the end of February, with half of the Group's revenue coming either from products sourced from China or made in Italy. We acted quickly and our focus was to safeguard our employees' health and wellbeing, continue to support our customers, protect the Group's financial position and manage our supply chain. The response of our teams has been outstanding. We prioritised actions to significantly reduce our costs, manage cash and reinforce our liquidity, and this has ensured that we are well placed to take advantage of growth opportunities going forward.

We developed and executed comprehensive operating guidelines and internal communications plans to inform, reassure and retain the trust of our employees. We implemented plans to deal with the short-term facility closures and fall in demand, which included short-time working and asking our employees to take annual leave or be placed on furlough.

All non-essential capital expenditure was postponed, pay rises were deferred, recruitment was frozen and all non-essential operating spend was reduced. We also took out Government support initiatives in the markets in which we operate as well as new financing facilities to see the business through the worst of the pandemic. In February 2020, the Group signed a new £165 million multicurrency Revolving Credit Facility with a syndicate of five banks, together with a £35 million accordion and extension options. We renegotiated the financial covenants tied to the Facility in May 2020 and borrowed a further £50 million under the UK Covid Corporate Finance Facility to ensure the financial security of the Group during this unprecedented period. We have announced that we will repay the CCFF in March 2021 given that markets are recovering and we are confident about the financial security of the Group. We will also repay £1.2 million of UK government furlough money.

Having announced a final dividend with the 2019 Full Year Results on 28 February 2020, given the impact of the pandemic, the Board announced on 25 March 2020 its decision to cancel the final dividend in respect of the full year 2019. This decision also applied to the interim dividend for 2020 that would normally have been declared in October 2020. The Board is mindful of the importance of dividends to the Group's shareholders and, given the strong management of the cash position and improving outlook of market conditions, the Board recommends the resumption of dividends. A final dividend of 4.5 pence per share is recommended, and subject to approval at the 2021 AGM, will be paid on 14 May 2021 to shareholders on the register on 23 April 2021.

The Group's long-term prospects remain strong. The Board is focusing on the growth potential from the launch of the complete 4K eco-system in the cine market as well as new wireless products for the adjacent live production market, plus JOBY smartphonography accessories in the independent content creator market. We have come through the most challenging period in the Company's history with a strong organisation, having looked after our people and stakeholders, and while 2021 will undoubtedly be a year of transition, we are well placed to continue to grow.

Governance and compliance statement

We have reported against the UK Corporate Governance Code 2018 (“the Code”) issued by the Financial Reporting Council and applying to accounting periods beginning on or after 1 January 2019. The Code can be found at www.frc.org.uk. My governance review, along with information in the Strategic and Remuneration Reports, explains how we applied its principles and provisions. Each principle was applied and provision complied with throughout 2020, as required by the Listing Rules, except for Provision 38. Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the workforce. As clarified on page 86 of this report, the CEO’s pension contribution will change to 8% of base salary on 1 January 2023 and become aligned to the wider UK employee workforce.

The Board considers that the Annual Report taken as a whole is fair, balanced and understandable. It provides the information necessary for shareholders to assess the Group’s position, performance, business model and strategy. To achieve this we asked the Executive Directors and the Executive Management Board to provide us with evidence around the content and process for preparing the 2020 Annual Report at our February 2021 Board meeting. The February 2021 Audit Committee meeting confirmed to us that: the 2020 financial statements are true and fair; the work of the external auditor was effective; and the process supporting the Viability Statement was robust. Consequently, the Board is able to confirm that the 2020 Annual Report taken as a whole is fair, balanced and understandable through reliance on management and knowledge of the following processes:

- detailed planning including drafting guidance and coordinated project management;
- a verification process dealing with the factual content of the Annual Report;
- comprehensive reviews undertaken at different levels in the Group to ensure consistency and overall balance; and
- a comprehensive review by the senior management team.

Board leadership and purpose

Throughout 2020, the Board remained the same and as detailed on pages 54 and 55 of this Report. The only change, as reported in 2019’s Annual Report, was that Martin Green on 10 February 2020 was appointed Group Finance Director from the position as Acting Group Finance Director.

I believe we have the right-sized Board with the necessary balance of skills given the scale of our operations. The Board collectively has skills in the areas of strategy, finance, technology, human resources and global commercial experience to assist with the implementation of our strategy. The Board is also diverse in terms of professional and global experience. The Board has a strong independent element, with four independent Non-Executive Directors to ensure that the interests of all stakeholders are reflected in the running of the Company.

The Board satisfies itself that the Company’s purpose is aligned with business practices through a variety of resources such as receiving regular monthly updates from the senior management team by way of video conference meetings. These updates are fed back to the Board by the Executive Directors on a regular basis as well as at scheduled Board meetings.

All Directors will stand for reappointment by shareholders at the 2021 AGM. Each Director provides a unique perspective on Company matters and brings to the Board specific skills. Biographical details for each member of the Board are on pages 54 and 55 of this report.

Culture

We strongly believe in doing business in the right way. Our Code of Conduct is available on our website, sets out our expectations around behaviours in all aspects of how we do business and conduct ourselves at Vitec. It is given to all employees and is available to all our stakeholders including customers and suppliers. Breaches of our Code of Conduct can result in immediate dismissal and senior management are focused on encouraging our employees to behave in line with our values and on promoting our purpose and strategy.

Health and safety is a key priority for our business, with the Board and management focused on safe working conditions and accurate reporting of any near misses and accidents supported by root cause investigations. At every Board meeting, the health and safety performance of our business is reviewed with any material issues discussed. Our five-year accident record can be found on page 46. Reports are provided to the Board on a monthly basis to track incidents and remedial actions taken as necessary. The detail of our health and safety practices is set out on page 45 of this Annual Report. COVID-19 necessitated that all our health and safety practices were urgently updated at the start of the pandemic to ensure that those employees attending our sites were able to socially distance and that appropriate preventative measures were taken.

We offer an independent whistleblowing service run by NAVEX that has been communicated to all our employees. Whistleblowing and the whistleblowing service is a Board responsibility. The Board receives regular updates on the whistleblowing service including its communication to employees, its operation and the detail of reports and investigations. This service enables employees or third parties to confidentially raise any concerns, especially if they feel unable to do so through normal line management channels. During 2020, four whistleblowing reports were raised through NAVEX relating to HR issues. The reports were independently investigated with Christopher Humphrey, in his role as Chairman of the Audit Committee, and he was kept informed on the reports and investigation. The detail of our whistleblowing service is set out in the Business Ethics section of this Annual Report on pages 42 and 43.

Due to the pandemic all Board site visits were postponed in 2020. Despite this, I still held several one-to-one phone calls with Divisional Chief Executives during 2020 to understand issues facing each Division. We hope to resume visits to our businesses in 2021 when appropriate to do so. We believe meeting face-to-face with employees and sharing key messages helps to promote the right culture and behaviours. The right business culture and tone from the top can only be promoted with proactive steps and leadership. The Board is optimistic that site visits to our operations and meeting with our people will recommence and further reinforce our values and culture.

In February 2020 Jon Bolton, the Group Company Secretary, was assigned Group HR responsibilities from Martin Green to enable Martin to focus on his new role as Group Finance Director. Jon was considered best suited to fill this role as he has wide Group experience and a good level of understanding about our people, organisation and remuneration benefits.

Corporate Governance

Chairman's statement (continued)

In November 2020, we launched an Employee Wellness Programme supported by ICAS to cover our 1,600 employees and their families providing personal support and life management services. Employees received communication materials launching the service including an introduction from Stephen Bird and communications from ICAS and each Division had further communications with employees in team meetings and all-hands briefings. The programme is an extremely valuable resource and is there to support our people.

Caroline Thomson is the independent Non-Executive Director with responsibility for employee engagement. In 2020, despite it not being possible to meet physically face-to-face with employees, she held an employee engagement session by video conference with a number of our Creative Solutions employees in December to hear first-hand their views and opinions about working for Vitec, including any feedback during the pandemic. Employees from Irvine, Cary, Dallas and Ra'anana joined video conference meetings with Caroline and there were general discussions including the approach to safety and wellbeing, communications and a wide range of issues. Further employee engagement sessions will be held in 2021. Further information on her employee engagement can be found on pages 16 and 17 of the Strategic Report.

Strategy

Due to the fast-changing nature of COVID-19, Vitec was forced to reassess its strategic approach in March 2020. A base case model was prepared and an action plan to deliver the base case was discussed and agreed. The Board also agreed on revised objectives for 2020 with a new objective added to monitor progress on the Company's response to COVID-19 including the wellbeing and safety of employees, financial performance in line with base case, ensuring the financial security of the Company and that key stakeholders remained supportive. This new objective was clearly the priority for 2020.

In accordance with our Board programme, we conducted virtual strategic review sessions in June and December 2020. Out of this strategy review a detailed list of key strategic growth opportunities was identified. The pandemic has resulted in more content than ever being consumed by individuals and the Group is now faced with a series of new opportunities and while some traditional opportunities have been adversely impacted, the key is to focus on the new opportunities.

We will look to revisit our Blue Sky strategic review process again in 2021. We are confident about our growth strategy and that it will recover from the pandemic and deliver long-term sustainable growth for shareholders.

Board purpose

The role of the Board is to promote the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society. To fulfil its duty, the Board has separate roles for each member and we have a clear division of responsibilities between the Chairman and Group Chief Executive. Full details of our respective roles and responsibilities can be found on our website.

It is my responsibility to manage the Board and to ensure that it is effective. I work closely with the Group Chief Executive and Group Company Secretary to achieve this by ensuring that all Directors: are kept advised of key developments; receive accurate, timely and clear information; and actively participate in the decision-making process. Board agendas are reviewed and agreed in advance to ensure 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 laws and any directions as provided by the Company in general meeting. Apart from the remuneration of Directors there were no instances when a Director had to abstain from voting on a matter due to a conflict of interest during 2020. The Board has a clear policy for dealing with any such conflicts or potential conflicts of interest. All Directors are reminded at the start of every Board meeting about their duties, including the need to disclose any conflicts of interest. The Group Company Secretary maintains a record of all declared conflicts of interest.

Maintaining stakeholder dialogue

During 2020 maintaining regular contact with our key stakeholders was a priority, which for the Board involves primarily our major shareholders and employees. This remains an important part of our activities and is fundamental to good corporate governance. The Executive Directors and Board members held meetings with each of our major shareholders tied into the strategy of the COVID-19 response, publication of our full year and half year results and also periodically as requested.

During these meetings we covered the ongoing pandemic, Group strategy, governance and remuneration matters. Caroline Thomson, in her capacity as Chair of the Remuneration Committee, also engaged with our major shareholders during 2020 to discuss executive LTIP and restricted share plan awards.

The skill, passion and dedication of our employees in delivering products and solutions to enable our customers to capture and share exceptional content is evident to see. Our employees are our greatest asset and we ensure we support them in succeeding in their roles. We have a talented and stable executive management team, with great experience in our markets and who are clearly incentivised to deliver on our growth strategy. Engagement with our employees during 2020 is covered in detail on pages 16 and 17 of this Report.

2020 and 2021 Annual General Meeting

Due to the pandemic the Board considered the impact of the Government's Stay at Home Measures and the ICSA guidance on the 2020 AGM. The 2020 AGM was held at the Company's registered office on Wednesday, 27 May 2020 taking into account the safety and wellbeing of all employees and shareholders. Shareholders were unable to attend the AGM with only the Company Secretary and I, the Chairman, attending in person, to ensure that the meeting was quorate and to conduct the business of the meeting. No other Directors were present in person. The meeting was limited to the formal business as set out in the AGM notice dated 25 March 2020 and the voting results of all resolutions put before the meeting were announced to the market following the AGM.

As previously explained, we withdrew the resolution in connection with the 2019 final dividend at the 2020 Annual General Meeting.

Subject to Government advice and the ongoing COVID-19 measures, it is the Company's intention to hold the 2021 AGM on 6 May 2021 at Bridge House, Heron Square, Richmond, TW9 1EN. In light of the current COVID-19 restrictions, shareholders will not be permitted to attend the AGM in person but can be represented by the Chairman of the meeting acting as their proxy. Shareholders are encouraged therefore to submit their votes by submitting a proxy form. More information is outlined in the Notice of AGM.

Details of the AGM are included in the Notice of Meeting that accompanies this Annual Report and which is available on our website.

Shareholders voting at the AGM

All resolutions are voted on by way of a poll. This reflects best practice and ensures that the views of all shareholders who submit proxy forms are considered in terms of the actual voting at the meeting. The outcome of the voting at the AGM will be announced by way of a London Stock Exchange announcement and full details will be published on the Company's website shortly after the AGM. At the 2020 AGM, over 79% of our issued 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 can ask questions at the meeting. If a resolution is opposed by a significant proportion of shareholders, the Company will endeavour to explain, as soon as practically possible following the meeting, the actions it intends to take to understand shareholders' concerns and how best to address the concerns being raised. The Board considers that a vote against in excess of 20% of shareholders voting to be significant.

Other forms of shareholder communication

We publish an Annual Report each year, usually in March, following the end of the financial year on 31 December. We will continue to send out the Notice of Meeting and related papers to shareholders at least 20 working days before the AGM, to allow shareholders to review the Annual Report in advance of the AGM and create an informed view of the Group. 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.

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.

Our website contains information on the Group including financial results, presentations, investor relations and products and services. Shareholders and other stakeholders are encouraged to view the website and sign up to our alerts to receive up-to-date information.

Shareholder rights

The Company's shareholders have a series of rights in connection with the governance of the Company. These are contained in statute, principally the Companies Act 2006, regulations such as the UKLA's Listing Rules and in the Company's Articles of Association.

A shareholder, or shareholders acting together, can use procedures set out in the Companies Act 2006, to requisition a general meeting of the Company. The Directors are required to call such a general meeting once the Company has received requests to do so from shareholders representing at least 5% of the paid-up capital of the Company as carries the right of voting at general meetings of the Company (excluding any paid-up capital held as treasury shares).

Under the Companies Act 2006, either (i) a member or members representing at least 5% of the total voting rights of all the members having a right to vote on the resolution at the AGM (excluding voting rights attached to any treasury shares); or (ii) at least 100 members with the right to vote on the resolution at the AGM and each holding, on average, at least £100 of paid-up share capital, may

require the Company to give members of the Company entitled to receive notice of the next AGM, notice of a resolution which may properly be moved at that meeting. Such a resolution may be properly moved unless it is defamatory, frivolous or vexatious or if it would be ineffective for any reason.

Such a request may be in hard copy or electronic form and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it and must be received by the Company not less than six weeks before the meeting. A request for a matter to be included in the business of the meeting must also be accompanied by a statement setting out the grounds for the request.

Shareholders have an express right to vote annually on the Directors' remuneration report and at least every three years they have the right to vote on the policy governing Directors' remuneration. Under the Company's Articles of Association, shareholders have the right to vote on the re-election of all Directors of the Company annually at the AGM.

I also confirm that under the Company's governance arrangements, including the Articles of Association, there are no anti-takeover devices or provisions to prevent a takeover of the ownership of the Company through the normal ways permitted under UK law and regulation. There are no limitations on share ownership and the issuance of new capital, subject to shareholder approval, would be to address funding needs and is not a tool for an anti-takeover measure.

Division of responsibilities

The Group Chief Executive is responsible for managing the business. The Executive Management Board supports the Group Chief Executive in this duty. I continue to work closely with Stephen Bird and his direct reports through regular meetings and speaking frequently outside of scheduled Board meetings to discuss the strategy and performance of the business.

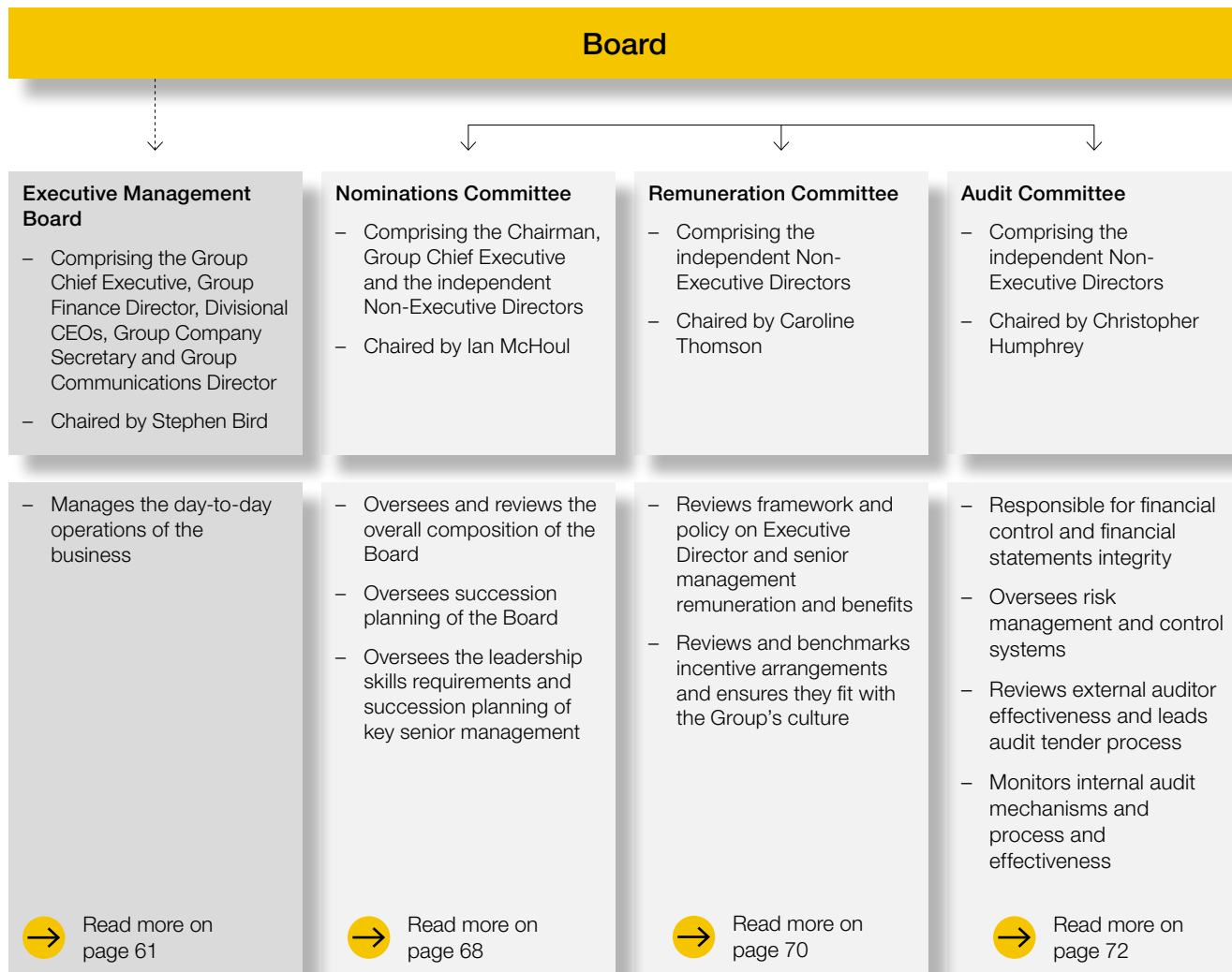
Christopher Humphrey is the Senior Independent Director having been appointed to this role with effect from 2 April 2018. In this role, Christopher leads the process around the evaluation of my performance as part of the 2020 Board evaluation, information on which is provided later in this report. The Board considers that Christopher Humphrey remains independent and has the right experience and background to fill this important role on the Board.

The Board has a Schedule of Matters Reserved to it which includes: setting of Group strategy; setting of annual operating budgets; review of progress against strategy and budgets; approval of financial results; approval of dividends; changes in Board composition including key roles; consideration of acquisitions and disposals; approval of material litigation; changes in capital structure; setting of risk management strategy; and various statutory and regulatory approvals. The Board meets regularly throughout the year to receive updates on business performance and consider proposals within its remit. The Schedule of Matters Reserved to the Board is reviewed annually and is available on our website. Despite the challenges presented by the pandemic, the Board continued with its normal programme of meetings, and business and held several short notice meetings to deal with specific matters relating to the pandemic. While this was not face-to-face, meetings were held by video conference and ensured that the Board continued to perform effectively.

Corporate Governance

Chairman's statement (continued)

Vitec's governance and control structure is as follows:



Board governance

The Board has delegated certain items of business to its principal Committees, which are detailed above. This ensures the Board has sufficient time to deal with strategic matters while retaining oversight on salient points by virtue of its Committees. The Board's principal Committees are the Audit, Remuneration and Nominations Committees. Each Committee has terms of reference, copies of which are available on our website. Each Committee can 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 remit. Each Committee annually reviews its performance, constitution and terms of reference to ensure it is operating effectively and recommends any changes it considers necessary to the Board for approval. Each Committee's responsibilities and activity in 2020 are set out later in this report.

Directors' meetings

Ordinarily, the rest of the Board and I would spend time together outside of scheduled Board meetings to learn not only about the business but each other's skills and personalities, which helps ensure an effective, unitary Board. However, during 2020, apart from the February 2020 Board meeting and due to COVID-19,

we could not hold the usual dinners for the Board before each scheduled Board meeting to enable Directors to informally discuss current business matters. This informal environment creates an opportunity for members of the Executive Management Board, other senior management or external advisors to attend to give updates on the business. This is a very useful and effective format. We continued to hold Non-Executive Director only meetings, scheduled around Board meetings but held by video conference. These enable the Non-Executive Directors to raise any issues without executive management present. As Chairman, I feed back to the Group Chief Executive on these discussions and take any actions necessary to address matters raised. As soon as practical to do so we plan to restart this process of meeting informally as it is a valuable opportunity to improve the running of the business.

Several days in advance of meeting, the Board and its principal Committees receive detailed agendas and supporting papers to enable each Board member to be informed with timely, accurate and clear information on proposals coming forward. The Group Company Secretary in conjunction with the Chairman oversees this process to ensure that the Board and its Committees work effectively. The information includes detailed budgets, forecasts, strategy papers, reviews of the Group's financial position and

operating performance, and annual and half yearly reports. Each Director receives a detailed monthly report from the Group Chief Executive, Group Finance Director, Group Company Secretary and Group General Counsel, plus a Health and Safety Report. The Board receives further information from time to time as and when necessary. During 2020 and in response to the pandemic, the Group Chief Executive increased the frequency of updates to the Board, providing information on the safety of our employees, site operations, financial performance and the Company's response to the pandemic.

The Group Company Secretary's role is to support the Chairman, the Board, its Committees and individual Directors in discharging their duties effectively including governance matters. The Group Company Secretary's appointment and removal is a matter to be considered by the Board.

All Board and Committee meetings are minuted by the Group Company Secretary. Minutes are reviewed by the Chairman of that meeting before being circulated to all Directors and then tabled for approval at the next meeting.

Directors' attendance

Details of Directors' attendance at Board and Committee meetings is shown in the table below. All Directors attended each scheduled Board meeting and the six called at short notice, with the exception of Christopher Humphrey who could not attend the short notice Board meeting in February 2020 due to a prior commitment. When any Director is unable to attend they continue to receive the necessary papers and I contact them in advance of the meeting to obtain their input.

The Executive Management Board

The Executive Management Board, which is led by the Group Chief Executive, meets regularly to discuss 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. The Board regularly meets with members of the Executive Management Board around its scheduled Board meetings. This attendance allows the Board to directly question senior management responsible for the business and to gain a better understanding of their respective technologies, markets, products, customers and competitors.

Directors' attendance table for 2020⁽¹⁾

	Board		Audit	Remuneration		Nominations
	Scheduled	Short notice	Scheduled	Scheduled	Short notice	Scheduled
Number of meetings	6	6	5	4	2	2
Directors:						
Ian McHoul	6	6	–	–	–	2
Christopher Humphrey	6	5	5	4	2	2
Duncan Penny	6	6	5	4	2	2
Caroline Thomson	6	6	5	4	2	2
Richard Tyson	6	6	5	4	2	2
Stephen Bird	6	6	–	–	–	2
Martin Green	6	6	–	–	–	–

(1) All Directors had 100% attendance at all Board and Committee meetings during 2020, whether scheduled or called at short notice with the exception of Christopher Humphrey who could not attend the short notice February 2020 Board meeting due to a prior commitment. As a consequence Christopher Humphrey's attendance percentage was 91.6% for Board meetings.

Board activities in 2020

At each scheduled Board meeting the following standing items are considered:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising
- Progress against agreed Board objectives
- Reports from the Group Chief Executive, Group Finance Director and Group Company Secretary on key aspects of the business including health and safety, current trading, strategy, acquisitions and disposals, financial results, governance, HR and legal matters
- Key Performance Indicators.

There were six scheduled Board meetings and six short notice Board meetings in 2020. In addition to the standing items, page 62 sets out a summary of the business considered at each meeting in 2020. With the exception of the February scheduled Board meeting, all other meetings were held by video conference.

The Board has a rolling calendar of activities and has agreed scheduled Board and Committee meeting dates for 2021 and 2022. This enables a structured process to manage the business including financial reporting, strategic reviews, operational performance and governance related matters.

Corporate Governance

Chairman's statement (continued)

2021 Board Meetings

February	<ul style="list-style-type: none">– Board objectives– Approved annual results, including review and approval of: principal risks and mitigation, report on going concern and Viability Statement, final dividend recommendation, 2019 full year results announcement, 2019 Annual Report, notice of AGM and management representation letter– Approved the reappointment of Deloitte LLP as auditor– Group strategy review including acquisition updates– Approved Sharesave scheme rules renewal– Appointment of Group Finance Director and executive remuneration– Revolving Credit Facility update.
March	<ul style="list-style-type: none">– Considered a market update and approved cancellation of the recommended final dividend– Update on COVID-19 response plan– Update on COVID-19 financials and actions.
April	<ul style="list-style-type: none">– Updates on response to COVID-19– Group forecast and revenue update– Approval of Revolving Credit Facility renegotiation and Covid Corporate Finance Facility.
May	<ul style="list-style-type: none">– COVID-19 update– Financial outlook 2020-2022– 2020 trading year to date update– AGM update– Group property lease – Amimon.
June	<ul style="list-style-type: none">– Strategy review session– Current trading and business update – including COVID-19 response– 2020 Sharesave offer to employees.
August	<ul style="list-style-type: none">– Approved half year results for the six months ended 30 June 2020, including review and approval of: principal risks and mitigation, report on going concern, 2020 half year results announcement and management representation letter– Global insurance renewal– Presentation from the Company's broker, Investec– Update on strategic R&D projects– 2020 internal Board evaluation process.
October	<ul style="list-style-type: none">– Update on current trading and COVID-19 response– Capital expenditure projects for Imaging Solutions– Restructuring progress– Update on UK pension arrangements– Progress on internal Board evaluation.
November	<ul style="list-style-type: none">– Reviewed current trading and trading update.

December	<ul style="list-style-type: none">– Update on current trading including COVID-19 response– Update on Group strategy and strategic plan actions including Creative Solutions update– Renegotiation of the Revolving Credit Facility– Approved 2020 budget– Group property leases – Imaging Solutions USA and Camera Corps UK– Risk appetite review– Outcome of the 2020 internal Board evaluation– Annual review of Group's governance arrangements and policies– Review of Chairman's and Non-Executive Directors' fees.
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Composition, succession and evaluation

The appointment of Directors

Under the Company's Articles, 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. Any Director so appointed holds office only until the next AGM and shall then put themselves forward to be reappointed by shareholders. The current Board comprises a Chairman, Group Chief Executive, Group Finance Director and four independent Non-Executive Directors. Details of their appointment are set out on page 63.

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 Company to do so, appointments of the Chairman and Non-Executive Directors may be extended beyond six years, with the approval of the Nominations Committee, the Board and the individual Director concerned, subject to annual election by shareholders.

Under the Company's Articles, each Director is required to stand for annual reappointment at every AGM. The annual renewals of terms for a Non-Executive Director will take into account ongoing performance, continuing independence and the needs and balance of the Board as a whole.

Board diversity policy

The Board considers the issue of diversity for every appointment. The objective is to ensure that the Board appoints the best person for every role and to optimise the collective Board strength. As part of this, the Board has adopted a policy on diversity as set out below:

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, among other things, Lord Davies' review, Women on Boards, the Hampton-Alexander review, FTSE Women Leaders and the Parker and McGregor-Smith reviews on Ethnic Diversity. We will report upon this issue annually in our Annual Report.

Chairman or Non-Executive Director	Appointment date	First renewal of term	Second renewal of term	Subsequent renewal of term
Ian McHoul (Chairman)	25 February 2019	25 February 2022	25 February 2025	Annually from 25 February 2026 onwards
Christopher Humphrey	1 December 2013	1 December 2016	1 December 2019	Renewed tenure to 1 December 2022
Duncan Penny	1 September 2018	1 September 2021	1 September 2024	Annually from 1 September 2025 onwards
Caroline Thomson	1 November 2015	1 November 2018	1 November 2021	Annually from 1 November 2022 onwards
Richard Tyson	2 April 2018	2 April 2021	2 April 2024	Annually from 2 April 2025 onwards

Executive Director	Appointment date	Term
Stephen Bird (Group Chief Executive)	14 April 2009	Appointed under a service contract and subject to annual reappointment by shareholders in accordance with the Company's Articles
Martin Green (Group Finance Director)	4 January 2017	Appointed under a service contract and subject to annual reappointment by shareholders in accordance with the Company's Articles

Our people and culture on pages 14 and 15, and Employees under the Responsible business section on page 48 details further information on diversity, including the disclosure of gender diversity statistics in accordance with the requirements of the Companies Act 2006.

Independence of Non-Executive Directors

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 Ian McHoul, Christopher Humphrey, Duncan Penny, Caroline Thomson and Richard Tyson are independent in accordance with the recommendations of the Governance Code. Except for Christopher Humphrey, each of these Non-Executive Directors' tenure on the Board is less than six years and I lead the process of ensuring that each year the performance of each Director is objectively appraised.

Each Director is required to declare any conflict of interest arising on any matter. During the April Board meeting Caroline Thomson reported that she was a non-executive board member of UKGI, which had an advisory role on the committee operating the triage for the grading of loans for the Bank of England's Covid Corporate Finance Facility scheme. The potential conflict of interest was noted and in accordance with the Company's Articles of Association the Board authorised Caroline Thomson to participate in discussion and decisions relating to that matter. I confirm that no other such conflict arose in 2020.

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 skillset required to deliver the strategic objectives of the Group and to ensure its continued success.

Induction programme

On appointment, we provide each Director with a tailored and extensive induction to the Group. This includes meeting with all senior Head Office and Divisional management, meeting the Company's main external advisors including Deloitte and Investec and site visits to key facilities in the Group. Each Director is encouraged to continue visiting the Group's operations as their schedule permits.

Board training

Ongoing training for new 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 the Company's advisors. The requirement for training is discussed at Board and Committee meetings 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 2020 the Board collectively received training sessions on product technology, cyber security, investor relations and the broadcast and photographic markets as well as accounting and legal updates from the Company's external auditor and legal advisor. The Board also receives written updates on governance, regulatory and financial matters as they are published.

Independent external advice for Directors

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 2020 no Director took such advice.

Measuring effectiveness and performance of the Board

The Board annually sets itself clear objectives and monitors progress against each throughout the year. The Board rigorously challenges itself on delivery of strategy, financial performance measured against budgets, governance and operational performance KPIs. In compliance with the Code, even though we are not a FTSE 350 company, we conduct an external Board evaluation every three years to ensure that we independently measure the effectiveness and performance of the Board. The last external Board evaluation was carried out in 2017 and reported on in the 2018 Annual Report. Due to the impact of COVID-19 in 2020, we took the decision to delay an externally facilitated evaluation until 2021 to enable a more thorough review involving face-to-face meetings. For 2020 we therefore conducted an internal Board evaluation.

Board evaluation 2020

The process for the 2020 internal Board evaluation was led by myself and the Group Company Secretary. It entailed several questionnaires being sent to each Director including:

- Evaluation of the performance of the Board
- Evaluation of the performance of the Board Committees
- Evaluation of the Non-Executive Directors by the Chairman

Corporate Governance

Chairman's statement (continued)

- Evaluation of the Chairman led by the Senior Independent Director taking into account the views of the Board

Furthermore, the questionnaires covered every aspect of the Board and the business, including the composition and expertise of the Board as well as its performance and dynamic, the Board's response to the pandemic, overall Group-wide strategy, governance arrangements for the Group, succession planning and talent, customers and competition and risk and controls amongst other areas.

I then followed up with each Director on the content of the evaluation forms, including feedback on each Director's performance and areas for improvement around the time of the December 2020 Board meeting.

For my own evaluation, Christopher Humphrey, as Senior Independent Director, coordinated the process with evaluation forms completed by each Director. Christopher Humphrey also held follow up meetings with each Director around the time of the December 2020 Board meeting.

The outcome of the questionnaires and the follow-up meetings helped to draft the Board and Committee objectives for 2021.

The 2020 evaluation asked each Director to identify their top three priorities and the following were commonly repeated:

- Strategic direction of the Group and evaluating the portfolio of businesses to maximise value
- Acceptable 2020 financial outcome and ensuring a recovery in 2021 and getting the business back to 2019 financial levels as soon as possible
- Executive succession and talent.

The results of the evaluation showed that the Board responded well to COVID-19 and is performing to a high standard. It demonstrated that the Group's strategy continues to be assessed and challenged despite current operational difficulties and that there are robust governance arrangements in place. The Board is confident that it has the right approach and senior management team in place to successfully deliver for our shareholders.

Each Committee was deemed to be well managed and effective along with individual Directors contributing sufficient time and effort both during and outside of meetings.

Performance evaluations of each of the Executive Directors also took place against achievement of specific personal objectives, the detail of which can be found in the Remuneration Report and forms part of the 2020 Annual Bonus Plan.

We will conduct an externally facilitated Board evaluation in 2021 and will report on that in the 2021 Annual Report.

Board performance against 2020 Board objectives

The Board set itself several objectives for 2020. These are summarised below with an assessment of performance against each:

2020 Board objective	Progress during 2020
<p>Respond to COVID-19 Oversee the Company's response to COVID-19 including; (i) wellbeing and safety of employees; (ii) financial performance in line with base case and necessary mitigation steps to deliver performance in line with that; (iii) ensure the financial security of the Company including RCF renegotiation and CCFF; and (iv) ensure that key stakeholders remain supportive of the Company's response and recovery from COVID-19.</p>	<ul style="list-style-type: none"> – Board approved the renegotiation of RCF financial covenants and the setting up of a Covid Corporate Finance Facility with the Bank of England – Preparation of financial scenarios with mitigation steps to manage the impact of the pandemic on the Group – Regular updates on the response to COVID-19 given to the market – The 2019 final dividend was cancelled and Directors and senior management took a 20% reduction in remuneration for a period of time – Weekly updates to the Board on performance and the response to COVID-19 from the CEO – Regular communications from the CEO to all employees covering markets, operations, products, cash and costs – Safe working practices implemented and adhered to with employees continuing to work from home where possible – Introduced an all-employee wellness programme.
<p>Strategy Focus on delivery of strategic growth initiatives with regular updates, milestones and KPIs to track progress through 2020. Develop strategy further in 2020 through the 2020 Blue Sky and Strategy sessions.</p>	<ul style="list-style-type: none"> – Received progress update on strategic growth initiatives – Reviewed a high-level update on strategy for the Group and divisions in response to COVID-19 – Blue Sky strategy session planned for May was postponed so that management could focus on responding to COVID-19 – Received presentations on the Group and Divisional strategic plans for the coming year – Considered the progress made against the strategic priorities set at the strategic review meeting in June 2019 – Reviewed a strategy tracker setting out the Group and Divisional priorities for the short and mid term – Update on progress against strategic priorities for each Division and their outlook for 2020 and 2021 – Strategy update session at December meeting.

2020 Board objective	Progress during 2020
<p>Financial Deliver business to return to underlying growth including performance in line, if not better, than 2020 budget.</p>	<ul style="list-style-type: none"> – Tracked the Group's financial performance and recovery throughout 2020 in response to the pandemic ensuring an outturn in line with expectations – Ensured that measures put in place to deal with the pandemic were not to the long-term detriment of the Group and its growth opportunities – Reviewed the Group's 2021 budget.
<p>Board succession Notably around the executive, including the appointment of a permanent Group CFO and clear succession plan around the Group CEO.</p>	<ul style="list-style-type: none"> – Appointment of Martin Green as Group Finance Director with effect from 10 February 2020 – Received an update on Board succession along with talent and succession plans throughout the Group – Board evaluation indicates that Board succession is a key issue for 2021.
<p>Creative Solutions See progress of the Division with a stable structure, performance and growth including successful launch of 4K products into the market. Oversee the recovery of SmallHD to a more stable position following the 2018 fire. Board visit to Teradek in June 2020 as part of seeing progress in Creative Solutions.</p>	<ul style="list-style-type: none"> – Division being managed in line with agreed response to COVID-19 – Board visit to Teradek in June was cancelled – Reviewed Divisional strategy update at virtual strategy meeting in June. This covered the building of a more cohesive Division bringing the constituent businesses closer together focusing on end markets – Held a successful virtual employee engagement session for Creative Solutions in December involving Caroline Thomson – Board update at its December meeting on progress with the Creative Solutions business including its growth plans and budget for 2021.
<p>Imaging Solutions See the transition of the Division with Project Digital fully implemented and return the business to a more stable environment with growth opportunities (including Syrp, JOBY and Rycote) being delivered.</p>	<ul style="list-style-type: none"> – Received regular updates on the Division throughout the year – Division being managed in line with agreed response to COVID-19 – Reviewed an update with the restructure of certain parts of the Division – Approved capital expenditure project to bring JOBY manufacturing into Italy.
<p>Environmental Social & Governance Oversee a cohesive Group-wide ESG policy and programme ensuring that shareholders and stakeholders are supportive and that reputational risk associated with ESG is minimised.</p>	<ul style="list-style-type: none"> – Reviewed ESG summary that covers the Group's operations and builds on the existing programme – The 2020 Annual Report covers progress on ESG matters on pages 40 to 53. Further work on this objective will be carried over into 2021.

Corporate Governance

Chairman's statement (continued)

Board objectives for 2021

The 2020 Board evaluation helped to set Board objectives for 2021 and these focus on the areas of: strategic growth initiatives; strategic direction; evaluating the portfolio of businesses; financial performance to ensure a recovery in 2021 and Board succession. The Board will track progress against each during 2021 and we will report on these objectives in the 2021 Annual Report.

Each of the Board Committees was reviewed with individual outputs and actions created. As with the Board, the output helped set the 2021 objectives that will be reported on in the 2021 Annual Report.

For the Audit Committee, 2021's focus will be on: cyber security; business continuity (COVID-19 and Brexit); treasury strategy with focus on interest rate risk management; tax strategy with focus on Group financing arrangements and impact on Effective Tax Rate ("ETR") and oversight of R&D activity.

The Remuneration Committee's objectives for 2021 include: ensuring that the 2021 LTIP award and 2021 Bonus Plan are appropriate and incentivise management to recover and grow the business with suitably stretching performance conditions; ensuring that the 2020 Remuneration Report complies with best practice; ensuring that executive remuneration is fit for purpose in rewarding, motivating and retaining executive management; expanding personal objectives tied to the 2021 Bonus Plan to include achievement of agreed ESG objectives with clear KPIs set and measured against; maintain employee engagement sessions in 2021 ideally with face-to-face engagement sessions; training to ensure the Committee remains briefed and up to speed on emerging issues relating to executive/director remuneration.

The Nominations Committee in 2021 will focus on Executive Director succession and the development of talent and succession plans for senior management.

Finally, my review led by Christopher Humphrey highlighted that I have settled in well as Chairman and I am providing effective leadership both during and in between meetings, ensuring that the Board functions well with all members providing input. The Board felt I effectively managed the frequency and communication of the additional meetings that have been held virtually in 2020 to discuss primarily the COVID-19 pandemic and the Company's response, ensuring that all Directors have been able to contribute. It was also highlighted that I have developed an open and supportive relationship with the executive management team and all Board members, as well as major shareholders. I am pleased to say that my performance was well rated by the Board.

Audit, risk and internal control

Financial and business reporting

The Board considers that this report accords with the Financial Reporting Council's ("FRC") Guidance on Risk Management, Internal Control and related Financial and Business Reporting, as issued in 2014, and has reported against the recommendations in this Annual Report.

Board oversight of internal control and risk management

The Board has delegated responsibility to the Audit Committee for oversight of the Group's system of internal controls to safeguard shareholders' investments and the Company's assets. As part of its responsibility, the Audit Committee formally reviews the effectiveness of the Group's internal controls twice a year. 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 and Audit Committee to fulfil their legal responsibility for the keeping of proper accounting records, safeguarding the assets of the Group and detecting fraud and other irregularities. This approach provides 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 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 the existing and emerging risks it faces and for putting in place procedures to monitor and manage those risks
- The responsibilities of senior management in each business unit to manage existing and emerging risks within their businesses are periodically reinforced by the Executive Management Board
- 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, including emerging risks, together with the controls in place to mitigate those risks. In addition, every business unit conducts a self-assessment of its internal controls. Every year, 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 register 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 Group's principal risks and uncertainties and mitigation for them are set out on pages 18 to 22 of this Annual Report.

The Board has established a control framework within which the Group operates. This contains the following key elements:

- strategic planning process identifying key actions, initiatives and risks to deliver the Group's long-term strategy
- 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 and
- comprehensive system of financial reporting including weekly flash reports, monthly reporting, quarterly forecasting and an annual budget process. The Board approves the Group budget, forecasts and strategic plans. Monthly actual results are reported against prior year, budget and latest forecasts, and are circulated to the Board. 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 Executive Management Board and remedial action is taken where appropriate. Group tax and treasury functions are coordinated 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.

This system has been in place for the year under review and up to the date of approval of the Annual Report.

The Group's internal audit function, led by the Group Risk Assurance Manager, conducted several internal audits and additional assurance reviews during 2020, 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, but not limited to: purchasing and payments; sales and cash collection; inventory management; accounting and reporting; human resources; and IT processes. An internal audit plan for 2020 was prepared and agreed with the Audit Committee at its February 2020 meeting. The Committee in response to COVID-19 subsequently flexed this plan to reflect the impact of the pandemic. For example, this included remote internal audit visits with a strong focus on key financial controls.

The sections on the following pages covering governance overviews of the Nominations, Remuneration and Audit Committees, and the pages on our engagement with stakeholders form part of this Governance report.

Ian McHoul
Chairman

25 February 2021

Nominations Committee report



Chairman

Ian McHoul

Members during 2020

- Stephen Bird
- Christopher Humphrey
- Caroline Thomson
- Richard Tyson
- Duncan Penny

Role of the Committee

The Board has appointed the Nominations Committee to:

- Oversee the composition of the Board (including size, skills, knowledge, experience and diversity), ensuring that it remains appropriate and making any recommendations to the Board regarding any changes
- Lead the process regarding appointments to the Board, including the role of the Chairman
- Succession planning for the Board and senior executives including recruitment, talent development and identification of potential candidates internally or externally and making such recommendations to the Board.

Current Committee members are set out above. Other members of the Board attend Nominations Committee meetings by invitation and where there is no conflict.

Nominations Committee activities in 2020 and plans for 2021

During 2020 the Nominations Committee focused attention on Board succession, succession planning more widely and talent development for the direct reports of the Executive Directors and senior management.

In the early part of 2020, the Committee finalised the recruitment process for a new Group Finance Director which culminated in Martin Green's appointment to the role on 10 February 2020.

The Committee received a detailed update on executive talent and succession plans for the senior leadership teams covering Production Solutions, Imaging Solutions, Creative Solutions and the Head Office at its October 2020 meeting.

In 2021 the Committee will focus in further detail on Executive Director succession and the development of talent and succession plans for senior management within each of the Group's Divisions.

New Director appointment process

Once the Board has identified the need for a new Director, the Chairman, except where the search relates to his role, engages the support of an external executive search consultant where necessary to facilitate the search. The Chairman works with the consultant to draft a clear brief on the role, skills and personal attributes that the Board is looking for, taking into account Board diversity, and ensuring that the consultant is mindful of potential candidates' other time commitments. This is followed up with a search process to identify suitable candidates. Initial interviews would be held with candidates with both the Chairman and the Group Chief Executive, where appropriate, following which a shortlist would be created taking into account the skills of each candidate and perceived cultural fit with the Board and senior management. Following further meetings, a preferred candidate would be chosen and each member of the Board would then meet with, or speak to, the preferred candidate individually to ensure that a person with the right skills, diversity and dynamic fit with the Board was appointed. This same process would occur whether the role was executive or non-executive in nature. However, should the search be for the role of Chairman, it would be conducted by the Senior Independent Director with the support of the Board. Subject to the outcome of each search, a formal recommendation on an appointment is made by the Nominations Committee to the Board for approval.

Board balance and diversity

I am confident that we have the necessary mix and balance of skills, personalities and diversity on the Board to meet the challenges the Group faces, deliver on strategy, monitor ongoing performance and exercise good corporate governance. During 2020 each Board member assessed the current mix of the Board and skills of Directors to identify potential areas for improvement. This will help to support the recruitment of new Directors as we move forward. I will remain mindful of the need to have the right balance on the Board and future Board changes will take into account the diversity of experience, thought, background and ethnicity. The Nominations Committee will continue to monitor Board structure and succession plans, including talent development and succession plans of senior management below Board level.

Nominations Committee activities during 2020

At each main meeting the Committee considers:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising.

The Committee had two meetings in 2020 and covered the following matters:

February	<ul style="list-style-type: none"> – Martin Green's appointment as Group Finance Director – Board succession update – skills and experience
October	<ul style="list-style-type: none"> – Progress update on Board succession – Progress update on talent and succession across the Group's businesses

Remuneration Committee report



Chairman

Caroline Thomson

Members during 2020

- Christopher Humphrey
- Richard Tyson
- Duncan Penny

Role of the Committee

The Board has delegated to the Remuneration Committee the setting of a remuneration framework for the Company's Group Chief Executive, other Executive Directors and members of the Executive Management Board. An overview of the work completed by the Remuneration Committee during the year is set out in the table opposite. The Remuneration Committee is chaired by Caroline Thomson and comprises exclusively independent Non-Executive Directors. The Chairman, Group Chief Executive, Group Finance Director, and Group Company Secretary were all invited to attend meetings throughout 2020. The Committee also uses the services of FIT Remuneration Consultants who provide advisory services on executive remuneration and wider market remuneration issues.

Caroline Thomson in her role as Chairman on the Remuneration Committee is available to shareholders to discuss matters relating to Directors and senior executive remuneration.

The Remuneration Report for the year ended 31 December 2020 on pages 80 to 82 provides an introduction from the Committee Chairman. It sets out an overview of the Group's remuneration policy for Executive and Non-Executive Directors which was approved by shareholders at the 2020 AGM and will next be put to shareholders at the 2023 AGM. The Report also provides details of Executive and Non-Executive Directors' remuneration during 2020.

Remuneration Committee activities during 2020

During 2020 the Remuneration Committee had four scheduled meetings and two meetings held at short notice. At each scheduled meeting the Committee considered the following matters:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising
- Progress against 2020 objectives.

The following specific business was dealt with at each meeting held in 2020:

February	<ul style="list-style-type: none"> – Approved the 2019 Remuneration Committee Report including Policy Report to be submitted to the 2020 AGM for approval – Approved the outcome of personal objectives for Executive Directors for 2019 and agreed Executive Directors' 2020 personal objectives – Approved the outcome of 2019 Annual Bonus Plan and confirmed financial targets for 2020 Annual Bonus Plan – Approved the outcome of performance conditions tied to 2017 Long Term Incentive Plan ("LTIP") awards – Approved Deferred Bonus Plan ("DBP") to be applied to bonuses to be paid to the Executive Directors and Executive Management Board members for the 2019 Annual Bonus Plan – Reviewed plans for employee engagement meetings to be held in 2020
August	<ul style="list-style-type: none"> – Noted an update on executive remuneration from FIT Remuneration Consultants in response to COVID-19 and following the 2020 AGM season – Received proposal for LTIP and Restricted Share Plan awards to be made for 2020 in light of impact of COVID-19
September	<ul style="list-style-type: none"> – Approved a revised proposal for LTIP awards for 2020 following consultation with major shareholders
October	<ul style="list-style-type: none"> – Received detail of LTIP and RSP awards made in September 2020 – Received TSR Interim Report as at 30 September 2020
December	<ul style="list-style-type: none"> – Approved the outcome of the Committee's 2020 objectives and set 2021 objectives – Considered further feedback on Executive Remuneration relating to COVID-19 and post 2020 AGM season from FIT Remuneration Consultants – Considered indicative outcome for the 2020 Annual Bonus Plan and Executive Directors 2021 personal objectives – Considered proposed salary increases for 2020 for the Executive Directors and Executive Management Board – Considered the structure of the 2021 Annual Bonus Plan – Received feedback on Creative Solutions employee engagement meetings

Remuneration Committee performance measurement

The Remuneration Committee set itself several objectives for 2020, the detail and progress against which is shown in the table below. It has set itself objectives for 2021 and will report on progress against these in the 2021 Annual Report.

2020 Remuneration Committee objectives	Progress during 2020
Secure shareholder approval at the 2020 AGM to a new Policy Report to cover Directors' and senior executives' remuneration to the 2023 AGM.	<ul style="list-style-type: none"> – Reviewed draft Policy Report reflecting shareholder consultation and FIT Remuneration Consultants input – At the 2020 AGM, over 88% of shareholders voted in favour of the Directors' Remuneration Policy.
2020 Incentives – ensure that suitably stretching performance conditions for the LTIP and Annual Bonus Plan are adopted driving performance and the right behaviours and reflecting investors' feedback from the shareholder consultation in late 2019.	<ul style="list-style-type: none"> – Committee considered and approved financial targets tied to the 2020 Annual Bonus Plan. Due to the impact of COVID-19, the financial targets set were not achievable and so no bonus for 2020 was payable relating to the financial objectives – Following the impact of COVID-19 it was not possible to award LTIP awards in early 2020 that followed the traditional structure with performance conditions based on EPS growth and TSR. Following a detailed consultation with our major shareholders a revised proposal was approved for the LTIP with awards made in September 2020. Details are set out in the Remuneration Report.
Ensure that the 2019 Remuneration Report submitted to the 2020 AGM complies with best practice in terms of clear disclosures on Directors' remuneration, including bonus scheme achievement, exit package and CEO pay ratio disclosure and is approved by shareholders at the 2020 AGM.	<ul style="list-style-type: none"> – 2019 Remuneration Report compliant with regulations and received over 96% support of shareholders voting on the advisory resolution at the 2020 AGM.
Ensure that 2020 personal objectives for Executive Directors are suitably stretching, SMART and that performance against them is clearly reported with appropriate detail and in line with best practice and shareholders' feedback.	<ul style="list-style-type: none"> – Received and reviewed personal objectives of Stephen Bird and Martin Green – Agreed objectives updated to reflect the response to the COVID-19 pandemic.
Tied to the recruitment of a permanent Group CFO, ensure that the remuneration package is sufficient to recruit and incentivise the right calibre individual and is aligned with shareholders' interests and market guidance.	<ul style="list-style-type: none"> – Considered and approved a remuneration package for Martin Green further to his appointment as Group Finance Director.
Assess the performance of FIT Remuneration following the 2020 AGM and in light of support given to the Policy Report submitted to shareholders at that meeting.	<ul style="list-style-type: none"> – Reviewed FIT Remuneration's performance during their first year of supporting the Committee including their input to the Policy Report and shareholder consultation – FIT Remuneration provided further input to the revised LTIP proposal in 2020.
Ensure that key employees are retained through the setting of appropriate remuneration packages tied to the delivery of key strategic objectives.	<ul style="list-style-type: none"> – Revised LTIP and RSP awards were made to Executive Directors and senior management in September following input from shareholders – Additional RSP award was made to several key employees as part of ongoing retention packages.

Audit Committee report



Chairman

Christopher Humphrey

Members during 2020

- Caroline Thomson
- Richard Tyson
- Duncan Penny

Role of the Committee

The Audit Committee has been appointed by the Board to ensure the financial integrity of the Group through the regular review of its financial processes and performance. It confirms to the Board that the financial statements within the Annual Report are fair, balanced and understandable and comply with all applicable UK legislation and regulation as appropriate. It is also responsible for ensuring that the Group has appropriate risk management and internal controls, through the oversight of the internal audit function. The Committee manages the relationship with the external auditor, reviews the scope and terms of its engagement, and monitors its performance through regular effectiveness reviews. It also ensures that an appropriate whistleblowing service is in place for employees and third parties.

Christopher Humphrey, as Chairman of the Committee, is responsible for engagement with the Company's shareholders on accounting issues relating to the Company's financial statements.

Audit Committee Chairman – skills

I was appointed as Chairman of the Audit Committee on 12 May 2015. The Board believes I continue to have the necessary recent and relevant financial experience, along with financial competence, as required by the UK Corporate Governance Code. I am a Chartered Management Accountant and a Fellow of CIMA, and most recently held the role of Chief Executive Officer and previously Group Finance Director of Anite plc, formerly a UK listed company. In my earlier career I held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. I continue to maintain an up-to-date understanding of financial and corporate governance knowledge and best practice by attending training sessions and updates presented by major accounting firms. The Board also considers that the other members of the Committee are all independent, have a broad range of appropriate skills and experiences covering financial, commercial and operational matters, along with competence of the manufacturing and technological aspects of the industry in which Vitec operates, and their biographies are summarised on pages 54 and 55.

Committee activities in 2020

In 2020 I chaired five scheduled meetings of the Committee and I worked closely with the Group Finance Director, the Group Risk Assurance Manager and the Deputy Company Secretary to ensure the Committee was 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 our website), the Group's annual reporting requirements and any other matters which arise on an ad hoc basis. The Committee sets aside appropriate time for the review of financial reporting and the risk assurance process to ensure they both receive robust consideration and challenge.

During the five scheduled meetings in 2020, the Committee considered the following matters:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising
- Progress against agreed objectives
- Risk assurance report covering risk, assurance, internal audit and internal controls
- Auditor remuneration
- R&D updates
- Treasury updates
- Cyber security
- Taxation
- Brexit
- Whistleblowing.

Engagement of external auditor – Deloitte LLP

The 2020 audit is the third under Deloitte LLP with David Halstead as the audit partner. Deloitte was appointed at the Company's AGM in May 2018 following a tender process and reappointed at the 2020 AGM. Separate resolutions will be put to the 2021 AGM to cover Deloitte's reappointment and remuneration.

External auditor effectiveness review

The effectiveness of the external audit process is assessed by the Committee, which meets regularly throughout the year with the audit partner and senior audit managers.

In 2020 the Group Risk Assurance Manager issued a survey to key finance and governance colleagues in the business along with all Directors asking them to provide feedback on the quality and effectiveness of the audit of the results for the year ended 31 December 2019. This was the second effectiveness review of Deloitte. Questions were open-ended and allowed employees and Directors to include any information that they believed was relevant in the assessment of the external auditor. Topics in the questionnaire covered the capability and professionalism of the team, approach to the planning process, project management and communication throughout the process, quality and timeliness of reporting, and identifying areas where value was added. The results of the review confirmed that the audit process was thorough and robust, and that Deloitte challenged management in appropriate areas. Areas for improvement were identified and discussed with Deloitte.

I also meet regularly with the Group Finance Director and external audit partner to provide necessary support to their roles, and also individually with the Group Risk Assurance Manager to discuss the findings of his work and to maintain an open line of communication.

Auditor independence

The Committee receives a summary of all fees, audit and non-audit, payable to the external auditor. Deloitte LLP has confirmed its independence as external auditor of the Company in a letter addressed to the Directors. The table below sets out fees paid to Deloitte over the last three years.

	2020	2019	2018
Fees payable to Deloitte for the audit of the Company's financial statements	£0.2m	£0.1m	£0.1m
Fees payable to Deloitte for audit of subsidiaries	£0.5m	£0.5m	£0.4m
Fees related to corporate finance transactions	£nil	£nil	£0.2m

Corporate Governance

Audit Committee report (continued)

FRC reviews

The Company was not subject to any Financial Reporting Council reviews during 2020. Should this occur in the future, we will advise shareholders in the subsequent Annual Report.

The following specific business was dealt with at each meeting held in 2020:

February	<ul style="list-style-type: none"> - Annual results for year ended 31 December 2019, including: <ul style="list-style-type: none"> - Accounting issues report - Report from the external auditor including Auditor's Report to be included in the 2019 Annual Report - Consolidated financial statements - Principal risks and uncertainties - 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 – Deloitte LLP - Process behind the drafting of the Viability Statement - Recommendations to the Board on: <ul style="list-style-type: none"> - Consolidated financial statements - Reappointment of Deloitte LLP as the external auditor - Independence and objectivity of Deloitte - Management's representation letter to Deloitte - Viability Statement - Reviewed results of enhanced controls self-assessment process - Reviewed 2020 internal audit plan - Agreed Audit Committee objectives for 2020 - R&D update - Private meeting between the Committee and external auditor excluding executive management
June	<ul style="list-style-type: none"> - Reviewed external audit strategy for the year ended 31 December 2020 - Reviewed risk assurance update - Reviewed Half Year audit planning - EU state aid update - Reviewed Deloitte fees
August	<ul style="list-style-type: none"> - Reviewed response from Deloitte on auditor effectiveness survey - Reviewed risk assurance report - R&D update - Treasury update - Half year results for 30 June 2020, including reviews of: <ul style="list-style-type: none"> - Accounting issues report - Report from the external auditor - Financial results - Fees for non-audit services and professional fees - Principal risks and uncertainties - Recommendations to the Board on: <ul style="list-style-type: none"> - The half year results - Management's representation letter to Deloitte LLP

October	<ul style="list-style-type: none"> - Reviewed cyber security update - Reviewed Brexit planning update - Presentation on audit strategy 2020 – planning report - Reviewed Deloitte audit fees 2020 - Update on subsidiary impairment and distributable reserves
December	<ul style="list-style-type: none"> - Considered the outcome of 2020 objectives and agreed 2021 objectives - Update on whistleblowing and third party reputational risk - Presentation on the Group's tax strategy - Presentation on the Group's treasury strategy - Reviewed inventory reduction update - Reviewed risk assurance update - Update on R&D - Update on cyber security - Update on subsidiary impairment and distributable reserves

Assessing the content of the Annual Report

The Board takes responsibility for determining 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 position, performance, business model and strategy. At the request of the Board, the Audit Committee concentrated its review of the full year results on the financial statements only and the process which underpinned the drafting of the Viability Statement. The process for determining content of the financial statements and the Viability Statement was reviewed by the Audit Committee in February 2021. The Audit Committee recommended to the Board the adoption of the financial statements as at 31 December 2020, and that they provide a true and fair view of the financial position and performance of the Group.

Attendance at Committee meetings

The Chairman, Group Chief Executive, Group Finance Director, Group Risk Assurance Manager, Group Company Secretary and Deputy Company Secretary attend meetings by invitation and other members of the senior management team attend as required. I invite the audit partner from the Company's external auditor to attend meetings of the Committee on a regular basis and during 2020 David Halstead, as the audit partner of Deloitte LLP, attended all scheduled meetings, either in whole or for part of the meeting. 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. The Committee will continue with the practice of meeting in private with the external auditor in the future.

Significant accounting issues

Significant accounting issues and judgements are identified by the finance team, or through the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 31 December 2020 are set out in the following table:

Significant issue	How was it addressed
Going concern	The Committee considered whether it was appropriate to prepare the financial statements on the going concern basis. It was noted that there was significant covenant headroom at 31 December 2020, and, on the basis of stress testing performed on the Group's financial forecasts, covenants were not expected to be breached through to the end of 2023 which is the time period over which the exercise is completed. It was further noted that there was sufficient cash headroom, with undrawn amounts left on the RCF facility under each scenario each month through to at least February 2022 (12 months from the date of signing the accounts). Management therefore concluded it was appropriate to prepare the financial statements on the going concern basis. The external auditor also presented their assessment. The Committee concurred with management's assessment.
Working capital valuation	The Committee critically reviewed the carrying value of the Group's working capital. This took into account management's assessment of the appropriate level of provisioning including collectability of receivables and inventory obsolescence throughout the year and with special emphasis on the 2020 year-end process. Management presented to the Committee the experience of bad debts during 2020, and the debtor concentration and days outstanding. With regard to inventory, the gross levels held by inventory type, the provisions recorded against obsolescence, and inventory days analysis 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.
Provisions and liabilities	The Committee considered the judgemental issues relating to the level of provisions and other liabilities. The more significant items include pensions and taxation. For each area management presented to the Committee the key underlying assumptions and key judgements and, where relevant, the range of possible outcomes. The external auditor also presented on each of these areas and their assessment of these judgements. 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	The Committee considered the validity of restructuring costs that were included in adjusting items in 2020. In total, restructuring costs of £2.8 million were incurred in 2020, which mainly related to a strategic project in Imaging Solutions to rebalance the allocation of resources from offline to online to enable growth, reduce operating costs and improve margins. The main costs incurred include severance costs, asset impairments and professional fees. The external auditor presented their findings with regard to key audit testing over restructuring costs. The Committee agreed with management's accounting and disclosures.
Capitalisation of development costs	The Committee considered whether the development costs capitalised during the year complied with IAS 38. Management presented a list of the key projects that had been capitalised, along with an assessment of future profitability to support the value on the Balance Sheet. The external auditor also presented their findings. The Committee agreed with management's accounting treatment and related disclosures.

Corporate Governance

Audit Committee report (continued)

Acquired intangibles	The Committee critically reviewed management's assessment of acquired intangible assets for impairment. The external auditor also presented their assessment. The Committee concurred with management's assessment.
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Non-audit services provided by the external auditor

We have a policy on limiting the use of the external auditor for non-audit services which is reviewed annually. There were no changes to the items of work covered by the policy. Written permission must be obtained from the Chair of the Audit Committee before the external auditor is engaged for any non-audit work. The use of the external auditor is determined by their demonstrable competence, knowledge of the Group, and competitive pricing, and monetary thresholds for the approval of non-audit work by Deloitte have been set by the Committee. The policy ensures that the non-audit work provided by Deloitte does not impair their independence or objectivity and is divided into two parts:

Excluded services	Appropriate services
These include but are not limited to: 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 advisor or investment banking services.	Subject to pre-approval from the Group Finance Director and Chairman of the Audit Committee, these include: accounting advice in relation to acquisitions and divestments; corporate governance advice; defined audit related work and regulatory reporting; reporting accountant services; compliance services; transaction work (mergers, acquisitions and divestments); fairness opinions; and contribution reports.

I confirm that during 2020 the policy was followed without exception. A report on the level of non-audit work provided by Deloitte is given to the Committee half-yearly and the Committee is satisfied that the advice they received from Deloitte has been objective and independent. During 2020, £0.1 million was paid to Deloitte in respect of non-audit work compared to an audit fee of £0.7 million. This non-audit work mainly comprised the review of the half-year financial statements.

Committee performance in the annual evaluation

Our performance as a Committee was assessed through the internal Board performance evaluation, information on which is provided in the Governance report. The Audit Committee is working effectively and is supported by the internal finance and internal audit teams. A number of suggestions for areas to focus on have been incorporated in our 2021 objectives. To ensure that we continue to be an effective Committee, we set and measure our performance against specific objectives every year. These objectives are set annually and the details of our objectives for 2020 and the progress made is summarised on the next page. I am pleased to confirm that we successfully achieved all of these objectives. Progress on achievement against our 2021 objectives will be reported in next year's Annual Report.

2020 Audit Committee objectives

The following table sets out the agreed Audit Committee objectives for 2020 and an assessment of progress achieved against each:

2020 Audit Committee objective	Progress during 2020
<p>Ensure management continues to coordinate risk assessments to support the Group's strategic objectives.</p> <p>Oversee resources of internal audit team and ensure appropriate.</p> <p>Review risk management activity of the Group's third parties, including both customers and suppliers.</p>	<ul style="list-style-type: none"> – Reviewed the approach taken to internal audit and risk assurance and provided support to the processes – Critically reviewed and approved the principal risks disclosed in the 2019 Annual Report and made suggestions for improvement – Due to the COVID-19 pandemic the structure of the internal audit plan and a review of key controls were discussed. The internal audit plan was refocused towards those areas of priority while remote working is in place. – Reviewed regular risk assurance reports from the Group Risk Assurance Manager – Reviewed cyber security programme and Group's Brexit plan – Received risk assurance update report – Presented 2021 internal audit plan.
<p>Ensure that the induction processes for the new Group Finance Director are thorough.</p>	<ul style="list-style-type: none"> – Martin Green has been working closely with the Group and Divisional Finance teams, David Halstead as the Audit Partner and Christopher Humphrey as the Audit Committee Chairman throughout the 2020 year-end process. He has also met with the Group's UK and US tax advisors, all five of the lenders under the RCF and presented to major shareholders.
<p>Oversee the Group's treasury strategy.</p>	<ul style="list-style-type: none"> – Received an update on the Group's treasury strategy in December 2020.
<p>Oversee the Group's tax strategy.</p>	<ul style="list-style-type: none"> – Received an update on the Group's tax strategy in December 2020.
<p>Receive updated governance and training materials as they relate to financial reporting, risk, internal control, bribery and whistleblowing matters.</p>	<ul style="list-style-type: none"> – Received technical briefings on various governance matters – Oversaw the Group's whistleblowing and anti-bribery arrangements – Received regular updates regarding governance changes aligned to the COVID-19 pandemic have been shared – Regular updates were given by internal finance employees and the external auditor at each Committee meeting.
<p>Receive update on Group's overall R&D strategy including the Group's top ten R&D projects.</p>	<ul style="list-style-type: none"> – Received an update on the Group's R&D strategy and key projects in June and December 2020.

Stakeholder engagement

Vitec's Board strongly believes in doing business in the right way. All our decisions are underpinned by the impact that they have on our five main stakeholder groups. The detailed content in this Annual Report sets out how the Directors strive to comply with their duty under Section 172 of the Companies Act 2006 in considering stakeholders in the Group's decision-making process in order to promote the Company's success. The following summary demonstrates how this was achieved in 2020 despite severely challenging circumstances.

Long-term decision-making

The Board has a structured governance model in place with scheduled Board meetings, clear documentation and authority levels to control its decision-making process. Our governance model supports the Group in ensuring that decisions are considered, documented and reported on to evidence clear processes and alignment with strategic plans. Detailed budgets and reforecasts are prepared to enable the Board to track and ensure that performance is as expected, or that mitigation steps are actioned to deliver performance in line or close to expectations. The Board and individual Directors operate within this structure with the objective of promoting the success of the Company and to deliver long-term shareholder value. All business proposals are documented in accordance with authority levels and performance tracked against each. 2020, however, presented significant challenges to this structured approach, but the Board and senior leadership team adapted to the circumstances with more frequent Board meetings, reforecasts to reflect the reality and anticipated impact of the pandemic, and rigorous control of the cost base. While short-term measures were actioned to protect the business and ensure that it was well positioned for growth as the business recovered from the pandemic, the Board and senior management did not lose sight of the importance of ensuring that long-term prospects for the business were not harmed. This notably included ensuring that our employees were protected during the pandemic with only a limited number of redundancies and ensuring that operations continued with safe working practices in place thereby preserving jobs and the supply of our products to end customers.

High standards of business conduct

The Company has put in place a Code of Conduct that is communicated to all employees and major third parties setting out the behaviours and values expected of Vitec and its people. Directors regularly receive updates on the operation of the Code of Conduct and there is also an independent whistleblowing service to enable employees and third parties to anonymously raise issues of concern. The Board considers that its people and operations work to the highest standards of business conduct and ensures this through regular training in, and clear communication of, the Code of Conduct. Any reports of inappropriate behaviour are independently investigated and action taken where necessary.

1 → Employees

Our employees work to the highest professional and corporate standards. Our employees are rewarded fairly and incentivised to deliver our strategy

We consider our employees to be some of the best in the sector, our greatest single asset and critical to our success. Passionate, motivated and skilled employees in safe working environments directly contribute to successfully delivering our strategy, performance and reputation. They are concerned with opportunities for personal development and career progression, a safe and inclusive working culture, and the ability to deliver great products for our customers.

The interests of the Company's 1,600 employees are considered by the Board with regular updates on talent and succession plans. The Board and its Remuneration Committee are kept informed on employees' remuneration, benefits (including pension arrangements and the all-employee Sharesave Scheme) and employee engagement. Caroline Thomson is the independent Non-Executive Director with responsibility for employee engagement and in 2020 continued with a programme of employee engagement, notably involving employees in our Creative Solutions Division and this is summarised in more detail on pages 16 and 17. Despite the challenges presented by COVID-19, the Company undertook greater levels of employee engagement to reassure our employees and to ensure their health and wellbeing. This included increased levels of communication, employee surveys, ensuring that stringent safe working practices were adhered to and introducing an Employee Wellness Programme.

The health and safety of all employees is a top priority for the Board with robust reporting of accidents and near misses, and corrective measures. Management is clear on the importance of a safe working environment and the need to constantly improve in this area. Details on the processes and performance on Health and Safety are detailed on page 45 of this Report. The Board is confident that the Company's employees are its greatest asset in delivering the long-term success of the Company.

2 → Customers

Vitec's purpose is to enable our customers to capture and share exceptional content

Our customers include broadcasters, film studios, photographers, independent content creators ("ICCs") and enterprises, and we design, manufacture and distribute high performance products and solutions for them. They want to be able to buy the best quality products from us to support their image-making experiences, and to enable them to capture and share exceptional content.

The Board is kept informed about the wide variety of the Company's customers, their changing needs and trends in their buying patterns. In prior years, Directors have had an opportunity to meet with our customers at major trade shows such as IBC, NAB, BSC and Photokina, which are held in various cities around the world, along with scheduled visits to our major customers, such as B&H Photo & Video. However, in 2020 due to COVID-19 there was no global travel and major trade shows were cancelled. Our sales teams adapted to this situation utilising technology to remain in close contact with our customers. All major customers are actively screened for reputational and financial risks to ensure that there are no apparent issues of concern that could reputationally or financially damage the Company. Clear terms and conditions are documented including service levels, payment terms and working practices.

3 → Suppliers

We build close and mutually beneficial relationships with our suppliers to source the best possible materials

We have a large number of suppliers globally, as the majority of our operations are relatively low-volume, small-batch processes. We source raw materials from suppliers close to our manufacturing operations where possible. The payment of invoices is of prime importance to our suppliers.

The Board is kept informed about major third parties the Company deals with including suppliers and other third parties such as banks and regulators. The integrity of the supply chain is a key consideration with robustness of supply an issue that is actively managed. COVID-19 demonstrated the importance of this and despite some challenges, the Company managed to ensure the integrity and robustness of its supply chain throughout the pandemic. All major third parties that the Company does business with are actively screened for reputational and financial risks to ensure that there are no apparent issues of concern that could reputationally or financially damage the Company. Clear terms and conditions are documented including service levels, payment terms and working practices. Banks and regulators are kept informed on the Company's business with regular updates. The Board of Directors is expressly clear that the Company strives to comply with all its legal obligations in the territories in which it operates.

4 → Community and Environment

Doing the right thing for our community and our environment is a core part of our values

We have a number of manufacturing and office facilities around the world and aim to limit any negative impact on the environment and protect the natural resources we rely on, creating long-term sustainability for the business. We encourage our employees to involve themselves within the local community to foster a relationship between our business and local people. We aim to positively impact one disadvantaged person for every Vitec employee in the communities in which we operate.

Directors are increasingly aware of the need to ensure that the Company's operations, products and services do not adversely impact the environment and positively contribute to the communities within which the Company operates. The Company provides engaging and well-remunerated employment within the communities in which it operates, and its operations are focused on minimising the Company's impact upon the environment including use of raw materials, natural resources and energy, and cutting down on waste and any harmful emissions, components or by-products. A corporate responsibility programme is in place across each of the Company's operations with clear objectives in place. Further information can be found in the Responsible Business section on pages 40 to 53.

5 → Investors

Our clear strategy is focused on delivering long-term growth and value creation

Our investors are our source of capital without whom we could not grow and invest for future success. They are concerned with a wide range of issues including our financial and operational performance, execution of our strategy, governance and remuneration matters, environmental and corporate responsibility, acquisitions, and capital allocation.

The Board has put in place a proactive investor relations programme to provide all shareholders with regular updates on financial and operational performance. This includes regular market announcements, presentations, face-to-face meetings with investors and a detailed investor relations section on the Group website. During 2020 with the impact of the pandemic upon the business a major concern, the Board has undertaken extra

communication with our investors to ensure that they remain informed on mitigation to address the impact of the pandemic and supportive. Directors are clear on their duty to treat all members fairly and decisions of the Board are taken with all members' long-term interests in mind. The Chairman explains his approach to shareholder engagement in the Governance report on pages 58 to 59.

Principal decision

The following example demonstrates a principal decision taken by the Board in 2020 and how the Board reached its conclusion.

Cancellation of the 2020 Final Dividend

In March 2020, the Board was advised that due to the COVID-19 pandemic the Group expected to experience significantly more disruption than anticipated, not only to end user demand but also to the global manufacturing facilities (most of which were temporarily shut down) and to the Group's distribution hubs. As a result, substantial actions were taken to manage costs and cash, to reinforce the financial strength and resilience of the Group and to ensure that the business emerged in good shape once the crisis was over. As part of the mitigating actions to address the effects of the pandemic, the Board considered what the impact of cancelling the 2020 final dividend would be, including:

- The impact of the pandemic on employees with majority of sites closed due to global government stay at home orders. The Board worked hard to safeguard employees while ensuring that operations were able to continue and regularly reviewing all communications made to employees. The Group also implemented plans to deal with the short-term facility closures and fall in demand, which included working remotely from home, furlough, salary waivers, short-time working and asking employees to take annual leave
- Reduced demand from customers including key event cancellations such as the European Football Championships and 2020 Olympics, as well as film industry cancellations from content creators due to global government lockdowns. Online streaming products and products allowing remote production capabilities however, showed an increased appeal
- Short-term manufacturing and facility closures due to global lockdowns
- Logistical issues caused by the pandemic and difficulties getting products to market
- Operating costs to fund the business and the unknown duration of the pandemic with no certainty around recovery of revenue and profitability.

Given the circumstances, the Board concluded at a meeting on 24 March 2020 that cancelling the final dividend payment in May 2020 gave the Group the best opportunity to protect and conserve cash in the business for essential expenditure, protecting the livelihoods of its employees and enabling the best opportunity for the Group to recover from the COVID-19 pandemic and to preserve the long-term capabilities of the business.

Remuneration report

Annual statement by Caroline Thomson,
Chairman of the Remuneration Committee



In 2020 we secured shareholder approval to a new Directors' Remuneration Policy and this has been fundamental in enabling us to respond to the impact of COVID-19, ensuring that we retain, motivate and reward executives for restoring the business and growing long-term shareholder value.

Dear Shareholder

Vitec's Remuneration Report for 2020 comprises three separate sections:

- Section 1 – my annual statement setting out the work of the Remuneration Committee in 2020 and priorities for 2021 particularly in responding to the impact of COVID-19 on the business
- Section 2 – a summary of the Directors' Remuneration Policy Report ("the Policy") that was approved by shareholders at the May 2020 AGM and sets out the Company's Policy on Directors' remuneration covering the period through to May 2023. This Policy will need to be put to shareholders for approval again in 2023
- Section 3 – the 2020 Annual Report on Remuneration sets out the remuneration paid to Directors in 2020 as well as details of how the Committee intends to implement our Policy for 2021. Shareholders will have the opportunity for an advisory vote on this report at the 2021 AGM.

A major focus for the Committee at the start of 2020 was finalising a new Directors' Remuneration Policy put to shareholders for approval at the 2020 AGM. This involved a detailed review of the existing Policy with the Committee's independent advisor, FIT Remuneration Consultants, and consultation with the Company's largest shareholders. The detail of the new Policy is set out on pages 83 to 91. At the 2020 AGM shareholders approved the new Policy that will cover Directors' remuneration through to the AGM in 2023 with 88.7% of shareholders voting in favour of the new Policy. The 2019 Annual Report on Remuneration received over 96% of votes in favour and we are grateful for the support received.

2020 performance – business context

2020 was a year like no other for Vitec, its employees and wider society in general with the impact of COVID-19 felt initially in February/March 2020 and escalating as the year progressed.

As the early impact of the pandemic became clear in the first quarter of the year, the Board took swift, decisive and stringent measures to ensure the wellbeing of our people, to continue supporting our customers and to ensure the financial security of the Group, positioning it for recovery and growth in 2021 and beyond. Alongside the immediate fall in end market demand, we closed the majority of our sites as required in order to protect the health and wellbeing of our employees and put in place systems that enable those who work in roles that can be done from home to do so. As our manufacturing sites reopened, we sought to flex production with demand and carefully manage inventory levels. Some of the early actions taken included postponement of non-essential capital expenditure and deferred pay rises, including a 20% salary and fee reduction by the Board and senior management from mid-April to the end of July 2020 and a freeze on all recruitment, as well as reduced non-essential operating spend.

During the year we reinforced our liquidity position by accessing the Bank of England's Covid Corporate Finance Facility. We propose to repay that in March 2021. The Group used government support to limit making permanent headcount reductions. This included £1.2 million from the UK furlough scheme and we are to repay that money shortly. We were able to fully and partially top up the pay of employees furloughed in the UK and in other territories including Italy. We cancelled the payment of full year and interim dividends for

2020. As announced, we have reinstated the final dividend for 2020, that subject to approval by shareholders at the 2021 AGM, will be paid on 14 May 2021.

With markets estimated to be 80% closed in April 2020, the Group and senior leadership team have worked relentlessly to run the business and deliver a financial outturn for 2020 that, while short of the tough targets we had set at the start of 2020, is extremely creditable with adjusted Group profit before tax (“PBT”) of £5.5 million and Group net debt of £90.8 million at the end of 2020. The Group’s balance sheet remains strong despite the impact of COVID-19. This level of performance has allowed us to pay a modest cash bonus to all employees for 2020. We also operated our Sharesave scheme for our employees in 2020 which has an excellent level of participation across the whole workforce. While our share price was hit hard by the pandemic it improved in the second half of 2020 and continues to recover. The Board has been impressed by the resilience of the Executive Directors and all employees and would like to thank them for their performance.

Remuneration outcomes for 2020 performance

As profit targets for 2020 were not met the Executive Directors were not eligible for a bonus in respect of financial performance measures. The Committee, however, debated at considerable length whether any other element of bonus should be paid in relation to 2020 particularly given the impact of COVID-19 on the business and society in general. On the other hand, the Committee felt that management and employees had worked very effectively throughout 2020 to deliver the business through the pandemic in very difficult circumstances, notably ensuring the health and wellbeing of employees and delivering a very creditable financial outturn. All other Company employees have been awarded a bonus in recognition of their performance for 2020.

All the Directors during the year took a 20% pay cut for several months and the Board took some tough decisions to ensure that the Company came through the pandemic well positioned to grow and take advantage of our competitive position and to benefit from structural changes to the market. Taking all things into consideration, the Committee felt that it was important to reward management’s performance even though financial targets were not met. The Committee therefore decided that bonus payments should be made to Stephen Bird and Martin Green in relation to the achievement of personal objectives. The payments for 2020 were 22.5% of the maximum potential award for both Stephen Bird and Martin Green. The assessment of personal objectives for each Executive Director is set out on pages 93 to 96 as are the 2020 financial targets.

The Committee believed that in reaching this decision it was an important consideration that the Group had generated an adjusted PBT of £5.5 million and that the bonus based on personal objectives for 2020 for all Group employees would cost £3.2 million. We believe this aligns with the interests of all our stakeholders as part of our approach to reward, motivate and retain a talented executive team. Executive Directors are required to defer half of their earned bonus into the Deferred Bonus Plan (“DBP”) held in the form of the Company’s shares for three years ensuring focus on long-term growth for the Group.

We have described the approach to assessing performance against the personal objectives set out on pages 94 to 95.

Long Term Incentive Plan (“LTIP”) awards made in 2018 to Executive Directors did not achieve threshold performance

conditions based on EPS growth and TSR performance. Accordingly, the 2018 LTIP award will lapse on the third anniversary of the award on 2 March 2021.

The remuneration policy, despite the unprecedented challenges faced in 2020 has operated as intended, in terms of the Company’s performance and the quantum of remuneration paid to the Directors.

Terms of the 2020 LTIP award

As set out in last year’s report, the Committee had intended to grant LTIP awards to Executive Directors and senior managers subject to EPS and relative TSR conditions. The grant of the award was delayed due to the pandemic.

The Committee sought the views of its largest shareholders in determining appropriate performance metrics and structure of the 2020 LTIP award. The general feedback received was that in a very uncertain financial market, targets were impossible to set and shareholders wanted to ensure that there was a clear and strong incentive for executives to achieve a swift recovery in the share price. Following a comprehensive shareholder consultation, the Remuneration Committee made awards to Executive Directors and senior management on 21 September 2020. The awards will vest subject to the achievement of performance conditions based on absolute share price growth and relative TSR. The Committee will also take into account the underlying performance of the Company, in particular ROCE performance over the performance when determining vesting of awards. Details of the award are set out on pages 98 to 99.

The performance measures of the 2020 LTIP award were changed from our normal structure but remained within the terms of our Directors’ Remuneration Policy, to reflect the impact of the pandemic on the business and to drive management in the recovery of the business.

For awards to vest in full, Vitec’s share price will need to be £18 or higher at the end of February 2023 and Vitec’s relative TSR will need to be in the upper quartile of the FTSE 250. A share price at vesting of £18 would deliver over £480 million additional shareholder value between grant and vesting. Given the stretching nature of the targets and the exceptional circumstances the Remuneration Committee made awards to the Executive Directors of 200% of salary which is the maximum permitted under the Directors’ Remuneration Policy.

The Remuneration Committee believes the 2020 LTIP award helps to align our Executive Directors and PDMRs with the achievement of a strong recovery over the performance period. The structure will help reward for significant growth in shareholder value and will drive management to that goal.

Share awards made to Executive Directors under the 2020 LTIP award are subject to a further two-year holding period following the vesting date in September 2023 thereby aligning with the long-term interests of shareholders. The Committee retains full discretion to reduce the vesting outcome taking into account underlying business performance.

The Committee approved Restricted Share Plan (“RSP”) awards in 2020 for key talent in the Group, excluding the Executive Directors. The RSP delivers shares over a three-year period to retain and incentivise key talent to deliver on strategic growth initiatives.

Remuneration report

Remuneration report (continued)

Implementation of Policy for 2021

The Committee felt that for 2021 an increase in base salaries for Executive Directors was not appropriate given the continuing challenges to the recovery of the business and in light of the bonus for 2020's performance and the enhanced LTIP award in 2020. They therefore have received no pay rise while the wider employee population received on average an increase of 2.2% for 2021.

Fees paid to the Chairman and Non-Executive Directors were also not increased for 2021.

The 2021 Annual Bonus Plan has been designed to ensure that it motivates Executive Directors to deliver against challenging targets for 2021 driving the recovery of the business following the pandemic. Its structure retains the same combination of financial targets (Group adjusted profit before tax* and operating cash flow* generation) and personal objectives as used in previous years. Given the uncertainties of 2021 and the importance of cash generation, the Committee will use its powers under the Policy Report to structure the 2021 Annual Bonus Plan so that Profit and Cash Conversion measures are independently assessed, but also ensuring that the best interests of shareholders are preserved. Financial targets and personal objectives for the 2021 Annual Bonus Plan, against which actual performance will be measured, will be disclosed in the 2021 Remuneration Report.

The Committee intends that the LTIP awards for 2021 will revert to the structure before the pandemic and be based on the Company's EPS and TSR performance ranked against a comparator group. However, for the EPS performance condition, representing 67% of the award, we propose a challenging EPS performance corridor to reflect the ambitions of the 2020 award and uncertainty of recovering the business from COVID-19. We therefore propose an adjusted EPS corridor with threshold set at 60 pence and a stretch set at 100 pence for the year ended 31 December 2023 with a straight line progression in between. 33% of the award will be measured using the Company's TSR performance compared to the constituents of the FTSE 250 index (excluding financial services companies and investment trusts). As before we will also operate a ROCE underpin on the 2021 LTIP award. To reflect the exceptionally high standard of performance that the targets will require, the continuing challenges faced by the Executive team in recovering the business and the stretch nature of the EPS targets while providing a strongly motivating incentive to grow shareholder value, we will also on an exceptional basis, award LTIPs to the Executive Directors at a value of 200% of base salary.

The Committee also took into account the promising performance of the Company's share price, particularly in the weeks following the end of the financial year. Some shareholders may question why an enhanced award was necessary for the second successive year. In our view, the uncertainties of the pandemic will continue for some time and we believe in the power of well-designed incentives to focus the Executive Directors on value-creating activity, to reward them for delivering and to retain them over the next few years when we expect the scale of the commercial challenges and the demands on the executive team to be great. The shares will only vest if the Company performs and our shareholders also benefit.

Committee priorities for 2021

The Committee in 2021 will focus on the following matters:

- Securing shareholder approval at the 2021 AGM for the 2020 Annual Remuneration Report
- Granting LTIP awards in 2021 with stretching EPS and TSR performance conditions
- Ensuring that the 2021 Annual Bonus Plan drives performance and rewards sustainable growth in the Company and is set against appropriate financial targets given the recovery from COVID-19
- We have agreed with the Group Chief Executive that his current contractual pension contribution of 20% will be aligned with the wider UK workforce pension contribution of 8% by 1 January 2023. We will finalise the details of implementing this during 2021.

Annual General Meeting

We will be putting the Annual Remuneration Report covering Directors' remuneration paid in 2020 to the Company's shareholders for an advisory vote at the 2021 AGM. I encourage all shareholders to vote in favour of this resolution.

Caroline Thomson

Chairman, Remuneration Committee

25 February 2021

* This report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to improve the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary on pages 180 and 181.

Remuneration report

Remuneration Policy report

2020 Remuneration Policy report

The following is a summary of the Policy that covers remuneration for Directors of the Company for a three-year period from the Company's AGM on 27 May 2020 until the 2023 AGM. The full Policy, as approved by shareholders, is available on the Company's website and is contained in the 2019 Annual Report. Should there be any need to change the Company's Policy ahead of the 2023 AGM, shareholders will be asked to approve a revised Policy.

This Report contains further information required under the Listing Rules and the 2018 UK Corporate Governance Code.

Element of remuneration	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.	<p>Fixed contractual cash amount usually paid monthly in arrears.</p> <p>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.</p> <p>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.</p>	<p>The Committee has not set a maximum level of salary and the Committee will usually award salary increases in line with average increases awarded across the Company.</p> <p>Larger increases may, in certain circumstances, be awarded where the Committee considers that there is a genuine commercial reason to do so, for example:</p> <ul style="list-style-type: none"> – where there is a significant increase in the Executive Director's role and duties – where an Executive Director's salary falls significantly below market positioning – where there is significant change in the profitability and/or size 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.	<p>Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance.</p> <p>Other ancillary benefits may also be provided where relevant, such as income protection, expatriate travel or accommodation allowances.</p> <p>Executive Directors are entitled to participate on the same terms as all employees in the Sharesave Plan or any other relevant all-employee share plan.</p>	<p>There is no maximum level of benefits set, given that the cost of certain benefits will depend on the individual's particular circumstances. However, benefits are set at an amount which the Committee considers to be appropriate, based on individual circumstances and local market practice.</p> <p>Executive Directors' participation in the UK all-employee Sharesave Plan is capped by the rules of the Sharesave Plan (currently £350 per month maximum). An International Sharesave Plan also operates for non-UK employees.</p>	Not applicable

Remuneration report

Remuneration Policy report (continued)

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	<p>To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable shareholder value.</p> <p>Half of any earned annual bonus (after tax) is deferred into the Deferred Bonus Plan held in the form of shares and focuses the Executive Director on long-term value delivery and growth.</p>	<p>Paid annually based on performance in the relevant financial year. The amount is determined based on published full year results after the financial year end.</p> <p>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.</p> <p>Up to half of the annual bonus paid (after tax) is deferred into awards under the Deferred Bonus Plan 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. After a period of three years, the awards vest in the form of shares in the Company.</p> <p>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.</p> <p>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. Such dividends are paid out in the form of additional shares in the Company.</p> <p>In the event of any material misstatement of the Company's financial results, serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise, a miscalculation or an assessment of any performance conditions that was based on incorrect information, the occurrence of an insolvency or administration event, malus and clawback provisions may apply for three years from the date of payment of any bonus or the grant of any deferred bonus share award permitting the Committee to reduce, cancel or impose further conditions on awards.</p>	<p>An absolute maximum of 125% of base salary to be paid in each year.</p>	<p>Measures and targets for the annual bonus are set annually by the Committee.</p> <p>Currently, half of the annual bonus is based on the achievement of annual targets set against the Group's adjusted 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 adjusted operating profit* (25%).</p> <p>The Committee reserves the right to vary these proportions and also the measures annually to ensure the annual bonus remains appropriate and challenging.</p> <p>Targets are measured over a one-year period. Payments range between 0% and 125% of base salary for threshold and maximum performance.</p> <p>Awards granted under the Deferred Bonus Plan are not subject to any performance conditions.</p>

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan (“LTIP”)	<p>To provide a long-term performance and retention incentive for the Executive Directors involving the Company’s shares.</p> <p>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.</p>	<p>Under the 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.</p> <p>Awards may be settled in cash (for participants in territories that prohibit settlement in shares).</p> <p>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.</p> <p>The Committee retains full discretion to amend the vesting outcome upwards or downwards if, in its opinion, any calculation or 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.</p> <p>For Executive Directors, awards are normally subject to a mandatory two-year holding period for any shares that vest.</p> <p>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 Conduct or otherwise, a miscalculation of an assessment of any performance conditions that was based on incorrect information, the occurrence of an insolvency or administration event, malus and clawback provisions may apply for up to three years from the vesting of an award permitting the Committee to reduce or impose further conditions on awards.</p>	<p>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).</p>	<p>LTIP awards may be based on financial and/or share price-based performance conditions as determined from time to time by the Committee. The Committee will determine the choice of measures and their weighting prior to each grant and 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.</p> <p>Currently, 33% of the award is subject to the Company’s Total Shareholder Return compared to a comparator group measured over a three-year performance period. 67% of the award is 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 three-year performance period. The Remuneration Committee additionally adopts a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group’s underlying performance in finalising vesting outcomes. In particular, the Committee will assess the Group’s ROCE performance when approving outcomes under the EPS element of awards.</p> <p>At threshold, 25% of the award will vest, increasing on a straight-line basis up to 100% for performance in line with maximum. Below threshold none of the award will vest.</p> <p>There is no retesting of any performance measure.</p>

Remuneration report

Remuneration Policy report (continued)

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
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.	Stephen Bird currently receives a pension contribution of 20% of base salary. Martin Green and any subsequently appointed Executive Director receives a pension contribution of 8% of base salary which is in line with pension contributions provided to the wider UK employee workforce. The Committee has agreed that Stephen Bird's pension contribution will change to 8% of base salary on 1 January 2023, being aligned with the wider UK employee workforce. Salary is the only pensionable element of Executive Director remuneration.	Not applicable.

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. Any such amendment would be reported in a subsequent remuneration report.

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.

Shareholding requirements (including post-employment)

Executive Directors during their tenure are expected to build a shareholding in the Company representing 200% or more of their base salary. All net of tax vested LTIP awards, DBP awards and exercised Sharesave options should be retained by the Executive Director until this requirement has been met. This level of shareholding aligns Executive Directors with the interests of shareholders and ensures that Executive Directors are focused on long-term shareholder value.

Post-employment, Executive Directors are expected to maintain a material level of shareholding in the Company at least for two years from the date of departure made up of the following elements:

- Awards held under the DBP will only vest on their normal vesting dates and will not be accelerated to the date of departure. Upon vesting, such shares are to be retained until at least the second anniversary of the departure date
- For an Executive Director who is a good leaver, LTIP awards will vest on their normal vesting date and be subject to performance testing, pro rata treatment to the date of leaving and be subject to a two-year holding period (subject to that two-year holding period not being beyond two years from when the individual ceased to be an Executive Director)
- Awards that have already vested under the LTIP are normally subject to a two-year holding period following vesting (but not longer than two years from the date of departure)
- For the avoidance of doubt, any shares purchased by an Executive Director using their own personal funds will not be subject to this post-employment shareholding policy.

The Chairman and Non-Executive Directors are not subject to any such shareholding requirement. However, they are encouraged to hold shares in the Company. Details of shares held by the Chairman and Non-Executive Directors are set out on page 101.

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 adjusted 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 selection of measures and the setting of targets takes into account the Company's business priorities and risk appetite.

LTIP awards traditionally are based 67% on adjusted basic Earnings Per Share* growth and 33% on TSR performance against a specific comparator group. The Committee considers these to be important measures of performance for the Company over the longer term. While TSR 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 with the combination providing an appropriate balance between growth and returns. The Committee has also adopted a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular, the Committee will assess the Group's ROCE performance when approving outcomes under the EPS element of awards. While the Committee does not disclose a formulaic target in advance, the Committee will ensure that it provides full retrospective disclosure around its decision-making process, including a summary of the ROCE trajectory over the performance period. The Committee will measure ROCE using a standard definition of adjusted operating profit* divided by average total assets, current liabilities excluding the current portion of interest bearing borrowings and non current lease liabilities. Any changes to these measures will be aligned with the long-term strategy of the Group. In 2020, given the impact of COVID-19 on the business, the Committee, after consulting with our major shareholders, adjusted the performance conditions tied to the 2020 LTIP award. In summary, this was based on share price growth and the Company's TSR performance. Full details of this are set out on page 98 of this Report.

Provisions for the withholding and recovery of sums from the Directors (malus and clawback) are as set out on page 109.

Remuneration Policy table for the Chairman and Non-Executive Directors

The table below sets out a description of the Chairman and Non-Executive Directors' remuneration.

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 delivery on the Group's growth strategy and creation of long-term sustainable shareholder value.	<p>While 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.</p> <p>The Chairman's fee is an all-inclusive consolidated amount. It is paid in cash, not shares, usually on a monthly basis in arrears.</p> <p>Fees are benchmarked against 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.</p> <p>The Chairman's remuneration also covers his chairmanship of the Nominations Committee.</p>
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.	<p>Fees paid to Non-Executive Directors of the Company consist of the following:</p> <ul style="list-style-type: none"> – A base fee – An additional fee for the role of the Senior Independent Director and – An additional fee for chairing Board Committees or for the designated Non-Executive Director tasked with oversight of employee engagement. <p>Fees are usually reviewed annually and are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. All fees are paid in cash, not shares, usually on a monthly basis in arrears.</p>
Benefits	To reimburse Non-Executive Directors for reasonable expenses incurred and bear any costs associated with tax, where relevant.	Expenses are reimbursed as and when incurred relating to the Company's business (including travel and hotel accommodation).

Remuneration report

Remuneration Policy report (continued)

Illustrative remuneration performance scenarios

The following charts set out scenarios for the remuneration of Stephen Bird and Martin Green for 2021 in line with the Policy. This includes scenarios for full vesting of LTIP awards based on an award at 200% of salary, with one chart showing no share price appreciation and one chart showing a 50% appreciation in share price. There was also no increase given for base salaries in 2021, due to the Company responding to the COVID-19 pandemic:

Stephen Bird

Basic remuneration

Minimum base salary	£474,629 (79%)
Benefits	£32,787 (5%)
Pension (20% of salary)	£94,926 (16%)

Total fixed pay (minimum) £602,342

On-target performance (no share price appreciation):

Fixed pay	£602,342 (53%)
Annual bonus	£296,643 (26%)
LTIP	£237,315 (21%)

Total on target pay £1,136,300

Maximum pay (no share price appreciation):

Fixed pay	£602,342 (28%)
Annual bonus	£593,286 (28%)
LTIP	£949,258 (44%)

Total maximum pay £2,144,886

Maximum pay (including 50% share price appreciation for LTIP award):

Fixed pay	£602,342 (23%)
Annual bonus	£593,286 (23%)
LTIP	£1,423,887 (54%)

Total maximum pay £2,619,515

Martin Green

Basic remuneration

Minimum base salary	£355,000 (87%)
Benefits	£26,391 (6%)
Pension (8% of salary)	£28,400 (7%)

Total fixed pay (minimum) £409,791

On-target performance (no share price appreciation):

Fixed pay	£409,791 (51%)
Annual bonus	£221,875 (27%)
LTIP	£177,500 (22%)

Total on target pay £809,166

Maximum pay (no share price appreciation):

Fixed pay	£409,791 (26%)
Annual bonus	£443,750 (28%)
LTIP	£710,000 (46%)

Total maximum pay £1,563,541

Maximum pay (including 50% share price appreciation for LTIP award):

Fixed pay	£409,791 (21%)
Annual bonus	£443,750 (23%)
LTIP	£1,065,000 (56%)

Total maximum pay £1,918,541

The illustrations are based on the following assumptions:

- Fixed pay – base salary as at 1 January 2021
- The total value of benefits received in the year ended 31 December 2020 which include car allowance, private healthcare, income protection and any Sharesave options granted during 2020
- Pension contribution of 20% for Stephen Bird and 8% for Martin Green
- Annual bonus
 - At minimum – nil
 - On target – 50% of maximum payout (i.e. 62.5% of base salary)
 - At maximum – 100% of the maximum payout (i.e. 125% of base salary)

- LTIP
 - At minimum – nil
 - On target – 25% vesting under the LTIP (i.e. 50% of base salary) and set out at face value, with no share price growth or dividend assumptions
 - At maximum – 100% of the maximum payout (i.e. 200% of base salary) and set out at face value, with no share price growth or dividend assumptions
 - At maximum with share price appreciation – 100% of the maximum payout (i.e. 200% of base salary) and showing a 50% appreciation in the share price over the vesting period.

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 of:

- 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
- 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. Caroline Thomson is the Non-Executive Director with responsibility for employee engagement and as part of that role is informed on remuneration issues for the wider Group workforce and keeps the Board fully updated. The detail of this role is given on pages 16 and 17 of this Annual Report.

Policy on outside appointments

The Committee believes it is beneficial both for the individual and the Company for an Executive Director to take up one external non-executive appointment. Remuneration received by an Executive Director in respect of such an external appointment would be retained by the Director. Stephen Bird is an independent non-executive director of Dialight plc. In this role he receives a basic fee of £38,500 per annum and an additional £4,675 per annum in the role of senior independent director. Under the terms of his service contract, Martin Green, with the agreement of the Chairman and Group Chief Executive, may take up one external non-executive appointment of a listed company. As of the date of this report Martin Green had 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 the quantum is lower. They will participate in the Annual Bonus Plan with the same structure as the Executive Directors, as well as the LTIP or participation in a Restricted Share Plan, 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 help deliver the Group's agreed strategy. A large proportion of employees are able to participate in bonus plans that are tied to Company, Divisional and 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 of the Company in all of the territories of the UK, US, Italy, France, Germany, Israel, Australia, New Zealand, Japan, Hong Kong, Singapore 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. Further information on this plan is given on pages 47 and 102 of this Annual Report. In 2020, up to 70 senior managers participated in a Restricted Share Plan ("RSP") (excluding Executive Directors). The RSP awards shares to key employees over a three-year vesting period and helps retain and motivate key talent to deliver on the Group's strategic growth objectives.

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 the employer making an 8% fixed contribution and the employee required to make a minimum contribution of 4%. The pension contribution is based on base salary only.

The Remuneration Committee is kept informed on remuneration policy and arrangements for the wider employee population with regular updates to enable it to stay informed and to assist in setting Executive Directors' remuneration.

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 and set at a level to reflect overall responsibilities.

The Committee has the flexibility to set the salary of a new Executive Director at a lower level initially, with a series of planned increases implemented over the following years to bring the salary to the desired level. Consistent with the regulations, any cap on base salary does not apply. Benefits will be consistent with the Remuneration Policy. Certain additional benefits may be provided such as relocation expenses or allowances. The pension contribution for a new Executive Director will be in line with the UK workforce contribution rate (currently 8% of base salary).

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 in the following paragraph, where this facilitates the hiring of candidates of an appropriate calibre and skillset to deliver on the Group's strategy. The Committee will ensure 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).

Remuneration report

Remuneration Policy report (continued)

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 on the previous page. This comprises up to 125% of base salary under the Annual Bonus Plan 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 with a fair value no higher than the awards foregone. 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.

Executive Directors' 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
Martin Green, Group Finance Director – appointed on 4 January 2017	10 February 2020	12 months	6 months

The terms of the service contracts for Executive Directors 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 service contracts are summarised in the table above. 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 Director has security of tenure and also that the Company has sufficient retention and notice periods to enable an orderly process for succession planning. In the Committee's opinion, any shorter notice period would not be in the Company's best interests and would risk the stable running of its operations. The Committee, however, 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 including notice period contained within the service contract, the circumstances surrounding the termination notably including the individual's performance and what is considered to be in the Company's best interests. 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 full discretion at how to treat each such termination upon its merits when trying to mitigate the cost of 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 (including legal fees and outplacement costs)** – These will be paid for the notice period, subject to being mitigated if the Executive Director finds 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 finds other suitable employment or a mutually agreed date within the notice period. Although not covered by the service contract, the Company will pay reasonable legal expenses and any recruitment outplacement costs to assist the Executive Director in their exit. The Committee will determine the reasonableness of such costs keeping in mind shareholders' best interests.
- **Annual Bonus Plan** – As a general rule, Executive Directors have no entitlement to a bonus payment in the event that they cease to be employed. However, they may be considered for a bonus payment in certain good leaver circumstances. In such cases the Committee will generally pro rate an annual bonus to the date of termination and the payment of the annual bonus will usually be dependent upon the satisfaction of financial performance conditions and an assessment of the achievement of personal objectives up to the point of leaving the Company. 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: if a participant ceases office or employment with the Group his/her award will lapse unless he/she is deemed to be a good leaver or dies in service. An individual is a good leaver if he/she ceases employment because of ill-health, injury, disability, the sale of the employing company or business out of the Group or for any other reason at the Committee's discretion, for example early retirement, but expressly not for where a 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. The Committee, when determining the level of an award to vest, will take into account satisfaction of relevant performance conditions tied to the award and the period of time that has elapsed since the award was granted until the date of cessation of employment.

- **Deferred Bonus Plan** – Awards under the DBP will vest on their 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 an individual's death; and (2) gross misconduct – when awards will lapse.

When negotiating the exit package of an Executive Director, the Committee will ultimately aim to mitigate the cost of any termination payment while also fairly treating the 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 details both with an announcement and with details published in the subsequent Remuneration Report and this will include an explanation of any use of discretion. No Director left the Company in 2020 and so no details are reportable for 2020.

Change of control

In the event of a change of control of the Company, LTIP and DBP awards will vest with the Committee taking into account, in the case of 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 share price, the Committee may also allow awards to vest on the same basis.

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 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 reappointment by the shareholders at the AGM.

Copies of the Executive Directors' service contracts, Chairman's and each Non-Executive Director's letters of appointment are available on our website at www.vitecgroup.com.

Consideration of shareholder views

The Committee has continued to take into account the views of its shareholders concerning the Policy on remuneration of Directors.

The Company received 89% support for the Remuneration Policy Report at the 2020 AGM and over 96% support for the 2019 Annual Report on Remuneration at the 2020 AGM, indicating a strong level of support for the structure of Directors' remuneration.

During 2020, the Committee took into account feedback given by major shareholders on the proposed structure of the 2020 Policy Report with that Policy submitted and approved at the May 2020 AGM. In addition, the Committee consulted with its major shareholders on the proposed structure of LTIP awards for 2020 given the impact of COVID-19 upon the Company. This consultation involved a letter to each major shareholder setting out the proposed quantum and performance conditions for 2020 LTIP awards. In light of this feedback, the structure of 2020 LTIP awards was changed with awards made on 21 September 2020. The details are set out on pages 98 and 99 of this report.

The Committee would engage with shareholders ahead of any material change to the Policy for the Company relating to its Directors and would also engage with shareholders should there be a material level of dissatisfaction from shareholders with Directors' remuneration. A material level of dissatisfaction from shareholders would be more than 20% of shareholders voting against, or abstaining on, a vote related to Directors' remuneration.

Remuneration report

Annual report on remuneration

This Annual Report on Remuneration together with the Annual Statement will be put to an advisory vote at the AGM to be held on Thursday, 6 May 2021.

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 2020 and 2019:

	Salary/fees £	Benefits ⁽¹⁾ £	Pension ⁽²⁾ £	Annual bonus ⁽³⁾ £	LTIP ⁽⁴⁾ £	Total	Total Fixed remuneration	Total Variable remuneration
Stephen Bird								
2020	446,223	32,787	89,245	133,489	0	701,744	568,255	133,489
2019	463,053	29,078	92,611	124,445	442,671	1,151,858	584,742	567,116
Martin Green								
2020	331,549	26,391	28,500	99,843	0	486,283	386,440	99,843
2019	298,669	25,961	44,800	81,201	261,131	711,762	369,430	342,332
Kath Kearney–Croft (left 13 September 2019) ⁽⁵⁾								
2020	18,459	0	0	0	0	18,459	18,459	0
2019	325,694	23,286	48,854	0	0	397,834	397,834	0
Ian McHoul (appointed 25 Feb 2019)								
2020	159,826	0	0	0	0	159,826	159,826	0
2019	116,413	0	0	0	0	116,413	116,413	0
Christopher Humphrey								
2020	65,105	0	0	0	0	65,105	65,105	0
2019	68,000	0	0	0	0	68,000	68,000	0
Caroline Thomson								
2020	62,285	0	0	0	0	62,285	62,285	0
2019	65,000	0	0	0	0	65,000	65,000	0
Richard Tyson								
2020	48,183	0	0	0	0	48,183	48,183	0
2019	50,000	0	0	0	0	50,000	50,000	0
Duncan Penny								
2020	48,183	0	0	0	0	48,183	48,183	0
2019	50,000	0	0	0	0	50,000	50,000	0
John McDonough (left 21 May 2019)								
2020	0	0	0	0	0	0	0	0
2019	59,606	0	0	0	0	59,606	59,606	0
TOTAL								
2020	1,179,813	59,178	117,745	233,332	0	1,590,068	1,356,736	233,332
2019	1,496,435	78,325	186,265	205,646	703,802	2,670,473	1,761,025	909,448

Notes:

- (1) Taxable benefits include car allowance, healthcare cover and income protection. This also includes the grant of Sharesave options to Stephen Bird and Martin Green in 2020 and shows the value of the 20% discount on the option granted. Stephen Bird and Martin Green were both granted 2,282 Sharesave options on 24 September 2020 at an option price of £5.52 compared to a market price of £6.90 per share.
- (2) Stephen Bird receives a pension contribution of 20% of base salary which is taken in the form of a cash payment. With effect from Martin Green's appointment as Group Finance Director on 10 February 2020, he receives a pension contribution of 8% of base salary. Prior to this date he received a contribution of 15% of base salary.
- (3) For the Annual Bonus Plan 2020, Stephen Bird's and Martin Green's 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 awards. Awards made in 2018 failed to achieve their performance conditions based on EPS growth and TSR performance. The 2018 award will therefore lapse on its third anniversary of 2 March 2021. LTIP Awards made in 2017 achieved performance conditions based on TSR and growth in adjusted basic Earnings Per Share at a blended rate of 72.06% and vested on 15 May 2020 for the Executive Directors. Further details on the vesting of the 2017 LTIP awards are set out in the "Further notes" section on the following pages. The value of the vested award has been updated from that published in 2019's Remuneration Report to reflect the actual value of shares on the date of vesting (£6.84). This is shown in the table above.
- (5) Kath Kearney-Croft ceased to be Group Finance Director on 13 September 2019, and as detailed in 2019's Annual Report, her fixed pay and benefits was paid on a monthly basis up until 20 January 2020.
- (6) The Remuneration Committee has not used discretion in the award of Directors' remuneration in 2020.
- (7) The base salary/fee paid column for 2020 shows the actual remuneration paid in 2020, taking into account salary/fee waivers implemented in response to COVID-19.

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 (audited)

(1) Base salary

The table below shows base salaries paid for each Executive Director in 2020. Stephen Bird and Martin Green both waived 20% of their salaries from 14 April to 1 August 2020 as part of several cash preservation measures in response to COVID-19. Their respective contractual salary amounts are shown in brackets for full disclosure:

Executive Director	2020 Actual Paid Salary	(2020 Contractual Salary)
Stephen Bird	£446,223	(£474,629)
Martin Green	£331,549	(£355,000)

(2) Benefits

The single figure of total remuneration table sets out the total value of benefits received by each Executive Director in 2020. Details are as follows:

Executive Director	Car allowance	Healthcare cover	Income protection	Other (Sharesave)	Total
Stephen Bird	£23,727	£1,111	£4,800	£3,149	£32,787
Martin Green	£17,789	£653	£4,800	£3,149	£26,391

(3) Pension allowance

The table below sets out the value of the cash payment in lieu of pension for each Executive Director in 2020:

Executive Director	Pension allowance
Stephen Bird	£89,245
Martin Green	£28,500

(4) Annual bonus

In 2020, each Executive Director was eligible to receive, subject to performance, a maximum bonus of up to 125% of base salary, half of which is deferred into the DBP.

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

The rules of the 2020 Annual Bonus Plan linked the two financial performance conditions so that the conversion of adjusted operating profit* into operating cash flow* element will only pay out if the Group adjusted profit before tax* element has at least achieved threshold performance.

Remuneration report

Annual report on remuneration (continued)

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 2020. None of the financial performance conditions was achieved for 2020 due to the impact of COVID-19 on the business shortly after the start of the financial year. The financial targets were set by the Board/Remuneration Committee before the impact of the pandemic upon the business became apparent. The Committee did not consider it appropriate to adjust the financial performance conditions set or use discretion at the end of the year and so no bonus was payable in respect of the financial performance conditions for 2020.

The personal objective element of the 2020 Annual Bonus Plan for each Executive Director, representing 25% of the maximum bonus that could be earned, was based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee, as set out below.

Stephen Bird – 2020 personal objectives – 90% achieved

- Continue to build a world-class organisation including: retain, motivate and improve the Operations Executive team including development of succession plans around this team; continuing development of senior leadership team and strengthening bench strength within Creative Solutions; ensuring the success of Martin Green as Group Finance Director and Jon Bolton with responsibility for Group HR.

Representing 20% of personal objectives

- Re-build the investment case for the Group: focus on key growth initiatives including 4K to drive performance; continue and develop progressive communications with shareholders; and development of ESG initiatives.

Representing 25% of personal objectives

- Imaging Solutions strategic model: Review the Imaging Solutions strategic model in light of challenging and evolving photographic market including successful execution on Project Digital; successful launch of JOBY new products; and optimise the manufacturing footprint for the Imaging business.

Representing 20% of personal objectives

- Strategic Plan execution: Deliver on key strategic plan priorities including JOBY, audio, LED, sliders and gimbals.

Representing 20% of personal objectives

- Further develop Creative Solutions into a more mature organisation: working with the Divisional CEO, develop the Division into a more cohesive, joined up organisation bringing the separate businesses into a more cohesive Division; ensure the success of a new Chief Operating Officer for the Division; deliver on new 4K products; and recovery of the SmallHD business following the fire in 2018.

Representing 15% of personal objectives

Martin Green – 2020 personal objectives – 90% achieved

- Build a world-class finance function that adds value: ensuring cross Divisional collaboration; reducing complexity of reporting and improving speed and accuracy of forecasting; regular reviews on R&D spend particularly on key projects; leveraging price increases; and optimising the management of inventory across the Group.

Representing 40% of personal objectives

- Support the Group CEO in re-building the investment case for the Group: focus on key growth initiatives including 4K to drive performance; continue and develop progressive communications with shareholders; and development of ESG initiatives.

Representing 25% of personal objectives

- Group Tax and Treasury function: review interest rate and cash flow hedging strategies and execute as appropriate; re-finance the Group's credit facility; and improve the Group's corporation tax position.

Representing 15% of personal objectives

- Strategic Plan execution: support the Group CEO on delivery on key strategic plan priorities including JOBY, audio, LED, sliders and gimbals.

Representing 20% of personal objectives

The above personal objectives were set by the Board and Remuneration Committee before the impact of the pandemic became evident in February/March 2020. Once the pandemic hit, the primary focus of the Group CEO and Group Finance Director was fixed on delivering an acceptable financial performance for the Group for our shareholders for 2020; delivering on key cost containment initiatives; securing the financial security of the Group ensuring that the business would be well placed to take advantage of growth initiatives as the pandemic passed; ensuring the safety and wellbeing of our employees throughout the pandemic; and retaining the trust of key stakeholders throughout this unprecedented period.

This is shown in the following diagram:



2020 Objective	2020 Assessment
1. PERFORMANCE	Achieved stretch target
Deliver FY20 £10m* PBT	Revenue of c.£290m and agreed revised PBT of c.£6m subject to audit adjustments
Deliver net debt of £100-110m	Achieved agreed revised target of c.£91m
2. FUNDING	Achieved stretch target
Secure £30m additional funding	– £50m drawn down in H1 from CCFF – Avoided the need to raise equity
3. COST REDUCTIONS	Achieved stretch target
Reduce costs by £20-25m; broadly consistent across the Group	Actions were taken across the Group to improve performance with cost savings of c. £26m vs 2019 (c. £13m in H120)
4. TRUST	Achieved stretch target
Retain the trust of key stakeholders through this period; ensure we deal with our employees fairly and consistently – 95% employees believe fair – Shareholders perceive professional and effective management	85% participation in employee survey in May 2020 – 99% felt that Vitec was responding appropriately to the COVID-19 crisis – 96% felt that the Company was communicating enough with them Launched Employee Wellness Programme Major shareholders remain fully engaged and supportive; share price increased from the low of c.£5 in April to the current £9.68

The Board set these additional objectives and the Remuneration Committee assessed performance against them alongside the above personal objectives in deciding whether to pay a bonus and at what level. Central to this has been the need to ensure that all stakeholders are treated fairly and that the business is well placed to grow for the future. As part of the assessment of performance against personal objectives, the Committee also considered a number of factors including:

- Response and recovery of the business from the impact of COVID-19 including financial performance
- Safety and wellbeing of the Company's employees throughout 2020
- Experience of the Company's shareholders throughout the pandemic
- The Company's access of government financial support measures during the pandemic and plans to repay
- The experience of other stakeholders including customers and suppliers.

The Committee on balance considered that a pay-out on the personal objectives element of the 2020 Annual Bonus Plan was merited based on the above factors. This decision was considered at great length by the Committee particularly given the impact of COVID-19 on the business and society in general. The Committee felt that some bonus should be paid not just because of the strength of the Executive Directors performance but also in light of the fact that all employees would be paid a bonus for 2020. The Executive Directors and the wider leadership team worked effectively through the pandemic and delivered what we consider to be a strong financial result for 2020 – notably adjusted Group PBT of £5.5 million and Group Net Debt of £90.8 million at the year-end, which was lower than that in 2019. They have also led the business through the pandemic ensuring the health and wellbeing of our employees.

The Board took some tough decisions to ensure that the Company will come through the pandemic and is well positioned to grow and take advantage of our competitive position and well placed to benefit from structural changes to the market. These measures included cancelling dividend payments in 2020, the Board and senior executives taking a 20% salary cut for a period of time and accessing government financial support measures, including furlough of employees and additional finance under the Covid Corporate Finance Facility. The Committee, however, felt it important to reward management's performance even given that the financial targets were not met. The Group has generated a profit, the Executive Directors met the additional objectives set for them and the modest bonus based on personal objectives for the Executive Directors will cost £233,332. We believe this aligns with the interests of all our stakeholders as part of our approach to rewarding, motivating and retaining a talented executive team.

Executive Directors are required to defer half of their earned bonus into the Deferred Bonus Plan held in the form of the Company's shares for three years ensuring focus on long-term growth for the Group.

Remuneration report

Annual report on remuneration (continued)

2020 annual bonus outcome

The table below sets out the annual bonus awards made to Executive Directors in respect of the year ended 31 December 2020 including the financial trigger points used in determining whether a bonus was payable.

Name	Bonus potential	Elements of bonus potential	Threshold	Target	Maximum	Actual Group performance/ assessment of personal objective performance	Payout and % of maximum	
Stephen Bird Group Chief Executive	125% of annual salary	50% Group PBT*	£46.4m	£51.5m	£56.7m	£5.5m	–	0%
		25% Group conversion of operating profit* into operating cash flow*	H1: 57.5% FY: 76.5%	63.9% 85%	70.3% 93.5%	H1: n/m FY: 257%	–	0%
		25% Personal objectives				90%	£133,489	
		Payout due to Executive Director at each level	£148,322	£296,643	£593,286			
		TOTAL					£133,489	22.5%
Martin Green Group Finance Director	125% of annual salary	50% Group PBT*	£46.4m	£51.5m	£56.7m	£5.5m	–	0%
		25% Group conversion of operating profit* into operating cash flow*	H1: 57.5% FY: 76.5%	63.9% 85%	70.3% 93.5%	H1: n/m FY: 257%	–	0%
		25% Personal objectives				90%	£99,843	
		Payment due to Executive Director at each level	£110,938	£221,875	£443,750			
		TOTAL					£99,843	22.5%

A straight-line sliding scale operates between each of the above trigger points for both financial targets. The Remuneration Committee considered that these trigger points were appropriate and sufficiently stretching for 2020.

Under the rules of the Annual Bonus Plan the Remuneration Committee retains full and absolute discretion as to whether a bonus is payable or not and that discretion may only be used 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. For the 2020 Annual Bonus Plan, the Remuneration Committee exercised no discretion in respect of the Executive Directors' bonus.

Half of the 2020 annual bonus (after tax) will be deferred into the DBP. The 2020 deferred bonus will be used to purchase award shares to be held in trust for a three-year period. No matching award shares can be earned under the DBP. After three years, the award shares are released from the trust to the Executive Directors.

(5) Long-term incentives – Long Term Incentive Plan (“LTIP”) and Deferred Bonus Plan (“DBP”)

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

Awards made in 2018 and vesting in respect of performance to 31 December 2020

These relate to awards made in 2018 under the LTIP. Awards are measured based 33% upon the Company's TSR measured against a comparator group and 67% subject to growth in the Company's adjusted basic Earnings Per Share*. Each performance condition is entirely independent from the other performance condition and there is no retesting of either performance condition. Vesting is underpinned by Remuneration Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award. The detail of each performance condition for each award is set out on the next page.

For that part of an award made in 2018 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, 25% 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 25% of the comparator group. There is a pro rata straight-line vesting between these two points. The comparator group comprised the constituents of the FTSE 250 Index (excluding financial services companies and investment trusts) and performance was measured over a three-year period.

For that part of an award measured against EPS growth, if the percentage growth in the EPS of the Company exceeds 6% per annum (Compound Average Annual Growth Rate), 25% 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 by 14% (Compound Average Annual Growth Rate) or greater. There is a pro rata straight-line vesting between these two points.

An award lapses if threshold performance is not achieved during the performance period.

The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting, notably the Company's ROCE performance.

Performance outcome

The table below summarises the value of awards vesting for the 2018 award. The award failed to achieve threshold performance and will therefore lapse in full on the third anniversary of the award on 2 March 2021.

2018 awards	Actual performance	Vesting as a % of award
TSR	Vitec ranked in the 36th percentile of the comparator group with TSR performance of -22.2% over the three-year performance period	0%
EPS	Adjusted "normalised" EPS of 9.0 pence compared to a base EPS point of 68.1 pence	0%
ROCE underpin	The Company's ROCE performance over the performance period was as follows: 2017: 19.6%; 2018: 21.8%; 2019: 18.5%; 2020: 3.7%	
Total vesting		0%

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 FIT Remuneration Consultants 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 on page 141. The base point for the EPS performance condition was 68.1 pence per share, being the EPS figure for the year ended 31 December 2017.

The Remuneration Committee at its meeting on 22 February 2021 confirmed that 2018 awards will therefore lapse as the performance conditions had not been achieved.

Awards made in 2017 and vesting in respect of performance to 31 December 2019

These relate to awards made in 2017 under the LTIP. The performance conditions for these awards are the same as those made in 2018 split 33% based on TSR and 67% based on EPS growth, both over a three-year performance period. The adjusted EPS growth targets were 6% growth per annum (Compound Average Annual Growth Rate) for 25% of that element of an award to vest and 14% or more growth per annum for full vesting, respectively. The Remuneration Committee also considered the underlying financial performance of the Company, notably the Company's ROCE performance before it confirmed vesting.

As disclosed in the 2019 Annual Report on Remuneration, the TSR performance condition was fully achieved (resulting in 33% of the award vesting) and the EPS part of the award achieved 58.3% vesting. This resulted in a total vesting level of 72.06% for the 2017 LTIP. The 2017 LTIP vested on 2 March 2020 for the majority of participants and on 28 May 2020 for the Executive Directors. The actual value of this vested award for each of the Executive Directors is shown in the Directors' single figure of total remuneration table on page 92.

Other outstanding awards made in 2019 and vesting in respect of performance to 31 December 2021

For awards made in 2019, 33% 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. 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.

67% of the award will be subject to adjusted EPS growth over a three-year performance period. For awards made in 2019 the adjusted EPS* growth figures are set at 6% per annum for 25% vesting and 14% plus per annum for full vesting. A straight-line sliding scale will operate between each of the above points and below 6% adjusted EPS* growth none of the award will vest. Subject to satisfaction of

Remuneration report

Annual report on remuneration (continued)

performance conditions to 31 December 2021, these awards will vest in March 2022.

Vesting will be underpinned by Remuneration Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award.

Awards made in 2020 and vesting in respect of performance to 28 February 2023

In 2020 due to the impact of COVID-19 upon the business, the award of LTIPs to Executive Directors and senior management was delayed. This was due to difficulties in setting appropriate performance conditions tied to awards given the impact of the pandemic upon the business and its financial performance. Given this challenge, the Committee consulted with its major shareholders to consider how to structure LTIP awards for 2020 with the objective to drive management in the recovery of the business following the impact of COVID-19.

The Committee was grateful for the valuable input and support given by shareholders in addressing this issue given the need to incentivise, motivate and retain its senior leadership team. The general feedback received was that shareholders wanted to ensure that there was a clear and strong incentive for executives to achieve a swift recovery in the share price and this should be the priority.

The 2020 LTIP awards were granted on 21 September 2020 and these will only vest if very stretching absolute targets around share price are met and if Vitec's Total Shareholder Return ("TSR") is also in the top half of the FTSE 250 constituents (excluding financial services companies and investment trusts). The challenge is particularly great against the context of the continuing impact of COVID-19. If achieved, the Group's performance and increase in share price will significantly reward both shareholders and management. The terms remain in line with the Directors' Remuneration Policy approved by shareholders at the 2020 AGM.

For the awards to vest in full, Vitec's share price will need to be £18 or higher in February 2023 and Vitec's relative TSR will need to be at least in the upper quartile of the FTSE 250. A £18 share price would deliver over £480 million additional shareholder value between grant and vesting. Given the stretching nature of the targets and the exceptional circumstances the Remuneration Committee made awards to the Executive Directors of 200% of salary which is the maximum permitted under the Directors' Remuneration Policy.

The Remuneration Committee believes the structure of the 2020 LTIP award helps to align our Executive Directors and PDMRs with the achievement of a strong recovery over the performance period. The structure will help reward for significant growth in shareholder value and will drive management towards that goal.

LTIP awards made in 2018 and 2019 will not be adjusted from their existing structure and it is the Committee's intention that the 2021 and future awards under the current Directors' Remuneration Policy will revert to their traditional structure based 33% on TSR and 67% based on EPS growth and with a ROCE underpin. The Committee has discretion to reduce vesting if it feels appropriate to do so. It is only the 2020 LTIP award that has this unique structure.

The following provides details of the 2020 LTIP awards made on 21 September 2020 to Stephen Bird and Martin Green including performance conditions.

(1) Absolute share price target

- The first performance condition is based on the achievement of absolute share price targets by 28 February 2023, whereby 25% of the total award will vest should Vitec's absolute share price reach £9.00 and full vesting of the total award be achieved if Vitec's absolute share price reaches £18. Vesting between these prices will operate on a straight-line basis in accordance with the Directors' Remuneration Policy and in line with the table below
- No shares will vest if the absolute share price does not reach £9.00
- The share price at the start and end of the performance period will be averaged over three months.

Vitec absolute share price	% of total award to vest
£9.00	25%
£10.00	33.33%
£11.00	41.67%
£12.00	50%
£13.00	58.33%
£14.00	66.67%
£15.00	75.00%
£16.00	83.33%
£17.00	91.67%
£18.00	100%

(2) Relative TSR target

- The second performance condition is that the award will also be subject to a relative TSR condition, with vesting at points shown below (which remain unchanged from arrangements for existing LTIP awards and in line with existing policy). For the award to vest in full, Vitec will need to have met the absolute share price target and be in the upper quartile of the FTSE 250 Index (excluding financial services companies and investment trusts). The relative TSR ranking will effectively work as a downward modifier and none of the shares will vest if Vitec's performance is below the median at the end of the performance period. To illustrate, if Vitec's absolute share price is at £20 at the end of the performance period (above the maximum of the range) and Vitec's TSR performance is at median against the FTSE 250 constituents, then 25% of the award will vest. This performance condition will be measured from 1 July 2020 through to 28 February 2023 with the same averaging of share price over three months
- A straight-line sliding scale will operate at points between this and vesting will not occur below the median.

Vitec's TSR ranking compared to FTSE 250 constituents (excluding financial services companies and investment trusts)	% of award to vest
Below median	0%
Median	25%
Upper quartile	100%

ROCE

- The Remuneration Committee will also continue to use a ROCE underpin to ensure the underlying financial performance of the business as part of the vesting outcome. The Committee will also retain a discretion to scale back the vesting of an award should it result in an unfair outcome for shareholders.

Dividends that would have been paid on shares vesting under the LTIP during the performance period are reinvested in additional shares for each of the above awards. The two-year holding period post-vesting will apply in the normal way.

There is no retesting of any performance condition under any of the above awards.

TSR is calculated on the basis of growth in the Company's share price over the performance period from 1 July 2020 through to 28 February 2023 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 FIT Remuneration Consultants on behalf of the Committee to determine the outcome.

Director	Type of award	Award date	Number of shares awarded	Face value ⁽¹⁾ (£)	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Stephen Bird	Performance shares	21 September 2020	126,063	£949,258	200%	25%	100%	28 February 2023
Martin Green			94,289	£710,000	200%			

(1) The face value has been calculated using the compound three day average share price from 16 to 18 September 2020 prior to the award being made on 21 September 2020.

(2) Although the end of the performance period for 2020 LTIP awards is 28 February 2023, the vesting of the awards subject to satisfaction of performance conditions will not be until their third anniversary – 21 September 2023.

Deferred Bonus Plan 2020 awards

The following table provides details of the awards made under the DBP on 1 April 2020 in respect of the 2019 Annual Bonus. There are no performance conditions or matching shares associated with these awards. The shares are held in an Employee Benefit Trust on behalf of the Directors. Normally Executive Directors are required to defer 50% of any after tax annual bonus into the DBP. However, in 2020 due to the pandemic, it was agreed that 100% of the after tax 2019 annual bonus would be deferred into the DBP. 50% of the award will be released to the Executive Director following the announcement of 2020 Full Year results on 25 February 2021 and 50% released on the third anniversary of the award – 1 April 2023.

Director	Type of award	Number of shares awarded	Face value ⁽¹⁾ (£)	End of holding period
Stephen Bird	Shares awarded using deferred annual cash bonus	11,352	£65,955	50% of award on 25 February 2021 and 50% of award on 1 April 2023
Martin Green				50% of award on 25 February 2021 and 50% of award on 1 April 2023

(1) Face value has been calculated using the Company's share price at the date of the award of £5.81.

Remuneration report

Annual report on remuneration (continued)

Payments to past Directors for loss of office (audited)

There were no payments to past Directors of the Company for loss of office in 2020.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors were paid the following fees in 2020:

Role	2020 actual annual fee paid / figure in brackets denotes agreed fee under letter of appointment	Comment
Chairman	£159,826 (£170,000)	Fee of £170,000 paid since 2019 when Ian McHoul was appointed Chairman on 21 May 2019
Non-Executive Director	£48,183 (£51,250)	Base fee increased to £51,250 from £50,000 with effect from 1 January 2020
Chairman of Audit Committee	£9,401 (£10,000)	Fee was last increased on 1 January 2014
Chairman of Remuneration Committee	£9,401 (£10,000)	Fee was increased on 1 January 2019
Senior Independent Director	£7,521 (£8,000)	Fee was increased on 1 January 2019
Employee Engagement Non-Executive Director	£4,701 (£5,000)	Fee introduced with effect from 1 January 2019 to reflect new role under 2018 UK Corporate Governance Code

During 2020, each of the Chairman and Non-Executive Directors waived 20% of their annual fees from 14 April 2020 to 1 August 2020 as part of the cost containment measures to deal with the pandemic.

The above fees are reviewed annually by the Board with the support of FIT Remuneration Consultants providing market data to ensure that fees remain appropriate given the size of the Company, time commitment and the need to attract the right experience for the role. The Chairman and Non-Executive Directors do not receive any other benefits from the Company.

Directors' shareholding requirements and share interests (audited)

The Board has determined that Executive Directors of the Company are required to build up, over a reasonable period of time, a substantial shareholding in the Company and from the adoption of the 2020 Policy Report at the Company's AGM held on 27 May 2020 this shareholding requirement is to represent at least two times base salary. Stephen Bird and Martin Green satisfied this requirement throughout the whole of 2020 and up to the date of this report. Other members of the Executive Management Board 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 tables on the following page set 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 2020.

Under the 2018 UK Corporate Governance Code there is a requirement for the Company to develop a post-employment shareholding policy, encompassing vested and unvested shares. The detail of this post-employment shareholding policy is as follows and applies from the 2020 AGM:

Upon the departure of an Executive Director, the post-employment shareholding policy will operate as follows:

- Shares held in the Employee Benefit Trust under the DBP will continue to be held in trust and will be released to the former Executive Director in accordance with their normal vesting dates. The former Executive Director will be expected to hold any vested DBP shares at least until the second anniversary of their departure date
- Shares that have vested to an Executive Director under the LTIP and are subject to the two-year post vesting holding period will continue to be required to be held by the former Executive Director until the expiry of the two-year post vesting holding period
- In the event that an Executive Director is treated as a "good leaver" under the LTIP, then any outstanding LTIP awards that have not vested will be pro-rated to the date of leaving and remain subject to satisfaction of performance conditions. Subject to those conditions being achieved at the normal vesting date, shares will typically be released at the earlier of the expiry of the normal two-year post vesting holding period and the second anniversary of their departure date
- Shares purchased by an Executive Director using their own personal funds shall not be subject to this post-employment shareholding policy.

Executive Directors' shareholdings as at 31 December 2020 (audited)

Executive Director	Share ownership requirement (% of salary)	Number of shares owned outright (including connected persons)	Number of shares beneficially owned (DBP award shares)	Number of shares unvested and subject to performance (LTIP shares)	Number of shares under option (Sharesave)	Ownership requirements met (based on shares owned outright and DBP award shares)
Stephen Bird	200%	287,186	30,771	224,484	2,282	614%
Martin Green	200%	93,257	18,857	154,181	2,282	290%

Chairman and Non-Executive Directors' shareholdings as at 31 December 2020 (audited)

Director	1 January 2020	31 December 2020
Ian McHoul (Chairman)	10,000	15,000
Christopher Humphrey	10,000	10,000
Duncan Penny	3,000	5,000
Caroline Thomson	8,407	8,407
Richard Tyson	2,654	2,654

- The closing mid-market share price on 31 December 2020 was £9.17 and the calculation of the percentage shareholding requirement achieved for the Executive Directors is based on this closing mid-market share price.
- 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.
- Stephen Bird's share interests include 30,771 shares (at 31 December 2020) 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 DBP. These shares will vest out of the DBP in 2021, 2022 and 2023, respectively. Neither these shares nor any of the other shares held by Stephen Bird have any performance conditions attached to them. During the year ended 31 December 2020 Stephen Bird had the following share dealings:
 - Acquired 15,000 ordinary shares on 28 February 2020 using own personal funds
 - Acquired 11,352 ordinary shares on 1 April 2020 through the DBP that are held in the Employee Benefit Trust
 - On 6 April 2020, exercised and retained award shares under the DBP for 2017 over 13,344 ordinary shares and 2,011 dividend shares
 - On 28 May 2020 acquired 34,300 shares through the exercise of the 2017 LTIP award
 - On 7 August 2020 acquired 10,000 ordinary shares using own personal funds – held through a SIPP
 - 2,000 shares of Stephen Bird's holding are held by his spouse.
- Martin Green's share interests include 18,857 shares (at 31 December 2020) 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 DBP. These shares will vest out of the DBP in 2021, 2022 and 2023, respectively. Neither these shares nor any of the other shares held by Martin Green have any performance conditions attached to them. During the year ended 31 December 2020, Martin Green had the following share dealings:
 - Acquired 1,172 ordinary shares on 28 February 2020 using own personal funds
 - Acquired 7,402 ordinary shares on 1 April 2020 through the DBP that are held in the Employee Benefit Trust
 - On 6 April 2020, exercised and retained award shares under the DBP for 2017 over 4,203 ordinary shares and 633 dividend shares
 - On 28 May 2020 acquired 20,233 shares through the exercise of the 2017 LTIP award.
- There has been no change to the Directors' shareholdings described in the table above in the period from 31 December 2020 to 24 February 2021, the date of signing of this report.

Remuneration report

Annual report on remuneration (continued)

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, Costa Rica, Japan, France, Singapore, Hong Kong, Israel, Australia, New Zealand and Germany). The scheme and plan are open to all the Group's employees in those countries, including the Executive Directors, and approximately 1,100 of the Group's employees participate in this valuable benefit. As at 31 December 2020 Stephen Bird and Martin Green participate in the UK scheme and the details are shown below.

Director	Date of grant	At 1 January 2020 (shares)	Options exercised during the year	Options lapsed during the year	Options granted during the year	At 31 December 2020 (shares)	Exercise price (pence)	Market price at date of grant (pence)	Date from which exercisable	Expiry date
Stephen Bird	26 September 2018	1,739	–	1,739	–	0	1035	1293 ⁽¹⁾	1 November 2021	30 April 2022
	24 September 2020	0	0	0	2,282	2,282	552	690 ⁽³⁾	1 November 2023	30 April 2024
Martin Green	26 September 2018	521	–	521	–	0	1035	1293 ⁽¹⁾	1 November 2021	30 April 2022
	26 September 2019	1,420	–	1,420	0	0	887	1108 ⁽²⁾	1 November 2022	30 April 2023
	24 September 2020	0	0	0	2,282	2,282	552	690 ⁽³⁾	1 November 2023	30 April 2024

(1) The market price for the grant of shares under option was calculated on the basis of a three-day average of the closing mid-market share price from 28 August 2018 to 30 August 2018 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

(2) The market price for the grant of shares under option was calculated on the basis of the three-day average of the closing mid-market share price from 28 August 2019 to 30 August 2019 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

(3) The market price for the grant of shares under option was calculated on the basis of the three-day average of the closing mid-market share price from 26 August 2020 to 28 August 2020 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

(4) There is no performance condition attached to the exercise of the Sharesave plan which is an all-employee plan.

Long Term Incentive Plan

Each year the Executive Directors are made a conditional award of shares in the Company. Awards to Executive Directors for 2018 and 2019 represented 125% of salary. For 2020, and after consultation with the Company's shareholders in response to the pandemic, it was agreed that LTIP awards for the Executive Directors would represent 200% of salary. LTIP awards are subject to satisfaction of performance conditions over a three-year performance period as summarised above. The following table sets out the outstanding awards under the LTIP as at 31 December 2020 for the Executive Directors:

Director	Date of award	Awards at 1 January 2020	Awards exercised during the year	Associated dividend shares with the exercised award	Awards lapsed during the year	Awards made during the year	At 31 December 2020	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	15 May 2017 ⁽¹⁾	78,647	56,673	8,045	21,974	–	–	700	684	125% of annual salary	25%	31 December 2019
	2 March 2018 ⁽²⁾	50,106	–	–	–	–	50,106	1127	–	125% of annual salary	25%	31 December 2020
	8 March 2019	48,355	–	–	–	–	48,355	1197	–	125% of annual salary	25%	31 December 2021
	21 Sept 2020	–	–	–	–	126,023	126,023	753	–	200% of annual salary	25%	21 September 2023
Total		177,108	56,673	8,045	21,974	126,023	224,484					
Martin Green	15 May 2017 ⁽¹⁾	46,395	33,432	4,745	12,963	–	–	700	684	125% of annual salary	25%	31 December 2019
	2 March 2018 ⁽²⁾	29,558	–	–	–	–	29,558	1127	–	125% of annual salary	25%	31 December 2020
	8 March 2019	30,334	–	–	–	–	30,334	1197	–	125% of annual salary	25%	31 December 2021
	21 Sept 2020	–	–	–	–	94,289	94,289	753	–	200% of annual salary	25%	21 September 2023
Total		106,287	33,432	4,745	12,963	94,289	154,181					

(1) The LTIP award made on 15 May 2017 achieved 72.06% of the TSR and EPS performance condition. As a consequence, 72.06% of this award, plus associated dividend shares, vested on its third anniversary of 15 May 2020. Details of the actual associated value are shown in the remuneration table for the year ended 31 December 2020 on page 92.

(2) The LTIP award made on 2 March 2018 did not achieve any of its performance conditions based on TSR or EPS growth for the Company. As a consequence, 0% of this award, will vest and the award will lapse in full on 2 March 2021. Details are shown in the remuneration table for the year ended 31 December 2020 on page 92.

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. No matching awards can be earned on deferred shares. Normally, Executive Directors are required to defer 50% of any after tax annual bonus into the DBP. However, in 2020, due to the impact of the pandemic, each Director deferred 100% of their bonus into the DBP preserving cash within the business. 50% of the 2020 deferred bonus will vest on the third anniversary and the other 50% will vest after the 2020 Full Year results are announced on 25 February 2021.

Director	Date of award	Awards at 1 January 2020 (shares)	Awards exercised during the year	Associated dividend shares with the exercised awards	Awards lapsed during the year	Awards made during the year	At 31 December 2020	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	5 April 2017 ⁽¹⁾	13,344	13,344	2,011	–	–	–	831	644	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	9 April 2018 ⁽²⁾	10,704	–	–	–	–	10,704	1205	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	3 April 2019	8,715	–	–	–	–	8,715	1149	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	1 April 2020 ⁽⁴⁾	–	–	–	–	11,352	11,352	581	–	100% of annual bonus	Not applicable	Shares held in Employee Trust. 50% of the award to vest on 25 February 2021 and 50% to vest on 3rd anniversary of the award
Total		32,763	13,344	2,011	–	11,352	30,771					
Martin Green ⁽³⁾	5 April 2017 ⁽¹⁾⁽³⁾	4,203	4,203	633	–	–	–	831	644	30% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award
	9 April 2018 ⁽²⁾	6,314	–	–	–	–	6,314	1205	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award
	3 April 2019	5,141	–	–	–	–	5,141	1149	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award
	1 April 2020 ⁽⁴⁾	–	–	–	–	7,402	7,402	581	–	100% of annual bonus	Not applicable	Shares held in Employee Trust. 50% of the award to vest on 25 February 2021 and 50% to vest on 3rd anniversary of the award
Total		15,658	4,203	633	–	7,402	18,857					

(1) The DBP award made on 5 April 2017 vested on 5 April 2020. The award plus associated dividend shares were paid out to the participants on 6 April 2020.

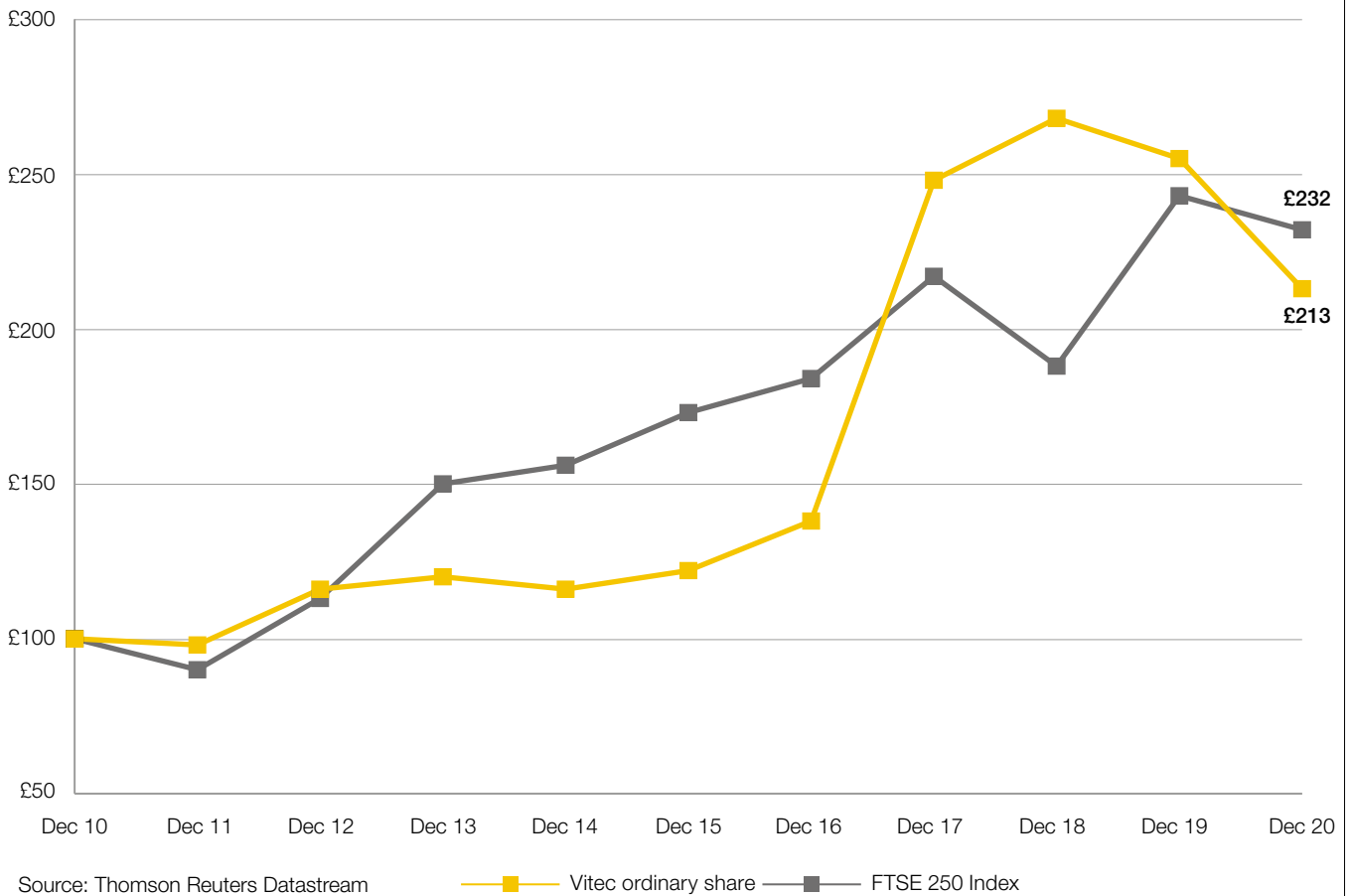
(2) The DBP award made on 9 April 2018 will vest on its third anniversary of 9 April 2021. The award plus associated dividend shares will be paid out to the participants on this anniversary.

(3) Martin Green's DBP award for 2017 relates to a bonus period prior to his appointment as an Executive Director of the Company.

(4) The DBP award made to Stephen Bird and Martin Green on 1 April 2020 due to the pandemic was made to cover 100% of the Annual Bonus earned for 2019 and paid in March 2020. This was above the normal level of 50% and was done to preserve cash in the business. 50% of the 2020 DBP award will vest with the announcement of the 2020 Full Year results on 25 February 2021 and the other 50% will vest on the third anniversary of the award in April 2023.

Ten-year 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 over a ten-year performance period ending 31 December 2020. The graph below illustrates the Company’s annual Total Shareholder Return (“TSR”) (share price growth plus dividends that have been declared, paid and reinvested in the Company’s shares) relative to the FTSE 250 for the preceding ten-year period ending 31 December 2020, 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 UK. TSR data is taken from Datastream.



Remuneration report

Annual report on remuneration (continued)

Performance table setting out the total remuneration of the Group 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 ten years ended 31 December 2020.

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 %
2020	Stephen Bird	£701,744	22.5%/ £133,489	0%
2019	Stephen Bird	£1,151,858	21.5% (£124,445)	72.06%
2018	Stephen Bird	£2,280,723	66.9% (£377,925)	100%
2017	Stephen Bird	£1,596,214	88.4% (£486,771)	67.5%
2016	Stephen Bird	£962,299	77.9% (£418,450)	0%
2015	Stephen Bird	£636,374	20% (£104,876)	0%
2014	Stephen Bird	£745,388	44.25% (£226,378)	0%
2013	Stephen Bird	£1,057,407	71% (£355,616)	28.55%
2012	Stephen Bird	£1,697,841	79.4% (£386,434)	92.4%
2011	Stephen Bird	£2,053,828	87.3% (£323,816)	100%

Percentage change in remuneration of the Directors and employees

The table below sets out a comparison of the following elements of remuneration paid to each Director, in the year ended 31 December 2020 compared to the year ended 31 December 2019 and compared to that of the parent company employees; annual salary; taxable benefits; and annual bonus. The Remuneration Committee has selected this comparator group on the basis that each of the Directors 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 2020 compared to 2019)	Taxable benefits (% change in 2020 compared to 2019)	Annual bonus (% change in 2020 compared to 2019)
Stephen Bird, Group Chief Executive	0%	0%	7%
Martin Green, Group Finance Director	0%	0%	23%
Ian McHoul, Chairman	0%	N/A	N/A
Christopher Humphrey, Non-Executive Director	0%	N/A	N/A
Caroline Thomson, Non-Executive Director	0%	N/A	N/A
Richard Tyson, Non-Executive Director	0%	N/A	N/A
Duncan Penny, Non-Executive Director	0%	N/A	N/A
Parent company employees	2.2%	2.2%	36%

Group Chief Executive's pay ratio disclosure

In accordance with Option C as set out in the Companies (Miscellaneous Reporting) Regulations 2018, the following table sets out Stephen Bird's (Group Chief Executive) total remuneration for the year ended 31 December 2020 compared with all UK employees of the Group at the 25th percentile, 50th percentile and 75th percentile. The data has been compiled from available data as at 31 December 2020 for all UK based employees and no element of remuneration has been excluded from the calculation. This table will build up over a ten-year period. We have chosen Option C as it reflects all our UK workforce and is more complete in showing the Group Chief Executive's remuneration compared to the entire UK workforce. It uses bonus information for 2019 and paid in March 2020 as bonus information for 2020 is not calculated until March 2021 for many UK employees. It is therefore not possible to use 2020 bonus data since the 2020 Annual Report is approved on 24 February 2021. The same principle applies for prior years disclosed. The Company believes the median ratio is consistent with the Company's wider policies on employee pay, reward and progression. We seek to pay all employees including the Chief Executive for the roles they perform and taking into account a range of factors including the relevant role, their performance and internal and external measures including pay rates and pay gaps.

Year	Method	25th percentile	50th percentile	75th percentile
2019	Option C	82:1	57:1	35:1
		£27,833	£40,002	£64,086
2020	Option C	44:1	31:1	19:1
		£25,866	£36,965	£61,245

The actual salaries paid for each UK employee at the respective quartiles for 2020 were: 25th percentile – £23,861; 50th percentile – £33,895; and 75th percentile – £49,400. The fall in the pay ratios at each percentile from 2019 to 2020 is due to the impact of COVID-19 and implementation of short-time working and other measures such as salary waivers implemented in response to the pandemic. We consider that the use of Option C and the percentiles shown for UK employees are reasonably representative.

Relative importance of spend on pay

The following table sets out for the year ended 31 December 2020 compared to the year ended 31 December 2019 the actual expenditure of the Company in terms of remuneration paid to or receivable by all employees of the Group and distributions to shareholders by way of dividends. It is noted that in response to the pandemic and as a measure to ensure the financial security of the Company, the Board cancelled dividends in 2020. The Board has announced that it has re-instated the final dividend for 2020 which will be payable on 14 May 2021. There are currently 133,600 ordinary shares held in treasury. There have been no other significant distributions and payments required to be disclosed that would assist in understanding the relative importance of spend on pay.

	Year ended 31 December 2020	Year ended 31 December 2019	% change
Total remuneration paid to all Vitec Group employees	£82.9m	£91.9m	-9.8%
Total dividends paid to shareholders	£0m	£17.1m	N/A

Statement of Implementation of Remuneration Policy in the year ending 31 December 2021

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2021.

(1) Base salary

The table sets out the 2021 base salary for each Executive Director, together with the percentage increase from 2020:

Executive Director	2021 Salary	Increase from 2020
Stephen Bird	£474,629	0%
Martin Green	£355,000	0%

The Committee decided that, given the impact of COVID-19 upon the business and the recovery that is ongoing, as well as the decision made in connection with the 2020 LTIP award and also to pay a modest bonus for 2020, no base salary increase would be given to the Executive Directors for 2021. Amongst the wider employee population across the Group, the pay increase for 2021 averaged 2.2%.

(2) Benefits

Benefits, including car allowance, private healthcare and income protection will be paid at the same rate as in 2020.

Remuneration report

Annual report on remuneration (continued)

(3) Pension allowance

Pension allowances paid to Executive Directors are set out in the table below. Stephen Bird's allowance currently represents 20% of his base salary and this level was agreed at the time of his appointment in 2009. We have agreed with Stephen Bird that his pension allowance will reduce to 8% of base salary with effect from 1 January 2023 and therefore be aligned with the wider UK workforce. We are currently finalising the details of this. Newly appointed Executive Directors receive a pension contribution of 8% of base salary which is in line with pension contributions provided to the wider UK employee workforce. Upon his appointment as Group Finance Director on 10 February 2020, Martin Green's pension contribution was reduced from 15% to 8% of base salary.

Executive Director	Pension allowance
Stephen Bird (20% of salary)	£94,926
Martin Green (8% of salary)	£28,400

(4) Annual bonus

The maximum opportunity remains unchanged at 125% of base salary. Half of any net after tax annual bonus earned for the year ended 31 December 2021 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 2021 Annual Bonus Plan will be measured:

Core measures for 2021 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. Given the uncertainties of 2021 and the importance of cash generation, the Committee will use its powers under the Policy Report to structure the 2021 Annual Bonus Plan so that Profit and Cash Conversion measures are independently assessed, but also ensuring that the best interests of shareholders are preserved. The Group percentage of operating profit converted to operating cash metric for 2021 will be measured against targets set for H1 2021 performance and full year 2021 performance, with one-third for H1 and two-thirds for the full year. The Committee considers that the specific targets and personal objectives for 2021 are commercially sensitive and therefore has not disclosed them. It is, however, noted that a proportion of the personal objectives will however be tied to environmental, social and governance initiatives to be measured during 2021. The Committee will disclose these targets and objectives once a bonus has been paid and subject to the Committee considering that they are no longer commercially sensitive.

(5) Long Term Incentive Plan

Stephen Bird and Martin Green will each receive an award of shares under the LTIP. These awards will be made in the 42-day period following the announcement of the full year results for the year ended 31 December 2020 that will be announced on 25 February 2021. The performance conditions for the 2021 LTIP awards will be as follows: 67% of the award will be subject to adjusted basic EPS* growth over a three-year performance period. For the adjusted EPS performance condition, we propose a challenging adjusted EPS performance corridor to reflect the ambitions of the 2020 award and uncertainty of recovering the business from COVID-19. We therefore propose an adjusted EPS corridor with threshold set at 60 pence and a stretch set at 100 pence for the year ended 31 December 2023 with a straight-line progression in between. The remaining 33% 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. To reflect the exceptionally high standard of performance that the targets will require, the continuing challenge faced by the Executive team in recovering the business and the stretch nature of the EPS target while providing a strongly motivating incentive to grow shareholder value, we will also on an exceptional basis, award LTIPs to the Executive Directors at a value of 200% of base salary. Vesting of the 2021 LTIP award will be consistent with that described on page 96 regarding the 2018 LTIP award. Vesting will be underpinned by Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award. Any awards vesting under the LTIP 2021, after deduction of taxes, will be subject to a further two-year holding period, thereby more closely aligning their interests with the long-term interests of shareholders.

(6) Chairman and Non-Executive Directors' remuneration

The fee structure for the Chairman and Non-Executive Directors for 2021 is set out in the following table:

Role	2021 fee	2020 fee ⁽⁵⁾
Chairman	£170,000 ⁽¹⁾	£170,000
Non-Executive Directors' base fee	£51,250 ⁽²⁾	£51,250
Chairman of Audit Committee	£10,000 ⁽³⁾	£10,000
Chairman of Remuneration Committee	£10,000 ⁽³⁾	£10,000
Senior Independent Director	£8,000 ⁽³⁾	£8,000
Employee Engagement Non-Executive Director	£5,000 ⁽⁴⁾	£5,000

- (1) Ian McHoul became Chairman on 21 May 2019 when the Chairman's fee was increased to £170,000 per annum. The fee paid to John McDonough, the previous Chairman was £153,750 per annum. Given that the Chairman's fee was increased with Ian McHoul's appointment as Chairman in May 2019, it was agreed that no increase would be applied for 2020 or 2021.
- (2) Following a review of Non-Executive Directors' fees with the support of FIT Remuneration Consultants, it was concluded that no increase to the base fee would be applied for 2021. This aligned the Non-Executive Directors with the Executive Directors and also took into account the ongoing recovery of the business from the impact of the COVID-19 pandemic.
- (3) The Chairman of the Remuneration Committee and Senior Independent Director were last increased to their current level in 2019 to take account of the nature of each role, the time commitment, performance of the respective individuals, market rates for the complexity of the roles and the calibre of individuals. The Audit Committee Chairman's fee upon review was considered to be in line with market rates and appropriate for the demands of the role and complexity of the Company.
- (4) In 2019, the Company appointed Caroline Thomson as the Non-Executive Director with responsibility for employee engagement in accordance with the 2019 UK Corporate Governance Code. Given the responsibility of this role and additional work associated with it, the Board approved that a fee of £5,000 per annum be payable to Caroline Thomson for that role. This fee will be paid to any other successor Non-Executive Director in future years. A full description of the activity involved with this role is given on pages 16, 17 and 58 of the Annual Report.
- (5) The fee shown for 2020 for each Director is that which was agreed to be paid. It is noted that during 2020, in response to the pandemic, each Non-Executive Director agreed to waive 20% of their fees from 14 April 2020 to 1 August 2020. The detail of this is set out in the remuneration table on page 100.

The Board has agreed that fees will typically be reviewed annually to ensure that they remain appropriate.

Malus and clawback

Under the rules of the Annual Bonus Plan, LTIP and DBP, awards are subject to a malus rule whereby the Remuneration Committee has the power to reduce, cancel or impose further conditions upon a bonus or award in circumstances that the Committee determines such action is appropriate, including circumstances where a material misstatement of the Company's audited financial results has occurred, or serious reputational damage to the Company has occurred as a result of a participant having breached the Company's Code of Conduct, a miscalculation or an assessment of any performance conditions that was based on incorrect information, or the occurrence of an insolvency or administration event. In addition, under the above plans, a clawback provision exists where in the same circumstances as for malus, any future award that is paid out can be clawed back from a participant for a period of up to three years from it vesting or being paid out.

Voting at Annual General Meeting

At the Company's last AGM held on 27 May 2020, shareholders were asked to vote on the new Remuneration Policy Report and for an advisory vote on the Directors' Annual Remuneration Report for the year ended 31 December 2019. Both resolutions were approved by shareholders on a poll at the 2020 AGM and the table below sets out the proxy votes voted for, against and withheld for both resolutions.

Resolution	For proxy votes and % of votes cast	Against proxy votes and % of votes cast	Withheld proxy votes
Remuneration Policy Report – to cover Directors remuneration for the period from the 2020 AGM through to the 2023 AGM	30,806,064 (88.79%)	3,888,644 (11.21%)	1,641,632
Advisory vote on the Remuneration Report for the year ended 31 December 2019	31,552,268 (96.28%)	1,217,753 (3.72%)	3,566,319

As at the date of the Company's AGM on 27 May 2020 the Company had 45,745,775 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 in connection with a resolution on Directors' remuneration. Based on the level of support at the 2020 AGM, the Committee did not consider that there were any significant issues of concern. In the event that a significant level of concern is raised at future AGMs, both the Chairman of the Board and the Chairman of the Remuneration Committee will contact the Company's major shareholders following an AGM to understand the precise detail of the concern being raised. Subject to that, the Committee and the Board as a whole will consider how best to address the concern being raised. This may involve a revision to the Company's Policy on Directors' remuneration at a subsequent AGM or some other change which can be implemented without further shareholder consultation. The Committee and the Board are committed to an open and transparent dialogue with shareholders on material matters of concern.

Remuneration report

Annual report on remuneration (continued)

The Remuneration Committee

The Remuneration Committee comprised the following members during 2020: Caroline Thomson – Chairman, Christopher Humphrey, Richard Tyson and Duncan Penny.

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

The Committee, on behalf of the Board, determines the Policy, base salaries, annual cash bonus arrangements, participation in incentive schemes, pension arrangements and all other benefits received by the Executive Directors including any exit packages.

The Committee also oversees the framework of remuneration for the Executive Management Board, including terms of service, pay structure, annual cash bonus, pensions, share incentive arrangements and all other benefits and also has regard to wider employee remuneration within the Group.

The Committee invites individuals to attend meetings, as it deems necessary, to assist with consideration of remuneration matters. During 2020 the following individuals attended meetings of the Committee: Ian McHoul (Board Chairman), Stephen Bird (Group Chief Executive), Martin Green (Group Finance Director), and Jon Bolton (Group Company Secretary). Representatives of the Committee's remuneration advisor, FIT Remuneration Consultants, also attended meetings in 2020.

The Executive Directors or members of the Executive Management Board 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 70 and 71 of this Annual Report.

External advisors

The Committee appointed FIT Remuneration Consultants as its external remuneration advisor in 2019. This decision was based on an assessment by the Remuneration Committee of the need for support on remuneration matters and FIT Remuneration Consultants market experience. FIT Remuneration Consultants charge for their time given in providing a service to the Company and during 2020 the level of fees paid to remuneration advisors totalled £22,281 (2019: £57,643). This fee covered advice relating to disclosures in the 2019 Directors' Remuneration Report, measurement of performance conditions associated with long-term incentive arrangements, preparation of a new Remuneration Policy Report and general remuneration advice. FIT Remuneration Consultants are 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 it received from FIT Remuneration Consultants during 2020 was objective and independent. The Company or it is individual Directors has no other connection with FIT Remuneration Consultants other than as acting as the Committee's external remuneration adviser. The Committee also received advice and administrative support during 2020 from the Group Company Secretary, Jon Bolton.

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

Caroline Thomson
Chairman, Remuneration Committee
25 February 2021

Directors' report

Directors

The Directors who held office at 31 December 2020 and up to the date of this report are set out on pages 54 and 55 along with their biographies and photographs.

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

Name	Effective date	Position
Martin Green	Appointed on 10 February 2020	Group Finance Director (Executive Director from January 2017 and Acting Group Finance Director from 13 September 2019)

All current Directors will be standing for reappointment at the forthcoming AGM to be held on Thursday, 6 May 2021. The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 80 to 110.

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) have been adopted for each Director and indemnify 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 along with 133,600 shares held in treasury. Note 4.3 to the consolidated financial statements on page 159 summarises the rights of the ordinary shares as well as the number issued during 2020. An analysis of shareholdings is shown on page 182. The closing mid-market price of a share of the Company on 31 December 2020, together with the range during the year, is also shown on page 182. For details of own shares held by the Company see note 4.3 to the consolidated financial statements.

Dividends

The Board has recommended a final dividend of 4.5 pence per share amounting to £2.1 million. The final dividend, subject to shareholder approval at the 2021 Annual General Meeting, will be paid on 14 May 2021 to shareholders on the register at the close of business on Friday, 23 April 2021. This will bring the total dividend for the year to 4.5 pence per share. A dividend reinvestment alternative is available with details available from our registrars, EQ Group plc.

Substantial shareholdings

As at 24 February 2021, the Company had been advised under the Disclosure Guidance and Transparency Rules, or had ascertained from its own analysis, that the following held notifiable interests in the voting rights in the Company's issued share capital:

Shareholder	Number of voting rights	% of voting rights
Alantra EQMC Asset Management	9,144,833	19.98
Aberforth Partners	3,667,838	8.01
Franklin Templeton Investments	2,797,800	6.11
Schroder Investment Management	2,400,825	5.25
Chelverton Asset Management	2,054,432	4.49
Gidema SPA	1,970,500	4.30
Janus Henderson Investors	1,637,564	3.58
Tellworth Investments	1,591,342	3.48
Royal London Asset Management	1,581,452	3.45
Heronbridge Investment Management	1,449,331	3.17

Directors' report (continued)

Committees of the Board

The Board has established Audit, Nominations and Remuneration Committees. Details of these Committees, including membership and their activities during 2020, are contained in the Governance section of this Annual Report and in the Remuneration 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 in note 4.3, 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
- The Company holds 133,600 ordinary shares in treasury which do not carry any 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 on the previous page
- Shares awarded under 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
- 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.

Political donations

Further to shareholder approval at the 2017 AGM empowering the Directors to make political donations, it is confirmed that no such donations were made in the year ended 31 December 2020. The Company's policy is not to make political donations. The 2021 AGM will be asked to renew this existing authority that expires in May 2021.

Reporting requirements

The following sets out the location of additional information which forms part of the Directors' Report:

Reporting requirement	Comprising	Location
Strategic Report	<ul style="list-style-type: none"> – An indication of the Group's likely future business developments – An indication of the Group's research and development activities – Information on the Group's policies for the employment of disabled persons and employee involvement – The Group's disclosures regarding greenhouse gas emissions. 	Pages 1 to 53
Non-financial information statement	<ul style="list-style-type: none"> – Environmental matters, employees, social matters, respect for human rights, anti-corruption and anti-bribery matters – Business model – Policies – Principal risks – Non-financial KPIs. 	Pages 1 to 53
Statement on corporate governance	<ul style="list-style-type: none"> – Review of the Board's governance arrangements during the year – Review of the Board's Committee's arrangements during the year. 	Pages 56 to 77
Financial instruments	<ul style="list-style-type: none"> – Financial risk management objectives and policies of the Group – The exposure of the Group to foreign currency risk, interest rate risk, and liquidity risk. 	Note 4.2 to the consolidated financial statements on pages 153 to 158
Responsible business	<ul style="list-style-type: none"> – Explanation of our approach to business ethics, employees, community and the environment including the annual energy usage across the Group. 	Pages 40 to 53
Employee engagement statement	<ul style="list-style-type: none"> – Explanation of how the Directors have engaged with employees and taken them into account when making principal decisions. 	Employee engagement section on pages 16 and 17. Stakeholder engagement statement on pages 78 to 79.
Statement regarding fostering relationships with suppliers, customers and others	<ul style="list-style-type: none"> – Explanation of how the Directors have fostered the Company's business relationships with suppliers, customers and others, and taken each group into account when making principal decisions. 	Stakeholder engagement statement on pages 78 to 79.

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, which comprises the period of at least 12 months from the date of approval of the financial statements, being 25 February 2021. There are no material uncertainties that would prevent the Directors from being unable to make this statement. 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 IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards.

Directors' report (continued)

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 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 IFRS as adopted by the EU
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- 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 position and performance, business model and strategy.

Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information. Furthermore, the Directors' confirm that no disclosable events have occurred since the end of the financial year ending 31 December 2020 for the Company or its subsidiaries that have not already been reported within this report.

Annual General Meeting (AGM)

The 2021 AGM will be held at 11.00am on Thursday, 6 May 2021 at Bridge House, Heron Square, Richmond, TW9 1EN. In light of the current COVID-19 restrictions, shareholders will not be permitted to attend the AGM in person but can be represented by the Chairman of the meeting acting as their proxy. Shareholders are encouraged therefore to submit their votes by submitting a proxy form.

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 set out in the Notice and encourages shareholders to vote by proxy in favour of each of them as they intend to in respect of their own shareholdings.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and separate resolutions will be proposed at the forthcoming AGM concerning their reappointment and to authorise the Board to agree their remuneration.

Approved by the Board of Directors of The Vitec Group plc and signed on its behalf by:

Jon Bolton
Group Company Secretary
25 February 2021
The Vitec Group plc
Company Number: 227691

Independent auditor's report to the members of The Vitec Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Vitec Group plc (the “Parent Company”) and its subsidiaries (the “Group”) give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (“IFRSs”) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement
- the consolidated statement of comprehensive income
- the consolidated and Parent Company balance sheets
- the consolidated and Parent Company statements of changes in equity
- the consolidated statement of cash flows
- the related Group notes 1 to 5 and Parent Company notes a to p.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).


2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the “FRC's”) Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 2.1 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	<p>The key audit matter that we identified in the current year was:</p> <ul style="list-style-type: none"> – Valuation of inventory obsolescence provision. <p>Within this report, key audit matters are identified as follows:</p> <p> Similar level of risk</p>
Materiality	The materiality that we used for the Group financial statements was £1.6 million which was determined on the basis of a blended range of measures, including loss before tax, revenue and net assets.
Scoping	We focused our scope on the three trading divisions, Vitec Imaging Solutions, Vitec Production Solutions and Vitec Creative Solutions. These were subject either to full scope audits, audit of specified account balances or specified audit procedures which account for 92% of Group revenue and 92% of net assets.
Significant changes in our approach	<p>We have changed the basis on which we have determined materiality in the current year to reflect the impact of COVID-19 on the scale of the Group's operations. For further details refer to section 6 of this report.</p> <p>Due to the travel restrictions as a result of the COVID-19 pandemic, reviews and interactions with component auditors were carried out remotely.</p>

Independent auditor's report to the members of The Vitec Group plc (continued)

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the risk associated with going concern considering the Group's business model, operations and financing, as well as indicators of possible management bias
- Evaluating the mathematical integrity of and the relevance and reliability of the underlying data used in Management's assessment
- Challenging management's method to assess going concern, specifically by comparing changes in assumptions from prior year to changes in principal risks, checking the consistency of forecasts and assumptions with each other and those used in other areas, obtaining supporting evidence for management's assumptions including rate of revenue recovery and operating leverage, and evaluating contradictory evidence including historical forecasting inaccuracy and market research
- Challenging the reasonableness and robustness of management base case forecasts by performing independent sensitivity analyses
- Assessing management's plans for future actions and considered additional facts or information available subsequent to management's assessment and
- Assessing the adequacy and appropriateness of disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of inventory obsolescence provision

Key audit matter description	<p>At 31 December 2020, the gross inventory balance was £83.0 million (2019: £90.9 million), against which there was £18.2 million (2019: £14.9 million) provision.</p> <p>Significant management judgement is involved in determining the adequacy of the inventory obsolescence provision across both a wide range of products, within differing geographical regions, set against a backdrop of ever changing technology in the image capture and sharing market. Given the high level of management judgement involved, particularly in respect of forecast future usage, we deemed this a potential fraud risk for our audit.</p> <p>Management has highlighted inventory provisioning as a key accounting estimate in Section 1. The Audit Committee report on page 72 also refers to inventory provisioning as one of the significant issues and judgements. Further information is included in note 3.3 to the financial statements.</p>
How the scope of our audit responded to the key audit matter	<p>In order to address this key audit matter we have completed audit procedures including:</p> <ul style="list-style-type: none"> – Obtaining an understanding of the controls relating to inventory provisioning – Evaluating the appropriateness of the methodology used to calculate the inventory provision – Challenging the reasonableness of management’s judgements and the assumptions used, specifically by assessing the provision percentages in relation to sales demand with comparison to prior years – Assessing the integrity of the underlying calculation by checking the accuracy of the ageing of discontinued and slow moving inventory items – Assessing the level of inventory write offs in the year compared to the overall inventory provision at 31 December 2019 and – Assessing the exposure of inventory relating to slow moving ranges but for which no provision is included, together with testing the appropriateness of a sample of manual adjustments.
Key observations	Based on the audit procedures performed we are satisfied the overall inventory provision is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£1.6 million (2019: £2.4 million)	£1.5million (2019: £2.2 million)
Basis for determining materiality	<p>The materiality that we used for the Group financial statements was £1.6 million which was determined on the basis of a blended range of measures, including revenue and net assets.</p> <p>This approach is a change from the prior year, which was based on 5% of adjusted profit before tax.</p>	Parent Company materiality equates to 1% of net assets, which is capped at 95% of Group materiality, this is consistent with prior year.
Rationale for the benchmark applied	<p>We have changed the basis on which we have determined materiality in the current year to reflect the impact of COVID-19 on the scale of the Group’s operations and to reflect the metrics that are most relevant for the users of the financial statements.</p> <p>Materiality of £1.6 million represents 0.6% of revenue and 1.1% of net assets.</p>	Net assets has been used as this is a non-trading holding company and we consider this to be the most appropriate basis.

Independent auditor's report to the members of The Vitec Group plc (continued)

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70 % (2019: 70%) of Group materiality	70% (2019: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> – the overall quality of the control environment where no significant deficiencies were identified; – the low turnover of management and key accounting personnel; and – the low number of corrected and uncorrected misstatements identified in previous audits. 	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.08 million (2019: £0.1 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

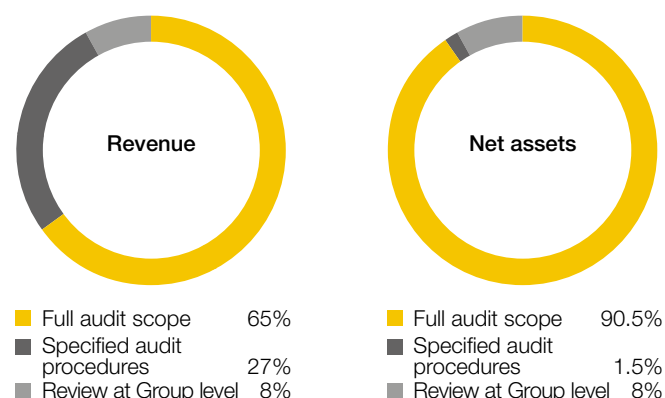
7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group wide controls, and assessing the risks of material misstatement at the Group level.

Based on that assessment we focused our scope on the three trading divisions: Vitec Imaging Solutions, Vitec Production Solutions and Vitec Creative Solutions. These were subject to either full scope audits, audit of specified account balances, or specified audit procedures which account for 92% (2019: 88%) of Group revenue and 92% (2019: 88%) of net assets. These audit procedures were performed to materiality levels applicable to each entity, which was lower than the Group materiality level and ranged from £0.6 million to £1.5 million (2019: £0.9 million to £2.2 million).

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.



7.2. Working with other auditors

The Group audit team instructed component auditors as to the significant risk areas to be addressed, including the key audit matter in respect of the valuation of the inventory obsolescence provision, and other relevant risks through the issuance of detailed referral instructions. The Group audit team had video conference meetings with the Divisional head office of each of the three trading divisions in Italy, the UK and US.

Due to inability to travel our component oversight visits were replaced with video conference meetings. We also engaged regularly with the component auditors through telephone calls, considered and discussed the appropriateness of their local risk assessment, attended video closing meetings with them and component management teams, reviewed their work and reviewed their component reporting.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor's report to the members of The Vitec Group plc (continued)

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of Management, internal audit, the Group's in-house and external legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of inventory. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's regulatory solvency requirements and covenants requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of inventory obsolescence provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter:

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee, in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

13. Corporate Governance Statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 113
- the Directors’ explanation as to its assessment of the Group’s prospects, the period this assessment covers and why the period is appropriate set out on page 38
- the Directors’ statement on fair, balanced and understandable set out on page 57
- the Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 18 – 22
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 66 and
- the section describing the work of the Audit Committee set out on pages 66 and 67.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors’ remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors’ remuneration have not been made or the part of the Directors’ remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the members at the Company’s Annual General Meeting on 15 May 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is three years, covering the years ending 31 December 2018 to 31 December 2020.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

David Halstead FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

St Albans, United Kingdom

25 February 2021

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Each section sets out the accounting policies applied in producing these financial statements 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 2020

	Notes	2020 £m	2019 £m
Revenue	2.1	290.5	376.1
Cost of sales	2.1	(178.5)	(214.3)
Other income	2.1	–	6.5
Gross profit		112.0	168.3
Operating expenses	2.1/2.2	(115.3)	(136.3)
Operating (loss)/profit	2.1	(3.3)	32.0
Comprising			
– Adjusted operating profit		9.9	52.4
– Charges associated with acquisition of businesses and other adjusting items	2.2	(13.2)	(20.4)
		(3.3)	32.0
Net finance expense	2.3	(4.4)	(4.4)
(Loss)/profit before tax		(7.7)	27.6
Comprising			
– Adjusted profit before tax		5.5	48.0
– Charges associated with acquisition of businesses and other adjusting items	2.2	(13.2)	(20.4)
		(7.7)	27.6
Taxation	2.4	2.4	(7.4)
Comprising taxation on			
– Adjusted profit		(1.4)	(11.7)
– Charges associated with acquisition of businesses and other adjusting items		3.8	4.3
		2.4	(7.4)
(Loss)/profit for the year attributable to owners of the parent		(5.3)	20.2
Earnings per share			
Basic earnings per share	2.5	(11.6)p	44.9p
Diluted earnings per share	2.5	(11.6)p	44.5p
Average exchange rates			
Euro		1.12	1.14
US\$		1.29	1.28

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 £m	2019 £m
(Loss)/profit for the year	(5.3)	20.2
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligation	(7.6)	0.7
Related tax	1.6	(0.2)
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency subsidiaries	(0.7)	(10.0)
Net investment hedges – net (loss)/gain	(1.3)	2.8
Cash flow hedges – reclassified to the Income Statement, net of tax	0.7	1.4
Cash flow hedges – effective portion of changes in fair value, net of tax	(0.9)	(0.4)
Other comprehensive expense, net of tax	(8.2)	(5.7)
Total comprehensive (expense)/income for the year attributable to owners of the parent	(13.5)	14.5

Consolidated Balance Sheet

As at 31 December 2020

	Notes	2020 £m	2019 £m
Assets			
Non-current assets			
Intangible assets	3.1	123.5	127.7
Property, plant and equipment	3.2	42.2	46.7
Trade and other receivables	3.3	1.5	1.7
Deferred tax assets	2.4	24.6	21.0
		191.8	197.1
Current assets			
Inventories	3.3	64.8	76.0
Trade and other receivables	3.3	51.7	59.4
Derivative financial instruments	4.2	0.1	0.6
Current tax assets	2.4	8.9	8.6
Cash and cash equivalents	4.1	17.3	18.9
		142.8	163.5
Total assets		334.6	360.6
Liabilities			
Current liabilities			
Bank overdrafts	4.1	0.5	–
Interest-bearing loans and borrowings	4.1	50.6	0.2
Lease liabilities	4.1	4.7	5.8
Trade and other payables	3.3	44.8	55.9
Derivative financial instruments	4.2	–	0.3
Current tax liabilities	2.4	9.7	10.6
Provisions	3.4	3.7	5.0
		114.0	77.8
Non-current liabilities			
Interest-bearing loans and borrowings	4.1	40.8	96.5
Lease liabilities	4.1	11.5	12.4
Other payables	3.3	–	0.1
Post-employment obligations	5.2	15.9	8.3
Provisions	3.4	1.0	1.2
Deferred tax liabilities	2.4	6.0	7.6
		75.2	126.1
Total liabilities		189.2	203.9
Net assets		145.4	156.7
Equity			
Share capital		9.2	9.1
Share premium		21.7	20.7
Translation reserve		(13.9)	(11.9)
Capital redemption reserve		1.6	1.6
Cash flow hedging reserve		0.1	0.3
Retained earnings		126.7	136.9
Total equity	4.3	145.4	156.7
Balance Sheet exchange rates			
Euro		1.12	1.18
US\$		1.37	1.32

Approved and authorised for issue by the Board on 25 February 2021 and signed on its behalf by:

Martin Green
Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December

	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 2020	9.1	20.7	(11.9)	1.6	0.3	136.9	156.7
Total comprehensive income for the year							
Loss for the year	-	-	-	-	-	(5.3)	(5.3)
Other comprehensive expense for the year	-	-	(2.0)	-	(0.2)	(6.0)	(8.2)
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	-	-
Own shares purchased	-	-	-	-	-	(2.3)	(2.3)
Share-based payment charge, net of tax	-	-	-	-	-	3.4	3.4
New shares issued	0.1	1.0	-	-	-	-	1.1
Balance at 31 December 2020	9.2	21.7	(13.9)	1.6	0.1	126.7	145.4
Balance at 1 January 2019	9.1	18.6	(4.7)	1.6	(0.7)	138.4	162.3
Adoption of IFRS 16	-	-	-	-	-	(1.3)	(1.3)
Balance at 1 January 2019 (adjusted)	9.1	18.6	(4.7)	1.6	(0.7)	137.1	161.0
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	20.2	20.2
Other comprehensive income/(expense) for the year	-	-	(7.2)	-	1.0	0.5	(5.7)
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(17.1)	(17.1)
Own shares purchased	-	-	-	-	-	(6.4)	(6.4)
Share-based payment charge, net of tax	-	-	-	-	-	2.6	2.6
New shares issued	-	2.1	-	-	-	-	2.1
Balance at 31 December 2019	9.1	20.7	(11.9)	1.6	0.3	136.9	156.7

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
Cash flows from operating activities			
(Loss)/profit for the year		(5.3)	20.2
Adjustments for:			
Taxation		(2.4)	7.4
Depreciation		13.1	14.1
Impairment losses on property, plant and equipment		0.6	0.6
Amortisation of intangible assets		13.5	13.9
Net (gain)/loss on disposal of property, plant and equipment and software		(0.1)	0.2
Fair value (gains)/losses on derivative financial instruments		(0.1)	(0.1)
Foreign exchange losses/(gains)		0.3	(0.4)
Share-based payment charge		3.7	2.3
Earnout charges and retention bonuses		1.9	2.5
Loss on disposal of business, before tax		–	0.4
Net finance expense		4.4	4.4
Operating profit before changes in working capital and provisions		29.6	65.5
Decrease in inventories		11.5	1.0
Decrease in receivables		8.3	6.3
Decrease in payables		(12.6)	(12.6)
Decrease in provisions		(2.8)	(1.0)
Cash generated from operating activities		34.0	59.2
Interest paid		(5.9)	(4.3)
Tax paid		(3.1)	(6.3)
Net cash from operating activities		25.0	48.6
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and software		0.2	0.5
Purchase of property, plant and equipment		(5.1)	(6.2)
Capitalisation of software and development costs		(10.6)	(12.4)
Acquisition of businesses, net of cash acquired		–	(3.1)
Net cash inflow on disposal of business		–	0.9
Net cash used in investing activities		(15.5)	(20.3)
Cash flows from financing activities			
Proceeds from the issue of shares		1.1	2.1
Own shares purchased		(2.3)	(6.4)
Principal lease repayments		(5.8)	(6.4)
Repayment of interest-bearing loans and borrowings		(76.9)	(57.8)
Borrowings from interest-bearing loans and borrowings		71.7	61.4
Dividends paid		–	(17.1)
Net cash used in financing activities		(12.2)	(24.2)
Increase in cash and cash equivalents and overdrafts	4.1	(2.7)	4.1
Cash and cash equivalents at 1 January		18.9	15.1
Effect of exchange rate fluctuations on cash held		0.6	(0.3)
Cash and cash equivalents and overdrafts at 31 December		16.8	18.9

Section 1 – Basis of Preparation

This section sets 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 and incorporated under the Companies Act in the United Kingdom. The consolidated financial statements of the Company as at and for the year ended 31 December 2020 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.

In reporting financial information, the Group presents Alternative Performance Measures ("APMs") which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information to better reflect the underlying business and enable more meaningful comparison over time. A glossary on pages 179 and 180 provides a comprehensive list of APMs that the Group uses, including an explanation of how they are calculated, why they are used and how they can be reconciled to a statutory measure where relevant.

The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 risk, interest rate risk and liquidity risk.

COVID-19 impacted Vitec early in the pandemic, with half of the Group's revenue coming from products sourced from China and made in Italy. The Group responded quickly, implementing significant and far-reaching mitigating actions to cut costs and manage cash. The Group applied for Government support where possible to preserve the long-term capabilities of the business. The Group worked with its manufacturing teams and followed Government guidelines to put stringent health and safety and social distancing measures in place.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis and long-term viability in preparing the financial statements, a range of scenarios have been modelled through to the end of 2023. While trading performance has improved since the assessment for the interim financial statements, the rate of recovery, or subsequent waves, is difficult to predict. Modelling is impacted by a number of factors including assumptions around the overall global economic environment, how long it takes for our end markets to fully resume creation of original content, and continued actions that governments might take in relation to controlling the pandemic such as the closure of retail stores.

The Directors have reviewed the forecast scenarios as set out below:

- the Group's latest forecast, which projects an improvement in trading performance in 2021 and beyond, following the deterioration in 2020 due to COVID-19;
- three downside scenarios which primarily vary the speed and length of recovery with the key changes to estimates being as follows:
 1. Reducing the rate at which forecast sales would recover across all three years;
 2. Lower level of sales in 2021 versus scenario 1, with recovery to forecast by 2023; and
 3. Considering the possibility of a further wave in the US along with reversal of the easing of restrictions.

The downside scenarios are considered possible but not probable and include an assumed operating leverage of 55% versus forecast. They also factor in cost savings from management actions which would be taken to partly offset a decline in trading performance. These are proportionate and do not take into account all discretionary actions which could be taken; nor do they consider renegotiation of the multicurrency Revolving Credit Facility ("RCF") covenants or government support (both of which occurred in 2020).

Revenue in 2020 declined by 23% versus 2019, with a decline of 35% in the first half followed by a significant recovery in the second half (decline of 11% versus H2 2019). Revenue would need to decline by 18% in 2021 versus 2019 to result in a breach of the covenants. Although the pace and shape of the recovery in our markets is hard to predict, the Directors currently consider this scenario remote given markets have now adapted to respond to trading under pandemic conditions.

On 14 February 2020, the Group signed a new committed £165 million RCF with an initial five-year term and a two-year extension option with covenants relating to Net Debt: EBITDA and EBITA: Interest cost at June and December each year (the “Existing Covenants”). In May 2020, the Group signed an amendment agreement which replaced those covenants for 2020 with new covenants of Minimum EBITDA and Maximum Net Debt tested at June, September and December 2020 (“New Covenants”). The covenants reverted to the Existing Covenants on 1 January 2021. The Group also utilised the Bank of England’s Covid Corporate Financing Facility (“CCFF”) in an amount of £50 million. The Group currently expects to draw down on the committed RCF to repay the amounts owed under the CCFF in 2021.

Neither the Group’s latest forecast nor the downside scenarios modelled result in a breach of the covenants under the terms of the RCF. All scenarios show sufficient cash headroom to continue in operational existence for the foreseeable future. Under the most severe scenario modelled, the lowest point of cash headroom in the next 12 months would be at February 2022, when cash headroom under the RCF would still be £42 million. As such, the Directors are satisfied that it is appropriate for the Group to continue to adopt the going concern basis for preparing these financial statements.

Basis of consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists when the Group has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. 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 on 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 typically 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 translation 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.

Significant judgements, key assumptions 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.

Section 1 – Basis of Preparation (continued)

Critical accounting estimates and assumptions

The following are the critical estimates and assumptions that the Directors have made in the process of applying the Group's accounting policies and that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of acquired intangible assets

Following the impact of COVID-19 and its effect on current trading of the Group, impairment reviews of the Group's material acquired intangible assets were performed during the year which resulted in no impairment being required. In accordance with IAS 38 "Intangible assets" the remaining useful lives of acquired intangible assets have been reassessed and changes have been made as detailed below:

- Wooden Camera – brand and technology were increased by 1.3 years resulting in 2 years remaining as at 31 December 2020;
- Rycote – trade name and know-how were increased by 3.8 years resulting in 4.5 years remaining as at 31 December 2020;
- Syrp – brand and technology were increased by 1.4 years and 3.4 years respectively resulting in 4.5 years remaining as at 31 December 2020.

Inventory

Provisions are required to write down slow-moving, excess and obsolete inventory to its net realisable value. The estimation of inventory impairment is based on anticipated future sales of products over particular time periods. The anticipated level of future sales is determined primarily based on actual sales over a specified historic reference period which is determined by management and is deemed appropriate to the type of inventory. See note 3.3 "Working capital".

Pension benefits

The actuarial valuations associated with the pension schemes involve making assumptions about discount rates, 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".

Acquisitions

Acquisitions are accounted for under the acquisition method, based on the fair value of the consideration paid. Assets and liabilities, with limited exceptions, are measured at their fair value at the acquisition date. The Group estimates the provisional fair values and useful lives of acquired assets and liabilities at the date of acquisition. The valuation of acquired intangibles is subject to estimation of future cash flows and the discount rate applied to them. Determination of the useful economic lives of technology-related intangible assets requires assumptions about future market trends and future risk of replacement or obsolescence of those assets. The useful economic lives of intangible assets are disclosed in note 3.1 "Intangible assets".

Tax

The Group is subject to income taxes in a number of jurisdictions. Management is required to make estimates in determining the provisions for income taxes and 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. See note 2.4 "Tax".

Critical judgements in applying the Group's accounting policies

The following are critical judgements that the Group makes, apart from those involving estimations (which are dealt with above), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Development costs

The Group capitalises development costs which meet the criteria under IAS 38 "Intangible Assets" and discloses the amount capitalised in note 3.1 "Intangible Assets". The Group makes significant judgements in the application of IAS 38, particularly in relation to its requirements regarding the technical feasibility of completing the asset and the Group's ability to sell and generate future economic benefits from the intangible asset.

Tax

In relation to tax, these include the interpretation and application of existing legislation. Details on the tax charge and assets and liabilities recorded are set out in note 2.4 "Tax".

Impact of adoption of new accounting standards

There has been no material impact on the financial statements of adopting new standards or amendments.

New standards and interpretations not yet adopted

Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

An amendment to IFRS 16 "Leases" was issued by the International Accounting Standards Board on 28 May 2020. The amendment provides lessees with a practical expedient from assessing whether a COVID-19-related rent concession is a lease modification. The amendment is effective for annual accounting periods beginning on or after 1 June 2020 with early application permitted. The Group did not early adopt the amendment.

Section 2 – Results for the Year

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

- 2.1 Profit before tax (including segmental information)
- 2.2 Charges associated with acquisition of businesses and other adjusting items
- 2.3 Net finance expense
- 2.4 Tax
- 2.5 Earnings per share

2.1 Profit before tax (including segmental information)

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

Accounting policies

New accounting policy from 1 January 2020

The Group has received government assistance as a result of the COVID-19 pandemic in the form of contributions towards employee costs. For Government assistance which meets the definition of a Government grant, under IAS 20 the Group applies the income approach to account for the grants received. As such, the grant is recognised in the Income Statement as a reduction of the related costs incurred. In the period ending 31 December 2020, grant income of £2.0 million (2019: £nil) was received. There are no unfulfilled conditions or other contingencies attached to this government assistance.

Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the Group sells a product to a customer and control has passed. This is either once the product has been shipped or delivered to the customer, depending on the terms and conditions of the sale. Payment terms vary by Division and customer but where credit terms are given, payments are due generally 30 days after control of the goods has passed to the customer. Revenue is recognised at the transaction price exclusive of sales tax, adjusted for the expected level of returns, trade discounts and volume rebates. For the products expected to be returned, both a refund liability and a right to the returned goods are recognised using an expected value method based on past history.

Some contracts include multiple deliverables, such as the sale of the product and its installation. If material, distinct goods and services are accounted for as separate performance obligations. The transaction price is allocated to each performance obligation based on their standalone selling prices.

Service contracts

Revenue from rental service contracts which are fulfilled using the Group's equipment and operators is recognised in the accounting period in which the services are rendered. Payment terms vary and there can be small advance payments but generally payments are due as services are rendered.

Generally, contracts with customers are for periods of one year or less. As a result, the transaction price allocated to any unsatisfied contracts is not disclosed, as permitted by IFRS 15.

Licences

Software licences are sold by the Group on a standalone basis and together with a tangible product. If the licence is considered distinct, the revenue recognition pattern is based on whether the licence is a right to use intellectual property (revenue recognised at a point in time) or a right to access intellectual property (revenue recognised over time). The majority of the licences granted by the Group represent a right to use intellectual property for which payments are generally in advance. From a right to access intellectual property, payments are normally on a monthly basis with a credit period of 30 days.

Financing components

The Group generally does not have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

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 on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance. Further details on the nature of these segments and the products and services they provide are contained in the Strategic Report.

	Imaging Solutions		Production Solutions		Creative Solutions		Corporate and unallocated		Consolidated	
	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m	2020 £m	2019 £m
Analysis of revenue from external customers, by location of customer										
United Kingdom	9.4	16.4	7.8	14.1	3.9	10.9	–	–	21.1	41.4
The rest of Europe	54.4	64.1	21.1	23.6	4.7	4.1	–	–	80.2	91.8
North America	53.8	62.5	35.4	51.8	38.1	42.6	–	–	127.3	156.9
Asia Pacific	35.7	48.8	13.0	18.9	6.1	8.4	–	–	54.8	76.1
The rest of the World	3.4	4.8	2.8	3.4	0.9	1.7	–	–	7.1	9.9
Total revenue from external customers	156.7	196.6	80.1	111.8	53.7	67.7	–	–	290.5	376.1
Inter-segment revenue ⁽¹⁾	0.2	0.4	0.2	0.4	0.3	–	(0.7)	(0.8)	–	–
Total revenue	156.9	197.0	80.3	112.2	54.0	67.7	(0.7)	(0.8)	290.5	376.1
Adjusted operating profit/(loss)	9.7	27.1	7.6	19.6	3.3	15.6	(10.7)	(9.9)	9.9	52.4
Amortisation of acquired intangible assets	(1.5)	(2.1)	–	–	(6.1)	(7.3)	–	–	(7.6)	(9.4)
Restructuring costs	(1.6)	(5.8)	(0.9)	(0.3)	–	–	(0.3)	(0.1)	(2.8)	(6.2)
Effect of fair valuation of acquired inventory	–	(0.1)	–	–	(0.9)	(1.7)	–	–	(0.9)	(1.8)
Earnout charges and retention bonuses	(0.8)	(1.2)	–	–	(1.1)	(1.3)	–	–	(1.9)	(2.5)
Transaction costs relating to acquisition of businesses	–	(0.1)	–	–	–	–	–	–	–	(0.1)
Loss on disposal of business	–	–	–	(0.4)	–	–	–	–	–	(0.4)
Operating profit/(loss)	5.8	17.8	6.7	18.9	(4.8)	5.3	(11.0)	(10.0)	(3.3)	32.0
Net finance expense	–	–	–	–	–	–	–	–	(4.4)	(4.4)
Taxation	–	–	–	–	–	–	–	–	2.4	(7.4)
(Loss)/profit for the year									(5.3)	20.2
Segment assets	124.3	139.4	86.2	93.7	72.5	77.8	0.8	1.2	283.8	312.1
Unallocated assets										
Cash and cash equivalents							17.3	18.9	17.3	18.9
Current tax assets							8.9	8.6	8.9	8.6
Deferred tax assets							24.6	21.0	24.6	21.0
Total assets									334.6	360.6
Segment liabilities ⁽²⁾	34.2	43.7	32.7	29.9	13.1	13.0	1.6	2.4	81.6	89.0
Interest-bearing loans and borrowings ⁽²⁾	0.6	0.8	–	–	0.4	0.4	90.4	95.5	91.4	96.7
Unallocated liabilities										
Bank overdrafts							0.5	–	0.5	–
Current tax liabilities							9.7	10.6	9.7	10.6
Deferred tax liabilities							6.0	7.6	6.0	7.6
Total liabilities									189.2	203.9
Cash flows from operating activities	19.1	22.0	12.2	22.9	6.8	18.9	(13.1)	(15.2)	25.0	48.6
Cash flows from investing activities	(4.8)	(9.8)	(4.0)	(3.6)	(6.7)	(6.8)	–	(0.1)	(15.5)	(20.3)
Cash flows from financing activities ⁽²⁾	(3.0)	(3.8)	(1.8)	(1.8)	(1.2)	(1.4)	(6.2)	(17.2)	(12.2)	(24.2)
Capital expenditure										
Property, plant and equipment	2.2	3.7	2.6	2.0	0.3	0.5	–	–	5.1	6.2
Software and development costs	2.6	3.8	1.5	2.6	6.5	5.9	–	0.1	10.6	12.4

(1) Inter-segment pricing is determined on an arm's length basis. These are eliminated in the Corporate column.

(2) Amounts previously included in the 2019 Corporate and unallocated amount have been reclassified to the Divisions as follows:

- Liabilities of £3.0 million to the Imaging Solutions Division (£1.5 million) and the Creative Solutions Division (£1.5 million);
- Interest-bearing loans and borrowings of £1.2 million to the Imaging Solutions Division (£0.8 million) and the Creative Solutions Division (£0.4 million);
- Cash flows from financing activities of £0.8 million to the Imaging Solutions Division.

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

One customer (2019: one) accounted for more than 10% of external revenue. In 2020, the total revenue from this customer, which was recognised in all three segments, was £33.3 million (2019: £44.8 million).

Section 2 – Results for the Year (continued)

2.1 Profit before tax (including segmental information) (continued)

Other income

On 26 April 2018, the offices and warehouse of SmallHD LLC (“SmallHD”) in North Carolina, US (part of the Creative Solutions Division) were damaged as a result of a fire in an adjacent office.

In 2019, £6.5 million was received from the insurer and recognised in other income. The insurance claim has been finalised and so no further income was received in 2020.

Operating expenses

	2020 £m	2019 £m
Analysis of operating expenses		
– Charges associated with acquisition of businesses and other adjusting items ⁽¹⁾	11.8	18.6
– Other administrative expenses	47.3	49.1
Administrative expenses	59.1	67.7
Marketing, selling and distribution costs	41.2	53.3
Research, development and engineering costs	15.0	15.3
Operating expenses	115.3	136.3

(1) Total charges associated with acquisition of businesses and other adjusting items are £13.2 million (2019: £20.4 million) of which £11.8 million (2019: £18.6 million) are recognised in operating expenses and £1.4 million (2019: £1.8 million) in cost of sales. See note 2.2 “Charges associated with acquisition of businesses and other adjusting items”.

Operating profit

	2020 £m	2019 £m
The following items are included in operating profit		
Fees payable to the Company’s auditor for the audit of the Company’s annual financial statements	0.2	0.1
Fees payable to the Company’s auditor and its associates for other services		
– The audit of the Company’s subsidiaries pursuant to legislation	0.7	0.5
– Audit-related assurance services	0.1	0.1

2.2 Charges associated with acquisition of businesses and other adjusting items

The Group presents Alternative Performance Measures (“APMs”) in addition to its statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (“ESMA”).

APMs used by the Group and, where relevant, a reconciliation to statutory measures are set out in the Glossary to these Financial Statements on pages 179 to 180. Adjusting items are described below along with more detail of the specific adjustment and the Group’s rationale for the adjustment.

The Group’s key performance measures, such as adjusted operating profit, exclude charges associated with acquisition of businesses and items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner.

Accounting policies

Adjusting items are split between charges associated with acquisition of businesses and other adjusting items. On this basis, the following are the Group’s principal adjusting items when determining adjusted operating profit:

Charges associated with the acquisition of businesses

Amortisation of intangible assets that are acquired in a business combination

Acquired intangibles are measured at fair value, which takes into account the future cash flows expected to be generated by the asset rather than past costs of development. Additionally, acquired intangibles include assets such as brands, know-how and relationships which the Group would not normally recognise as assets outside of a business combination. The amortisation of the fair value of acquired intangibles is not considered to be representative of the underlying performance of the businesses within the Group. On an ongoing basis, the Group capitalises development costs of intangible assets and the costs of purchasing software. These intangible assets are recognised at cost and the amortisation of these costs are included in adjusted operating profit.

Effect of fair valuation of acquired inventory

As part of the accounting for business combinations, the Group measures acquired inventory at fair value as required under IFRS 3. This results in the carrying value of acquired inventory being higher than its original cost-based measure. The impact of the uplift in value has the effect of increasing cost of sales thereby reducing the Group’s gross profit margin which is not representative of ongoing performance.

Transaction costs

Transactions costs related to the acquisition of a business do not reflect its trading performance and so are adjusted to ensure consistency between periods.

Earnout charges and retention bonuses agreed as part of the acquisition

Generally, earnouts are agreed based on the value of the acquired business and hence are economically treated as the consideration for the acquisition. Under IFRS 3, most of the Group’s earnouts are treated as post combination remuneration, although the levels of remuneration generally do not reflect market rates and do not get renewed as a salary (or other remuneration) might. The Group considers this to be inconsistent with the economics reflected in the deals because other consideration for the acquisition is effectively included in goodwill rather than an income statement item. Retention agreements are generally entered into with key management at the point of acquisition to help ensure an efficient integration. Where performance warrants, any costs associated with renewal of these agreements are not adjusted for.

Integration costs

For an acquired business, the costs of integration, such as termination of third-party distributor agreements, severance and other costs included in the business’s defined integration plan, do not reflect the business’s trading performance and so are adjusted to ensure consistency between periods.

Section 2 – Results for the Year (continued)

2.2 Charges associated with acquisition of businesses and other adjusting items (continued)

Other adjusting items

- restructuring costs and other associated costs arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- loss on disposal of businesses;
- impairment charges that are considered to be significant in nature and/or value to the underlying performance of the business;
- past service charges associated with defined benefit pensions, such as gender equalisation of guaranteed minimum pension (“GMP”) for occupational schemes; and
- other significant initiatives not related to underlying trading.

In addition to the above, APMs impacting adjusted profit before tax, adjusted profit after tax and adjusted basic earnings per share are adjusted for:

- the tax effect of adjustments to profit/(loss) before tax;
- significant adjustments to current or deferred tax which have arisen in previous periods but are accounted for in the current period; and
- the net effect of significant new tax legislation changes.

The adjusted measures reflect how the business is measured and managed on a day-to-day basis including when setting and determining the variable element of remuneration of senior management throughout the Group (notably cash bonus and the Long Term Incentive Plan described in more detail on pages 165 to 167).

Adjusted operating profit, adjusted profit before tax and adjusted profit after tax are not defined terms under IFRS and may not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for GAAP measures. All APMs relate to the current year results and comparative periods where provided.

	2020 £m	2019 £m
Amortisation of acquired intangible assets	(7.6)	(9.4)
Restructuring costs ⁽¹⁾	(2.8)	(6.2)
Effect of fair valuation of acquired inventory ⁽²⁾	(0.9)	(1.8)
Earnout charges and retention bonuses ⁽³⁾	(1.9)	(2.5)
Transaction costs relating to acquisition of businesses ⁽⁴⁾	–	(0.1)
Loss on disposal of business ⁽⁵⁾	–	(0.4)
Charges associated with acquisition of businesses and other adjusting items	(13.2)	(20.4)

(1) Restructuring costs were mainly incurred in Imaging Solutions and Production Solutions. In 2019, Imaging Solutions began a strategic project to rebalance the allocation of resources from off-line to online to enable growth, reduce operating costs and improve margins. The costs related to the project are expected to impact the Division until 2021. The main costs incurred include severance costs of £1.1 million (2019: £3.0 million), recruitment costs of £0.2 million (£0.4 million) and professional fees of £0.3 million (2019: £0.6 million) including legal, tax and strategic consulting. In 2019 other costs in relation to asset impairments of £0.9 million and move costs in relation to changing our logistics provider of £0.4 million were also incurred. In 2020, following the impact of the COVID-19 pandemic, the Production Solutions Division sought to rationalise its cost base which resulted in redundancy costs of £0.9 million. Restructuring costs of £0.5 million have been recognised in cost of sales.

(2) The fair value uplift of £0.9 million (2019: £1.8 million) relating to acquired inventory sold or impaired by the Group since the business combination is adjusted from cost of sales.

(3) Earnout and retention payment charge of £1.9 million (Rycote: £0.8 million and Amimon: £1.1 million) relates to continued employment and certain non-financial targets being met during 2020 and those that are expected to be met in 2021. The charge incurred in 2019 was £2.8m, split between Rycote (£1.1 million), Amimon (£0.9 million) and RTMotion (£0.5 million).

(4) In 2019, transaction costs of £0.1 million were incurred in relation to the acquisition of Syrp.

(5) In 2019, the Group disposed of its medical batteries business in the Production Solutions Division. The loss on disposal of the business of £0.4 million was not considered representative of the underlying performance of the Group and so was excluded from adjusted operating profit.

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:

- foreign exchange gains and losses on cash and inter-company loans that are not net investment hedges;
- unwind of discount on liabilities;
- interest expense on lease liabilities;
- interest expense on borrowings and interest receivable on funds invested; and
- net interest expense on net defined benefit pension scheme.

Net finance expense

	2020 £m	2019 £m
Finance income		
Net currency translation gains	0.6	0.5
Finance expense		
Other interest payable	(0.1)	–
Unwind of discount on liabilities	(0.1)	(0.1)
Interest expense on lease liabilities ⁽¹⁾	(0.8)	(0.9)
Interest expense on interest-bearing loans and borrowings	(3.9)	(3.7)
Interest expense on net defined benefit pension scheme ⁽²⁾	(0.1)	(0.2)
	(5.0)	(4.9)
Net finance expense	(4.4)	(4.4)

(1) See note 3.5 "Leases".

(2) See note 5.2 "Pensions".

2.4 Tax

This note sets 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 current 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.

Section 2 – Results for the Year (continued)

2.4 Tax (continued)

Deferred tax liabilities are not recognised for the following temporary differences:

- goodwill not deductible for tax purposes or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- differences relating to investments in subsidiaries to the extent that the timing of the reversal is controlled by the Company and they will probably not reverse in the foreseeable future.

Tax – Income Statement

	2020 £m	2019 £m
The total taxation charge/(credit) in the Income Statement is analysed as follows:		
Summarised in the Income Statement as follows		
Current tax	2.1	4.5
Deferred tax	(4.5)	2.9
	(2.4)	7.4
Charges associated with acquisition of businesses and other adjusting items		
Current tax ⁽¹⁾	(0.1)	(1.5)
Deferred tax ⁽²⁾	(3.7)	(2.8)
	(3.8)	(4.3)
Before charges associated with acquisition of businesses and other adjusting items		
Current tax	2.2	6.0
Deferred tax	(0.8)	5.7
	1.4	11.7

(1) Current tax credit of £0.1 million (2019: £1.5 million credit) was recognised in the year, of which £0.6 million credit (2019: £1.1 million credit) related to restructuring and integration costs, and £0.5 million charge (2019: £0.4 million credit) to tax on the acquisition and disposal of businesses.

(2) Deferred tax credit of £3.7 million (2019: £2.8 million credit) was recognised in the year, of which £nil (2019: £0.2 million credit) relates to restructuring and integration costs, £0.2 million credit (2019: £0.9 million credit) to acquisitions, £2.3 million credit (2019: £1.7 million credit) to amortisation of intangible assets and £1.2 million credit (2019: £nil) to the impact of the US Cares Act.

	2020 £m	2019 £m
Current tax expense/(credit)		
Charge for the year	2.1	4.9
Adjustments in respect of prior years	–	(0.4)
Total current tax expense	2.1	4.5

The UK current tax charge represents a charge of £1.0 million (2019: £nil) of the total Group current tax charge of £2.1 million (2019: £4.5 million), with the remaining £1.1 million (2019: £4.5 million) charge relating to overseas tax.

	2020 £m	2019 £m
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(4.2)	2.6
Adjustments in respect of prior years	(0.3)	0.3
Total deferred tax expense	(4.5)	2.9

The UK deferred tax charge represents £1.0 million (2019: £1.4 million credit) and the US deferred tax credit represents £3.9 million (2019: £2.1 million) of the total Group deferred tax credit of £4.5 million (2019: £2.9 million credit), with £1.6 million credit (2019: £0.6 million credit) relating to overseas tax.

	2020 £m	2019 £m
Tax charge recognised in Statement of Changes in Equity (“SOCIE”)		
Current tax recognised in SOCIE ⁽³⁾	–	–
Deferred tax recognised in SOCIE ⁽⁴⁾	(0.7)	0.3
	(0.7)	0.3

(3) No current tax deductions have been reflected in the SOCIE in both the current and prior year.

(4) A deferred tax credit of £0.7 million (2019: £0.3 million charge) relating to the impact of share-based payments on outstanding options, has been reflected in the SOCIE.

Reconciliation of Group tax charge

	2020 £m	2019 £m
Profit/(loss) before tax	(7.7)	27.6
Income tax using the domestic corporation tax rate at 19% (2019: 19%)	(1.5)	5.2
Effect of tax rates in foreign jurisdictions	–	2.0
Non-deductible expenses	1.0	1.6
Non-taxable income	(0.8)	(0.4)
Beneficial tax rates and incentives ⁽⁵⁾	(0.4)	(1.3)
Impact of inter-company financing arrangements	–	(1.1)
Movement on unrecognised deferred tax	(0.5)	1.1
Other	0.1	0.4
Adjustments in respect of prior years	(0.3)	(0.1)
Total income tax expense in Income Statement	(2.4)	7.4

(5) The beneficial tax rates and incentives of £0.4 million credit (2019: £1.3 million credit) relates to the beneficial tax rate in Costa Rica.

Tax – Balance Sheet

Current tax

The current tax liability of £9.7 million (2019: £10.6 million) represents the amount of income taxes payable in respect of current and prior periods, including a provision in relation to uncertain tax positions. The current tax asset of £8.9 million (2019: £8.6 million) relates to income tax receivable in the UK, the US and Italy, including a provision in relation to uncertain tax positions.

The international tax environment has received increased attention and seen rapid change over recent years, both at a US and European level, and by international bodies such as the Organisation for Economic Cooperation and Development (“OECD”). In light of this, Vitec has been monitoring developments and continues to engage transparently with the tax authorities in countries where Vitec operates, to ensure that the Group manages its tax arrangements on a sustainable basis.

As for most multinationals, the current tax environment is creating increased levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. These estimates include Management judgements about the position expected to be taken by each tax authority, primarily in respect of transfer pricing as well as in respect of financing arrangements and tax credits and incentives.

Management estimates of the level of risk arising from tax audit may change in the next year as a result of changes in legislation or tax authority practice or correspondence with tax authorities during a specific tax audit. It is not possible to quantify the impact that such future developments may have on the Group's tax positions. Actual outcomes and settlements may differ significantly from the estimates recorded in these consolidated financial statements.

EU State Aid Investigation

In October 2017, the European Commission (EC) opened a State Aid investigation into the Group Financing Exemption in the UK controlled foreign company (“CFC”) rules (an exemption introduced into the UK tax legislation in 2013). While the Group has complied with all the requirements of UK tax law, in April 2019 the EC confirmed its view that some (but not all) of the UK exemptions constituted State Aid and that they would therefore require the UK to assess and recover the amount of State Aid that each affected taxpayer had received. In common with other UK-based international companies whose intra-group finance arrangements are in line with current controlled foreign company rules, Vitec is affected by this decision. Vitec calculates its maximum potential liability to be £8.6 million (including interest).

Section 2 – Results for the Year (continued)

2.4 Tax (continued)

In June 2019, the UK Government submitted an appeal to the EC against its decision. In common with a number of other affected taxpayers, Vitec has also filed its own annulment application. There remains significant uncertainty as to how any amounts will be assessed under this decision, and therefore the liability arising in the event the decision is upheld. No provision for any amounts in connection with this decision has been made on the basis that, given the strength of the technical position set out in the annulment applications, it is expected to be more likely than not that any payment that the Group makes under the decision will ultimately be repaid.

On 9 February 2021, the Group received a charging notice from HMRC under The Taxation (Post Transition Period) Bill for £3.2 million, which will be paid in March 2021. As the Group considers that the appeal will be successful, when the payment is made a non-current asset will be recorded on the basis this will be repaid in due course.

Deferred tax assets and liabilities

	2020 £m	Recognised in income £m	Recognised in goodwill and reserves £m	Exchange movements £m	Transfer between categories £m	2019 £m
Assets						
Inventories	2.0	(0.9)	–	0.1	–	2.8
Intangible assets	0.8	(0.1)	–	–	–	0.9
Tax losses	15.0	3.7	–	(0.6)	–	11.9
Property, plant, equipment and other	6.8	0.3	1.0	0.1	–	5.4
	24.6	3.0	1.0	(0.4)	–	21.0
Liabilities						
Property, plant, equipment and other	(0.1)	–	–	–	–	(0.1)
Intangible assets	(5.9)	1.5	–	0.1	–	(7.5)
	(6.0)	1.5	–	0.1	–	(7.6)
Net	18.6	4.5	1.0	(0.3)	–	13.4
	2019 £m	Recognised in income £m	Recognised in goodwill and reserves £m	Exchange movements £m	Transfer between categories £m	2018 £m
Assets						
Inventories	2.8	(0.2)	–	(0.1)	(0.3)	3.4
Intangible assets	0.9	(0.1)	(0.2)	–	–	1.2
Tax losses	11.9	(1.5)	–	(0.5)	(1.9)	15.8
Property, plant, equipment and other	5.4	(1.1)	0.3	(0.1)	(1.7)	8.0
	21.0	(2.9)	0.1	(0.7)	(3.9)	28.4
Liabilities						
Property, plant, equipment and other	(0.1)	–	(0.1)	–	–	–
Intangible assets	(7.5)	–	–	0.3	3.9	(11.7)
	(7.6)	–	(0.1)	0.3	3.9	(11.7)
Net	13.4	(2.9)	–	(0.4)	–	16.7

The deferred tax assets includes £10.4 million which relate to carried forward losses in the US consolidated group. The US consolidated group incurred losses in FY20 due to COVID-19 but the Group has concluded the losses remain recoverable based on estimated future taxable income projections.

The deferred tax asset increase of £1.0 million (2019: £nil change) recognised in goodwill and reserves relates to the following: £1.6 million increase recognised in Other Comprehensive Income ("OCI") in relation to defined benefit obligations, £0.7 million decrease reflected in the Consolidated Statement of Changes in Equity in relation to share options and £0.1 million increase recognised in OCI in relation to cash flow hedges.

Deferred tax assets have not been recognised of £21.1 million (2019: £22.4 million) comprising £6.3 million in relation to losses, £3.2 million in relation to intangibles and £11.6 million in relation to other timing differences 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 totalled approximately £158.6 million at 31 December 2020 (2019: £148.5 million). As dividends remitted from overseas subsidiaries to the UK should be exempt from additional UK tax, no significant tax charges would be expected.

2.5 Earnings per share

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

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

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

The adjusted EPS measure is used by management to assess the underlying performance of the ongoing businesses, and therefore excludes charges associated with acquisition of businesses and other adjusting items, all net of tax.

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

	2020 £m	2019 £m
(Loss)/profit for the financial year	(5.3)	20.2
Add back charges associated with acquisition of businesses and other adjusting items, all net of tax	9.4	16.1
Adjusted profit after tax	4.1	36.3

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	2020 Number	2019 Number	2020 pence	2019 pence	2020 pence	2019 pence
Basic	45,531	45,030	9.0	80.6	(11.6)	44.9
Dilutive potential ordinary shares	–	409	0.0	(0.7)	–	(0.4)
Diluted	45,531	45,439	9.0	79.9	(11.6)	44.5

The table above only shows weighted average number of shares for statutory purposes.

Potential ordinary shares are antidilutive for statutory earnings per share but 107,000 shares are dilutive for the purposes of adjusted earnings per share.

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 Provisions
- 3.5 Leases

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
- 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. Goodwill is allocated on acquisition to cash-generating units ("CGUs"), or groups of CGUs, assessed to be the three segments of the Group, that are anticipated to benefit from the combination. It is not subject to amortisation but is tested annually for impairment. Impairment is determined by assessing the recoverable amount of the segment 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 segment, including both its operating profit and operating cash flow performance. Where the recoverable amount of the segment is less than the carrying amount, an impairment loss is recognised. Impairment losses on goodwill are not reversed.

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 consideration over the fair value of the identifiable net assets acquired, all measured at the acquisition date. Subsequent adjustments to the fair values of net assets acquired can be made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition.

Other intangible assets

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

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 programs are recognised as an expense as incurred. Software expenditure is amortised over its estimated useful life of between three to five 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 product, 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 product, and is stated at cost less accumulated amortisation and impairment losses.

Impairment tests for cash-generating units (“CGUs”) or groups of CGUs containing goodwill

In accordance with the requirements of IAS 36, “Impairment of Assets”, goodwill is allocated to the Group’s CGUs or groups of CGUs, assessed to be the three segments of the Group, which are expected to benefit from the combination and are identified by the way goodwill is monitored for impairment. The Group’s total consolidated goodwill of £75.8 million at 31 December 2020 (£76.4 million at 31 December 2019) is allocated to: Production Solutions: £28.8 million (2019: £29.2 million); Imaging Solutions: £23.1 million (2019: £22.6 million); and Creative Solutions: £23.9 million (2019: £24.6 million). Each segment is assessed for impairment annually and whenever there is a specific indicator of impairment.

As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value in use over a projected period of five years together with a terminal value. This reflects the projected cash flows of each segment based on the actual operating results, the most recent Board approved Budget 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 2025 and the discount rates applied. The key judgements are the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flow 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 2025 are assumed to be 0.0% to 2.0% (2019: 0.0% to 2.0%), which is considered to be at or below long-term market trends for the segments.

The cash flow projections have been discounted to present value using the Group’s weighted average cost of capital (“WACC”) adjusted for economic and segment-specific risk factors including markets and size of business. Pre-tax rates of 12% to 13% (2019: 12% to 13%) reflecting different geographies have been used for impairment testing and applied to: Production Solutions segment: 12% (2019: 12%); Imaging Solutions segment: 13% (2019: 12%); and Creative Solutions segment: 13% (2019: 13%).

The following specific individual sensitivities of reasonably possible changes have been considered for each segment in relation to the weighted average cost of capital and discounted cash flow used in the value in use calculations, resulting in the carrying amount not exceeding the recoverable amount for each segment:

- the pre-tax WACC would need to increase by c.14% points in Imaging Solutions;
- the pre-tax WACC would need to increase by c.27% points in Production Solutions;
- the pre-tax WACC would need to increase by c.15% points in Creative Solutions.

Section 3 – Operating Assets and Liabilities (continued)

Intangible assets

	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Capitalised development costs £m
Cost					
At 1 January 2019	204.5	78.5	88.4	17.5	20.1
Currency translation adjustments	(6.8)	(2.3)	(2.8)	(0.8)	(0.9)
Additions	12.4	–	–	1.2	11.2
Disposals	(0.2)	–	–	(0.2)	–
Re-classified as tangible fixed assets	(0.1)	–	–	(0.1)	–
Acquisitions	1.4	0.6	0.8	–	–
At 31 December 2019	211.2	76.8	86.4	17.6	30.4
At 1 January 2020	211.2	76.8	86.4	17.6	30.4
Currency translation adjustments	(2.5)	(0.7)	(2.0)	0.6	(0.4)
Additions	10.7	0.1	–	0.5	10.1
Disposals	(0.4)	–	–	(0.4)	–
At 31 December 2020	219.0	76.2	84.4	18.3	40.1
Amortisation and impairment losses					
At 1 January 2019	72.4	0.5	46.5	13.9	11.5
Currency translation adjustment	(2.7)	(0.1)	(1.5)	(0.6)	(0.5)
Amortisation in the year	13.9	–	9.4	1.1	3.4
Re-classified as tangible fixed assets	0.1	–	–	0.1	–
Disposals	(0.2)	–	–	(0.2)	–
At 31 December 2019	83.5	0.4	54.4	14.3	14.4
At 1 January 2020	83.5	0.4	54.4	14.3	14.4
Currency translation adjustment	(1.1)	–	(1.5)	0.5	(0.1)
Amortisation in the year	13.5	–	7.6	1.1	4.8
Disposals	(0.4)	–	–	(0.4)	–
At 31 December 2020	95.5	0.4	60.5	15.5	19.1
Carrying amounts					
At 1 January 2019	132.1	78.0	41.9	3.6	8.6
At 31 December 2019 and 1 January 2020	127.7	76.4	32.0	3.3	16.0
At 31 December 2020	123.5	75.8	23.9	2.8	21.0

The carrying value of individually material acquired intangible assets is £7.9 million (2019: £11.0 million) for software and algorithms, £4.2 million (2019: £4.8 million) for trademarks, £3.8 million (2019: £4.4 million) for patents, £2.9 million (2019: £3.4 million) for customer relationships and £1.6 million (2019: £3.0 million) for technology. The remaining amortisation period of these intangible assets is three years for software and algorithms, 12 years for trademarks, eight years for patents and customer relationships and one year for technology. The carrying value of individually material capitalised development costs is £1.6 million relating to the development of the 4K Production monitors' architecture. The remaining amortisation period for this asset is five years.

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. Rental assets are recorded as plant and machinery. Right-of-use assets under lease contracts are included within property, plant and equipment. See note 3.5 “Leases”.

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 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 when 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.

Section 3 – Operating Assets and Liabilities (continued)

Property, plant and equipment

	Total	Land and buildings	Plant, machinery and vehicles	Equipment, fixtures and fittings
Cost				
At 1 January 2019	146.9	59.3	76.5	11.1
Currency translation adjustments	(5.9)	(2.1)	(3.5)	(0.3)
Transfers between asset categories	0.1	(0.2)	(0.5)	0.8
Additions	8.4	1.7	5.9	0.8
Disposals	(8.8)	(2.1)	(3.2)	(3.5)
Acquisitions	1.3	0.9	0.4	–
At 31 December 2019	142.0	57.5	75.6	8.9
At 1 January 2020	142.0	57.5	75.6	8.9
Currency translation adjustments	3.1	0.7	2.3	0.1
Transfers between asset categories	–	0.1	(0.7)	0.6
Additions	8.8	3.2	5.1	0.5
Disposals	(5.8)	(4.6)	(1.1)	(0.1)
At 31 December 2020	148.1	56.9	81.2	10.0
Depreciation				
At 1 January 2019	92.5	27.6	57.0	7.9
Currency translation adjustment	(4.2)	(1.2)	(2.8)	(0.2)
Transfers between asset categories	(0.1)	(0.5)	(0.1)	0.5
Depreciation charge in the year	14.1	6.5	6.4	1.2
Impairment losses in the year	0.6	0.6	–	–
Disposals	(7.6)	(1.5)	(2.6)	(3.5)
At 31 December 2019	95.3	31.5	57.9	5.9
At 1 January 2020	95.3	31.5	57.9	5.9
Currency translation adjustment	2.6	0.5	1.9	0.2
Transfers between asset categories	–	0.1	(0.3)	0.2
Depreciation charge in the year	13.1	5.9	5.9	1.3
Impairment losses in the year	0.6	–	0.6	–
Disposals	(5.7)	(4.6)	(1.0)	(0.1)
At 31 December 2020	105.9	33.4	65.0	7.5
Carrying amounts				
At 1 January 2019	54.4	31.7	19.5	3.2
At 31 December 2019 and 1 January 2020	46.7	26.0	17.7	3.0
At 31 December 2020	42.2	23.5	16.2	2.5

Plant, machinery and vehicles include equipment rental assets with an original cost of £11.5 million (2019: £9.6 million) and accumulated depreciation of £7.9 million (2019: £6.6 million).

Capital commitments at 31 December 2020 for which no provision has been made in the accounts amount to £0.5 million (2019: £0.8 million).

3.3 Working capital

Working capital represents the assets and liabilities the Group generates through its trading activities. These include inventories, 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 initially measured 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 method. 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 their net realisable value.

In the ordinary course of business, judgement is applied to assess the level of provisions required to write down slow-moving, excess and obsolete inventory to its net realisable value.

Trade and other receivables

Trade receivables and contract assets are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the number of days past due. The expected loss rates are based on payment profiles of sales over a preceding 36-month period and the corresponding historical credit losses experienced within this period. When appropriate, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables where a trend exists.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for an extended period.

During the year certain customers continued to make payments on account in accordance with the agreements the Group has with them. As a result of the pandemic, the level of services provided was lower than the consideration received, which has resulted in an increase in contract liabilities. These performance obligations are expected to be met within the next year.

When customer payments are received in advance and the amount of consideration exceeds the revenue recognised, a contract liability is recognised in the Balance Sheet.

Trade and other payables

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

Inventories

	2020 £m	2019 £m
Raw materials and components	16.9	18.7
Work in progress	5.1	7.2
Finished goods	42.8	50.1
Inventories, net of impairment provisions	64.8	76.0

Inventory of £64.8 million (2019: £76.0 million) is stated net of impairment provisions of £18.2 million (2019: £14.9 million). During the year £6.0 million (2019: £3.0 million) was recognised as an expense resulting from the write-down of inventory. A reversal of £0.5 million (2019: £2.1 million) was recognised as a reduction of the amount of inventory recognised as an expense.

Section 3 – Operating Assets and Liabilities (continued)

Trade and other receivables

	2020 £m	2019 £m
Current receivables		
Trade receivables, net of impairment provisions	40.4	47.9
Other receivables	4.3	4.8
Right to returned goods	0.3	0.4
Contract assets	1.2	1.3
Prepayments	5.5	5.0
	51.7	59.4
Non-current receivables		
Other receivables	1.5	1.7
Total receivables	53.2	61.1

	2020 £m	2019 £m
Gross trade receivables – ageing⁽¹⁾		
Current	32.6	42.0
1-30 days	7.3	5.7
31-60 days	1.3	1.4
61-90 days	0.3	0.4
over 90 days	3.4	2.6
Gross trade receivables	44.9	52.1

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

	Total £m	Overdue debts £m	Discounts £m
Impairment provisions against trade receivables			
Balance at 1 January 2020	4.2	1.8	2.4
Net increase during the year	3.1	1.6	1.5
Utilised during the year	(2.9)	(0.6)	(2.3)
Currency translation adjustments	0.1	0.1	–
Balance at 31 December 2020	4.5	2.9	1.6

Trade and other payables

	2020 £m	2019 £m
Current trade and other payables		
Trade payables	19.9	31.1
Other tax and social security costs	3.7	4.1
Contract liabilities ⁽²⁾	2.2	0.9
Expected refunds to customers	0.4	0.5
Accruals	6.7	6.3
Other payables ⁽²⁾	11.9	13.0
	44.8	55.9
Non-current payables		
Other non-trade payables	–	0.1
Total payables	44.8	56.0

(2) An amount of £0.3 million has been re-classified from other payables to contract liabilities in relation to 2019.

3.4 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	Dilapidations £m	Restructuring £m	Other £m	Earnout and deferred payments £m
At 1 January 2020	6.2	1.4	0.6	1.4	0.7	2.1
Charged/(credited) to the Income Statement	4.8	1.5	0.1	2.8	(0.5)	0.9
Reclassification from creditors	0.8	–	–	0.8	–	–
Provisions utilised during the year	(7.0)	(1.0)	–	(4.2)	–	(1.8)
Provisions reversed during the year	(0.1)	(0.1)	–	–	–	–
At 31 December 2020	4.7	1.8	0.7	0.8	0.2	1.2
Current	3.7	1.4	0.1	0.8	0.2	1.2
Non-current	1.0	0.4	0.6	–	–	–
	4.7	1.8	0.7	0.8	0.2	1.2

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.

Dilapidations

Provisions of £0.7 million relate to potential dilapidation costs on the termination of leases on occupied property that the Group has entered into.

Restructuring

The restructuring provision is expected to be utilised during 2021.

Earnout and deferred payment

The charge of £0.9 million (split between Rycote: £0.8 million and Amimon: £0.1 million) relates to continued employment and certain non-financial targets being met during 2020 and those that are expected to be met in 2021. Payment of £1.8 million was made during the year relating to Rycote (£1.2 million), RTMotion (£0.5 million) and Amimon (£0.1 million). See note 2.2 "Charges associated with acquisition of businesses and other adjusting items".

Section 3 – Operating Assets and Liabilities (continued)

3.5 Leases

This note provides information in relation to leases when the Group is a lessee. The Group does not have any material leases where it acts as a lessor.

Accounting policies

Leases

Each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Interest expense is charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

For the Group, lease payments generally comprise the following:

- fixed payments, less any lease incentives receivable;
- variable payments that are based on an index or rate; and
- payments to be made under extension options which are reasonably certain to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, and lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

When an adjustment to lease payments based on an index takes effect, the liability is remeasured with a corresponding adjustment to the right-of-use asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement.

The Group's leasing activities

The Group enters into leases of land and buildings in relation to offices, warehouses and factory premises around the world. In addition, the Group leases plant, machinery and vehicles, as well as other equipment.

Contracts entered into by the Group have a wide range of terms and conditions but generally do not impose any additional covenants. Several of the Group's contracts include indexation adjustments to lease payments in future periods which are not reflected in the measurement of the lease liabilities at 31 December 2020.

Many of the contracts entered into by the Group include extension or termination options which provide the Group with additional operational flexibility. If the Group considers it reasonably certain that an extension option will be exercised or a termination option not exercised, the additional period is included in the lease term. Generally, extension options are not included in the lease term for plant, machinery and vehicles, and equipment, fixtures and fittings. Most options in respect of land and buildings are not included in the calculation of the lease term.

A maturity analysis of lease liabilities is included in note 4.2 "Financial instruments".

Right-of-use assets

	Total £m	Leasehold land and buildings £m	Plant, machinery and vehicles £m	Equipment, fixtures and fittings £m
Cost				
At 1 January 2019	35.1	32.3	2.7	0.1
Currency translation adjustments	(1.0)	(0.9)	(0.1)	–
Additions	2.2	1.3	0.9	–
Termination of leases	(2.3)	(1.6)	(0.7)	–
Acquisitions	0.9	0.9	–	–
At 31 December 2019	34.9	32.0	2.8	0.1
At 1 January 2020	34.9	32.0	2.8	0.1
Currency translation adjustments	0.3	0.2	0.1	–
Additions	3.7	3.1	0.6	–
Termination of leases	(5.5)	(4.7)	(0.8)	–
Transfers between asset categories	–	0.1	(0.7)	0.6
At 31 December 2020	33.4	30.7	2.0	0.7
Depreciation				
At 1 January 2019	14.4	13.2	1.2	–
Currency translation adjustment	(0.6)	(0.6)	–	–
Depreciation charge in the year	6.4	5.4	1.0	–
Impairment losses in the year	0.6	0.6	–	–
Depreciation on termination of lease	(1.8)	(1.1)	(0.7)	–
At 31 December 2019	19.0	17.5	1.5	–
At 1 January 2020	19.0	17.5	1.5	–
Currency translation adjustments	0.2	0.1	0.1	–
Depreciation charge in the year	5.6	4.8	0.6	0.2
Depreciation on termination of lease	(5.3)	(4.6)	(0.7)	–
Transfers between asset categories	–	0.1	(0.3)	0.2
At 31 December 2020	19.5	17.9	1.2	0.4
Carrying amounts				
At 1 January 2019	20.7	19.1	1.5	0.1
At 31 December 2019 and 1 January 2020	15.9	14.5	1.3	0.1
At 31 December 2020	13.9	12.8	0.8	0.3

Total cash outflow for leases was £6.6 million (2019: £7.3 million) of which £0.8 million (2019: £0.9 million) related to interest and £5.8 million (2019: £6.4 million) to principal lease repayments.

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 its capital and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its 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 the following:

- Cash and cash equivalents (cash on hand and demand deposits at banks)
- Bank overdrafts that are payable on demand
- Interest-bearing loans and borrowings
- Lease liabilities

Accounting policies

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet represent cash on hand and at banks.

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.

Lease liabilities

See note 3.5 "Leases".

Analysis of net debt

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

	Interest-bearing loans and borrowings £m	Leases £m	Liabilities from financing Sub-total £m	Other cash and cash equivalents ⁽¹⁾ £m	Total £m
Opening at 1 Jan 2020	(96.7)	(18.2)	(114.9)	18.9	(96.0)
Repayments	76.9	5.8	82.7	(2.7)	80.0
Borrowings	(71.7)	–	(71.7)	–	(71.7)
Leases entered into during the year	–	(3.7)	(3.7)	–	(3.7)
Leases – early termination	–	0.2	0.2	–	0.2
Fees paid	2.1	–	2.1	–	2.1
Amortisation of fees	(0.7)	–	(0.7)	–	(0.7)
Foreign currency	(1.3)	(0.3)	(1.6)	0.6	(1.0)
Closing at 31 December 2020	(91.4)	(16.2)	(107.6)	16.8	(90.8)

	Interest-bearing loans and borrowings £m	Leases £m	Liabilities from financing Sub-total £m	Other cash and cash equivalents ⁽¹⁾ £m	Total £m
Opening at 1 Jan 2019	(96.1)	–	(96.1)	15.1	(81.0)
Adoption of IFRS 16	–	(22.4)	(22.4)	–	(22.4)
Repayments	57.8	6.4	64.2	4.1	68.3
Borrowings	(61.4)	–	(61.4)	–	(61.4)
Acquisitions	–	(0.9)	(0.9)	–	(0.9)
Leases entered into during the year	–	(2.2)	(2.2)	–	(2.2)
Leases – early termination	–	0.5	0.5	–	0.5
Foreign currency	3.0	0.4	3.4	(0.3)	3.1
Closing at 31 December 2019	(96.7)	(18.2)	(114.9)	18.9	(96.0)

(1) Other cash and cash equivalents includes bank overdrafts of £0.5 million (2019: £nil).

On 14 February 2020, the Group signed a new £165 million five-year (with one optional two-year extension) multicurrency Revolving Credit Facility (“RCF”) with a syndicate of five banks. This facility will expire on 14 February 2025 without the utilisation of the extensions. The Group was utilising 26% of the RCF as at 31 December 2020. On 30 April 2020 the Group agreed revised covenants for 2020 under the RCF in response to the COVID-19 pandemic; the covenants will return to previous levels from 2021.

On 30 April 2020, the Group was confirmed as eligible to issue Commercial Paper under the Bank of England’s Covid Corporate Financing Facility (“CCFF”) scheme. The Group has issued a total of £50.0 million in Commercial Paper under the scheme and the proceeds used to repay £50.0 million of RCF drawings.

Under the terms of the RCF the Group expects to and has the discretion to roll over the obligation for at least 12 months from the Balance Sheet date, and as a result, these amounts are reported as non-current liabilities in the Balance Sheet. The terms of the CCFF do not provide the Group with discretion to roll over its obligation and the full amount drawn under the CCFF is due for settlement in less than one year and as such is reported as a current liability in the Balance Sheet.

4.2 Financial instruments

This provides details on:

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

Financial risk management

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

Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign 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 (USD), Euro (EUR) and Japanese Yen (JPY). The Group proactively 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.

Section 4 – Capital Structure (continued)

4.2 Financial instruments (continued)

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 used to hedge the Group's forecasted foreign currency exposure in respect of forecast cash transactions for the following 12 months. Forward exchange contracts may also be used to hedge a proportion of the forecast cash transactions for the following 13 to 24 months. The forward exchange contracts currently have maturities of less than one year at the Balance Sheet date.

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 from 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 adjusted operating profit for the year ended 31 December 2020 would have increased/decreased by approximately £1.2 million from a ten cent stronger/weaker US Dollar against Sterling, by approximately £0.4 million from a ten cent stronger/weaker Euro against Sterling and by approximately £nil 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 are not hedged.

It is estimated that the statutory operating profit for the year ended 31 December 2020 would have increased/decreased by £0.5 million from a ten cent stronger/weaker US Dollar against Sterling, by approximately £0.3 million from a ten cent stronger/weaker Euro against Sterling and by approximately £nil from a ten yen stronger/weaker Japanese Yen against Sterling.

Interest rate risk

Interest rate risk comprises the interest cash flow risk that results from borrowing at variable rates.

For the year ended 31 December 2020 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 (2019: £1.2 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group was utilising 26% of the £165 million multicurrency Revolving Credit Facility as at 31 December 2020. On 14 February 2020, the Group signed a new £165 million five-year (with an optional two-year extension) multicurrency Revolving Credit Facility with a syndicate of five banks. This facility will expire on 14 February 2025 without the utilisation of the extension.

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. At the Balance Sheet date, the Group's largest customer, which has a high credit rating, accounts for 16% of the gross outstanding trade receivables (2019: 14%) which represents a concentration of credit risk.

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 creditworthiness. Transactions involving derivative financial instruments are managed centrally. These are only with banks that are part of the Group's multicurrency Revolving Credit Facility Agreement and which have strong credit ratings. 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 transactional exposure. The value of these derivatives changes over time in response to underlying variables such as exchange rates. They 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.

Contracts with derivative counterparties are based on ISDA Master Agreements. Under the terms of these arrangements, only in certain situations will the net amounts owing/receivable to a single counterparty be considered outstanding. The Group does not have the present legal ability to set-off these amounts and so they are not offset in the Balance Sheet. Of the derivative assets and derivative liabilities recognised in the Balance Sheet, an amount of £nil (2019: £0.3 million) would be set-off under enforceable master netting agreements.

Accounting policies

Financial assets classification and measurement

The Group classifies its financial instruments depending on the business model for managing the financial assets and their contractual cash flows. Trade receivables and contract assets are measured at amortised cost while derivatives are measured at fair value through profit or loss unless designated in a qualifying hedging relationship.

Derivative financial instruments

In accordance with Board-approved policies, the Group uses derivative financial instruments such as forward foreign exchange contracts to hedge its exposure to fluctuations in foreign exchange rates arising from operational activities. These are designated as cash flow hedges. It does not hold or use derivative financial instruments for trading or speculative purposes.

Cash flow hedge accounting

Cash flow hedges are used to hedge the variability in cash flows of highly probable forecast transactions 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 change in fair value arising is deferred in the cash flow hedging reserve within equity, via the Statement of Comprehensive Income. The gain or loss relating to the ineffective part is recognised in the Income Statement within net finance expense. Amounts deferred in the cash flow hedging reserve are reflected in the Income Statement in the periods when the hedged item is recognised in the Income Statement.

If a hedging instrument expires or is sold but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

For hedges of foreign currency sales, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item and the Group designates the forward exchange rate as the hedged risk. The Group therefore performs a qualitative assessment of effectiveness. In hedges of foreign currency sales, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

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.

Section 4 – Capital Structure (continued)

4.2 Financial instruments (continued)

Forward exchange contracts

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next 12 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months.

	Currency	As at 31 December 2020 millions	Average exchange rate of contracts	As at 31 December 2019 millions	Average exchange rate of contracts
Cash flow hedging contracts					
USD/GBP forward exchange contracts	USD	2.5	1.34	11.3	1.31
USD/EUR forward exchange contracts	USD	–	–	11.3	1.16
EUR/GBP forward exchange contracts	EUR	2.0	1.11	14.2	1.13
JPY/GBP forward exchange contracts	JPY	140.0	139.5	550.0	140.2
JPY/EUR forward exchange contracts	JPY	162.0	125.7	730.0	123.5

A net loss of £0.9 million (2019: £1.6 million loss) relating to forward exchange contracts was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cash flows which affect the Income Statement.

The table below provides further information on the Group's cash flow hedging relationships:

	2020 £m	2019 £m
Net forward exchange contracts asset	0.1	0.3
Maturity dates	January 2021 to June 2021	January 2020 to December 2020
Hedge ratio	1:1	1:1
Change in value of hedging instruments since 1 January	(1.1)	(0.4)
Change in value of the hedged item used to determine hedge effectiveness	1.1	0.4

The balances and movements into and out of the cash flow hedging reserve are shown in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity respectively. Amounts reclassified from the cash flow hedging reserve to the Consolidated Statement of Comprehensive Income are included in revenue.

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 carrying values of the Group's financial instruments approximate their fair value. The fair value of floating rate borrowings approximates its carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year. The Group's derivative financial instruments are Level 2. The fair value of derivative financial instruments is determined based on the present value of future cash flows using forward exchange rates at the Balance Sheet date.

Accounting policies

Net investment hedge accounting

The Group uses its US Dollar, Euro and Japanese Yen denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. The Group designates the spot rate of the loans as the hedging instrument. There was no ineffectiveness to be recognised on hedges of net investments in foreign operations.

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.

The table below provides further information on the Group's net investment hedging relationships:

	2020 £m	2019 £m
Hedge ratio	1:1	1:1
Change in value of hedging instruments due to foreign currency movements since 1 January	1.3	2.8
Change in value of the hedged item used to determine hedge effectiveness	(1.3)	(2.8)

The balances and movements into and out of the foreign currency translation reserve are shown in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity respectively.

The amount in the foreign currency translation reserve in relation to hedge accounting is a loss of £35.3 million (2019: £34.0 million) and is split as follows:

- continuing net investment hedges loss of £6.2 million (2019: £4.9 million); and
- hedging relationships for which hedge accounting is no longer applied, a loss of £29.1 million (2019: £29.1 million).

Interest-bearing loans and borrowings

The table below analyses the Group's interest-bearing loans and borrowings, including bank overdrafts, by currency:

Currency	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m
US Dollar	26.0	–	26.0
GB Pound	50.3	49.9	0.4
Euro	12.3	0.6	11.7
Japanese Yen	4.9	–	4.9
Unamortised fees and transaction costs	(1.6)	–	(1.6)
At 31 December 2020	91.9	50.5	41.4
US Dollar	51.7	–	51.7
GB Pound	28.0	–	28.0
Euro	13.5	0.8	12.7
Japanese Yen	3.5	–	3.5
At 31 December 2019	96.7	0.8	95.9

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

Section 4 – Capital Structure (continued)

4.2 Financial instruments (continued)

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:

	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From two to five years £m	Greater than five years £m
2020					
Unsecured interest-bearing loans and borrowings including bank overdrafts ⁽¹⁾	(91.5)	(96.7)	(52.0)	(44.7)	–
Lease liabilities	(16.2)	(18.4)	(5.2)	(8.5)	(4.7)
Trade payables	(19.9)	(19.9)	(19.9)	–	–
Forward exchange contracts outflow	–	(0.7)	(0.7)	–	–
Total outflows	(127.6)	(135.7)	(77.8)	(53.2)	(4.7)
Forward exchange contracts inflow	–	0.7	0.7	–	–
Net outflows	(127.6)	(135.0)	(77.1)	(53.2)	(4.7)
2019					
Unsecured interest-bearing loans and borrowings including bank overdrafts ⁽¹⁾	(96.3)	(99.5)	(2.3)	(97.2)	–
Lease liabilities	(18.2)	(20.8)	(6.4)	(9.8)	(4.6)
Trade payables	(31.1)	(31.1)	(31.1)	–	–
Forward exchange contracts outflow	(0.3)	(15.9)	(15.9)	–	–
Total outflows	(145.9)	(167.3)	(55.7)	(107.0)	(4.6)
Forward exchange contracts inflow	–	15.5	15.5	–	–
Net outflows	(145.9)	(151.8)	(40.2)	(107.0)	(4.6)

(1) This excludes an amount of £0.4 million (2019: £0.4 million) of an interest-bearing liability in relation to a government grant which does not meet the definition of a financial liability.

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

Expiring in:	2020 £m	2019 £m
Less than one year		
– Uncommitted facilities	3.6	10.9
More than one year but not more than five years		
– Committed facilities	122.3	54.5
Total	125.9	65.4

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 2020 are set out below. The various share-based payment schemes are explained in note 5.3 “Share-based payments”.

Share capital

	Number of shares (thousands)	Nominal value £m
Issued and fully paid		
At 1 January 2020	45,724	9.1
Exercise of share options	171	0.1
At 31 December 2020	45,895	9.2

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 2020 the following options had been granted and remained outstanding under the Company's share option schemes:

	Number of shares (thousands)	Exercise prices	Dates normally exercisable
UK Sharesave schemes	402	485p-1035p	2021-2026
International Sharesave schemes	1,345	485p-1035p	2021-2024
	1,747		

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.

Other reserves

Reserves of £55.3 million represent a merger reserve of £9.7 million; the reduction 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; and a capital redemption reserve of £1.6 million created on the repurchase and subsequent cancellation of 885,000 ordinary shares by the Company in 1999.

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 2020 the Employee Benefit Trust held 55,604 (2019: 283,900) ordinary shares. The Company holds 133,600 (2019: 133,600) shares, of 20p nominal value, in treasury.

Section 4 – Capital Structure (continued)

4.3 Share capital and reserves (continued)

Dividends

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

Amounts arising in respect of the year	2020 £m	2019 £m
Interim dividend for the year ended 31 December 2020 of nil pence (2019: 12.3p) per ordinary share	–	5.6
Proposed final dividend for the year ended 31 December 2020 of 4.5p (2019: nil pence) per ordinary share	2.1	–
	2.1	5.6
The aggregate amount of dividends paid in the year		
Final dividend for the year ended 31 December 2019 of nil pence (2018: 25.5p) per ordinary share	–	11.5
Interim dividend for the year ended 31 December 2020 of nil pence (2019: 12.3p) per ordinary share	–	5.6
	–	17.1

The proposed final dividend for the year ended 31 December 2020 was recommended by the Directors. This is subject to approval by shareholders at the AGM on Thursday 6 May 2021.

Section 5 – Other Supporting Notes

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

5.1 Employees

	2020 £m	2019 £m
Employee costs, including Directors' remuneration, comprise:		
Government grants receivable towards employee costs ⁽¹⁾	(2.0)	–
Wages and salaries	71.3	79.8
Redundancy costs ⁽²⁾	1.9	3.1
Employers' social security costs	9.9	11.7
Employers' pension costs – defined contribution schemes ⁽³⁾	3.2	3.6
Other employment benefits	2.8	3.1
Share-based payment charge	3.7	2.3
	90.8	103.6

(1) This excludes amounts paid directly to employees by governments.

(2) Redundancy costs have been disclosed separately in the current year with a corresponding adjustment to the comparative amounts. In 2019, £2.7 million of redundancy costs were included in the previously reported wages and salaries of £82.5 million. An additional amount of £0.4 million has been included in redundancy costs of £3.1 million.

(3) Defined contribution costs of £1.0 million were disclosed as defined benefit costs in 2019. These are now included in the defined contribution costs of 2019. See note 5.2 "Pensions".

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

	2020 Total	2019 Total
Average number of employees during the year		
Imaging Solutions	746	819
Production Solutions	508	574
Creative Solutions	289	294
Head Office	26	28
	1,569	1,715

5.2 Pensions

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

Accounting policies

Defined contribution schemes

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

Defined benefit schemes

The Group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds.

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

The Group recognises the ongoing service cost, past service costs and any cost or income relating to the curtailment or settlement of a pension scheme in operating expenses in the Income Statement. The unwinding of the discount (above) is recognised as part of net financial expense.

Section 5 – Other Supporting Notes (continued)

5.2 Pensions (continued)

Pension schemes

The Group has defined benefit pension schemes in the UK, Italy, Germany, Japan 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.

Currently there is neither an actuarial surplus (measured on an IAS 19 “Employee benefits” basis) nor are there any contributions being made to the UK defined benefit scheme. Therefore IFRIC 14 currently has no impact on the Group’s Balance Sheet.

In October 2018, the High Court reached a judgement in relation to Lloyds Bank’s defined benefit pension schemes, which concluded that the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues arising from the judgement will apply to most other UK defined benefit pension schemes.

In November 2020, the High Court reached a further judgement, which concluded that the schemes should pay uplifts to members who had transferred benefits out in the past (back to 17 May 1990), where those benefits were not equalised in line with the 2018 judgement. The Group has reviewed past transfers out and estimated the impact of this judgement to be highly immaterial and therefore no further liability has been booked.

Defined contribution schemes

The total Income Statement charge of the defined contribution schemes for the year ended 31 December 2020 was £3.2 million (2019: £3.6 million). There were no outstanding or prepaid contributions to these plans as at 31 December 2020 (or at 31 December 2019).

Defined contribution costs of £1.0 million were disclosed as defined benefit costs in 2019. These are now included in the defined contribution costs of 2019.

Defined benefit schemes

The Group’s defined benefit schemes are disclosed below:

	2020 £m	2019 £m
Amounts recognised on the Group Balance Sheet		
Plan assets		
– Equities	19.5	22.6
– Bonds	40.4	33.2
– Other	8.8	8.6
Total fair value of plan assets	68.7	64.4
Present value of defined benefit obligation	(84.6)	(72.7)
Net deficit recognised on the Group Balance Sheet	(15.9)	(8.3)
Analysis of net recognised deficit		
Total funded plan (UK pension scheme)	(11.6)	(4.1)
Total unfunded plans (non-UK pension schemes)	(4.3)	(4.2)
Liability recognised on the Group Balance Sheet	(15.9)	(8.3)
Amounts recognised in the Income Statement		
– Administration costs incurred during the period ⁽¹⁾	0.2	0.2
– Past service gains	(0.2)	(0.2)
Included in operating expenses	–	–
Net interest expense on net defined benefit pension scheme liabilities	0.1	0.2
Total amounts charged to the Income Statement	0.1	0.2

(1) Defined contribution costs of £1.0 million were disclosed as administration costs in 2019. These are now included in the defined contribution costs of 2019. See note 5.1 “Employees”.

UK pension scheme

The UK defined benefit 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 2019 funding valuation of the scheme disclosed a funding surplus, no recovery plan is required under the Pensions Act 2004. As such, member and employer contributions to the scheme over the year to 31 December 2021 are expected to be £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 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.

In accordance with UK trust and pensions law, the pension scheme has a corporate trustee. Although the Group bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustee, which has a duty to act in the best interest of members at all times. The assets of the scheme are held in trust by the trustee who consults with the Group on investment strategy decisions.

Impact on defined benefit obligation (“DBO”) of changes in the three key individual assumptions

	2020	2019
Discount rate increased by 0.1% points	-2%	-2%
Inflation increased by 0.1% points	+1%	+1%
Life expectancy increased by one year	+4%	+4%

A decrease in the assumptions noted above results in an equal and opposite movement to those disclosed.

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.

	2020 % pa	2019 % pa
Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December, were:		
Price inflation (RPI)	2.9	2.9
Price inflation (CPI)	RPI less 1% pa to 2030, and RPI less 0.1% pa from 2030	1.9
Life expectancy of male/female aged 65 at Balance Sheet date	22.4/24.7	22.1/24.4
Life expectancy of male/female aged 65 in 2035	23.0/25.6	22.7/25.2
Pension increase rate (% pa)		
– Discretionary (pre-6 April 1997 accrual in excess of GMP)	2.8	3.0
– Guaranteed LPI 5% (6 April 1997 – 30 June 2008)	2.9	2.8
– Guaranteed LPI 5%, with 3% floor	3.3	3.2
– Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.1	2.0
Discount rate (% pa)	1.2	2.1
	2020 £m	2019 £m
Change in DBO for the year to 31 December		
Present value of DBO at start of year	68.5	66.0
Interest cost	1.4	1.9
Actuarial loss on experience	(0.3)	(1.4)
Actuarial loss/(gain) on demographic assumptions	1.4	(0.9)
Actuarial loss on financial assumptions	11.6	7.0
Actual benefit payments	(2.1)	(3.9)
Past service gains	(0.2)	(0.2)
Present value of DBO at end of year	80.3	68.5

Section 5 – Other Supporting Notes (continued)

5.2 Pensions (continued)

At 31 December 2020, the weighted average duration of the scheme's DBO was 18 years (2019: 17 years). The proportion of DBO in respect of pensions in payment is approximately 43% and that in respect of deferred pensioners is approximately 57%.

	Fair value 2020 £m	Quoted split %	Unquoted split %	Fair value 2019 £m
Scheme assets and proportion which have quoted market price, at 31 December				
Bonds	40.4	100	–	33.2
Equities	19.5	97	3	22.6
Infrastructure	7.5	–	100	8.2
Cash/non-cash assets	1.1	–	100	0.3
Insurance policies	0.2	–	100	0.1
Total value of assets	68.7			64.4

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

	2020 £m	2019 £m
Change in fair value of assets for the year to 31 December		
Fair value of assets at start of year	64.4	60.9
Interest income on scheme assets	1.3	1.7
Return on scheme assets (less)/greater than discount rate	5.1	5.7
Actual benefit payments	(2.1)	(3.9)
Fair value of assets at end of year	68.7	64.4

	2020 £m	2019 £m
Development of net Balance Sheet position at 31 December		
Present value of defined benefit obligation	(80.3)	(68.5)
Assets at fair value	68.7	64.4
Net defined benefit scheme liability	(11.6)	(4.1)

	2020 £m	2019 £m
Reconciliation of net Balance Sheet position		
Net defined benefit scheme liability at start of year	(4.1)	(5.1)
Total amounts charged to the Income Statement	0.1	–
Remeasurement effects recognised in Other Comprehensive Income ("OCI")	(7.6)	1.0
Defined benefit scheme liability at end of year	(11.6)	(4.1)

	2020 £m	2019 £m
Amounts recognised in the Group Income Statement		
– Past service gains	(0.2)	(0.2)
Included in operating expenses	(0.2)	(0.2)
Net interest expense on net defined benefit pension scheme liability	0.1	0.2
Total amounts credited to the Income Statement	(0.1)	–

	2020 £m	2019 £m
Amounts recognised in OCI		
Actuarial gain due to liability experience	(0.3)	(1.4)
Actuarial loss due to liability assumption changes	13.0	6.1
Actuarial loss arising during the period	12.7	4.7
Return on scheme assets greater than discount rate	(5.1)	(5.7)
Remeasurement effects recognised in OCI	7.6	(1.0)

	2020 £m	2019 £m
Defined benefit pension scheme cost		
Past service gains	(0.2)	(0.2)
Net interest expense on net defined benefit pension scheme liability	0.1	0.2
Remeasurement effects recognised in OCI	7.6	(1.0)
Total defined benefit pension scheme charge/(credit)	7.5	(1.0)

5.3 Share-based payments

Group employees participate in a number of employee incentive schemes including a Sharesave Scheme, a Long Term Incentive Plan, a Deferred Bonus Plan and a Restricted Share 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, which are treated as equity-settled awards. The fair value of equity-settled awards is determined at grant date and charged to the Income Statement over the vesting period of the award, with a corresponding adjustment to equity.

Any potential employer's Social Security liability on share awards is calculated based on the intrinsic value of the awards at the Balance Sheet date and recognised over the vesting period of the related award.

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

Further details of the accounting for the schemes provided by the Group are set out below.

Long Term Incentive Plan ("LTIP")

A description of the LTIP including its general terms and conditions, such as performance conditions and vesting requirements, is set out in the Remuneration Report. Awards prior to 2020 included a portion linked to a non-market condition (adjusted earnings per share, "EPS") as well as a portion linked to a market condition (Total Shareholder Return, "TSR"). LTIPs awarded in 2020 vest subject to both a TSR and a share price condition and do not contain a portion linked to a non-market condition.

The fair value of the awards linked to the EPS condition is the Company's share price at grant date, while the fair value of awards containing market conditions is determined using Monte Carlo simulation models. The number of awards which are expected to vest is estimated by Management based on levels of expected forfeitures and the expected outcome of the EPS condition. For awards subject to market conditions, no adjustment is made to reflect the likelihood of the market condition being met nor the actual number of awards which lapse as a result of the condition not being met.

Sharesave Scheme

Options granted under the Sharesave Scheme vest subject to continued employment and a saving condition. The options entitle employees to purchase shares in the Company at a fixed price. Further details of the Group's Sharesave arrangement are included in the Strategic report.

The fair value of options granted under the Sharesave Scheme is determined using a Black-Scholes model with the key inputs to the model set out below. The number of awards which are expected to vest is estimated by Management based on levels of expected forfeitures. At an employee's discretion they can choose to withdraw from a particular scheme and stop saving. This action is accounted for as a cancellation and results in an acceleration of the Income Statement charge related to the cancelled options.

Restricted Share Plan

The Restricted Share Plan ("RSP") was introduced in 2019 to support retention plans for key employees (excluding Directors and Executive Management Board members). The fair value of awards under the RSP is the Company's share price at grant date. Under the RSP, shares which are awarded vest over three years and are subject to a continued employment condition. The number of awards which are expected to vest is estimated by Management based on levels of expected forfeitures.

Section 5 – Other Supporting Notes (continued)

5.3 Share-based payments (continued)

Share-based payment expense

The amount recognised in the Income Statement for share-based payment transactions with employees for the year ended 31 December 2020 was £3.6 million (2019: £2.6 million), of which £0.1 million credit (2019: £0.3 million charge) related to employers' tax liability.

The outstanding employers' tax liability recognised in the Balance Sheet for UK awards was £nil (2019: £0.1 million).

Share options outstanding at the end of the period

Options outstanding under the 2011 UK Sharesave Scheme and 2011 International Sharesave Plan as at 31 December 2020, together with their exercise prices and vesting periods, are as follows:

Range of exercise prices	Number outstanding (thousands)	Weighted average exercise price (£)	Weighted average remaining contractual life (years)
£4.51 – £5.00	15	4.86	1
£5.51 – £6.00	1,252	5.59	3
£6.50 – £8.50	197	7.82	1
£8.51 – £9.50	186	8.90	2
£9.51 – £10.50	97	10.35	1
Total	1,747	6.45	3

Movements in these share option plans were as follows:

	Sharesave (thousands)	Weighted average exercise price (£)
Awards at 31 December 2018	1,301	8.55
Exercised during 2019	(342)	6.29
Forfeited during 2019	(115)	9.32
Cancelled during 2019	(186)	10.30
Granted during 2019	835	9.05
Awards at 31 December 2019	1,493	9.18
Exercised during 2020	(171)	6.55
Cancelled during 2020	(738)	8.90
Forfeited during 2020	(68)	7.82
Lapsed during 2020	(44)	9.07
Granted during 2020	1,275	5.59
Awards at 31 December 2020	1,747	6.45
Awards exercisable at 31 December 2020	19	8.16

The weighted average share price at the date of exercise for share options exercised during the year was £7.77 (2019: £12.63).

Arrangement	Restricted Share Plan	2011 UK and International Sharesave Scheme 3 Year	2011 International Sharesave Plan 2 Year	2011 UK and International Sharesave Scheme 5 Year	2014 Long Term Incentive Plan	2014 Deferred Bonus Plan
Nature of arrangement	Share award plan	“Save as you earn scheme”	“Save as you earn scheme”	“Save as you earn scheme”	Share award plan	Share award plan
Date of grant	Various	24 Sep 2020	24 Sep 2020	24 Sep 2020	28 Sep 2020	1 April 2020
Number of instruments granted (thousands)	382	943	260	71	516	25
Exercise price	n/a	£5.52	£5.87	£5.52	n/a	n/a
Share price at date of grant	Various	£7.50	£7.50	£7.50	£7.50	£6.46
Contractual life (years)	n/a	3.6	2.3	5.6	n/a	n/a
Expected option life (years)	n/a	3.3	2.1	5.3	n/a	n/a
Vesting conditions	3-year service period	3-year service period and savings requirement	2-year service period and savings requirement	5-year service period and savings requirement	Absolute and relative share price target	3-year service period
Settlement	Shares	Shares	Shares	Shares	Shares	Shares
Expected volatility ⁽¹⁾	n/a	33.5%	33.5%	33.5%	33.9%	–
Risk-free interest rate	n/a	0.0%	0.0%	0.0%	n/a	n/a
Expected dividend yield	n/a	1.0%	1.0%	1.0%	n/a	n/a
Expected departures (per annum from grant date)	0 – 20%	5%	5%	5%	3%	n/a
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	n/a	0%	n/a
Expected outcome of non-vesting condition ⁽²⁾	n/a	89%	89%	89%	n/a	n/a
Fair value per granted instrument determined at the grant date	£5.66 – £8.20	£2.26	£1.93	£2.48	£2.17	6.46
Valuation model	n/a	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo ⁽³⁾	n/a

(1) The expected volatility of the 2011 Sharesave Plan 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) Non-vesting condition relates to the monthly contributions that employees need to make under the SAYE scheme to receive the options at vesting. Based on historical cancellation rates, an 11% rate has been used.

(3) For the 2014 LTIP, 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 well as the TSR for Vitec and the companies in the comparator group. Thousands of simulations are run and the payoff for each iteration is calculated as the number of shares that vest multiplied by the projected share price. The fair value of the award is calculated as the average payoff of all iterations.

5.4 Contingent liabilities

The Group has obtained cash receipts from government entities which have been accounted for as forgivable loans. The total contractual amount outstanding at 31 December 2020 is £2.1 million (2019: £2.6 million). The Group has recognised liabilities of £0.4 million (2019: £0.4 million) in relation to amounts it does not have reasonable assurance will be forgiven.

Tax-related contingent liabilities are disclosed in note 2.4 “Tax”.

Section 5 – Other Supporting Notes (continued)

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 Directors, the Vitec Group Pension Scheme and members of the Operations Executive as related parties to the Group under IAS 24 “Related Party Disclosures”.

Transactions with key management personnel

Details of Directors’ remuneration along with their pension, share incentive, bonus arrangements and holdings of the Company’s shares are shown in detail in the Remuneration Report. This also shows the highest paid Director.

The compensation of the seven (2019 Operations Executive: eight) members of the Executive Management Board during the year, including the Executive Directors, is shown in the table below:

	2020 £m	2019 £m
Salaries	1.9	2.1
Performance-related bonuses	0.2	0.5
Share-based payment charge ⁽¹⁾	0.2	0.3
Other short-term employee benefits	0.3	0.2
Employers’ pension costs – defined contribution schemes	0.3	0.4

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

5.6 Group investments

The Group’s subsidiaries at 31 December 2020 are listed below. All subsidiaries are 100% owned within the Group.

Company	County of incorporation	Issued securities
Vizua Limited (formerly VTC Group Limited)	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Amimon Inc	United States ⁽³⁵⁾	Ordinary shares of NPV
Amimon Ltd	Israel ⁽³⁷⁾	Ordinary shares of ILS 0.01 each
Amimon Japan Co. Ltd	Japan ⁽³⁶⁾	Ordinary shares of JPY10,000 each
Autocue Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Autocue LLC	United States ⁽³⁾	Membership units of NPV
Autoscript Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
VTC International Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
BRCT Holdings Limited	New Zealand ⁽²⁾	Ordinary shares of NZD1.00
Camera Corps, Inc.	United States ⁽³⁴⁾	Ordinary shares of US\$0.01 each
Camera Corps Ltd	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Camera Dynamics sarl	France ⁽⁴⁾	Ordinary shares of NPV
Chalfont Investments Inc.	United States ⁽⁵⁾	Ordinary shares of US\$0.01 each
Colorama Photodisplay Holdings Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Gitzo Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Gitzo S.A.	France ⁽⁶⁾	Ordinary shares of NPV
JOBY Technology (Shenzhen) Co. Limited	China ⁽³³⁾	Ordinary share of RMB1,814,855 each
Kata UK Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Lastolite Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
LCB Beteiligungs GmbH	Germany ⁽⁹⁾	Ordinary shares of €25,000
Lowepro Huizhou Trading Co Ltd	China ⁽³²⁾	Ordinary share of HK\$3,000,000 each
Litepanels Ltd	England & Wales ⁽¹⁾	Ordinary shares of US\$1 each
Manfrotto Bags Ltd	Israel ⁽⁸⁾	Ordinary shares of ILS1 each

Manfrotto Distribution Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Mount Olive 2016, LLC	United States ⁽¹⁷⁾	Membership units of NPV
Offhollywood, LLC	United States ⁽¹⁸⁾	Membership units of NPV
Palmer Dollar Finance	England & Wales ⁽¹⁾	Ordinary shares of US\$1 each
Palmer Dollar Finance Ireland Investment DAC	Ireland ⁽¹⁹⁾	Ordinary shares of US\$1 each
Palmer Dollar Finance Luxembourg Investment Sarl	Luxembourg ⁽²⁰⁾	Ordinary shares of US\$1,000 each
Palmer Euro Finance Ireland Investment DAC	Ireland ⁽¹⁹⁾	Ordinary shares of €1 each
Palmer Euro Finance Luxembourg Investment Sarl	Luxembourg ⁽²⁰⁾	Ordinary shares of €1,000 each
Palmer Euro Finance Netherlands B.V.	Netherlands ⁽²¹⁾	Ordinary shares of €1 each
Palmer Finance	England & Wales ⁽¹⁾	Ordinary shares of €1 each
Palmer Yen Finance	England & Wales ⁽¹⁾	Ordinary shares of JPY100 each
Petrol Bags Limited	Israel ⁽²²⁾	Ordinary shares of ILS1 each
Petrol Bags Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
Radamec Broadcast Systems Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
RECO Srl	Italy ⁽¹⁰⁾	Shares of NPV
Rycote Microphone Windshields Ltd	England & Wales ⁽¹⁾	Ordinary shares of £1 each and Deferred shares of £1 each
Sachtler Limited	England & Wales ⁽¹⁾	Ordinary share of £1 each
SmallHD LLC	United States ⁽²³⁾	Membership units of NPV
Syrp, Inc	United States ⁽⁷⁾	Common stock of US\$0.10 each
Syrp Limited	New Zealand ⁽²⁾	Ordinary shares of NZD1.00
Teradek Ukraine LLC	Ukraine ⁽²⁴⁾	Membership interests of NPV
Teradek, LLC	United States ⁽²⁵⁾	Membership units of NPV
The Camera Store Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vinten Broadcast Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Creative Solutions UK Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Group Holdings Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitecgroup Italia spa	Italy ⁽¹⁰⁾	Ordinary shares of €1,000 each
Vitec Group Pensions Trust Company (UK) Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Group US Holdings, Inc.	United States ⁽⁵⁾	Ordinary shares of US\$0.01 each
Vitec Holdings Italia Srl	Italy ⁽¹⁰⁾	Ordinary share of €10,000 each
Vitec Holdings Limited	Guernsey ⁽²⁷⁾	Ordinary shares of £0.10 each
Vitec Imaging Distribution Australia Pty Ltd	Australia ⁽²⁶⁾	Ordinary shares of AUD1 each
Vitec Imaging Distribution Benelux B.V.	Netherlands ⁽¹¹⁾	Ordinary shares of €454 each
Vitec Imaging Distribution GmbH	Germany ⁽¹²⁾	Shares of €25,000 each
Vitec Imaging Distribution HK Limited	Hong Kong ⁽¹³⁾	Shares of HK\$1 each
Vitec Imaging Distribution Inc.	United States ⁽¹⁴⁾	Ordinary shares of NPV
Vitec Imaging Distribution KK	Japan ⁽¹⁵⁾	Shares of JPY1 each
Vitec Imaging Distribution SAS	France ⁽⁶⁾	Ordinary shares of €16 each
Vitec Imaging Distribution Shanghai Limited	China ⁽¹⁶⁾	Ordinary shares of US\$1 each
Vitec Imaging Solutions HK Limited	Hong Kong ⁽³¹⁾	Shares of HK\$1 each
Vitec Imaging Solutions Spa	Italy ⁽¹⁰⁾	Ordinary shares of €5.556 each
Vitec Imaging Solutions UK Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each

Section 5 – Other Supporting Notes (continued)

Vitec Investments Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Production Solutions GmbH	Germany ⁽⁹⁾	Ordinary share of DEM50,000 each
Vitec Production Solutions Inc	United States ⁽⁵⁾	Ordinary shares of US\$0.01 each
Vitec Production Solutions KK	Japan ⁽¹⁵⁾	Ordinary shares of JP¥1,000 each
Vitec Productions Solutions Limitada	Costa Rica ⁽²⁸⁾	Shares of CRC50 each
Vitec Production Solutions Limited	England & Wales ⁽¹⁾	Ordinary shares of £1 each
Vitec Production Solutions Pte. Limited	Singapore ⁽²⁹⁾	Ordinary shares of SGD1 each
WHDI LLC	United States ⁽³⁵⁾	Membership unit of NPV
Wooden Camera, Inc	United States ⁽³⁰⁾	Ordinary shares of NPV

The registered addresses are as follows:

- (1) Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom
- (2) 32 Crummer Road, Grey Lynn, Auckland, 1021, New Zealand
- (3) 124 West 30th Street, Suite 312, New York, NY 10001, United States
- (4) 171 avenue des Grésillons, 92635 Gennevilliers cedex, France
- (5) Corporation Service Company, 2711 Centerville Road – Suite 400, Wilmington, DE 19808, United States
- (6) Parc Tertiaire Silic, 44 Rue De La Couture, 94150 Rungis, France
- (7) Princeton South Corporate Center, Suite 160, 100 Charles Ewing Boulevard, Ewing, NJ 08628, United States
- (8) Abraham & Bachar cp., Keren Hayesod 36, Jerusalem, Israel
- (9) Parkring 29, 85748 Garching, Germany
- (10) Via Valsugana 100, 36022 Cassola VI, Italy
- (11) J.P. Poelstraat 5, 1483 GC De Rijp, Netherlands
- (12) Ferdinand-Porsche-Strasse 19, 41149 Cologne, Germany
- (13) Unit No.03, 3/F, Tower 3, Phase 1, Enterprise Square, No.9 Sheung Yuet Road, Kowloon Bay, Hong Kong
- (14) Corporation Service Company, 830 Bear Tavern Road, West Trenton, NJ 08628, United States
- (15) Shibakoen 3-chome Bldg, 1F, 3-1-38 Shibakoen, Mikato-ku, Tokyo 105-0011, Japan
- (16) Room 2704-05, Shanghai Mart Tower, No.2299, Yan'an Road (West), Shanghai, 200336, China
- (17) Corporation Service Company, 2595 Interstate Drive – Suite 103, Harrisburg, PA 17110, United States
- (18) Corporation Service Center, 2711 Centerville Road – Suite 440, Wilmington, New Castle County DE 19808, United States
- (19) Regus Dublin Airport, Tasc Building, Corballis Road North, Dublin Airport, Sword, Dublin, Ireland
- (20) 9B Boulevard du Prince Henri, L-1724, Grand Duchy of Luxembourg, Luxembourg
- (21) Kerkrade, Netherlands
- (22) 3 Hasolelim Street, 67897, Tel Aviv, Israel
- (23) Corporation Service Company, 327 Hillsborough Street, Raleigh, NC 27603, United States
- (24) Per.Nechipurenko 4, Suite 15, Odessa, 65045, Ukraine
- (25) CSC-Lawyers Incorporating Service, 2710 Gateway Oaks Drive – Suite 150N, Sacramento, CA 95833-3505, United States
- (26) 2 Baldwin Road, Altona North VIC 2025, Australia
- (27) Mont Crevelt House, Bulwer Avenue, St. Sampson, GY2 4LH, Guernsey
- (28) Parque Industrial de Cartago, Edificio Numero 68, Cartago, Costa Rica
- (29) 6 New Industrial Road, #02-02 Hoe Huat Industrial Building, 536199, Singapore
- (30) 1826 West Commerce Street, Dallas TX 75208, United States
- (31) Unit 901-2, 9/F, Metroplaza Tower 2, No. 223 Hing Fong Road, Kwai Fong, N.T. Hong Kong
- (32) No. 1101, Office Building, Block B, Zhixing Commercial Building, Banshi Village, Changping Town, Dongguan City, Guangdong Province, China
- (33) Suite 916, Office Tower, Shun Hing Square, Di Wang Commercial Centre, 5002 Shen Nan Dong Road, Shenzhen, 518008, China
- (34) Corporate Service Company, 251 Little Falls Drive, Wilmington, County of New Castle, DE, 19808, United States
- (35) 2025 Gateway Place, Suite 450, San Jose, CA 95110, United States
- (36) 701 A105 Gotanda Building, 1-10-7 Higashi Gotanda, Shinagawa-Ku, Tokyo, Japan
- (37) Zarin26, POB 2308, Ra'anana 4366250, Israel

5.7 Subsequent events

For the proposed final dividend see note 4.3 “Share capital and reserves”.

Details in respect of the EU State Aid Investigation into UK CFC Rules are provided in note 2.4 “Tax”.

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

Company Balance Sheet

As at 31 December 2020

	Notes	2020 £m	2019 £m
Fixed assets			
Intangible assets	f)	0.2	0.2
Property, plant and equipment	g)	0.1	0.3
Investments in subsidiary undertakings	h)	420.7	445.9
		421.0	446.4
Current assets			
Debtors	i)	71.0	31.0
Cash at bank and in hand		–	2.5
		71.0	33.5
Liabilities falling due within one year			
Creditors	j)	(81.9)	(29.1)
Provisions	l)	(0.1)	–
		(82.0)	(29.1)
Net current assets/(liabilities)			
		(11.0)	4.4
Total assets less current liabilities			
		410.0	450.8
Liabilities falling due after one year – creditors			
	j)	(42.4)	(96.6)
Net assets			
		367.6	354.2
Capital and reserves			
Called up share capital	m)	9.2	9.1
Share premium account		21.7	20.7
Revaluation reserve	n)	–	0.9
Other reserves	n)	55.3	55.3
Profit and loss account		281.4	268.2
Shareholders' funds			
		367.6	354.2

The Company's profit after tax for the year ended 31 December 2020 was £11.2 million (2019: £22.7 million).

Approved and authorised for issue by the Board of Directors on 25 February 2021 and signed on its behalf:

Martin Green
Group Finance Director

The Vitec Group plc
Registered in England and Wales no. 00227691

Company Statement of Changes in Equity

	Share capital £m	Share premium £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total equity £m
Balance at 1 January 2020	9.1	20.7	0.9	55.3	268.2	354.2
Total comprehensive income for the year						
Profit for the year	–	–	–	–	11.2	11.2
Contributions by and distributions to owners						
Transfers between reserves	–	–	(0.9)	–	0.9	–
Dividends paid	–	–	–	–	–	–
Own shares purchased	–	–	–	–	(2.3)	(2.3)
Share-based payment charge, net of tax	–	–	–	–	3.4	3.4
New shares issued	0.1	1.0	–	–	–	1.1
Balance at 31 December 2020	9.2	21.7	–	55.3	281.4	367.6
Balance at 1 January 2019	9.1	18.6	0.9	55.3	266.5	350.4
Adoption of IFRS 16	–	–	–	–	(0.1)	(0.1)
Balance at 1 January 2019 (adjusted)	9.1	18.6	0.9	55.3	266.4	350.3
Total comprehensive income for the year						
Profit for the year	–	–	–	–	22.7	22.7
Contributions by and distributions to owners						
Dividends paid	–	–	–	–	(17.1)	(17.1)
Own shares purchased	–	–	–	–	(6.4)	(6.4)
Share-based payment charge, net of tax	–	–	–	–	2.6	2.6
New shares issued	–	2.1	–	–	–	2.1
Balance at 31 December 2019	9.1	20.7	0.9	55.3	268.2	354.2

Notes to the Company Financial Statements

a) Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU adopted IFRSs), but makes amendments where necessary in order to comply with the Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

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

Significant judgements, key assumptions 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 Company's performance and financial position.

Critical accounting estimates and assumptions

The following are the critical estimates and assumptions that the Directors have made in the process of applying the Company's accounting policies and that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of investments in subsidiary undertakings

The carrying value of the Company's investments in subsidiary undertakings are reviewed for indicators of impairment on an annual basis. In such cases the recoverable amount is determined based on a value in use calculation which requires the determination of appropriate assumptions in relation to cash flows over a forecast period, the long-term growth rate to be applied beyond this period and the risk-adjusted discount rate used to discount the estimated cash flows to present value.

Estimation uncertainty arises due to changing economic and market factors, industry trends, increasing technological advancement and the Group's ongoing strategic and digital transformation programmes.

The Company holds investments in all of the Group's intermediate holding companies, financing companies and trading subsidiaries. As noted in Section 1 – Basis of preparation in the Group's financial statements, COVID-19 had a significant impact on the Group's trading performance in 2020. The impact of COVID-19 on the Group's performance was considered a potential indicator of impairment of the carrying value of the Company's investments in subsidiary undertakings and as a result an impairment review was performed. While the impairment review concluded that no impairments were required at 31 December 2020, significant assumptions and estimates have been made by management in relation to discount rates used and forecast performance in 2021 and beyond, particularly in relation to the speed and length of recovery.

It is possible that changes in outlook over the next year that are different to the assumptions made by management could require a material adjustment to the carrying value of the Company's investments in its subsidiaries.

Critical judgements in applying the Company's accounting policies

The following are critical judgements that the Company makes, apart from those involving estimations (which are dealt with above), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Tax

In relation to tax, these include the interpretation and application of existing legislation. Details on the tax charge and assets and liabilities recorded are set out in note 2.4 "Tax" of the Company's consolidated financial statements.

Impact of adoption of new accounting standards

There has been no material impact on the financial statements of adopting new standards or amendments.

Notes to the Company Financial Statements (continued)

b) Exemptions taken by the Company under FRS 101

- the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:
 - Cash Flow Statement and related notes;
- comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- disclosures in respect of leases;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of The Vitec Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 “Share-Based Payments” in respect of equity settled share-based payments; and
- certain disclosures required by IFRS 13 “Fair Value Measurement” and the disclosures required by IFRS 7 “Financial Instruments: Disclosures”.

c) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

Fixed assets are depreciated as follows:

Leasehold improvements	over the remaining period of the lease
Equipment, fixtures and fittings	3 to 10 years
Right-of-use assets	over the lease term

Intangible assets

The cost of acquiring software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Software expenditure is amortised over its estimated useful life of between three and five years, and is stated at cost less accumulated amortisation and impairment losses.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at historical cost, less provision for any impairment in value.

Pensions

The Company participates in the Group’s defined benefit scheme operated in the UK, which was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Company are now offered membership of the defined contribution scheme. The assets of the schemes are held separately from those of the Company. The Company has a very small proportion of the scheme’s total members. As such, the Group has adopted a policy to recognise the full net pension cost, and hence pension deficit, in its subsidiary Vitec Production Solutions Limited’s financial statements prepared in accordance with FRS 101.

Details in respect of the UK defined benefit pension scheme are disclosed in note 5.2 “Pensions” of the Group’s consolidated financial statements.

Dividends receivable

Dividends received and receivable are credited to the Company’s Income Statement.

Other significant accounting policies are consistent with the Group's consolidated financial statements and below are references where they are disclosed:

Foreign currencies	Section 1 – Basis of Preparation
Debtors and Creditors	3.3 "Working capital"
Cash and cash equivalents	4.1 "Net debt"
Provisions	3.4 "Provisions"
Leases	3.5 "Leases"
Derivative financial instruments and hedging activities	4.2 "Financial instruments"
Bank loans	4.1 "Net debt"
Share-based payments	5.3 "Share-based payments"
Share capital and reserves	4.3 "Share capital and reserves"

d) Employees

	2020 £m	2019 £m
Employee costs comprise:		
Wages and salaries	4.1	4.0
Employers' social security costs	0.4	0.4
Other post employment benefits	–	0.1
Employers' pension costs – defined contribution schemes	0.1	0.2
Share-based payment charge	0.1	0.1
	4.7	4.8

	2020	2019
Average number of employees during the year	26	28

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

e) Audit fees

The details regarding the remuneration of the Company's auditor are included in note 2.1 "Profit before tax" of the Group's consolidated financial statements under "Fees payable to the Company's auditor for the audit of the Company's annual financial statements".

f) Intangible assets

	Capitalised software £m
Cost and Net book value	
At 31 December 2019 and 31 December 2020	0.2

Notes to the Company Financial Statements (continued)

g) Property, plant and equipment

	Total £m	Right-of-use assets – Leasehold land and buildings £m	Leasehold improve- ments £m
Cost at 31 December 2019, 1 January 2020 and 31 December 2020	1.8	1.3	0.5
Accumulated depreciation			
At 31 December 2019 and 1 January 2020	1.5	1.0	0.5
Depreciation charge in the year	0.2	0.2	–
At 31 December 2020	1.7	1.2	0.5
Carrying amounts			
At 31 December 2019 and 1 January 2020	0.3	0.3	–
At 31 December 2020	0.1	0.1	–

h) Investments in subsidiary undertakings

	Total £m	Shares in Group undertakings £m	Loans to Group undertakings £m
Cost			
At 1 January 2020	736.2	668.8	67.4
Disposals	(25.2)	–	(25.2)
At 31 December 2020	711.0	668.8	42.2
Provisions			
At 1 January 2020 and 31 December 2020	290.3	290.3	–
Net book value			
At 1 January 2020	445.9	378.5	67.4
At 31 December 2020	420.7	378.5	42.2

The Company's investments in subsidiaries as at 31 December 2020 are included in note 5.6 "Group investments" of the Group's consolidated financial statements.

Loans to Group undertakings are unsecured, bear floating rates of interest and are repayable after more than one year.

i) Debtors

	2020 £m	2019 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	69.5	28.1
Corporation tax	0.8	0.5
Other debtors	0.2	0.1
Prepayments	0.2	0.5
Derivative financial instruments – forward exchange contracts	0.1	0.9
Deferred tax assets	0.2	0.9
Total receivables	71.0	31.0

Amounts owed by subsidiary undertakings are unsecured and payable on demand. Derivative financial instruments of £nil (2019: £0.3 million) relate to contracts with subsidiary undertakings which mirror the terms of contracts held by the Company with external third parties.

j) Creditors

	2020 £m	2019 £m
Amounts falling due within one year		
Bank overdraft (unsecured)	0.4	–
Bank loans (unsecured)	49.9	–
Lease liabilities	0.2	0.2
Amounts owed to subsidiary undertakings	30.0	26.1
Derivative financial instruments – forward exchange contracts	0.1	0.9
Trade payables	0.1	0.4
Other creditors	–	0.3
Accruals	1.2	1.2
	81.9	29.1
Amounts falling due after more than one year		
Bank loans (unsecured)	40.6	95.5
Lease liabilities	–	0.1
Other creditors	–	0.1
Amounts owed to subsidiary undertakings	1.8	0.9
	42.4	96.6

Amounts owed to subsidiary undertakings are unsecured and payable on demand. Amounts owed to subsidiary undertakings due after more than one year are unsecured, bear floating rates of interest and are repayable after more than one year. Derivative financial instruments of £0.1 million (2019: £0.6 million) relate to contracts with subsidiary undertakings which mirror the terms of contracts held by the Company with external third parties.

Lease payments of £0.1 million were made in the year.

k) Contingent liabilities

Tax related contingent liabilities are disclosed in note 2.4 “Tax” of the Group’s consolidated financial statements. There are no other contingent liabilities at 31 December 2020 (2019: £nil).

l) Provisions

	Dilapidation provision £m
At 1 January 2020	–
Provisions created during the year	0.1
At 31 December 2020	0.1

m) Called up share capital

Disclosure in respect of the Company’s share capital are provided in note 4.3 “Share capital” of the Group’s consolidated financial statements.

The registered address of the Company is Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom.

Options over shares of the Company have been granted to employees of the Group under various plans. Details of the terms and conditions of each share-based payment plan are given in the Remuneration Report on pages 80 to 110 and note 5.3 “Share-based payments” of the Group’s consolidated financial statements.

Notes to the Company Financial Statements (continued)

n) Other reserves

Other reserves of £55.3 million represent a merger reserve of £9.7 million; the reduction 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; and a capital redemption reserve of £1.6 million created on the repurchase and subsequent cancellation of 885,000 ordinary share by the Company in 1999. During the year £0.9 million of revaluation reserve has been transferred to profit and loss account following the disposal of the building in a prior year.

o) Related party transactions

The Company has identified a related party relationship with its Board, the Vitec Group Pension Scheme and members of the Executive Management Board 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.

p) Post Balance Sheet events

The proposed final dividend for the year ended 31 December 2020 was recommended by the Directors. This is subject to approval by shareholders at the AGM. See note 4.3 "Share capital and reserves" of the Group's consolidated financial statements.

Details in respect of EU State Aid Investigation are provided in note 2.4 "Tax" of the Group's consolidated financial statements.

Glossary of Alternative Performance Measures (“APMs”)

APM	Closest equivalent statutory measure	Definition and purpose												
Income Statement measures														
Adjusted gross profit	Gross profit	<p>Calculated as gross profit before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner.</p> <p>The table below shows a reconciliation:</p> <table border="1"> <thead> <tr> <th></th> <th>2020 £m</th> <th>2019 £m</th> </tr> </thead> <tbody> <tr> <td>Gross profit</td> <td>112.0</td> <td>168.3</td> </tr> <tr> <td>Charges associated with acquisition of businesses and other adjusting items</td> <td>1.4</td> <td>1.8</td> </tr> <tr> <td>Adjusted gross profit</td> <td>113.4</td> <td>170.1</td> </tr> </tbody> </table> <p>See note 2.2 “Charges associated with acquisition of businesses and other adjusting items”.</p>		2020 £m	2019 £m	Gross profit	112.0	168.3	Charges associated with acquisition of businesses and other adjusting items	1.4	1.8	Adjusted gross profit	113.4	170.1
	2020 £m	2019 £m												
Gross profit	112.0	168.3												
Charges associated with acquisition of businesses and other adjusting items	1.4	1.8												
Adjusted gross profit	113.4	170.1												
Adjusted gross profit margin	None	Calculated as adjusted gross profit divided by revenue.												
Adjusted operating profit	Operating profit	<p>Calculated as operating profit before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This is a key management incentive metric.</p> <p>Charges associated with acquisition of businesses include non-cash charges such as amortisation of acquired intangible assets and effect of fair valuation of acquired inventory. Cash charges include items such as transaction costs, earnout and deferred payments and significant costs relating to the integration of acquired businesses.</p> <p>See the Consolidated Income Statement for a reconciliation.</p>												
Adjusted operating profit margin	None	Calculated as adjusted operating profit divided by revenue. Progression in adjusted operating margin is an indicator of the Group’s operating efficiency.												
Adjusted operating expenses	Operating expenses	<p>Calculated as operating expenses before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner.</p> <p>The table below shows a reconciliation:</p> <table border="1"> <thead> <tr> <th></th> <th>2020 £m</th> <th>2019 £m</th> </tr> </thead> <tbody> <tr> <td>Operating expenses</td> <td>115.3</td> <td>136.3</td> </tr> <tr> <td>Charges associated with acquisition of businesses and other adjusting items</td> <td>(11.8)</td> <td>(18.6)</td> </tr> <tr> <td>Adjusted operating expenses</td> <td>103.5</td> <td>117.7</td> </tr> </tbody> </table> <p>See note 2.1 “Profit before tax (including segmental information)”.</p>		2020 £m	2019 £m	Operating expenses	115.3	136.3	Charges associated with acquisition of businesses and other adjusting items	(11.8)	(18.6)	Adjusted operating expenses	103.5	117.7
	2020 £m	2019 £m												
Operating expenses	115.3	136.3												
Charges associated with acquisition of businesses and other adjusting items	(11.8)	(18.6)												
Adjusted operating expenses	103.5	117.7												
Adjusted profit before tax	Profit before tax	<p>Calculated as profit before tax, before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This is a key management incentive metric and is a measure used within the Group’s incentive plans as set out in the Remuneration Report.</p> <p>See the Consolidated Income Statement for a reconciliation.</p>												

APM	Closest equivalent statutory measure	Definition and purpose																																	
Adjusted profit after tax	Profit after tax	Calculated as profit after tax before charges associated with acquisition of businesses and other adjusting items. See the Consolidated Income Statement for a reconciliation.																																	
Adjusted basic earnings per share	Basic earnings per share	Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares in issue during the period. This is a key management incentive metric and is a measure used within the Group's incentive plans as set out in the Remuneration Report. See note 2.5 "Earnings per share".																																	
Cash flow measures																																			
Free cash flow	Net cash from operating activities	Net cash from operating activities after proceeds from property, plant and equipment and software, purchase of property, plant and equipment, and capitalisation of software and development costs. This measure reflects the cash generated in the period that is available to invest in accordance with the Group's capital allocation policy. See "Five Year Financial Summary" on page 181.																																	
Operating cash flow	Net cash from operating activities	Free cash flow before payment of interest, tax, restructuring costs, transaction costs relating to acquisition of businesses and integration costs. This is a measure of the cash generation and working capital efficiency of the Group's operations. Operating cash flow as a percentage of adjusted operating profit is a key management incentive metric.																																	
		<table border="1"> <thead> <tr> <th></th> <th>2020 £m</th> <th>2019 £m</th> </tr> </thead> <tbody> <tr> <td>Net cash from operating activities</td> <td>25.0</td> <td>48.6</td> </tr> <tr> <td>Proceeds from sale of property, plant and equipment and software</td> <td>0.2</td> <td>0.5</td> </tr> <tr> <td>Purchase of property, plant and equipment</td> <td>(5.1)</td> <td>(6.2)</td> </tr> <tr> <td>Capitalisation of software and development costs</td> <td>(10.6)</td> <td>(12.4)</td> </tr> <tr> <td>Free cash flow</td> <td>9.5</td> <td>30.5</td> </tr> <tr> <td>Add back:</td> <td></td> <td></td> </tr> <tr> <td>Interest paid</td> <td>5.9</td> <td>4.3</td> </tr> <tr> <td>Tax paid</td> <td>3.1</td> <td>6.3</td> </tr> <tr> <td>Payments relating to earnout and retention bonuses, restructuring costs and integration costs</td> <td>6.9</td> <td>3.4</td> </tr> <tr> <td>Operating cash flow</td> <td>25.4</td> <td>44.5</td> </tr> </tbody> </table>		2020 £m	2019 £m	Net cash from operating activities	25.0	48.6	Proceeds from sale of property, plant and equipment and software	0.2	0.5	Purchase of property, plant and equipment	(5.1)	(6.2)	Capitalisation of software and development costs	(10.6)	(12.4)	Free cash flow	9.5	30.5	Add back:			Interest paid	5.9	4.3	Tax paid	3.1	6.3	Payments relating to earnout and retention bonuses, restructuring costs and integration costs	6.9	3.4	Operating cash flow	25.4	44.5
	2020 £m	2019 £m																																	
Net cash from operating activities	25.0	48.6																																	
Proceeds from sale of property, plant and equipment and software	0.2	0.5																																	
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Operating cash flow	25.4	44.5																																	
		This is a measure used within the Group's incentive plans as set out in the Remuneration Report.																																	
Cash conversion	None	Calculated as operating cash flow divided by adjusted operating profit.																																	
Other measures																																			
Return on capital employed ("ROCE")	None	Return on capital employed ("ROCE") is calculated as adjusted operating profit for the last 12 months divided by the average total assets, current liabilities excluding the current portion of interest-bearing borrowings, and non-current lease liabilities.																																	
Adjusted EBITDA	Operating profit	Calculated as adjusted operating profit for the last 12 months before depreciation of tangible fixed assets and amortisation of intangibles (other than those already excluded from adjusted operating profit).																																	

Five Year Financial Summary

years ended 31 December

	2020 £m	2019 £m	2018 ⁽¹⁾ £m	2017 ⁽²⁾ £m	2016 ⁽²⁾ £m
Revenue	290.5	376.1	385.4	353.3	318.9
Adjusted operating profit	9.9	52.4	53.5	45.2	41.4
Net interest on interest-bearing loans and borrowings	(3.9)	(3.7)	(2.7)	(2.6)	(4.2)
Interest on lease liabilities	(0.8)	(0.9)	–	–	–
Other financial income/(expense)	0.3	0.2	0.4	(0.2)	0.2
Adjusted profit before tax	5.5	48.0	51.2	42.4	37.4
Cash generated from operating activities	34.0	59.2	54.0	48.7	64.8
Interest paid	(5.9)	(4.3)	(2.5)	(2.6)	(5.2)
Tax paid	(3.1)	(6.3)	(4.1)	(11.0)	(7.2)
Net cash from operating activities	25.0	48.6	47.4	35.1	52.4
Net capital expenditure on property, plant and equipment, software and development costs	(15.5)	(18.1)	(13.9)	(11.6)	(7.8)
Free cash flow	9.5	30.5	33.5	23.5	44.6
Capital employed					
Intangible assets	123.5	127.7	132.1 ⁽¹⁾	88.4	99.0
Property, plant and equipment	42.2	46.7	33.7	31.0	54.0
Other net assets	51.9	64.9	60.8	44.1	37.7
	217.6	239.3	226.6	163.5	190.7
Financed by					
Shareholders' funds – equity	145.4	156.7	162.3	135.6	139.8
Net debt	90.8	96.0	81.0	42.9	75.1
Deferred tax	(18.6)	(13.4)	(16.7) ⁽¹⁾	(15.0)	(24.2)
	217.6	239.3	226.6	163.5	190.7
Statistics					
Adjusted operating profit (%)	3.4	13.9	13.9	12.8	13.0
Adjusted effective tax rate (%)	25.4	24.4	17.9	27.4	27.2
Adjusted basic earnings per share (p)	9.0	80.6	93.2	68.1	61.3
Basic earnings per share (p)	(11.6)	44.9	76.1	61.4	20.2
Dividends per share (p)	4.5	12.3	37.0	30.5	27.2
Year-end mid-market share price (p)	917.0	1,100.0	1,192.5	1,130.0	648.5

(1) In 2019, the process to measure the fair values of the assets and liabilities acquired was completed in respect of the Amimon acquisition. The 2018 Balance Sheet was adjusted to reflect an increase in goodwill of £1.3 million which was recognised in the period as a result of fair value adjustments to deferred tax assets.

(2) Revenue and adjusted profit before tax for 2017 and 2016 reflect continuing operations only. The US broadcast services business and Haigh-Farr defence antennae business, both part of the previous Broadcast Division, have been classified as discontinued operations in these years.

Shareholder Information and Financial Calendar

Shareholder information

The Investors section of the Group website, www.vitecgroup.com, contains detailed information on news, key financial information, annual reports, financial calendar, share price information, dividends and key contact details. The following is a summary and readers are encouraged to view the website for more detailed information.

Shareholder enquiries

For all enquiries about your shareholding please contact the Company's registrar, EQ Group plc:

Equiniti Limited

Website	www.shareview.co.uk
Address	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, UK
Phone from UK	0371 384 2030*

* Or if calling from overseas +44 (0) 121 415 7047. Lines are open between 9.00am to 5:00pm (UK time) Monday to Friday (except public holidays in England and Wales).

Alternatively you can contact the Group Company Secretary either by phone on +44 (0)20 8332 4600 or email on info@vitecgroup.com.

Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan that enables shareholders to reinvest cash dividends into additional shares in the Company. Application forms can be obtained from EQ Group plc.

International dividend payment service

Overseas shareholders can receive dividends in a local currency instead of Sterling and can find out more about this by contacting EQ Group plc on +44 121 415 7047. Any election to receive dividends in local currency in respect of a dividend must be received by EQ Group plc not later than the associated record date for that dividend.

Share price information

The closing mid-market price of a share of The Vitec Group plc on 31 December 2020 was £9.17. During 2020, the share price fluctuated between £5.24 and £11.10. The Company's share price is available on our website with a 15-minute delay, and from the Financial Times website, www.ft.com, with a similar delay.

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 2020 final dividend	Thursday 22 April 2021
Record date for 2020 final dividend	Friday 23 April 2021
Last day for DRIP election	Friday 30 April 2021
Annual General Meeting	Thursday 6 May 2021
2020 final dividend payment date	Friday 14 May 2021
Announcement of 2021 half year results	Thursday 12 August 2021
Proposed 2021 interim dividend payment date	October 2021

Analysis of shareholdings as at 31 December 2020

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	418	47.88%	145,731	0.32%
1,001 to 5,000	254	29.10%	602,313	1.31%
5,001 to 10,000	53	6.07%	375,104	0.82%
10,001 to 50,000	70	8.02%	1,643,323	3.58%
50,001 to 100,000	29	3.32%	2,043,069	4.45%
100,001 and over	49	5.61%	41,085,365	89.52%
Total	873	100%	45,894,905	100%
Institutions and companies	316	36.20%	44,180,263	96.26%
Individuals including Directors and their families	557	63.80%	1,714,642	3.74%
Total		100%		100%

Notes



This report has been printed on material which is certified by the Forest Stewardship Council. The paper is made at a mill with ISO 14001 Environmental Management System accreditation.



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