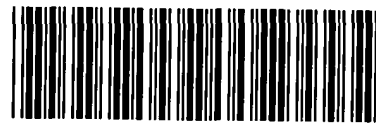


VITEC PRODUCTION SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Registered number 01738425

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VITEC PRODUCTION SOLUTIONS LIMITED

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VITEC PRODUCTION SOLUTIONS LIMITED

STRATEGIC REPORT

The Directors present their strategic report for the year ended 31 December 2020.

Principal activities

The Company is principally engaged in the design, manufacture and sale of broadcast camera mounting equipment. A change in the Company's activities is not expected in the foreseeable future.

Business Review

The Company is part of the Production Solutions Division of the Vitec Group and is owned by The Vitec Group plc. The Company designs, manufactures, distributes and provides premium branded and technically advanced products and solutions for broadcasters, film and video production companies, independent content creators and enterprises. Products include video heads, tripods, LED lighting, batteries, prompters, and robotic camera systems.

2020 was a challenging year and COVID-19 impacted the business early in the pandemic. We responded quickly, implementing mitigating actions to safeguard our people, cut costs and manage cash. Customer demand was significantly impacted from March onwards with film and TV productions shut down, and sporting events postponed.

Our production facility in Bury St Edmunds was temporarily closed for three weeks during the first phase of the government-imposed restrictions, although our third-party distribution centre in Germany remained open and customer orders were fulfilled. The Bury St Edmunds facility re-opened in April after rigorous health and safety and social distancing measures had been put in place to protect staff working on the premises. We continue to monitor and review our working practices, to ensure we adhere to Government guidelines and safeguard our employees. Most non-production staff have been working from home. In response to lower demand for our products, we used UK Government support where available to limit making permanent headcount reductions, including through the Coronavirus Job Retention Scheme.

Markets began to recover in the second half of the year, and our sales and performance significantly improved compared to the first six months. At the end of the year our sales and order book were in line with 2019.

Although project business decreased in the year, we saw a strong demand for products that assist remote working, in particular prompting. Demand for other robotic products also remained relatively strong. The manual support products saw sales decreasing as studio projects were delayed during the pandemic. However, sales of our Flowtech tripod remained strong.

We have sought to protect R&D investment to continue to develop world leading products to maximise our future growth potential. Two significant products were launched in the second half of the year: Autoscript Voice activated prompting, and Sachtler aktiv fluid heads.

The Company's operating loss for the year to 31 December 2020 was £1.4 million compared to an operating profit of £7.2 million in 2019. Net assets as at 31 December 2020 were £127.6 million (2019: £132.6 million). Turnover for the year to 31 December 2020 was £57 million (2019: £80 million).

Key performance indicators

The Company uses turnover and operating (loss)/profit to review and monitor performance. Turnover overall decreased by £23.2 million. The company made an operating loss of £1.4 million, compared to an operating profit of £7.2million in 2019.

The Company also monitors health and safety performance. In 2020 there were no accidents that resulted in more than three days absence (2019: nil). In addition, no staff is known to have been infected by COVID-19 whilst working on our premises.

Principal risks and uncertainties

The Company is exposed to a number of risks which may affect its performance and has a well-established process for reviewing and assessing these and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate these risks. The Directors regard the risks below to be the principal risks and uncertainties facing the Company.

VITEC PRODUCTION SOLUTIONS LIMITED

STRATEGIC REPORT *(continued)*

Principal risks and uncertainties *(continued)*

Demand for our products

Demand for our products may be adversely affected by many factors, including changes in customer and consumer preferences and our ability to deliver appropriate products or to support changes in technology. The Company increasingly produces and sells products that are more technologically advanced. These products have a shorter life cycle than our historical products, and continuous investment in new product development is needed to keep up with the changing demand. Demand may also be impacted by competitor activity, particularly from low-cost countries.

The COVID-19 pandemic has had a short-term impact on demand for our products, in particular due to the postponement of large sporting events and cine market closures. The timing and extent of the recovery and pent-up demand is still uncertain.

We value our relationships with our customers and to mitigate this risk we monitor closely 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 in these markets. In support of our new product launches, we have completed appropriate market analysis before developing new products to ensure that they are appropriately designed for our target markets. We monitor closely the demand for new products and phase out old product lines. We are actively pursuing growth in selected emerging markets. In response to COVID-19, we have launched products such as the new voice activated prompters which enable broadcasters to adapt to social distancing.

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.

To mitigate these risks, we have a thorough process for assessing and planning the entry into new markets and related opportunities including 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 considering our actual and anticipated performance. We review our channels of distribution regularly to make sure that they remain appropriate.

Pricing pressure

The Company provides premium branded products and faces a number of competitors. The strength of this competition varies by product and geographical market. We continually review our production activities for cost saving opportunities.

To mitigate this risk, 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 working closely with our suppliers and managing our expenses and cost base appropriately, allows us to support price increases when required. We are rationalising our product range to reduce complexity which will allow us to achieve some cost savings on production. Most of our products and services have a premium or niche differentiation which commands a price point that is higher than that of the competition.

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 Company's requirements, we may not have readily available alternatives, thereby impacting our ability to provide an appropriate level of customer service.

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. We look to insource manufacturing capability for strategic components where possible, to reduce reliance on third parties.

VITEC PRODUCTION SOLUTIONS LIMITED

STRATEGIC REPORT *(continued)*

Principal risks and uncertainties *(continued)*

Dependence on key customers

While the Company 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 Company's results.

We mitigate this risk by monitoring closely our performance with all customers through developing strong relationships, and we monitor the financial performance of our key customers.

People

The majority of our employees are employed within the UK, with the exception of some staff based in mainland Europe and Asia, and we are exposed to a risk of being unable to retain or recruit suitable talent to support the business. We manufacture and supply products from a number of locations and it is important that our employees operate in a professional and safe environment.

We recognise that it is important to motivate and retain capable people across our businesses to ensure we are not exposed to risk of unplanned employee turnover. We fairly reward our people 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. During the COVID-19 pandemic our primary concern is the health of our employees and their relatives. The Company fully complies with all regulatory requirements. We have put in place additional measurements and safe working practices and maximised the use of remote working. We have engaged with our employees throughout the pandemic and have launched an employee wellness programme which offers a free, professional counselling service.

Laws and Regulations

We are subject to a comprehensive range of legal obligations in all countries in which we operate. As a result, we are exposed to many forms of legal risk. These include, without limitation, regulations relating to government contracting rules, anti-bribery provisions, competition, and health and safety laws in numerous jurisdictions around the world. Failure to comply with such laws could significantly impact the Company's reputation and could expose the Company to fines and penalties. We may also incur additional cost from any legal action that is required to protect our intellectual property.

The longer term legal, regulatory, and commercial ramifications of the UK's exit from the European Union (Brexit) need to be monitored closely, although we do not expect any material impact on the Company's results.

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 the Company operates. We enhance our controls, processes and employee knowledge to maintain good governance and to comply with laws and regulations. The Company has processes in place, including senior management training, to ensure that its employees understand and apply the Company's culture and processes. We actively protect our intellectual property and will legally pursue any party that infringes our intellectual property rights.

We will continue to monitor the impact of Brexit, in particular any trade flows disruption which so far has been minimal. Due to the Production Solutions division's diversified geographical footprint and the characteristics of the industry it operates in, we believe we are well positioned to manage any negative impact.

Reputation

Damage to our reputation and our brand names can arise from a range of events such as poor product performance, unsatisfactory customer service, and other events either within or outside our control. We are mindful of the increasing level of regulatory and stakeholder scrutiny of companies' affairs, coupled with the widespread impact of social media.

We manage this risk by recognising the importance of our reputation and attempt to identify and address any potential issues quickly and 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. A Social Media Policy is in place and communicated to all employees and contractors. A whistleblowing facility is in place to allow employees to confidentially report any compliance issues.

VITEC PRODUCTION SOLUTIONS LIMITED

STRATEGIC REPORT *(continued)*

Principal risks and uncertainties *(continued)*

Reputation *(continued)*

We have implemented a compliance programme with key vendors which includes site inspections, compliance database checks and we require all vendors to sign up to the Vitec Code of Conduct or equivalent standards.

Exchange rates

The global nature of the Company's business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions. The Company is exposed to a number of foreign currencies, the most significant being the US Dollar, Euro and Japanese Yen.

We regularly review and assess our exposure to changes in exchange rates. We reduce the impact of sudden movements in exchange rates through our relationship with the Vitec Group who manage appropriate hedging activities on our forecast foreign exchange net exposures.

Business Continuity Planning including cyber security

These are risks relating to business continuity resulting from specific events that may impact our manufacturing plants or supply chain, particularly where these account for a significant amount of our trading activity. 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 Company.

The combination of the COVID-19 outbreak together with general business continuity and cyber security threats, has increased this risk.

We address the risk of Business Continuity and cyber security, 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. We have global insurance schemes in place which provide cover for business interruption and damage to our assets. We review the insurance coverage annually to determine whether adjustments are needed.

Research and Development

The Company is aware of the effects that evolving technology will have on its future products and markets and carries out research and development programmes to suit its own market and product needs. The Company has a three-year research and development roadmap designed to address key developments identified through market research and customer feedback. Projects are split between innovations and product development. Innovations projects address developments in underpinning technology within the product portfolio.

Equal opportunities

The Company has an equal opportunities culture with an express prohibition on discrimination of any kind. The approach to diversity has always been to follow a strict policy of sourcing the best person for the role irrespective of race, gender, age, religion, sexual orientation, gender reassignment, marriage and civil partnerships, paternity, maternity and pregnancy, or disability.

It is the Company's policy that applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and ability of the applicant concerned. In the event of employees becoming disabled all reasonable efforts are made to ensure that their employment within the Company 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.

VITEC PRODUCTION SOLUTIONS LIMITED

STRATEGIC REPORT *(continued)*

Section 172 Disclosure

Under The Companies (Miscellaneous Reporting) Regulations 2018 there is a requirement for the Directors 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. Throughout the year, while discharging their section 172 duty, the Directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholder.

Decisions relating to the Company are primarily taken at a Group and Divisional level. However, details of how the directors of The Company discharged their section 172 duties and the stakeholders that were considered when taking principal decisions during the year are set out in the Directors' Report.

The Company is a wholly owned subsidiary of The Vitec Group plc. More detailed information on the principal risks and mitigation around those risks, as well as employment practices and other corporate responsibility matters within the Vitec Group are disclosed in the Annual Report & Accounts 2020 for that company.

Approved by the Board of Directors and signed on their behalf by



Jonathan Bolton
Director

23 September 2021

VITEC PRODUCTION SOLUTIONS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited Financial Statements for the year ended 31 December 2020.

The particulars of any important events which have occurred since the end of the financial year can be found in Note 26.

An indication of likely future developments of the business have been included within the Strategic Report. Research and development activities alongside our disabled employee policies are disclosed in the Strategic report.

Profit and dividends

The retained profit for the year of £1,228,000 (2019: £9,808,000) was transferred to reserves.

The directors do not propose a final dividend for the year ended 31 December 2020 (2019: £10,000,000)

Financial instruments

The Company's exposure to credit risk is primarily attributable to its trade debtors. Trade debtors are subject to credit limits, and control and approval procedures. Due to its large geographic base and number of customers, the Company is not exposed to material concentrations of credit risk on its trade debtors. The Company holds any cash balances with banks with high credit ratings.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Euros, US Dollar and Yen. The Company manages its net exposure arising from forecasted foreign currency sales and purchases by entering into forward foreign currency exchange contracts. Forward exchange contracts are typically used to hedge up to 75% of the Company's forecasted net foreign currency exposure in respect of forecasted foreign exchange transactions for the following 12 months. 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 Profit and Loss Account within net finance expense. Amounts deferred in the cash flow hedging reserve are reflected in the Profit and Loss Account in the periods when the hedged item is recognised in the Profit and Loss Account.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages this risk by developing cash flow forecasts and using pooled cash accounts of the Vitec Group.

Directors

The Directors of the Company during the year of review and to the date of this report were:

Jonathan Bolton

Ian Castle (appointed 17 June 2021)

Martin Green

Alan Hollis (resigned 2 February 2021)

Andrew Kelly (resigned 31 December 2020)

Richard Satchell

Nicola Dal Toso (appointed 2 February 2021)

Details of Directors' remuneration is provided in note 11 to the Financial Statements.

The Company has also granted indemnities to some 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 some Directors 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.

Employee involvement

The importance of good communication and working relationships is recognised and the Company's policy is to keep employees informed on matters relating to their employment. Employees are invited to regular updates on the Company's results and employee forums are held to canvass opinions on existing or new programmes.

Employees are given the opportunity to join a Sharesave scheme on an annual basis, enabling the employee to save a fixed amount each month to purchase shares in The Vitec Group plc at a discounted rate.

VITEC PRODUCTION SOLUTIONS LIMITED

DIRECTORS' REPORT *(continued)*

Employee involvement *(continued)*

The health and safety of all employees is a top priority for the Company 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.

Statement regarding fostering relationships with suppliers, customers and others

The Company engages with a large number of suppliers, customers and other stakeholders in the course of its operations. It is imperative for the Company's existence that relationships with these third parties remain strong, and the Company actively ensures that it works with reliable and trustworthy partners.

Customers

The Directors are kept informed about the wide variety of the Company's customers, their changing needs and trends in their buying patterns. In doing business with customers, clear terms and conditions are documented including service levels, payment terms and working practices. Onsite visits are arranged to allow existing and potential customers to meet and interact directly with employees, as well as experience the products. This further enhances the relationship with the customers and the visits are carried out within health and safety measures.

Suppliers

We build close and mutually beneficial relationships with our suppliers to source the best possible materials and services. The integrity of the supply chain is a key consideration with robustness of supply an issue that is actively managed. In doing business with suppliers, clear terms and conditions are documented including service levels, payment terms and working practices.

Community and Environment

The Company provides engaging and well remunerated employment within the community 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-product.

As part of our corporate responsibility programme, we encourage our employees to involve themselves within the local community to foster a relationship between our business and local people. Due to the pandemic, this was restricted in 2020, but will resume as soon as can be done safely.

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.

Auditor

The auditor, Deloitte LLP, has indicated its willingness to continue in office. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and Deloitte LLP will therefore continue in office.

Approved, authorised for issue and signed on behalf of the Board.

Jonathan Bolton
Director
23 September 2021
Registered Office:
Bridge House
Heron Square
Richmond
TW9 1EN

VITEC PRODUCTION SOLUTIONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Financial Statements for each financial year. Under that law, the directors have elected to prepare the Financial Statements in accordance with United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 "*Reduced Disclosure Framework*".

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 Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Vitec Production Solutions Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Vitec Production Solution Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of other comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

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 company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

VITEC PRODUCTION SOLUTIONS LIMITED

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.

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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

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.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, FRS 101, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included health and safety law, employment law and pension legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud around the valuation of the inventory obsolescence provision specifically. Significant management judgement is involved in determining the adequacy of the inventory obsolescence provision across both a wide range of products, set against a backdrop of ever changing technology in the 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.

VITEC PRODUCTION SOLUTIONS LIMITED

In order to address this key audit matter we have completed audit procedures including:

- 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.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

VITEC PRODUCTION SOLUTIONS LIMITED

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.



James Brass FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans
United Kingdom

23 September 2021

VITEC PRODUCTION SOLUTIONS LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Turnover	5	56,851	80,019
Cost of sales		<u>(42,581)</u>	<u>(52,165)</u>
Gross profit		14,270	27,854
Operating expenses	6a	(16,413)	(20,679)
Government Grant	6b	758	-
Operating (loss)/profit		<u>(1,385)</u>	<u>7,175</u>
Interest receivable and similar income	8	3,724	3,799
Interest payable and similar charges	9	(335)	(615)
Profit before taxation and other items	7	<u>2,004</u>	<u>10,359</u>
Tax on profit	12	(776)	(551)
Profit after taxation		<u>1,228</u>	<u>9,808</u>

The notes on pages 17 to 35 form an integral part of these Financial Statements.
All results are derived from continuing operations.

VITEC PRODUCTION SOLUTIONS LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME for the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Profit for the year		1,228	9,808
Other comprehensive (expense)/income:			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurements of defined benefit obligation	25	(7,480)	981
Related tax		1,612	(167)
<i>Items that are or may be reclassified to profit or loss:</i>			
Cash flow hedges – reclassified to the Profit & Loss		459	(179)
Cash flow hedges – effective portion of changes in fair value		(859)	836
Related tax		82	(138)
Other comprehensive income, net of tax		<u>(6,186)</u>	<u>1,333</u>
Total comprehensive (expense)/income for the year		<u>(4,958)</u>	<u>11,141</u>

The notes on pages 17 to 35 form an integral part of these Financial Statements.


VITEC PRODUCTION SOLUTIONS LIMITED

BALANCE SHEET as at 31 December 2020

	Notes	2020 £'000	2019 £'000
Fixed assets			
Intangible assets	13	3,014	3,834
Tangible assets	14	9,473	10,334
Investments	15	1,110	1,110
		<u>13,597</u>	<u>15,278</u>
Current assets			
Stock	16	6,905	9,401
Debtors	17	156,905	148,193
Cash at bank and in hand		305	315
		<u>164,115</u>	<u>157,909</u>
Creditors – amounts falling due within one year	18a	<u>(31,563)</u>	<u>(29,981)</u>
Net current assets		132,552	127,928
Total assets less current liabilities			
		<u>146,149</u>	<u>143,206</u>
Creditors – amounts falling due after one year	18b	(5,918)	(5,845)
Provisions for liabilities	19	(1,020)	(612)
Net assets excluding pension liabilities		139,211	136,749
Pension liabilities	25	(11,590)	(4,170)
Net assets		<u>127,621</u>	<u>132,579</u>
Capital and reserves			
Called up share capital	21a	50,000	50,000
Share premium account	22	67,639	67,639
Cash flow hedging reserve		36	354
Profit and loss account		9,946	14,586
Shareholder's funds		<u>127,621</u>	<u>132,579</u>

The notes on pages 17 to 35 form an integral part of these Financial Statements.

The Financial Statements on pages 13 to 35 were approved by the Board of Directors on 23 September 2021 and were signed on its behalf by:


Martin Green
Director

Registered in England number 1738425
Vitec Production Solutions Limited is a private company limited by shares.

VITEC PRODUCTION SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Note	Called up share capital £'000	Share premium account £'000	Cash flow hedging reserve £'000	Profit and loss account £'000	Total equity £'000
Balance 1 January 2020		50,000	67,639	354	14,586	132,579
Total comprehensive expense for the year						
Profit for the year		-	-	-	1,228	1,228
Other comprehensive expense for the year		-	-	(318)	(5,868)	(6,186)
Balance at 31 December 2020		50,000	67,639	36	9,946	127,621
Balance 1 January 2019		50,000	67,639	(165)	14,110	131,584
Adoption of IFRS16					(146)	(146)
Balance at 1 January 2019 (adjusted)		50,000	67,639	(165)	13,964	131,438
Total comprehensive income for the year						
Profit for the year		-	-	-	9,808	9,808
Other comprehensive income for the year		-	-	519	814	1,333
Dividends paid	21b	-	-	-	(10,000)	(10,000)
Balance at 31 December 2019		50,000	67,639	354	14,586	132,579

The notes on pages 17 to 35 form an integral part of these Financial Statements.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of Preparation

These Financial Statements have been prepared on the historical cost basis except for derivative financial instruments and defined benefit pension plans where plan assets are measured at fair value. 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 Companies Act 2006, and has set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The Company is domiciled and incorporated under the Companies Act in the United Kingdom. It is a wholly owned subsidiary of The Vitec Group plc and is included in the consolidated financial statements of The Vitec Group plc, which are publicly available. The Company is therefore exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare Group Financial Statements. These Financial Statements present information about the Company as an individual undertaking and not about its group.

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 financial statements reflect appropriate judgements and estimate and provide a true and fair view of the Company's performance and financial position.

Critical judgements involving estimates

The following are the critical judgements which involve estimations 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.

Working capital

Judgement is applied to assess whether a trade debtor is recoverable or not, and whether the level of provision required to write down the value of the debtor to its recoverable amount is appropriate.

Judgement is applied to assess the level of provisions 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. The amount of provision made is set out in Note 19.

Pension benefits

The actuarial valuations associated with the pension scheme 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 25.

Taxation

Management is required to make estimates in determining the provisions for income taxes and deferred tax assets and liabilities recognised in the 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 can be utilised. Details on the tax charge and assets and liabilities recorded are set out in notes 12 and 20.

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.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

The Company capitalises development costs which meet the criteria under IAS 38 "Intangible Assets" and discloses the amount capitalised in note 13 "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. The amount of costs capitalised in the year 2020 and further details are set out in Note 13.

In relation to tax, these include the interpretation and application of existing legislation.

2. Impact of adoption of new accounting standards

There has been no material impact on the financial statements of adopting other new standards or amendments.

3. 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;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; /
- Disclosures in respect of leases;
- Certain disclosures in respect of IFRS 15 revenue from contracts with customers;
- 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 group settled share based payments;
- Certain disclosures required by IFRS 3 Business Combinations in respect of business combinations undertaken by the Company in the current and prior periods; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

4. Accounting policies

The following accounting policies have been applied consistently to all periods presented in these financial statements:

a) Going concern

As part of the Company's Directors' consideration of the appropriateness of adopting the going concern basis in preparing the Company's financial statements, the latest forecasts of the Company have been reviewed. While the Company's trading performance continues to improve following the easing of restrictions imposed by governments around the world in response to COVID-19, the rate of recovery is difficult to predict. The forecast recovery is based on a number of factors including assumptions around the overall global economic environment, how long it takes for our end markets to resume creation of original content, and continued actions that governments might take in relation to controlling the pandemic.

The Company's Directors have reviewed the scenarios modelled and are satisfied that the Company has access to adequate cash resources to settle obligations as they fall due for at least twelve months from the date of approval of the financial statements. They also consider that the current operations provide sufficient financial sustainability to generate positive cash flows for the foreseeable future. Accordingly, the Company's Directors continue to adopt the going concern basis in preparing the annual financial statements.

b) Turnover

Sale of goods

Turnover from the sale of goods is recognised when the Company 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 customer but where credit terms are given, payments are due generally

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Accounting policies *(continued)*

b) Turnover *(continued)*

30 days after control of the goods has passed to the customer. Turnover is recognised at the transaction price exclusive of sales taxes, adjusted for trade discounts and volume rebates.

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 stand-alone selling price.

Service contracts

Turnover from service contracts which are fulfilled using the Company's equipment and operators is recognised in the period 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. The amounts relating to service contracts are not material to total turnover.

Licenses

Software licenses are sold by the Company on a standalone basis and together with a tangible product. If the license is considered distinct, the turnover recognition pattern is based on whether the license is a right to use intellectual property (turnover recognised at a point in time) or a right to access intellectual property (turnover recognised over time). The majority of the licenses granted by the Company 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 credit period of 30 days. The amounts relating to Licenses are not material to total turnover.

Financing components

The Company 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.

c) Foreign currencies

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

d) Derivative financial instruments

The Company 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.

e) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in the hedging reserve. Any ineffective portion of the hedge is recognised immediately in the Profit and Loss Account.

The effective gains and losses recognised in the cash flows hedge reserve are reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss.

f) Research and development

Research and development costs are charged to the Profit and Loss Account 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 Company 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.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Accounting policies *(continued)*

g) Other intangible assets

Trademarks are measured at cost less accumulated amortisation. Amortisation is calculated to write off the cost over its estimated useful life which is the shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The cost of acquiring software (including associated implementation and development costs where applicable) is capitalised and amortised over its estimated useful life between 3 to 5 years.

h) Fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of the relevant assets, less their estimated residual values, on a straight line basis over their estimated useful lives. Fixed assets are depreciated as follows:

Leasehold improvements	Over the shorter of the lease term and the useful economic life
Leasehold land and buildings	Over the lease term
Plant, machinery and tooling	3 to 7 years
Equipment, fixtures and fittings	3 to 10 years
Motor vehicles	
- Owned vehicles	4 years
- Right-of-Use Vehicles	Over the lease term

i) Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

j) Investments

The Company's investments in other group companies are reported at cost less impairment. The carrying value of the Company's investments are reviewed at inception and at each Balance Sheet date to determine if any provision is required against the value of the investment.

k) Leases

This note provides information in relation to leases when the Company is a lessee. The Company does not have any material leases where it acts as a lessor.

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 Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Interest expense is charged to the 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 Company, lease payments generally comprise of:

- Fixed payments, less any leased incentives receivable; and variable payments that are based on an index or rate.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Accounting policies *(continued)*

k) Leases *(continued)*

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 Income Statement.

The Company's leasing activities

The Company enters into leases of buildings which serve as office space and a factory. In addition, the Company leases vehicles and printers.

Contracts entered into by the Company have a wide range of terms and conditions but generally do not impose any additional covenants. One of the Company'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 Company include extension or termination options which provide the Company with additional operational flexibility.

If the Company 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 the buildings are not included in the calculation of the lease term.

l) Stock

Stock is valued at the lower of cost and net realisable value. Cost includes materials, direct labour and production and other overheads incurred in bringing stocks and work in progress to their present location and condition. In determining the cost of raw materials, consumables and goods purchased for resale, an average cost or first-in, first-out method is used as appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

Provisions for inventories are recognised when the book value exceeds its 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.

m) Financial assets classification and measurement

The Company classifies its financial instruments depending on the business model for managing the financial assets and their contractual cash flows. Loans to group undertakings, 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.

n) Trade and other debtors

Trade debtors and contract assets are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade debtors and contract assets. To measure the expected credit losses, trade debtors 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 debtors where a trend exists.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

4. Accounting policies *(continued)*

Trade debtors 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 Company, and a failure to make contractual payments for an extended period. Amounts recoverable on contracts are included in trade debtors and represent revenue recognised in excess of payments on account.

Loans to group undertakings are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment. The Company recognises expected credit losses which uses a lifetime expected loss allowance for all debt investments unless the asset is considered to have low credit risk, in which case the loss allowance recognised is limited to 12 months' expected losses.

o) Trade and other creditors

Trade creditors are generally recognised at the value of the invoice received from a supplier.

p) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet represent cash on hand and at banks.

q) Provisions

Provisions are recognised in the Balance Sheet when the Company 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. Warranties over the Company's products cover a period of one to two years.

r) Pensions

Defined benefit scheme

The Company is a participating employer of The Vitec Group Pension Scheme, the Vitec Group's defined benefit pension scheme in the UK, which was closed to future benefit accrual with effect from 31 July 2010. The assets of the scheme are held separately from those of the Company. The Company's net obligation in respect of this defined benefit pension scheme is calculated 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 other comprehensive income.

The Company recognises the on-going service cost in the Profit and Loss Account as part of operating profit. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets and is recognised as part of net financial expense. Past-service costs are recognised immediately in the Profit and Loss Account, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. Any cost or income relating to the curtailment or settlement of a pension scheme is recognised immediately in the Profit and Loss Account.

Defined contribution scheme

All UK employees of the Company are offered membership of the Vitec Group 2014 Pension Scheme, which is a defined contribution scheme and, with effect from 1 April 2014, all employees are automatically enrolled into that scheme.

The Company's legal or constructive obligation is limited to the contributions made. The amounts charged against profits represent contributions payable to the scheme in respect of the accounting period.

s) Government grants – new accounting policy from 1 January 2020

The Company 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 Company applies the income approach to account for the grants received. As such, the grant is recognised in the Profit and Loss Account separately under the heading 'Government Grant'. In the year ending 31 December 2020, grant income of £0.8 million (2019: £nil) was received. There are no unfulfilled conditions or other contingencies attached to this government assistance.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

5. Turnover

Turnover by geographic market is presented as follows:

	2020	2019
	£'000	£'000
United Kingdom	5,615	10,854
Rest of Europe	19,541	25,543
The rest of the World	31,695	43,622
	56,851	80,019

6a. Operating expenses

	2020	2019
	£'000	£'000
Marketing, selling and distribution costs	7,039	9,102
Administration costs	6,656	8,795
Research and development costs	2,718	2,782
	16,413	20,679

6b. Government Grant

	2020	2019
	£'000	£'000
Job Retention Scheme	758	-
	758	-

The Government grant relates to furlough payments received from the UK Government under the Coronavirus Job Retention Scheme.

7. Profit before tax

Profit before tax is stated after charging:

	2020	2019
	£'000	£'000
Amortisation of intangible assets (see note 13)	1,809	1,871
Depreciation of fixed tangible assets (see note 14)	1,403	1,503
Net foreign exchange gains/(losses)	101	(113)
Low value leases/rentals:		
Plant and machinery	-	3
Other	3	4
Auditor's remuneration: Audit of Company's annual accounts	74	57
	74	57

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

8. Interest receivable and similar income

	2020	2019
	£'000	£'000
Interest received from Group companies	3,463	3,799
Net currency translation gains	261	-
	3,724	3,799

9. Interest payable and similar charges

	2020	2019
	£'000	£'000
Interest payable	10	2
Interest payable on lease liability	235	251
Net interest charge on pension scheme liabilities (see note 25)	90	150
Net currency translation loss	-	212
	335	615

10. Staff numbers and costs including Directors' remuneration

Average number of employees during the year was made up as follows:

	2020	2019
Production	94	100
Sales and marketing	36	35
Administration	31	33
Research and development	24	27
	185	195

Aggregate remuneration of all employees during the year:

	2020	2019
	£'000	£'000
Wages and salaries	10,674	10,945
Employer's social security costs	1,198	1,257
Employer's pension costs (see note 25)	503	462
Government Grant Job Retention Scheme	(758)	-
Share based payments	541	-
	12,158	12,664

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

11. Directors' remuneration

Directors' remuneration and associated costs that were borne by the Company during the year are disclosed in the table below.

	2020 £'000	2019 £'000
Directors' emoluments	665	927
Defined contribution pension costs	42	62
	707	989

During the year retirement benefits were accruing to three (2019: three) Directors in respect of defined contribution pension schemes. Three of the Directors were employed by the Company during the year.

Directors employed by the ultimate parent company received £nil (2019: £nil) remuneration from the Company in respect of qualifying services to the Company.

During the year, three (2019: two) Directors, including the highest paid director, exercised share options in the ultimate parent company.

During the year, three Directors (2019: three), including the highest paid director, employed and remunerated by the Company, received shares in the ultimate parent company under a long-term incentive scheme in respect of qualifying services to the Company.

Remuneration of highest paid Director:

	2020 £'000	2019 £'000
Directors' emoluments	319	400
Defined contribution pension costs	19	32
	338	432

12. Tax on profit

a) Tax charged in the profit and loss account:

	2020 £'000	2019 £'000
<i>Current tax:</i>		
Adjustment in respect of previous periods	532	-
Foreign tax	-	4
	532	4
<i>Deferred tax:</i>		
Prior year adjustments	184	356
Effect of rate change	109	212
Origination and reversal of timing differences	(51)	(22)
IFRS 16	2	2
	244	547
Total tax charge	776	551

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

12. Tax charge *(continued)*

b) Reconciliation of the total tax charge

The tax assessed on the profit for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below:

	2020 £'000	2019 £'000
Profit before tax	2,004	10,359
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	381	1,968
<i>Effects of:</i>		
Expenses not deductible for tax purposes	150	43
Adjustments in respect of previous periods - deferred tax	184	356
Adjustments in respect of previous periods - current tax	532	-
Effect of rate change	109	(22)
Group relief claimed free of charge	(580)	(1,795)
Total tax charge	776	551

The UK corporation tax rate enacted by the balance sheet date is 19%. The closing deferred tax assets and liabilities have therefore been calculated at 19%, where this rate is deemed appropriate for those assets and liabilities. Further reductions to 17% to be effective 1 April 2020 were enacted as part of the Finance Act 2017 on 27 April 2017. A further change to the UK tax rate was substantively enacted on 17 March 2020 reversing the reductions to 17% meaning the applicable rate from 1 April 2020 remained at 19%.

On 3 March 2021 the UK government announced an intention to increase the UK corporation tax to 25% with effect from 1 April 2023.

13. Intangible assets

	Capitalised development costs £'000	Trademarks £'000	Software £'000	Total £'000
Cost				
As at 1 January 2020	8,560	2,059	3,399	14,018
Additions	985	-	4	989
As at 31 December 2020	9,545	2,059	3,403	15,007
Amortisation				
As at 1 January 2020	5,100	2,059	3,025	10,184
Amortisation for the year	1,662	-	147	1,809
As at 31 December 2020	6,762	2,059	3,172	11,993
Net book value				
As at 31 December 2019	3,460	-	374	3,834
As at 31 December 2020	2,783	-	231	3,014

Capitalised development costs relate to ten projects and are amortised over their lives, commencing when the project is finalised. Trademarks relate to the Litepanels brand.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

14a. Tangible assets

	Leasehold Land & Buildings £'000	Plant, machinery & tooling £'000	Equipment, fixtures & fittings £'000	Motor vehicles £'000	Total £'000
Cost					
As at 1 January 2020	9,596	9,038	2,922	19	21,575
Additions	96	369	60	17	542
Disposals	-	(45)	(18)	(15)	(78)
As at 31 December 2020	<u>9,692</u>	<u>9,362</u>	<u>2,964</u>	<u>21</u>	<u>22,039</u>
Depreciation					
As at 1 January 2020	1,376	7,650	2,199	16	11,241
Disposals	-	(45)	(18)	(15)	(78)
Charge for the year	680	472	243	8	1,403
As at 31 December 2020	<u>2,056</u>	<u>8,077</u>	<u>2,424</u>	<u>9</u>	<u>12,566</u>
Net book value					
As at 31 December 2019	<u>8,220</u>	<u>1,388</u>	<u>723</u>	<u>3</u>	<u>10,334</u>
As at 31 December 2020	<u>7,636</u>	<u>1,285</u>	<u>540</u>	<u>12</u>	<u>9,473</u>

Capital commitments at 31 December 2020 for which no provision has been made in the accounts amount to £17,000 (2019: £257,000).

14b. Tangible assets - Right-of use Assets

	Leasehold land and buildings £'000	Equipment, fixtures & fittings £'000	Motor Vehicles £'000	Total £'000
Cost				
As at 1 January 2020	6,709	112	15	6,836
Additions	87	-	17	104
Disposals	-	-	(15)	(15)
As at 31 December 2020	<u>6,796</u>	<u>112</u>	<u>17</u>	<u>6,925</u>
Depreciation				
As at 1 January 2020	1,031	39	12	1,082
Disposals	-	-	(15)	(15)
Charge for the year	482	22	8	512
As at 31 December 2020	<u>1,513</u>	<u>61</u>	<u>5</u>	<u>1,579</u>
Net book value				
As at 1 January 2020	<u>5,678</u>	<u>73</u>	<u>3</u>	<u>5,754</u>
As at 31 December 2020	<u>5,283</u>	<u>51</u>	<u>12</u>	<u>5,346</u>

The total cash outflow for leases is £669,000 (2019: £664,000) of which £235,000 (2019: £251,000) relates to interest and £434,000 (2019: £413,000) to principal lease repayments.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

15. Investments

	2020	2019
	£'000	£'000
Cost:		
As at 1 January and 31 December	4,385	4,385
Provision:		
As at 1 January and 31 December	(3,275)	(3,275)
Net book value at 31 December	1,110	1,110

The Company's investments in subsidiaries as at 31 December 2020 are as follows:

	Country of incorporation	Class and number of shares in existence	Percentage of shares held
The Camera Store Limited	England & Wales ⁽¹⁾	2 ordinary shares of £1 each	100%
Radamec Broadcast Systems Limited	England & Wales ⁽¹⁾	1,042,655 ordinary shares of £1 each	100%

Registered address:

(1) Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom.

16. Stock

	2020	2019
	£'000	£'000
Raw materials and components	878	1,381
Work in progress	562	645
Finished goods	5,465	7,375
	6,905	9,401

During the year £621,000 (2019: £792,000) was recognised as an expense resulting from the write down of stock.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

17. Debtors

	2020	2019
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade debtors, net of provisions	3,848	4,196
Amounts owed by group undertakings	148,101	140,687
Other debtors	809	695
Prepayments	726	726
Derivative financial instruments	62	578
Current tax asset (see note 20)	231	-
Deferred tax asset (see note 20)	31	74
	153,808	146,956
<i>Amounts falling due after more than one year:</i>		
Amounts owed by group undertakings	415	-
Other debtors	481	529
Deferred tax asset (see note 20)	2,201	708
	3,097	1,237
	156,905	148,193

Included in the amounts owed by group undertakings is a total of £107,639,000 which is unsecured and bears interest at an agreed 2.65% margin plus six month GBP LIBOR rate. The loan amount is repayable on 31 December 2023.

All other amounts owed by group undertakings are unsecured, bear no interest and are repayable on demand.

18a. Creditors: amounts falling due within one year

	2020	2019
	£'000	£'000
<i>Amounts falling due within one year:</i>		
Trade creditors	1,842	4,167
Amounts owed to group undertakings	26,891	22,203
Other taxation and social security costs	245	791
Derivative financial instruments	-	12
Other creditors	1,227	1,758
Accruals	646	609
Lease liabilities	573	427
Contract liabilities	139	14
	31,563	29,981

Amounts owed to group undertakings are unsecured, bear no interest and are repayable on demand.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

18b. Creditors: amounts falling due after more than one year

	2020	2019
	£'000	£'000
<i>Amounts falling due after more than one year and less than five years:</i>		
Lease liabilities	<u>2,286</u>	<u>1,721</u>
	<u>2,286</u>	<u>1,721</u>
<i>Amounts falling due after more than five years</i>		
Lease liabilities	<u>3,632</u>	<u>4,124</u>
	<u>3,632</u>	<u>4,124</u>
Total	<u>5,918</u>	<u>5,845</u>

19. Provisions

	Warranty provision	Other provisions	Total provisions
	£'000	£'000	£'000
As at 1 January 2020	388	224	612
Utilised during the year	(388)	(3)	(391)
Charge to profit and loss for the year	<u>799</u>	<u>-</u>	<u>799</u>
As at 31 December 2020	<u>799</u>	<u>221</u>	<u>1,020</u>

Warranties over the Company's products cover a period of one to two years.

Other provisions relate to estimated dilapidation costs relating to the site at Bury St. Edmunds, payable at the end of the lease in 2032, and legal costs due in one to five years.

20. Deferred taxation

Deferred tax assets and liabilities:

	2020	Recognised in profit and loss	Recognised in OCI or Equity	2019
	£'000	£'000	£'000	£'000
Assets				
Pension	2,201	(117)	1,610	708
Property, plant, equipment & other IFRS 16	544	(186)	-	730
	28	1	-	27
	<u>2,773</u>	<u>(302)</u>	<u>1,610</u>	<u>1,465</u>
Liabilities				
Intangible liabilities	(529)	59	-	(588)
Cash flow hedges	(12)	-	83	(95)
	<u>(541)</u>	<u>59</u>	<u>83</u>	<u>(683)</u>
Net	<u>2,232</u>	<u>(243)</u>	<u>1,693</u>	<u>782</u>

The UK tax rate for the year ended is 19%.

On 17 March 2020 changes to the UK tax rate was substantially enacted which reversed the reduction to 17%, which was due to come into force on 1 April 2020. The applicable rate therefore remained at 19%.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

21a. Share capital

	2020 £'000	2019 £'000
Authorised ordinary shares of £1 each	200,000	200,000
	2020 £'000	2019 £'000
Issued, allotted and called up: 50,000,000 ordinary shares of £1 each	50,000	50,000

21b. Dividends

	2020 £,000	2019 £'000
Dividend paid in the year		
Interim Dividend for the year ended 31 December 2020 of 0p (2019:20p) per ordinary share	-	10,000

There was no dividend proposed or paid for the year ended 31 December 2020.

22. Share premium

	2020 £'000	2019 £'000
As at 1 January and 31 December	67,639	67,639

23. Low value leases

Non-cancellable low value leases are payable as follows:

	2020 £'000	2019 £'000
Less than one year	2	7
Between one and five years	3	3
After five years	-	1
	5	11

These relate to low value leases, where the company has chosen to recognise the lease payments as expenses in the Profit and Loss account in accordance with IFRS 16 "Leases".

24. Contingent liabilities

As at 31 December 2020 the Company was a guarantor to a Multicurrency Revolving Credit Facility Agreement, totaling £165 million with an initial five-year term and a two year extension option. This facility will expire on 14 February 2025 without the utilisation of the extension. The agreement is between The Vitec Group plc, several of its subsidiaries and five banks.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

24. Contingent liabilities *(continued)*

This guarantee is considered to be an inter group insurance arrangement and in accordance with IFRS 4 is accounted for as a contingent liability.

Details of the financing facility can be found in the Annual Report & Accounts 2020 of The Vitec Group plc.

On 23 April 2020 the Company entered into an agreement between various parties, including The Vitec Group plc, to act as a guarantor to a Euro Commercial Paper Programme, set up to access the Bank of England's Covid Corporate Finance Facility scheme (the "CCFF"). As of 31 December £50,000,000 had been drawn down under the CCFF.

25. Pension commitments

The Vitec Group operates a defined contribution pension scheme called The Vitec Group 2014 Pension Scheme. The assets of the scheme are held separately from those of the Vitec Group in an independently administered fund. All UK employees of the Group are eligible to join The Vitec Group 2014 Pension Scheme. With effect from 1 April 2014, all employees of the Company are automatically enrolled into that scheme. The costs of providing pensions for employees under defined contribution schemes are expensed as incurred.

The employer's pension costs (see note 10) are the cost of both the defined benefit and defined contribution schemes.

The Vitec Group Pension 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 2016 funding valuation of the scheme disclosed a funding surplus, no recovery plan was required under the Pensions Act 2004. As such, member and employer contributions to the scheme over the year to 31 December 2020 were £nil. The scheme is subject to all legislation and regulations that apply to UK occupational pension schemes. The pension cost for the year in respect of the defined contribution scheme was £653,000 (2019: £622,000).

The latest funding valuation of the Scheme was performed as at 5 April 2020 and showed that the Scheme had a surplus of £2.8 million under the technical provisions. The Principal Employer has agreed with the Trustees of the Scheme that no recovery plan is required and therefore the Company is not expected to make any payments into the Scheme until at least the completion of the next triennial valuation as at 5 April 2022.

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

Sensitivity of obligations to alternative assumptions

	2020	2019
Discount rate increased by 0.1% points	-1.4%	-2%
Inflation increased by 0.1% points	+1%	+1%
Life expectancy reduced by one year	+3.6%	+4%

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.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Pension commitments *(continued)*

Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December were:

	2020	2019
Discount rate	1.2% pa	2.1% pa
Price inflation (RPI)	2.9% pa	2.9% pa
Price inflation (CPI)	1.9% pa	1.9% pa
Pension increase rate		
- Discretionary (pre - 6 April 1997 accrual in excess of GMP)	2.8% pa	3.0% pa
- Guaranteed LPI 5% (6 April 1997 - 30 June 2008)	2.9% pa	2.8% pa
- Guaranteed LPI 5%, with 3% floor	3.3% pa	3.2% pa
- Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.1% pa	2.0% pa
Life expectancy of male / female aged 65 in 2020	22.4/24.7	22.1/24.4
Life expectancy of male / female aged 65 in 2034	23/25.6	22.7/25.2

Change in DBO for the year to 31 December

	2020	2019
Present value of DBO at start of year:	68,590	66,073
Interest cost	1,420	1,858
Actuarial gain on experience	(300)	(1,390)
Actuarial loss on financial assumptions	11,590	7,030
Actuarial loss/(gain) on demographic assumptions	1,390	(881)
Actual benefit payments	(2,180)	(3,940)
Past service gains	(150)	(160)
Present value of DBO at end of year	<u>80,360</u>	<u>68,590</u>

At 31 December 2020, the weighted-average duration of the scheme's DBO was 18 years (2019: 17 years).

Scheme assets and proportion which have quoted market price, at 31 December

	Fair value 2020 £'000	Quoted split %	Unquoted split %	Fair value 2019 £'000
Bonds	40,470	100	-	33,230
Equities	19,470	97	3	22,550
Infrastructure	7,580	-	100	8,170
Cash/non-cash assets	1,050	-	100	310
Insurance policies	200	-	100	160
Total value of assets	<u>68,770</u>			<u>64,420</u>

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

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Pension commitments *(continued)*

Change in fair value of assets for the year to 31 December	2020 £'000	2019 £'000
Fair value of assets at start of year	64,420	60,910
Interest income on scheme assets	1,330	1,710
Return on scheme assets greater/(less) than discount rate	5,200	5,740
Actual benefit payments	<u>(2,180)</u>	<u>(3,940)</u>
Fair value of assets at the end of year	<u>68,770</u>	<u>64,420</u>
Development of net balance sheet position at 31 December	2020 £'000	2019 £'000
Present value of defined benefit obligations	(80,360)	(68,590)
Assets at fair value	<u>68,770</u>	<u>64,420</u>
Net defined benefit scheme liability	<u>(11,590)</u>	<u>(4,170)</u>
Reconciliation of net balance sheet position	2020 £'000	2019 £'000
Net defined benefit scheme liability at start of year	(4,170)	(5,163)
Total amounts credited to the Income Statement	60	12
Remeasurement effects recognised in Other Comprehensive Income ("OCI")	<u>(7,480)</u>	<u>981</u>
Defined benefit scheme liability at end of year	<u>(11,590)</u>	<u>(4,170)</u>
Amounts recognised in the Income Statement	2020 £'000	2019 £'000
Past service gains	<u>(150)</u>	<u>(160)</u>
Included in operating expenses	<u>(150)</u>	<u>(160)</u>
Net interest expense on net defined pension scheme liability	<u>90</u>	<u>150</u>
Total amounts credited to the Income Statement	<u>(60)</u>	<u>(10)</u>

Note: From 1 April 2017 the Company directly meets the expenses of running the Scheme as well as any PPF levies. These expenses are included in administration costs in the Profit and Loss.

VITEC PRODUCTION SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

25. Pension commitments *(continued)*

Amounts recognised in the OCI

	2020	2019
	£'000	£'000
Actuarial gain due to liability experience	(300)	(1,390)
Actuarial loss due to liability assumption changes	11,590	7,030
Actuarial loss/(gain) due to changes in demographic assumptions	1,390	(881)
Actuarial loss arising during the period	<u>12,680</u>	<u>4,759</u>
Actual return on plan assets less interest on plan assets	<u>(5,200)</u>	<u>(5,740)</u>
Remeasurement effects recognised in OCI	<u>7,480</u>	<u>(981)</u>

Defined benefit pension scheme cost

	2020	2019
	£'000	£'000
Past service gains	(160)	(160)
Net interest expense on net defined benefit pension scheme liability	90	150
Remeasurement effects recognised in OCI	7,480	(981)
Total defined benefit pension scheme cost/(credit)	<u>7,410</u>	<u>(991)</u>

26. Post balance sheet events

From 1 January 2021, as a consequence of Brexit, most of the company's sales to third parties are made through a distribution company in Germany, Vitec Production Solutions GmbH.

The Company utilised UK Government support in the form of furlough payments which have been recognised within Government Grants in the profit and loss account and subsequently repaid in March 2021.

The entire amount drawn under the CCFF was repaid in March 2021 by the Vitec Group plc.

There were no other material adjusting or non-adjusting events that require disclosure between the Balance Sheet date and the date of this report.

27. Ultimate parent company

The Company is a wholly owned subsidiary of The Vitec Group plc of whom are deemed to be the controlling party. The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is The Vitec Group plc, a company which is registered in England and Wales. Copies of the Annual Report & Financial Statements 2020 of The Vitec Group plc are available from the Company Secretary, Bridge House, Heron Square, Richmond, TW9 1EN.