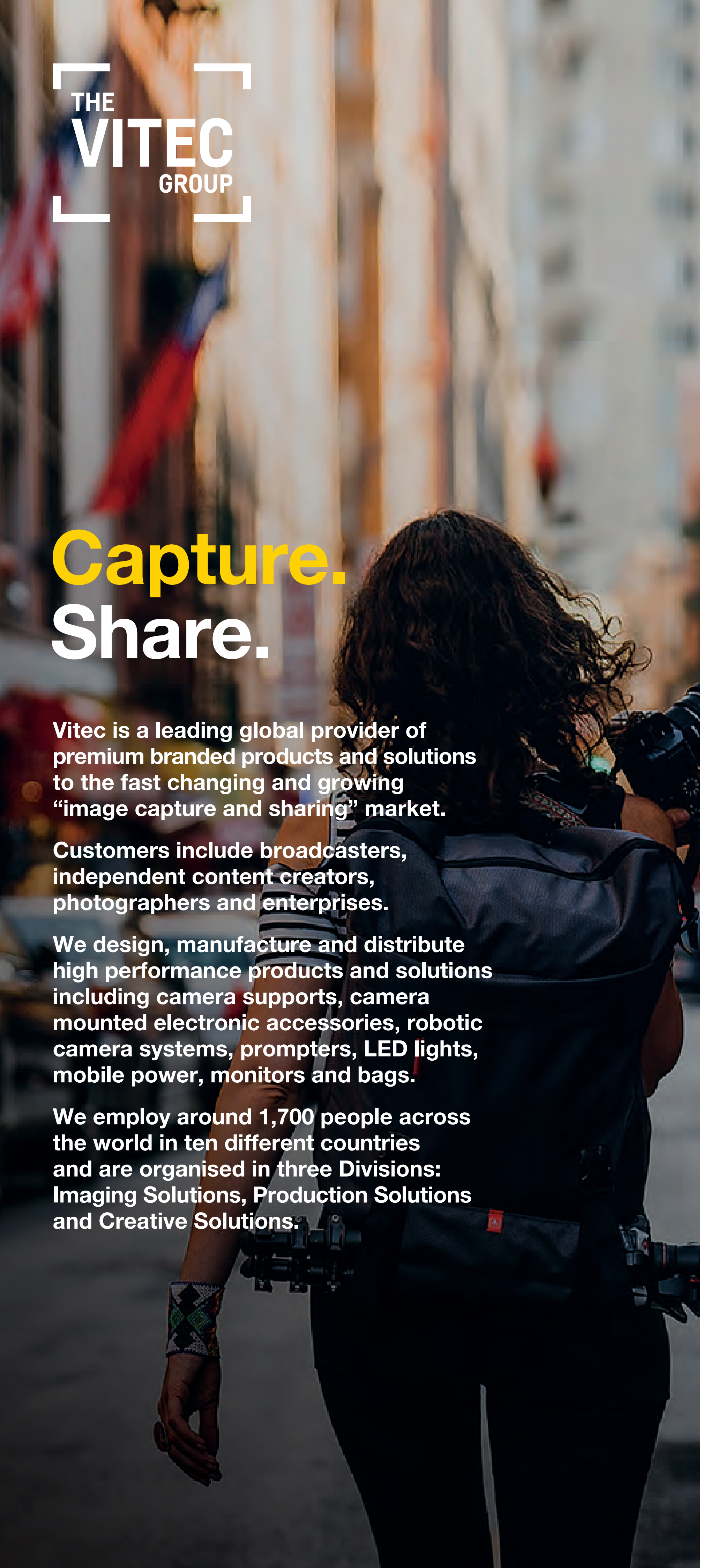
The Vitec Group plc
Annual Report & Accounts 2017

Enabling the capture and sharing of exceptional images



Capture. Share.

Vitec is a leading global provider of premium branded products and solutions to the fast changing and growing "image capture and sharing" market.

Customers include broadcasters, independent content creators, photographers and enterprises.

We design, manufacture and distribute high performance products and solutions including camera supports, camera mounted electronic accessories, robotic camera systems, prompters, LED lights, mobile power, monitors and bags.

We employ around 1,700 people across the world in ten different countries and are organised in three Divisions: Imaging Solutions, Production Solutions and Creative Solutions.

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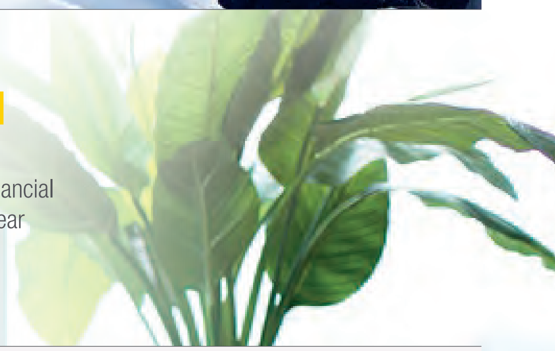

Adjusted revenue	Adjusted operating profit*
£378.1m	**£44.8m**

Chairman's Welcome

John McDonough CBE reports on excellent progress in 2017, both on strategic objectives and financial performance

Dear Shareholders

2017 was another successful year for Vitec, with a good trading performance, continued underlying growth and significant progress on strategic objectives. Vitec delivered a good set of financial results for 2017, with underlying sales and profit growth, and a record level of revenue and profit before tax. The Company's share price rose from £6.48 at the start of January 2017 to £11.30 on 31 December 2017.

As a consequence, the Board recommends a final dividend of 20.1 pence per ordinary share (2016: 17.3 pence) which, subject to approval by shareholders at the 2018 AGM, will be paid on Friday 18 May 2018.

In 2017, we streamlined our portfolio of businesses, successfully selling the non-core businesses of Haigh-Farr and Bexel, our US Services business, for a combined net consideration of £33.2 million. We acquired the JOBY and Lowepro brands, as well as the higher technology business of RTMotion. This streamlining of Vitec's business portfolio will in the future deliver enhanced financial performance and higher margins for the Company and we will continue to explore bolt-on investment opportunities in our core and adjacent markets.

2018 also promises to be an exciting year for Vitec. We have moved to a three divisional structure – with Imaging Solutions, Production Solutions and Creative Solutions addressing our core photographic, broadcast and independent content creator customers. The Production Solutions Division will relocate its Bury St. Edmunds operation into a new purpose-built manufacturing site nearby in H1 2018, demonstrating our confidence in the division. We are making excellent progress with the integration of JOBY and Lowepro into the Imaging Solutions Division, and Creative Solutions now has critical mass, growth potential and the talent to stand on its own as a separate division.

Martin Green joined the Board on 4 January 2017 as Group Business Development Director. Kath Kearney-Croft joined the Board on 24 April 2017 as Group Finance Director. The Company has a strong executive management team to deliver our strategic growth plans. Mark Rollins will be leaving the Board as an independent Non-Executive Director and Senior Independent Director on 2 April 2018 to focus on his Chairman's role at Carclo plc. Mark has been a valuable member of the Board since joining in October 2013 and the Board wishes him well for the future. To ensure that we have a strong independent non-executive presence on the Board we have searched for a replacement to Mark and we are pleased to report that Richard Tyson will join the Board on 2 April 2018 as an independent Non-Executive Director. Richard is Chief Executive Officer of TT Electronics plc, holding that position since 2014. He was formerly President of the Aerospace and Security Division of Cobham plc from 2008 to 2014 and a member of their Executive Committee. Christopher Humphrey will become Senior Independent Director in addition to his role as Chairman of the Audit Committee with effect from Mark ceasing to be a director.

In 2017, the Board conducted an external evaluation of its performance and I am pleased to report that the performance of your Board and its committees were rated highly with the right balance of skills and tone from the top, along with the experience to meet the challenges of growing the business. The detail of this evaluation is covered in the Governance Report.

The Board visited the Teradek business in California, US in October 2017 and met with the Creative Solutions senior management team, including the founders of each of the constituent businesses of Teradek, SmallHD, Paralinx, Wooden Camera and RTMotion. This was an exceptionally valuable exercise in building the Board's knowledge and understanding of the new division and the talent of the divisional team. I am confident that with this talent in Creative Solutions, as well as the talent in Imaging Solutions and Production Solutions, the Company is well positioned for further success and to be able to deliver further growth in 2018.

Our excellent progress in 2017 and future success is down to the hard work and dedication of all our employees around the Group, and on behalf of the Board I thank each one of them for their dedication in delivering the Company's purpose of providing vital products and solutions that support the capture and sharing of exceptional images.

I, and all my Board colleagues, plan to attend the AGM on 15 May 2018 and we look forward to the opportunity to meet with as many shareholders as possible on the day.

John McDonough CBE
Chairman

21 February 2018

Corporate Governance Report
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Key points

Transformation of the portfolio, repositioning the Group to be able to deliver higher margins and growth

» Disposal of two non-core businesses funding the acquisitions of JOBY and Lowepro, and RTMotion

Record Group performance in adjusted* revenue, profit before tax and EPS

» Growth in revenue for continuing operations of 10.8% and adjusted profit before tax* of 13.4%

» Adjusted* operating margin for total operations improved to 11.8% from 11.0% with operating margin for continuing operations of 12.8% for 2017

» ROCE++ for total operations increased to 19.6% (2016: 17.5%)

Total dividend increased by 12.1% to 30.5 pence with dividend cover at 2.2 times

Strong free cash flow* performance led to reduction in net debt to EBITDA to 0.7x (2016: 1.2x)

» Cash conversion+ of 119%, excluding JOBY and Lowepro

* This report provides alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). We believe these APMs provide readers with additional information on our business. We have included a glossary on page 150 which provides a comprehensive list of APMs that we use, including an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where relevant

\+ Cash conversion is defined as the % of operating profit* that is converted into operating cash flow*

\++ Return on Capital Employed is calculated as adjusted operating profit* for the last twelve months divided by the average total assets less current liabilities excluding the current portion of interest-bearing borrowings

2017 Financial highlights

	Adjusted revenue*	Adjusted operating profit*	Adjusted basic earnings per share*	Net debt
	£378.1m	£44.8m	68.1p	£42.9m
17	£378.1m	£44.8m	68.1p	£42.9m
16	£376.2m	£41.5m	61.3p	£75.1m
15	£317.8m	£35.4m	49.4p	£76.3m
14	£309.6m	£38.8m	55.9p	£70.9m
13	£315.4m	£39.5m	56.1p	£61.5m

	Imaging Solutions	Production Solutions	Creative Solutions	Discontinued operations
Adjusted revenue*	£175.9m Up 16.2%	£114.2m Down 6.1%	£63.2m Up 37.7%	£24.8m Down 56.7%
Adjusted operating profit*	£29.9m Up 18.7%	£15.2m Down 6.7%	£13.0m Up 36.8%	£(0.4)m n/m
Adjusted operating margin*	17.0% Up 40 bps	13.3% Down 10 bps	20.6% Down 10 bps	n/m
Statutory revenue	£175.9m Up 16.2%	£114.2m Down 6.1%	£63.2m Up 37.7%	£24.8m Down 56.7%
Statutory operating profit	£26.1m Up 15.5%	£14.1m Up 2.9%	£2.9m Down 21.6%	£13.4m n/m
Statutory operating margin	14.8% Down 10 bps	12.3% Up 100 bps	4.6% Down 350 bps	54.0% n/m

Recommended final dividend per share
20.1 pence
Up 16.2%

Interim dividend per share
10.4 pence
Up 5.1%

Total dividend for 2017
30.5 pence
Up 12.1%

Chief Executive's Review
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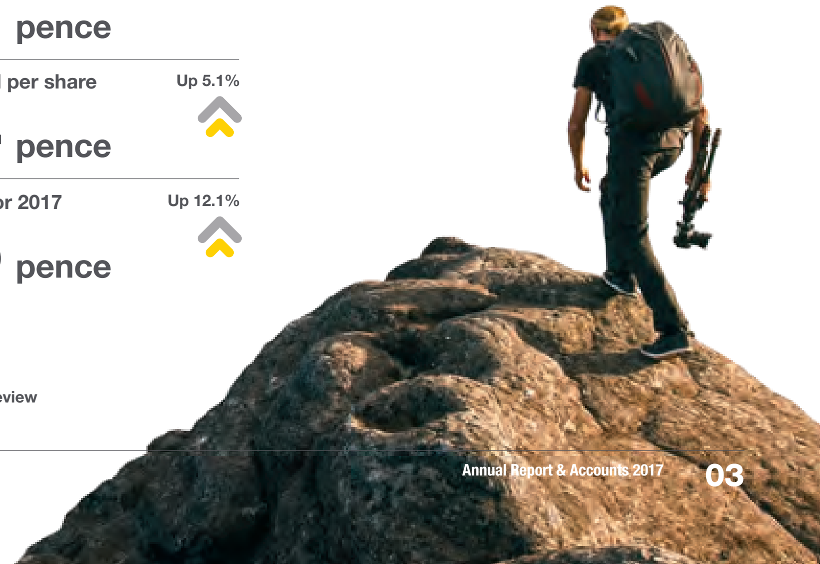

Vitec Group Overview

Group adjusted revenue*

£378.1m

Group adjusted operating profit*

£44.8m

Vitec is a global group mainly serving customers in the "image capture and sharing" market.

We design, manufacture and distribute high quality, high performance, premium branded products and solutions that enable end users to capture and share exceptional images. Our products typically attach to, or support, a camera – primarily for broadcast, cinematic, pro-video and photographic applications. The Vitec Group is organised in three Divisions and has strong market positions in each.

Our global footprint

We manufacture and distribute our products and services from our facilities in
10 countries

We employ around
1,700 people

Our products and services are sold in over
100 countries

VITEC IMAGING SOLUTIONS

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Vitec's Imaging Solutions Division designs, manufactures and distributes premium branded photographic and video equipment such as tripods, bags, filters, LED lights, lighting controls and lighting supports for professional users and imaging enthusiasts. It also supplies an expanding range of accessories for smartphones, action and VR cameras, and drones.

Revenue
£175.9m
Up 16.2%

Adjusted operating profit*
£29.9m
Up 18.7%

Statutory operating profit
£26.1m
Up 15.5%

Employees
c. 800

Brands

- Avenger
- Colorama
- Gitzo
- JOBY
- Lastolite
- Lowepro
- Manfrotto & Manfrotto Xume
- National Geographic**

Addressable market

We estimate that the addressable market for products manufactured by Vitec's Imaging Solutions Division is worth around £800 million annually. Professional users account for approximately half of this market and consumers make up the remainder. There is growing adoption of new image capturing devices by professionals and advanced consumers as the distribution of images via social media continues to grow rapidly. Vitec is focusing on the opportunity to develop and commercialise innovative, high end accessories for these new applications. We sell our products globally via multiple distribution channels as well as online via our own direct e-commerce capability and third party platforms.

Market position

Vitec has leading premier brands in camera supports, heads, LED lights, filters and bags for the professional and enthusiast photographer and videographer.

Product category	Supports	Bags	Lighting and Controls	Filters
Brand	Avenger, JOBY, Gitzo, Manfrotto	Lowepro, Manfrotto, National Geographic**	Colorama, Lastolite, Manfrotto	Manfrotto Xume
Market position†	1	1	2	New

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** Manufactured under licence

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

Group revenue by destination

- North America 41%
- Europe 35%
- Asia-Pacific 21%
- Rest of the World 3%

VITEC PRODUCTION SOLUTIONS

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Vitec's Production Solutions Division designs, manufactures and distributes technically advanced products which give broadcasters, film studios, video production companies and independent content creators total confidence in the production equipment they depend upon to capture and share world class footage. Products include video heads, tripods, lights, batteries and speciality camera systems.

Revenue‡
£114.2m
Down 6.1%

Adjusted operating profit*‡
£15.2m
Down 6.7%

Statutory operating profit‡
£14.1m
Up 2.9%

Employees
c. 700

Brands

Anton/Bauer
Autocue
Autoscript
Camera Corps
Litepanels
OConnor
Sachtler
The Camera Store
Vinten

Addressable market

We estimate that the broadcast market for products and services supplied by Vitec's Production Solutions Division is worth around £400 million annually. 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.

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

VITEC CREATIVE SOLUTIONS

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Vitec's recently formed Creative Solutions Division focuses on developing, manufacturing and distributing products to equip, educate and support content creators, including the new breed of independent content creators, giving them the freedom and confidence to exploit image content in multiple ways. Products for this fast growing market include video transmission systems, monitors, lens control systems, camera accessories as well as mobile and cloud-based software applications. We sell our products globally via distributors as well as online via our own direct e-commerce capability and third parties.

Revenue
£63.2m
Up 37.7%

Adjusted operating profit*
£13.0m
Up 36.8%

Statutory operating profit
£2.9m
Down 21.6%

Employees
c. 200

Brands

Offhollywood
Paralinx
SmallHD
Teradek
VitecEV
Wooden Camera

Addressable market

We estimate that the video market focusing on content creators for products and services supplied by Vitec's Creative Solution Division is worth around £500 million annually. This includes film, scripted television series, independent video and enterprise video production. 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 and filmmaker markets.

Product category	Video transmission systems	Monitors	Lens Control	Camera accessories
Brand	Teradek, Paralinx	SmallHD	Teradek RT	Offhollywood, Wooden Camera
Market position†	1	1	3	3

‡ Results for continuing operations

Group Chief Executive's Review
2017 was a transformational year for the Group

Vitec's transformed portfolio of businesses and new operating structure have repositioned the Group to deliver future progress.

Vitec operates in the fast-growing, global "image capture and sharing" market. Technology and social media continue to drive fundamental changes to this market. Vitec's unique heritage, the credibility of our premium products, and our manufacturing and distribution strengths, provide us with exciting opportunities to capitalise on those changes. These, coupled with the experience and knowledge of our people, enable us to develop ground-breaking new products.

2017 was a transformational year for Vitec as we significantly reshaped our portfolio through disposals and acquisitions. The Group sold two non-core businesses and invested in new markets, geographies and technologies. We announced that from 1 January 2018 we would move from two to three Divisions to reflect a changing customer base, to enable us to adapt quickly to market and technological changes, and to give greater focus to the fast-growing Independent Content Creator market.

Our new three Divisions – Imaging Solutions, Production Solutions and Creative Solutions – are highly customer-focused and operate in a decentralised, entrepreneurial structure, yet share capabilities across the Group.

Although we continued to experience challenging market conditions in the more mature US broadcast market, this was offset by growth in sales of higher technology products and acquisitions.

Vitec has a clear growth strategy which is focused on organic sales growth, operational efficiencies and corporate development. 2017 saw significant progress executing our strategy which is based around five priorities.

1. Corporate development
We supplement our organic growth opportunities with carefully targeted acquisitions. Our acquisition strategy focuses on finding innovative businesses operating within our core, or closely adjacent, markets which possess the right product development, growth characteristics and financial prospects.

During the year, we streamlined our portfolio by disposing of the non-core businesses – Haigh-Farr and Bexel, our US Services business, for net consideration of £33.2 million. In September 2017, we acquired the JOBY and Lowepro brands for our Imaging Solutions Division, for cash consideration of £8.4 million excluding integration costs and investment in working capital. JOBY is best known for its patented GorillaPod tripod and Lowepro is the leading camera bag brand. This acquisition is an excellent strategic fit with Vitec's existing core activities and integration is going well.

In September 2017, we also announced the acquisition of RTMotion for our Creative Solutions Division, for up to £3.1 million in net cash. RTMotion is a high technology business which gives the Group additional high quality camera accessories for the expanding Independent Content Creator market. This business has been successfully integrated into Creative Solutions and its products are being sold under the Teradek brand name as Teradek RT.

2. Improve the core
We continue to maximise and improve our business to better deliver underlying growth, and in 2017 Vitec delivered operational efficiencies through improvements to purchasing, inventory management and manufacturing. We achieved further lean manufacturing savings in our Italian and Costa Rican facilities, and are currently moving our manufacturing operations from Shelton, US to Costa Rica. In H1 2018, the Production Solutions Division will relocate its Bury St. Edmunds, UK facility to a purpose-built manufacturing site nearby that will deliver further operational improvements. We also expect to identify additional operational synergies across the Group in the medium-term.

We continue to demonstrate innovation throughout our businesses. In 2017 we launched a range of new products, including the revolutionary Flowtech carbon-fibre tripod, Internet Protocol prompters from Autoscript, Litepanels Gemini LED lights and compact tripods from Manfrotto. We also celebrated the 100-year anniversary of our Gitzo brand.

In 2018 we will maintain our market leadership by focusing on maximising sales of these and other new products, and continuing to innovate with new products and new technologies. In addition, our Production Solutions Division is currently supporting the 2018 Winter Olympics in South Korea.

3. New markets and technologies
We have maintained investment in new technology and markets to underpin future growth. For example, in 2017 we further expanded our product offering in Apple stores with our newly acquired JOBY brand, and the RTMotion acquisition has performed in line with expectations.

We innovate quickly and we released a range of high quality products, including SmallHD Ultra Bright Monitors, a Wooden Camera Universal Follow Focus, a new Teradek Cube HEVC encoder, and Teradek Serv Pro, a dedicated iOS monitoring solution. We also launched a number of cross-

Group products, developing synergies between Vitec brands. Examples include a SmallHD monitor with a built-in Teradek Bolt wireless receiver, a SmallHD Focus monitor with an Anton/Bauer battery, and a Manfrotto/Wooden Camera Directors Cage for DSLR and mirrorless cameras. We remain focused on further cross-selling of brands across the Group, especially to our Independent Content Creator customers. We also continue to identify acquisition opportunities to address new areas of the content production value chain.

4. Get closer to our customers

We continue to drive initiatives to get closer to our customers by owning more of our distribution and optimising our e-commerce activities. Our end markets are changing with more independent content creators looking to purchase equipment online and we are investing in and optimising our e-commerce capabilities through working with our major customers like Amazon and other specialised e-tailers, and by further developing our own online platforms. Our Creative Solutions Division has invested in a number of "Customer Experience Centres", tying our many Creative Solutions brands together to offer bundled products as well as educational workshops.

5. Expand in APAC

Finally, we continue to expand geographically, especially in APAC, leveraging our current capabilities and footprint. Our Imaging Solutions Division has an efficient and widespread distribution network throughout the region and deals directly with the leading retailers and e-tailers. The acquisition of the JOBY and Lowepro brands has brought in specialist teams in Hong Kong and China. APAC is the fastest growing region for Vitec, and we see further growth opportunities in this area.

We will utilise our current networks to distribute other Vitec brands with a specific focus on growing our Creative Solutions Division, initially in China.

2017 Performance Overview

Vitec is pleased to report a record performance, with strong growth in revenue and adjusted profit before tax*. It has been a transformational year for the Group, which saw the acquisition of the JOBY and Lowepro brands.

We launched a record number of market-leading new products and made significant progress refocusing our portfolio with the disposal of two non-core businesses.

Our Imaging Solutions Division had a strong year and continues to outperform the market. The integration of the JOBY and Lowepro brands is going well.

The Production Solutions Division benefitted from sales of new products, including the revolutionary Flowtech tripod, although the US studio market continued to experience challenging market conditions.

Our Creative Solutions Division further expanded its higher technology products with the acquisition of RTMotion. SmallHD, in particular, grew strongly.

Product Development

We recognise that the markets in which we operate are quick to change and evolve, so we innovate quickly and invest in new products and solutions to add to our already well respected range. We are very pleased with the new products we launched this year and continue to build on those with synergistic efficiencies where possible to create world-class solutions for our customers. Examples of our new products can be seen in the Operational Review which starts on page 18.

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 2 to 41 and its content has been approved by the Board.

Outlook

We have outlined a number of initiatives for medium-term organic growth, particularly in the Independent Content Creator market and in APAC, and will continue to identify operational improvements and businesses to acquire in core and adjacent markets. Strong cash generation and a robust balance sheet will support these growth plans.

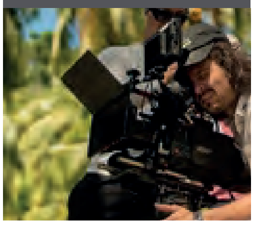
Vitec has a strong position in exciting and fast changing markets. With our transformed portfolio of businesses, new structure and growth initiatives, the Board remains confident that, at current exchange rates, the Group is well positioned to deliver further progress in 2018.

Stephen Bird
Group Chief Executive

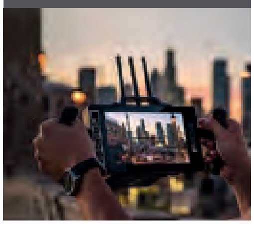
21 February 2018

Strategic priorities

Improve the core



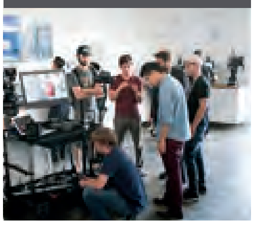
Focus on new markets and technology



Get closer to customers

Expand in APAC

Corporate development



Sustained investment in new markets and technologies

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

The "image capture and sharing" market is rapidly changing and we continue to identify and make appropriate, value-adding acquisitions to supplement our organic activities and enable us to benefit from those changes.

Our unique heritage, experienced people and the credibility of our established, premium brands allow us to find attractive, high quality businesses in our core or adjacent markets, technologies and geographies to achieve our growth objectives.

We completed two acquisitions in 2017 and the pipeline of potential acquisitions continued to build during the year.

Operational Review
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"I've been in the imaging industry for over 10 years working with the JOBY and Lowepro brands globally. We were acquired by the Vitec Group in September 2017. It's been such a positive experience to join a diverse team of talented professionals who are dedicated to the same core values within the industry we love."

Tim Grimmer, Senior Brand Director, JOBY and Lowepro

JOBY and Lowepro

Acquiring the JOBY and Lowepro brands demonstrates Vitec's commitment to expanding our portfolio of premium branded products for the imaging and Independent Content Creator markets. These leading brands give us greater access to new markets and expand our retail presence, especially in the US, by adding high quality, complementary products.

As part of Vitec's strategy to improve our core business and get closer to our customers, we acquired the JOBY and Lowepro brands. JOBY introduced the patented GorillaPod tripod which has transformed the camera accessories market and has a strong presence in Apple stores. Lowepro has been a market leader in bags designed to protect electronic and camera devices since 1967.

JOBY and Lowepro products are designed by dedicated marketing resources located in California, US, and engineered by expert innovation teams based in the Far East. All products are manufactured by third parties with proprietary tools and sold globally through the Vitec Imaging Distribution network.

This acquisition strengthens and complements Vitec's existing product portfolio. It gives us:

- A leading global position in the new and fast growing iphoneography, mobile journalism and vlogging markets, as well as the camera bags market, bringing in an expanded product development team and technical capabilities with access to new intellectual property;
- Increased retail presence, particularly in the US, making Vitec Imaging Distribution a leading distributor of premium imaging accessories in the largest global economies;
- The opportunity to get closer to customers by consolidating Vitec's strategic relationships with Apple and online retailers such as Amazon and T-Mall, the leading consumer electronics retailers, B&H and specialist retailers; and
- A platform to expand further in APAC and strengthen the Group's presence in China and Hong Kong through the JOBY and Lowepro teams who are based there.

Vitec is integrating JOBY and Lowepro into its Imaging Solutions Division's existing organisational structure, under the leadership of Marco Pezzana, Divisional Chief Executive, Vitec Imaging Solutions. In addition to enabling greater penetration of adjacent market segments, stronger retail presence and improved innovation capabilities, the integration of JOBY and Lowepro into Vitec's Imaging Solutions Division is expected to deliver substantial operational synergies in procurement, logistics and distribution across all divisional brands.

"We have admired Vitec's vision and breadth of expertise for some time, and are extremely excited to be joining the Group alongside industry leaders such as Teradek and SmallHD. This acquisition will give us world-leading support in marketing, reseller channels and strategic management."

Kris Bird, Co-founder of RTMotion

RTMotion

The acquisition of RTMotion is in line with Vitec's strategy of offering innovative and highly technical solutions to the Group's established independent content creator customer base, and will facilitate Vitec's growth in the higher technology area of camera accessories.

Based in the UK, RTMotion designs and manufactures lens control systems for video cameras used to make feature films and television series, for example, "Pirates of the Caribbean" and "Planet Earth II".

RTMotion has been successfully integrated into our Creative Solutions Division. There are significant growth opportunities to sell RTMotion's products through our global sales and distributor network, and the business will benefit from Vitec's marketing, manufacturing and supply chain capabilities.

Investing in manufacturing excellence

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

Our strategy is to continuously improve and optimise our manufacturing and assembly operations globally to maximise quality, service and efficiency, while reducing costs. We operate manufacturing facilities in the UK, Italy and Costa Rica, and assembly operations in a number of locations in the US. In 2017, we invested significantly in our facilities.

We operate competitive, flexible manufacturing operations which deliver premium products and reliability to our markets. Vitec's facilities follow lean principles and, where appropriate, are automated. Our supply chain is efficient and our people are highly trained, multi-skilled, and focused on continuous improvement. Our "improve the core" strategic priority is focused on driving further efficiency and investing appropriately to support our wider growth plans and deliver increasing returns to our shareholders.

The provision of a healthy, safe and productive work environment for all of our employees is a high priority for Vitec across all sites. We continue to implement initiatives aimed at sustainability and protecting the environment across all of our locations.

Feltre, Italy

Vitec Centre of Excellence for high volume heads and tripods

Vitec manufactures 80% of the supports for its Imaging Solutions Division in our Italian facility, across our Manfrotto, Gitzo and Avenger brands. The 320,000 ft^2 site was established in 1986 and employs around 400 people. Vitec is the largest manufacturer of branded supports in the world, with over three million units produced annually.

As a result of our investment in people, lean processes and automation, our premium supports are produced more efficiently in Italy than elsewhere. "Made in Italy" is a distinct competitive advantage in this market and in October 2017 we moved the manufacturing of our Manfrotto Befree Advanced tripod from China to Italy. Our new automatic aluminium tube cutting and punching machine is capable of producing one tube every four seconds, is seamlessly linked to the new assembly lines and gives a high throughput of consistently high quality products. This tube machine received its Industry 4.0 certification at the end of 2017.

Ashby-de-la-Zouch, UK

Vitec Centre of Excellence for Imaging Solutions lighting controls

Vitec acquired the Lastolite lights business in 2011 for its Imaging Solutions Division and has transformed this factory into its specialist centre for the production of lighting controls, reflectors, backgrounds, umbrellas, soft boxes and flash accessories. With around 60 people the 43,000 ft^2 factory produces 360,000 high quality, durable units annually. This business has remained highly competitive against mainly Far Eastern competitors due to its continuous improvement methodology and the experienced gained from its sister facility in Italy.

Cartago, Costa Rica

Vitec Centre of Excellence for low volume heads, tripods and batteries

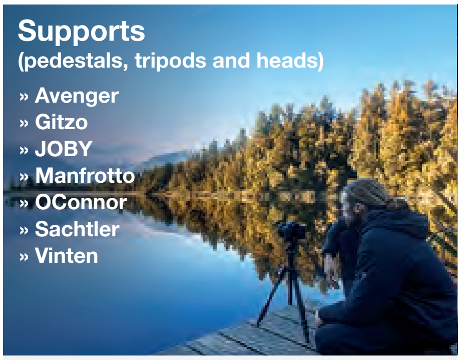
Vitec selected Costa Rica for one of its main manufacturing and engineering facilities because of its educated workforce, its proximity to our largest market (North America), its low cost base, and its stable government. Our Costa Rica facility manufactures heads, tripods and camera accessories for the Vinten, Sachtler, OConnor and Anton/Bauer brands in our Production Solutions Division. The site was established in 1985 and has approximately 180 employees producing over 50,000 products annually, in a 65,000 ft^2 facility. The Costa Rica facility has invested heavily in introducing lean principals to make it one of the most efficient manufacturing facilities in Central America.

We are in the process of consolidating our manufacturing operations from Shelton, US to Costa Rica.

Bury St. Edmunds, UK

Vitec Centre of Excellence for robotics and Flowtech

Vitec's Production Solutions Division will relocate its Bury St. Edmunds operation into a new, purpose-built site nearby in H1 2018. Replacing the 50-year old existing factory, the new facility will specialise in advanced technology in areas such as robotics, automation and broadcast studio equipment for our Vinten and Sachtler brands. It will include a fully automated, highly efficient and proprietary process for the development of carbon fibre for the Flowtech tripod, which maintains our product differentiation and competitive edge. Vitec has invested significantly in the new, 66,000 ft^2 site which will house around 180 people across manufacturing, engineering, operations and other functions, and produces approximately 20,000 units annually. Our focus on continuous improvement has led to productivity, work flow and space utilisation improvements and resulted in the new site having a smaller footprint.



Supports
(pedestals, tripods and heads)
- » Avenger
- » Gitzo
- » JOBY
- » Manfrotto
- » OConnor
- » Sachtler
- » Vinten

Video transmission systems
- » Paralinx
- » Teradek

Lighting and controls
- » Colorama
- » Lastolite
- » Litepanels
- » Manfrotto

Camera accessories
- » Manfrotto
- » Manfrotto Xume
- » OConnor
- » Offhollywood
- » Teradek RT
- » Wooden Camera

Our products and solutions

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

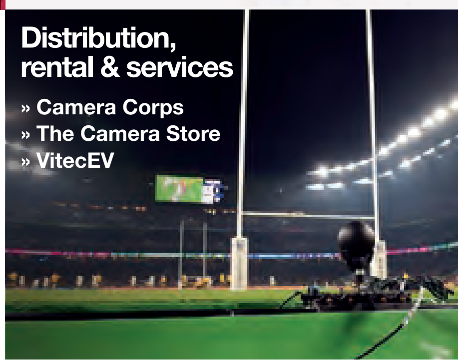
Our products typically attach to, or support, a camera – primarily for broadcast, cinematic, pro-video and photographic applications. Our products serve a variety of end users and are offered as a cohesive package.

Mobile power
- » Anton/Bauer

Prompters
- » Autocue
- » Autoscript

Robotic camera systems
- » Camera Corps
- » Vinten

Monitors
- » SmallHD



Distribution, rental & services
- » Camera Corps
- » The Camera Store
- » VitecEV

Bags
- » Lowepro
- » Manfrotto
- » National Geographic*
- » Sachtler

* Manufactured and distributed under licence

Market trends and growth drivers

Adoption of new image capture devices

The growing demand for video content, combined with the adoption of new image capturing devices, are important growth drivers for Vitec. As camera technology improves, for example, with new 4K and HDR recording capabilities, mirrorless cameras, OLED viewfinders and live streaming of content to mobile devices, this creates new opportunities for Vitec accessories (e.g. LED lights and flexible tripods) as well as for our video transmission systems as the production of live streamed content increases.

These continued technological enhancements mean that premium mirrorless cameras, drones, action cameras and smartphones are rapidly being adopted by professionals and advanced consumers as complementary equipment to traditional cameras (photo and video). This has opened up further opportunities for Vitec to develop and commercialise innovative, high end accessories that enable a competent creative public to obtain the best results from new image capturing technologies.

Furthermore, the rapid growth in smartphone adoption has resulted in a sharp increase in the volumes of general consumers shooting stills and video and uploading them to the internet with an increasing focus on quality of content requiring accessories to assist with these shots.

Increase in video consumption and independent video creation

The proliferation of new media, coupled with the growth of third party streaming applications, has resulted in significantly higher content generation, engagement, reach and measurability (via likes, follows, shares and comments). Media companies today must deliver content to more platforms and devices than ever before to build brand awareness and retain their audience.

Newer online platforms such as Netflix, Amazon and Hulu have rapidly increased their commissioning of original content as opposed to re-transmitting programmes previously aired on the traditional networks. This has led to the expansion of independent or owner/operator production companies set up to produce content for those networks and those production companies purchasing or renting equipment to do so. Our products are well-suited to meeting the needs of these production companies.

These smaller production companies require more affordable, portable products. Free streaming platforms such as Facebook Live and YouTube Live allow content creators in the field (independent and traditional broadcasters) to stream live and publish content on mobile devices. Vitec provides a wide range of mobile equipment (e.g. Manfrotto and JOBY compact tripods and monopods, Sachtler Flowtech tripod, Litepanels portable lights and Manfrotto and Lowepro carrying solutions) while Teradek's Live:Air production suite offers a comprehensive video mixer for mobile devices.

Wireless and cellular data transmission, and next generation compression

We see accelerating growth in the use of wireless devices to transmit data and images on “connected devices”, especially through WiFi. The cost-effectiveness, range and quality of video data encoders, decoders and related components allows users to monitor and transmit at increasingly lower costs. Vitec products, including Litepanels' use of Bluetooth for remote lighting management and Teradek's wireless decoders are evidence of our innovation in new markets and technologies.

With the advent of Ultra High Definition the amount of data contained in one hour of video has dramatically increased. This, combined with the growing demand to consume video on mobile devices, necessitated a new video compression paradigm, called HEVC, or H.265. Vitec is a leading manufacturer of HEVC solutions for broadcasters and webcasters.

4K transition

4K resolution adoption has increased rapidly and is becoming more mainstream in the US, with Netflix, Amazon, Sky and Apple all offering 4K Ultra HD streaming services. As adoption grows around the globe, studios and video cameras will need to be upgraded with new technology, resulting in increased demand for our products and software to accommodate the new formats. Worldwide, even higher resolutions have been launched, for example, Japan's pioneering public broadcaster NHK has already begun the world's first 8K broadcast trials.

In addition, the application of 4K video technology to both DSLR and compact system cameras is attracting a growing number of content creators who can now produce high quality visual content in either still or motion picture formats

Vitec operates in one of the most exciting global markets; that of image content creation and sharing. This dynamic market has been transformed over the past decade and will continue to change. Driven by new media and technological innovation, image capture and sharing has grown exponentially, with millions of videos and still images taken and shared every day. This drives sustained demand for new and replacement products as customers take advantage of new technologies.

Our focus is on supplying a wide range of premium products for broadcasters, cinematographers, independent content creators, photographers and videographers to enable them to capture and share content. This content can be video footage or still images and can be produced in a studio, on location, in an enterprise or at home.

We position our brands at the premium end of the market with technically advanced products. We are focused on developing new products to enable our customers to think and work differently, to capture and share world-class content in multiple ways.

with highly dependable, portable and affordable equipment. This positive trend is expected to further consolidate with the evolution of 4K into 8K technology which will enable the extraction of high resolution still images from video assets.

Traditional broadcasters' capital expenditure

Traditional broadcasters' ability and willingness to incur capital expenditure on the construction or refurbishment of studios depends partly on their financial performance. Those broadcasters reliant on advertising expenditure continue to invest in their capabilities but tend to be more susceptible to macroeconomic conditions.

Vitec's ability to offer products that reduce the capital expenditure requirements of broadcasters and in turn reduce their investment risk, is increasingly attractive, notably through savings offered by our lower cost Vinten robotic heads and Litepanels LED lighting solutions. The savings and efficiencies offered by LED lighting compared with traditional lighting are significant. There is also a focus on mobile journalism and portable solutions, for example, Vitec's carbon-fibre Flowtech tripod is popular for electronic news gathering and with independent content creators. It is not enough to simply create content for broadcast; content must also be made for online audiences, whether that is live streamed or uploaded as "second screen" content, and more bonded cellular broadcasts are using products such as Teradek's Bond.

As part of the US broadcast spectrum incentive auction, the Federal Communications Commission was authorised to "repack" the television bandwidth by assigning television stations to new channels. This process has posed significant challenges and delays for the broadcast industry as television stations will need to complete channel moves. This project has led to unexpected additional capital investments in core transmission technologies and has led to some uncertainty by US broadcasters and impacted investment in other broadcast technology, including Vitec's US studio products from our Production Solutions Division.

Sales of photographic cameras with interchangeable lenses

We are seeing more stability in the interchangeable lens cameras market, driven by the popularity of mirrorless cameras and their combined photo/video high resolution recording capabilities. The continued upgrade in sensors and overall specifications of latest generation compact system cameras is also driving a growing adoption of this format by advanced consumers and professionals alike. In addition, the average price of a photographic camera is increasing as consumers demand premium camera models to differentiate from images captured on their smartphones. The camera accessories market reflects this trend with increased demand for SmallHD monitors, Manfrotto high performance compact tripods, and Manfrotto and Lowepro multi-media bags.

Online distribution channels

The continued growth in online distribution channels for products for photographers, videographers and independent content creators has stimulated increased demand from new customers, particularly in emerging economies where e-commerce provides easier and faster access to a wider range of products and tutorial information.

Video for enterprises

There is a growing demand for high quality video being produced by a variety of non-broadcast enterprises. This includes:

- Fortune 1000 businesses wanting to capture and disseminate corporate messages internally, as well as training videos and new product introductions;
- Large religious institutions increasingly using video to connect with congregations;
- Public addresses and streaming of official meetings, court proceedings and government sessions;
- Medical institutions wanting to record healthcare procedures with high quality video; and
- Sports teams and franchises looking to capture and further enhance their fans' experience and the team's brand awareness.

These customers need to light their content, use teleprompters to better tell their story, deploy stable supports to hold and use their cameras, equipment to hold their lights and even backgrounds for their videos.

Our customers

Vitec's purpose is to support our customers to capture and share exceptional images. Our products and solutions encompass a variety of technologies, designed and engineered to ensure that, whatever the conditions, the image maker has the best equipment to "capture the moment".

These technologies range from traditional mechanical engineered products, for example manual camera supports, through to electronics and software. Nonetheless the user is the same – an image maker or content creator – whether engaged by a broadcaster, film or other production company, a corporate, educational or religious establishment, operating as an independent business, or an amateur.

Independent Content Creators

"Before, you'd need a whole broadcast truck with expensive camera equipment to stream live. Now, there's the Teradek VidiU Pro which lets you achieve that same quality of broadcast and all you need is an internet connection and a camera. It's incredible."

Sean Kurdziolek, Founder, Portraits and Gallery

"The JOBY GorillaPod Mobile Rig is the most versatile and simplistic creation tool in existence. It's light, durable, all-in-one capability makes it the perfect companion tool for day-to-day travel needs. Having the strength to handle heavier phones with lens adapters and arms for microphones, cameras and lights make this an answer to what many bloggers and creative filmmakers look for in a creation tool."

Brian Corsello, MightJax, Inc.

Broadcasters and TV Networks

"Recording classical music in a concert hall is actually the worst thing, because you don't have light, and you don't want to disturb the orchestra or the audience, so you have to be invisible and silent. The fan, pan/tilt head and camera had to make absolutely no noise – the Vinten FHR-35 remote head was the only combination we could find that offered this."

Robert Zimmermann, MD, Berlin Phil Media

Cameramen

"This new Flowtech tripod is adaptive, lightweight, and durable – it's a complete game changer. With just this one tripod I was able to film eye level with smaller animals and then get high to film birds in canopies. This level of versatility in a tripod's design is going to disrupt the industry."

Filipe DeAndrade, Wildlife Filmmaker

Cinematographers for films

"When you have 700-800 people on the set of Thor:Ragnarok, there can't be any delays, so we need everything to be working guaranteed every time. In the thousands of hours we've spent on set using it on our drones, the Teradek Bolt 3000 has never failed us once. We've tested other products out there before, but Teradek is truly the brand big productions expect to see on set."

Stephen Oh, CEO and Producer, XM2

"It's one of my most reliable pieces of support equipment. Everybody is familiar with the head, the crew are used to OConnor as it is the industry standard – a nice, easy bit of kit that people know well."

Ben Wilson ACO, Camera Operator for "Game of Thrones"

Lighting Specialists

"The versatility of the Litepanels Gemini light is amazing! I was able to quickly change the intensity and colour temperature and dim the output so the light was perfect for my high speed shots."

Steve Romano, Director of Photography

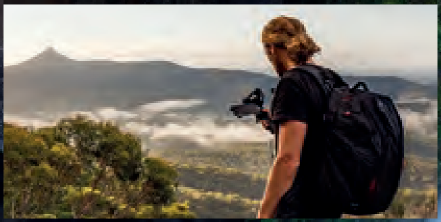
Pro Photographers and Videographers

"Gitzo tripods have been my choice for over twenty years shooting for National Geographic in all kinds of conditions around the world. What is exciting to me about Gitzo is they continue to innovate and improve their products."

Tim Laman, Wildlife Photojournalist

"Behind every powerful image, there's often a series of challenges that have to be met in order to capture that image. With that in mind, my choice of equipment is fundamental. The Manfrotto Pro Light Bumblebee backpack is built to accommodate my passion."

Philip Thurston, Outdoor Photographer and filmmaker



Amateur Photographers

"This Lowepro Flipside backpack looks awesome! I instantly saw myself walking through the woods, climbing mountains and making a fashion statement with my friends. All I have to do is take off the shoulder straps, turn the pack around my body and voila! Everything is presented in front of me as if it was lying open on a table. Great job whoever thought of this design! This truly is the most comfortable camera backpack I have ever worn."

Mark Behrens, Panoptic Chopsticks

Bloggers and Vloggers

"The CSNY showroom in Brooklyn is really great for the community. It's important to be able to actually see and hold the products in the real world before buying them. It's also reassuring to be able to speak with people who understand the nuances of professional film equipment."

Matt Workman, Vlogger, Cinematography Database

"Filming in real world situations, you've got to be quick! It's super helpful to have gear as versatile as the Manfrotto TwistGrip System, a super handy tool that will take the camera in your pocket to the next level for video."

Juliana Broste, Travel Journalist

Enterprises

"Every church has a story to tell, whether conservative or contemporary, large or small. Especially during the holiday season, you can take your Church's story to the world with Live Video streaming. And no matter the size of your congregation, Teradek has the gear to help you share your services."

Tyler Riddle, AV Director, OC Grace Church

"Litepanels has a great history in revolutionising LED lighting in our industry and I love the fact that I have been able to continue to explore a breadth of new technologies and create innovative lighting products that will continue to change the way lighting is done. My co-workers are incredibly talented in their disciplines and being in this culture where we are empowered to explore new technologies is terrific."

Victor Chen,
Senior Electrical Engineer – Technologist, Production Solutions (Chatsworth, US)

"My frequent conversations with customers make me very proud of being part of Vitec as I hear only glowing reviews of our products."

Audrey Chang,
Channel and Customer Marketing Director, Production Solutions, (Asia Pacific)

"The company is continuing to invest in development and this is extremely motivating for employees. I have seen the power of the team in our business through the engagement and deployment of our strategic plan and the achievement of our targets. I'm proud to be part of this, and passionate about what we do."

Enrico Grando,
Manufacturing Director, Imaging Solutions (Italy)

Our people

"Working for Vitec's Imaging Solutions Division is very rewarding. I have been given the opportunities and freedom to utilise my skills in the digital/creative domain, using my language ability, as well as improving local e-commerce strategy from a marketing perspective. We have frequent communication with Headquarters despite us being miles away from them. It is rare to find a company who listens to your concerns and does its best to provide you with all available resources."

Ayu Kusuma Wardhani,
e-Commerce Manager, Imaging Solutions (Japan)

"My role at Vitec's head office allows me to focus on the detail of each Division's financial performance, made possible by a culture of open communication across the Group. I enjoy coming to work for the positive environment and the huge variety in work, which is more interesting every day as Vitec evolves and grows."

Charlie Hutchinson,
Head of Financial Planning & Analysis, Group, (Richmond, UK)

"Being able to work on industry-leading technologies has always been a huge goal of mine, and Teradek has made it possible. Here, I get to work alongside people with the same appreciation for innovative hardware/software designs, providing both an exciting and fulfilling environment for me to be in."

Tony Mendoza
Q&A Engineer, Teradek, Creative Solutions (Irvine, US)

"Vitec has given SmallHD and its employees growth opportunities they would have never had otherwise. It's exciting to have access to so many key players and interesting market data. There are a lot of interesting things in store for the future of Vitec because of the variety of brands we have under one roof."

Wes Philips,
CEO and Co-Founder, SmallHD, Creative Solutions (North Carolina, US)

Our people are key to Vitec's future. They make the difference not only by what they do, but by how they do it. Their attitude and abilities, experience and market knowledge, talent and commitment create a culture that supports product excellence, creative solutions and integrity.

Our values

Exceptional product performance
We set the highest standards of technical performance

Customer focus
We are nothing without our customers

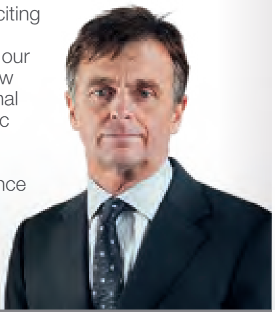
Leading a fast changing market
We apply our creativity and harness our diversity to engineer innovative new products and solutions

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

Stephen Bird
Group Chief Executive

"Vitec is uniquely positioned in an exciting and fast growing market. We expect our refined portfolio, new structure, exceptional people and strategic growth initiatives to deliver further progress and enhance shareholder value."



Kath Kearney-Croft
Group Finance Director

"Our focus is to optimise cash generation, minimise risk and allocate capital to sustainable growth opportunities to harness the capabilities of the Group."

Martin Green
Group Business Development Director

"Whilst we refocused our portfolio of businesses in 2017, we will look to leverage our existing capabilities to continue to grow in APAC, acquire new businesses and to develop our people for the leadership roles of the future."

Jon Bolton
Group Company Secretary

"Whilst we are a decentralised, entrepreneurial organisation, our governance framework or "Vitec Must-Haves" is robust and strong, supporting the business on delivery of our growth strategy."

Our Operations Executive

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

Jennifer Shaw
Group Communications Director

"At Vitec, our corporate communications strategy builds and sustains our reputation, both externally and internally. Communicating consistent messages to all of our key stakeholders is a vital element in the delivery of our strategy."

Marco Pezzana
Divisional CEO, Imaging Solutions

"2017 saw the introduction of Manfrotto's Befree Advanced in our fully automated Italian manufacturing facility, and the acquisition of the JOBY and Lowepro brands. These developments are testimony to our continued commitment to the imaging industry, developing high quality, competitively priced and technically advanced accessories."

Alan Hollis
Divisional CEO, Production Solutions

"In our core and traditional businesses we are market leaders with highly valued, premium brands. We remain focused on delivering constant improvements while stimulating growth and share gain with sustained new product development."

Nicol Verheem
Divisional CEO, Creative Solutions

"Content creation is growing and evolving in really exciting ways. Creating the technology that helps everyone from individuals to media giants make and share this content is not only rewarding, but also enables Vitec to grow alongside it."

Martin Vann
SVP, Creative Solutions Division

"The use of video by enterprises to inform, improve performance and connect with customers is growing rapidly. Recorded and live streamed video content are redefining enterprise communication."

Halid Hatic
SVP, Production Solutions Division

"We provide tools that facilitate the creation of premium cinema, sports, television and web content. Our market leading brands are recognised worldwide as delivering superior quality, reliability and value."

VITEC IMAGING SOLUTIONS

The Imaging Solutions Division designs, manufactures and distributes premium branded equipment for photographic and video cameras and provides dedicated solutions to professional and non-professional image makers. This consists primarily of camera supports and heads, camera bags, lighting supports, LED lights, lighting controls and filters. It also supplies an expanding range of premium accessories for smartphones, action cameras and drones.

Revenue — Up 16.2%

£175.9m

Adjusted operating profit* — Up 18.7%

£29.9m

Statutory operating profit* — Up 15.5%

26.1m

Revenue

2017	£175.9m
2016	£151.4m

Adjusted operating profit*

2017	£29.9m
2016	£25.2m

Statutory operating profit

2017	£26.1m
2016	£22.6m

* This report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). We believe these APMs provide readers with additional information on our business. We have included a glossary on page 150 which provides a comprehensive list of APMs that we use, including an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where relevant.

Imaging Solutions had a strong year, growing revenue by 16.2% to £175.9 million. This included £12.6 million of revenue from the transformational acquisition of JOBY and Lowepro which completed in September 2017 and gives Vitec a leading global position in the new and fast growing iPhoneography and vlogging accessories market, as well as the photographic bags market. The integration of these brands is going well. Excluding the favourable impact of foreign exchange, as well as the impact from JOBY and Lowepro, revenue was 3.3% higher.

Camera and Imaging Productions Association ("CIPA") data has shown a slightly positive trend for full year shipments of interchangeable lens cameras ("ILC"). Our sales outperformed CIPA trends, particularly in APAC where we focused on delivering growth. Revenue growth has been achieved through investing in and launching new products and continued development of our key distribution channels.

We grew our sales of video and photo supports and filters and successfully launched a number of innovative products including the Manfrotto BeFree Advanced tripod and the Manfrotto Nitrotech head. Gitzo, our premium brand, celebrated its 100 year anniversary and continues to be the favoured choice for professional photographers. Our decision to move production of the Manfrotto BeFree range of tripods, which were previously part manufactured in China, back to an automated production facility in Italy has been well received by our customers, with the "Made in Italy" stamp helping to differentiate us from our competitors.

We significantly increased our presence in Apple stores globally through the acquisition of JOBY. We also developed our relationship with Amazon, with double digit sales growth for the year, driven by strong performance in the US. Our owned distribution business continued to perform well and is a key asset in ensuring that we remain close to our end customers.

Statutory operating profit increased by 15.5% to £26.1 million. Adjusted operating profit* margin increased by 0.4% pts to 17.0%. This reflects the higher volumes as well as the favourable product mix from higher sales of video supports, favourable channel mix from higher e-commerce sales and production efficiencies.

Innovative new products

2017 has been a transformational year for Vitec's Imaging Solutions Division with the addition of the Lowepro and JOBY brands to our portfolio. We have also launched a number of new products to market, including more compact and versatile tripods. Examples of new products launched in 2017 include:

Manfrotto Befree Advanced "Made in Italy"

The Befree Advanced tripod is a compact and lightweight traveller tripod positioned for advanced hobbyist photographers. Uniquely, it offers two different models, the twist lock and the lever lock to allow photographers to choose the locking mechanism they feel most comfortable with, enabling them to set their gear up quickly, and focus on the images they want to capture.

Both models are engineered, designed and manufactured in Manfrotto's automated Italian plants. In 2017 the manufacturing was brought back from China and the "Made in Italy" stamp is a key competitive differentiator.

Twist lock

Lever lock

Pioneering technology in the Manfrotto Nitrotech head

This ground-breaking video head combines the features from Manfrotto's Professional Video Head with the latest generation nitrogen piston mechanism which guarantees continuous counterbalance. Developed to meet the market trend for increasingly light video heads for smaller camera body sizes, Vitec collaborated with car manufacturers to produce the gas piston (nitro) in the head, taken from those currently used in vehicle boot doors. This pioneering model from Manfrotto is designed and manufactured in Italy and provides independent content creators with optimum counterbalanced weight capacity as they work with the latest cameras and accessories – in and outside the studio.

Gitzo 100

2017 saw Vitec's Gitzo brand celebrate its 100 year anniversary. To commemorate the occasion we introduced a Limited Edition state-of-the-art Traveller Tripod entirely manufactured in carbon fibre, a new Fluid Gimbal Head specifically developed for birdwatching and wildlife applications, and a range of high quality leather camera bags.

Professionals throughout the world acknowledge Gitzo tripods, monopods, heads and accessories as setting the industry's standards for excellence. Precision assembly, high quality materials and fine control are all qualities that represent Gitzo products.

Manfrotto Xume

2017 saw the launch of Manfrotto's first suite of professional magnetic filters that lock onto lenses quickly and easily, enabling the photographer to focus on their shot and change filters instantly.

"The new Nitrotech video head is a beautiful gift dedicated to the new generation of filmmakers with perfect versatility and precision!"

Sebastien Devaud, Director

"I am constantly searching for balance. In my work, life and art. I like form as much as I like function and the Gitzo range fits that. My bags are as well thought out functionally as they are pleasing to look at and this compliments my photography and work ethos. Attention to detail, practical and fashionable."

Tobi Shinobi, Photographer

VITEC IMAGING SOLUTIONS

Getting closer to our customers

Beyond technology, our Imaging Solutions Division continues to work hard to get closer to our customers to enable us to grow across channels and geographies.

Distribution is changing and today over 50% of our global Imaging Solutions sales are sold outside photo speciality stores in distribution channels like Apple Stores and Amazon, and other specialised e-commerce platforms like B&H.com, T-Mall and JD.com. The vast majority of image makers are highly digitalised and the internet is the preferred channel for them to purchase new equipment. We continue to develop our online presence by growing sales via direct e-commerce and by working in close partnership with leading e-tailers. Our JOBY and Lowepro acquisition means that we have substantially more products and experienced people to work with these strategic customers.

Another core asset of Vitec's Imaging Solutions Division is our direct distribution network, which provides localised expert access to over 3,000 retail customers worldwide and ensures that we remain close to our end customers.

Vitec has a multichannel approach to providing the customer with a seamless shopping experience, whether shopping online from a desktop or mobile device, by telephone or in a photo speciality store.

Vitec Imaging Distribution

Supported by a fully integrated supply chain network, Vitec Imaging Distribution cost effectively and efficiently delivers all Divisional products and brands across major economies.

- 13 markets served directly
- 20+ brands distributed
- 150 sales and marketing professionals
- Over 3,000 direct accounts
- Integrated logistics and customer service platform

Apple

The acquisition of JOBY has significantly increased Vitec's presence in Apple stores and it is set to grow again in 2018 when a range of three new products will go into half of their stores. This will bring the total Vitec SKUs ranged by Apple to 12, with different variations in each store and online.

Amazon

Vitec's global partnership with Amazon drives growth through the customer centric supply of our core product range. Double digit sales growth with Amazon in 2017 was driven by the US. Our dedicated team within Amazon works on the six most significant geographies, advancing our brands in the consumers' mind through the Manfrotto branded area within the Amazon platform. We signpost our customers to our products through engaging content, search engine marketing, platform specific promotions and digital integration. All Manfrotto branded stores on Amazon are aligned so whether you visit amazon.it, .com or .co.uk you have the same level of brand engagement.

Direct e-commerce

Direct e-commerce is an important growth driver for the Imaging Solutions Division, even more so with the addition of end users through our JOBY and Lowepro acquisition. Year-on-year sales through our own platforms increased by approximately 50%, driven by further investment in developing our online platforms and web support. More importantly, direct e-commerce brings us even closer to our core customers. It enables fast track introduction of new products and supports a more effective expansion of the brand in adjacent product categories via highly targeted direct marketing and social media campaigns. We continue to work on increasing direct sales, average cart value and conversion rate.

Expanding in APAC

Vitec's ability to get closer to customers across multiple distribution channels is also the key to our successful expansion in APAC.

Over the last four years we have invested significantly to develop an efficient distribution network to grow our business in APAC and this is proving successful, driven primarily by millennials and the growing Chinese middle class. China is now Imaging Solutions Division's fourth largest market. The acquisition of the JOBY and Lowepro brands has further strengthened the Division's engineering and supply chain capabilities in Hong Kong and China.

Focus on Japan and China

We deal directly with all leading retailers in Japan as well as the best known imaging specialist retailers across first, second and third tier cities in China. Our team of over 40 dedicated sales and marketing professionals work closely with both physical and e-tail customers. With offices in Tokyo, Shanghai, Guangzhou and Hong Kong, Manfrotto has rapidly achieved a leading market position in both supports and bags. APAC is the fastest growing region for Vitec's Imaging Solutions Division and we see further opportunities in this area, one example being expanding distribution of Lowepro in the region, as well as with Vitec Imaging Distribution soon distributing SmallHD and Teradek products, initially in China.

"The JOBY GripTight ONE Magnetic Impulse is hands down THE most used GorillaPod that I own because it is so small yet so versatile. It does so much while being so compact and portable. This unit goes everywhere with me, in my purse, on all of my travels."

Valentina Dang, Makeup Artist & Hair Stylist, YouTube Content Creator

VITEC PRODUCTION SOLUTIONS

The Production Solutions Division designs, manufactures, distributes and provides premium branded products and solutions for broadcasters, film and video production companies, independent content creators and enterprises. Products include video heads, tripods, lights, batteries and speciality camera systems.

Revenue† — Down 6.1%

£114.2m

Adjusted operating profit†* — Down 6.7%

£15.2m

Statutory operating profit†* — Up 2.9%

£14.1m

Revenue

2017	£114.2m
2016	£121.6m

Adjusted operating profit*

2017	£15.2m
2016	£16.3m

Statutory operating profit*

2017	£14.1m
2016	£13.7m

† Results for continuing operations

* This report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). We believe these APMs provide readers with additional information on our business. We have included a glossary on page 150 which provides a comprehensive list of APMs that we use, including an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where relevant.

The non-repeat of the 2016 Olympics and continued challenging market conditions in the US studio market led to a fall in Production Solutions' revenue from continuing operations of £7.4 million to £114.2 million. This included £4.5 million from favourable foreign exchange.

The business remains market leader in the core broadcast studio market. Whilst we saw an improvement in our US studio business in the second half compared with the first half, overall sales of large supports declined in the year. This included the impact of the spectrum "repack" in the US. This was partly offset by stronger market conditions in Europe and the Middle East and higher sales of robotics and LED lighting products.

We launched a number of new products during the year, mainly focusing on the non-studio applications for broadcasters and on independent content creators. These included Flowtech (Sachtler and Vinten versions), a revolutionary tripod which utilises state-of-the-art carbon fibre technology developed in-house enabling very rapid deployment, and Litepanels Gemini to exploit growth in the LED lighting market. We also launched Autoscript's Intelligent Prompting, a fully Internet Protocol-enabled teleprompting solution. These products were well received by the market.

We continue to improve the core business by driving operational efficiencies. We are in the process of moving our manufacturing operations from Shelton, US to our facility in Costa Rica and in H1 2018 the manufacturing operations in Bury St. Edmunds, UK will relocate to a new purpose built site in the same area which will lead to further operational improvements.

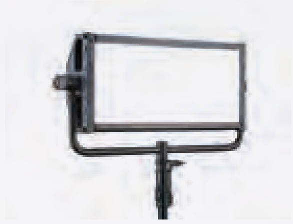
Statutory operating profit increased by £0.4 million to £14.1 million and adjusted operating profit margin* reduced by 0.1% pt to 13.3% driven by an improvement in gross margin from favourable product mix and operational efficiencies offset by lower volumes.

Continued investment in new product development

Vitec's Production Solutions Division has historically and primarily sold into the more traditional broadcast and cine markets where our premium brands are market leaders. These customers are looking for new products that reduce capital expenditure and Vitec has a sustained programme of investment in new product development to respond to customer demand, technological innovations and to support growth. Examples of award-winning new products include the unique, carbon-fibre Flowtech tripod, Litepanels Gemini LED lights and Autoscript IP Prompting.

Flowtech carbon-fibre tripod

Flowtech is a brand new product with revolutionary, patented technology, produced in our Bury St. Edmunds factory. Dual-branded Sachtler and Vinten, Flowtech is a set of two-stage carbon fibre tripod legs with quick release brakes. A versatile, lightweight tripod, Flowtech is easier and faster to deploy and adjust than any other tripod on the market, giving a camera operator ultimate versatility on location.



Litepanels Gemini LED Lighting

Litepanels pioneered LED lighting for motion pictures, television and the audio-visual industry. We continue to expand our suite of products and have recently introduced a new light that combines daylight, tungsten and red-green-blue LEDs to deliver highly flexible and precise colour adjustment in a lightweight design. The Gemini soft panel produces true, full-spectrum white light with manual and remote control options.

Autoscript Intelligent Prompting

In 2017, Vitec's Autoscript introduced the first Internet Protocol-enabled ("IP") teleprompter. Until now, prompting systems have relied on USB, video and cables to connect the controller to the prompting engine and the monitor. Our engineers completely redesigned the prompting system around an IP-enabled workflow, with a scalable architecture. The new hardware is lightweight and uses a carbon-fibre hood to reduce weight, as well as being quick and easy to install. The system is highly flexible and cost-effective, with one operator controlling the script in multiple locations.

Camera Corps Rig Captures "EasyJet: Inside the Cockpit"

Our Camera Corps business created a multi mini-camera rig for ITN's recent three-part documentary "Easyjet: Inside the Cockpit". The mini-rig captured broadcast quality footage, day and night, of multiple flights over a three month period, running for up to five hours from its own airline-safe Anton/Bauer batteries. Camera Corps provided training and support for the duration of filming. "ITV was sold on the fact that we were offering this view of the pilots we haven't seen before," ITN Productions' Will Smith commented to 'Broadcast' magazine.

"This level of versatility in a tripod's design (Flowtech) is going to disrupt the industry."

Filipe DeAndrade, Wildlife Director of Photography

"When I'm thinking about investing in a teleprompting system, I ask three questions: 1) is it legally compliant with the FCC's regulations, 2) is it reliable, and 3) does it function so that the talent can easily see what they're doing without being distracted from controlling it? For me, Autoscript achieves all three flawlessly."

Dan Stark, Chief Engineer of NBC station KTVH

Improving the core

The main strategic focus in our Production Solutions Division remains to "improve the core" and we have a clear plan to drive operational efficiencies and further enhance margins through continued improvements to purchasing, inventory management, manufacturing and leveraging synergies.

Our strategy in this Division has been to rationalise all in-house manufacturing into two sites - Bury St. Edmunds, UK and Cartago, Costa Rica. The UK is our Centre of Excellence for high-end robotics and our Flowtech tripods, while Costa Rica focuses on video heads, tripods and batteries.

We seek year-on-year productivity improvements across all of our sites.

New manufacturing facility in Bury St. Edmunds, UK

In H1 2018 our Production Solutions Division's UK manufacturing operations will move to a new, purpose-built site nearby in Bury St. Edmunds. Replacing the 50-year old existing factory, the new facility will specialise in advanced technology in areas such as robotics, automation and broadcast studio equipment for our Vinten and Sachtler brands. It will include a fully automated, highly efficient and proprietary process for the development of carbon fibre for the Flowtech tripod, which maintains our product differentiation and competitive edge. Vitec has invested significantly in the new, 66,000 ft^2 site which will house around 180 people across manufacturing, engineering, operations and other functions, and will produce approximately 20,000 units annually. Our focus on continuous improvement has led to productivity, work flow and space utilisation improvements, and resulted in the new site having a smaller footprint.

Continuous improvement in Cartago, Costa Rica

Vitec has been manufacturing in Costa Rica since 1985 and has 180 employees producing 50,000 products annually, including heads, tripods and camera accessories for our Vinten, Sachtler, OConnor and Anton/Bauer brands. In Costa Rica, the locally developed operations system is based upon lean tools and techniques to improve productivity and reduce inventory levels, and the factory has achieved overall productivity improvements of 6% year-on-year since 2014. The recent Sachtler Ace assembly line process improvement resulted in a 35% productivity improvement and a 40% reduction in space used. We are in the process of moving our manufacturing operations from Shelton, US to Costa Rica.

Growth in APAC

Our Production Solutions Division has strategic plans to grow further in APAC, particularly in India, China and South Korea. We will leverage the Group's current distribution footprint and capabilities where appropriate.

OConnor

The film industry in China is growing and in 2017 big budget films such as "Wolf Warrior II" saw significant commercial success and it is the highest grossing Chinese film ever released. The government approval needed to produce a film has been decentralised, and this, coupled with a growing middle class, has provided conditions for growth.

As a result, many brands, like Vitec's OConnor, who makes heads and tripods for high end films and dramas, are seeing growth in China.

OConnor's unparalleled fluid head performance makes it the number one choice for the leading cinematographers on most feature films and high end dramas around the world. In China, OConnor revenue in 2017 doubled, making it now the biggest single market for OConnor products. This high level is expected to continue in the medium-term.

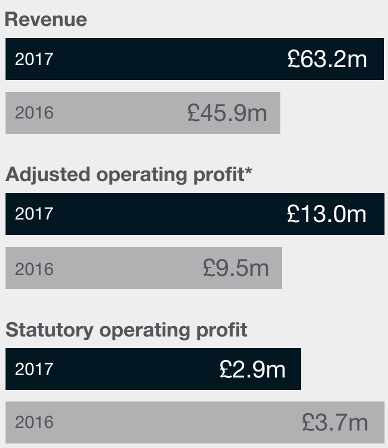
VITEC CREATIVE SOLUTIONS

The Creative Solutions Division designs, manufactures and distributes premium branded products and solutions for independent content creators, enterprises, broadcasters, and film and video production companies. It is made up of a number of brands that Vitec has built through acquisitions and includes Teradek, SmallHD, Wooden Camera, Paralinx, Offhollywood and RTMotion.

Revenue Up 37.7%
£63.2m

Adjusted operating profit* Up 36.8%
£13.0m

Statutory operating profit* Down 21.6%
£2.9m



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Creative Solutions further expanded its offering of higher technology products to the Independent Content Creator segment in 2017. This market has shown continued strong growth with drivers including the proliferation of online platforms such as Netflix which have generated a need for original content. Revenue for 2017 was £63.2 million, an increase of 37.7% on the prior year. At constant exchange rates, and after excluding the impact from acquisitions including the 2016 acquisition of Wooden Camera, revenue grew by 20.0%.

We have continued to invest in new product development in line with the changing nature of the image capture and sharing market. New products launched in the year include HEVC encoders, daylight viewable on-camera monitors and Serv Pro, a dedicated iOS monitoring solution. Our businesses have also worked together during the year to develop new products, including a SmallHD monitor with built-in Teradek Bolt wireless receiver, a SmallHD Focus monitor with an Anton/Bauer battery for DSLR cameras, and a Manfrotto/Wooden Camera Directors Cage for DSLR and mirrorless cameras.

Our higher technology offering was further enhanced by the acquisition of RTMotion in September 2017. This complements our existing activities and provides the Division with additional high quality camera accessories for the expanding Independent Content Creator market. The business has been integrated into Teradek and is performing in line with expectations.

Creative Solutions now has "Customer Experience Centres" in Los Angeles and Irvine, California and in Brooklyn, New York where our knowledgeable sales people demonstrate and sell our latest products across the brands. These centres help us to refine our products to improve user experience, particularly when brands are used together.

Statutory operating profit decreased by 21.6% to £2.9 million and adjusted operating profit margin* decreased by 0.1% pts to 20.6%. This reflects higher volumes offset by increased investment in sales and marketing to drive sales of our legacy products and increased investment to develop new products which has positioned us well for the future.

Corporate development

Vitec's Creative Solutions Division comprises five entrepreneurial companies which mainly serve the rapidly growing Independent Content Creator market with higher technology products. This market is growing well, driven by the sharp rise in original content creation (e.g. scripted television shows and web-streaming) viewed on platforms such as Amazon, Netflix, HBO, BBC, Sky, Facebook, YouTube and Livestream.

Given the similar target audience served by Teradek, SmallHD, Wooden Camera, Offhollywood and RTMotion, we have created a separate division for these businesses. This will also enable us to leverage the Division's market knowledge and products focused on this market, to further grow, both organically and through acquisition, in adjacent areas.

We have a strong leadership team in Creative Solutions, led by the original founders and entrepreneurs, and supported by key operational roles. We are further building the team and developing a common culture across the Division for product design, channel strategy, promotional activities and operational processes, whilst retaining the entrepreneurial focus, which is one of the key strengths for the Division's end user.

New markets and technologies

Cheaper production tools have enabled a much larger population of video creators to emerge and our strategy is to capitalise on this exciting market by maintaining and expanding our current market leadership by innovating quickly and creating high quality products with regular upgrades. Our emphasis is on product design, quality and customer experience.

We are also developing product synergies between Vitec brands, for example, a SmallHD ultra-bright monitor with a Teradek Bolt wireless receiver, a SmallHD Focus monitor with an Anton/Bauer battery for DSLR cameras, and a Manfrotto/Wooden Camera Director's Cage for DSLR and mirrorless cameras.

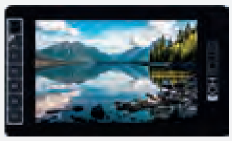
We are focused on acquisition opportunities in adjacent markets and with new products to address new areas of the content production value chain.

Teradek

Teradek launched several products in 2017, including new Cube HEVC encoders with the next generation video compression technology, and Serv Pro, their first dedicated iOS monitoring solution that allows directors and producers to watch what is being shot in real-time on their iPhones and iPads.

Teradek also launched Live:Air Action, a video production application for iOS that allows users to stream professional looking live video to Facebook, YouTube, Twitch, and more.

Lastly, Teradek released the Bond Backpack, a completely new bonded cellular streaming solution for network broadcasters that combines cutting edge HEVC video compression with Teradek's own Node LTE modems, all packed in an ergonomic, lightweight pack.



SmallHD Monitors

SmallHD launched a range of new products during 2017, including the Ultra Bright Monitors in both 5 and 7-inch formats. These daylight viewable monitors are classed as the brightest and most fully-featured on-camera monitors in the world, while maintaining low power consumption.

Early in 2018, SmallHD also launched its first touchscreen, high-definition video monitor for use with small, low profile cameras like DSLRs and mirrorless. The 5-inch FOCUS is an out-of-the-box monitor for under $500 and has received critical acclaim for its daylight-viewable display and outdoor brightness. It is lightweight, has an Anton/Bauer centre-mounted battery and attaches securely atop the camera with the included Tilt Arm.

This year, SmallHD and Teradek joined forces to create a wireless monitoring device for directors. The 703 Bolt is equipped with a SmallHD monitor, a Teradek Bolt built-in wireless receiver and an Anton/Bauer battery, as well as cutting-edge software tools.

Wooden Camera Accessories

Wooden Camera also launched a series of new accessories. Major new products included a Directors' Monitor Cage, Universal Follow Focus and a manual Follow Focus.

Wooden Camera and Manfrotto joined forces in a cross-Group project to develop a series of Camera Cages for customers who shoot video with mirrorless and DSLR cameras. The cages are available in small, medium and larger options and are compatible with Sony, Panasonic, Canon, Nikon and Olympus cameras. Developed by Wooden Camera, and compatible with all of their accessories, the Cage sits on all Manfrotto video tripods. Solid and well-constructed, the minimalist design and lightweight structure is branded Manfrotto and sold globally via our extensive Vitec Imaging distribution and e-commerce network.

"The SmallHD FOCUS is a great monitor that is bright enough for all conditions and super easy to use. It pairs beautifully with any camera setup I have and it's so lightweight you can hardly feel the difference when you've mounted it on your camera setup. It is always in my gear bag."

Zach Lower, DIT/Director of Photography

"As a Steadicam Operator with over 20 years experience, I'm always on the lookout for reliable daylight viewable monitors. The SmallHD 703 Ultra Bright is an amazingly lightweight, durable monitor with enough horse power to be seen in the harshest of daylight conditions."

Alec Jarnagin, SOC, Director of Photography

"If we're filming in a room with tight spaces, instead of the director coming into the room and interfering, he could just watch from his phone outside. We wouldn't be able to do that without Teradek's Serv Pros. The freedom they give us means we're always ready to shoot, and for a documentary on student athletes for Netflix, capturing in the moment is what we're all about."

Terry Zumalt, Director of Photography

"The Bolt 3000 allows me to have cable free monitoring on all my shots that often could not be viewed via a traditional cable connection because of camera set up. It also gives me freedom of movement to move around the set or location and view images privately, giving me the head space I need to create the shot."

Brett Danton, Director

"From a rental house perspective, Wooden Camera always finds a way to make our lives easier by creating intelligent and durable products that seamlessly integrate with every camera system we have in our inventory. They hold up to the use that equipment in a rental house is subjected to and consistently meet the needs of camera assistants working in the field."

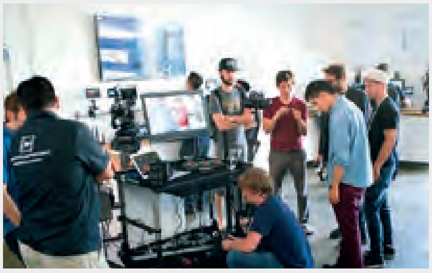
Mario Deas, President Mar Media Digital Cinema Rentals

Getting closer to our customers

We have begun to develop our Creative Solutions Division as a customer-facing brand, tying our many brands together to develop a "curated, branded customer experience" in order to get closer to our customers.

We currently have two stores in California and one in New York and over the next few years are looking to expand the reach of these "Customer Experience Centres" both physically and online.

There are opportunities to develop synergies across the customer-facing aspects of the Creative Solutions Division. New centres and online stores will be carefully designed and branded to offer product displays and a consistent experience. Our sales people will be knowledgeable, well trained and certified, and will assist with bundling Vitec products. We will offer global support for all of our products from any location and regular educational workshops with presentations from third parties as well as Vitec brands.



"I can always count on CSNY to have the latest and greatest in stock and I love the white glove service and cutting edge info."

Charlie Anderson, DIT/Director of Photography

"The team at CSLA helps me stay in step with the latest technology and is a great place to network with other members of the industry."

John Tanzer, Director of Photography

Our Business Model

Vitec designs, manufactures and distributes high quality, high performance, premium branded products and services in the growing "image capture and sharing" market. Our business model is focused on achieving five main strategic priorities.

Growing image capture and sharing market

Vitec strategic priorities

Understand customer needs

- Customer feedback
- Camera manufacturers
- Technology advances
- Industry trends
- Commercial research

Get closer to customers

Focused new product development

- In-house expertise
- Partnerships
- Value engineering
- Hardware and software

Focus on new markets and technologies

Market leading brands

- Premium products, software and services
- Heritage brands
- Intellectual property
- Acquisitions

Corporate development

Efficient supply chain

- Lean manufacturing
- Sourcing
- Quality control
- Health and safety

Improve the core

Our three Divisions create value by:

Understanding customer needs
Our Divisions continually obtain feedback on market trends, competitors and their products from customers as well as from research. As we are market leaders, this 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.

Focused new product development and market leading brands
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 developments with carefully selected acquisitions in new markets and technologies.

Efficient supply chain
We procure materials from reputable suppliers and produce our products in efficient and environmentally friendly operations and, where appropriate, manufacture or source from lower cost countries such as Costa Rica and China. The majority of our operations are relatively low-volume, small-batch processes and our continuous improvement culture enables us to drive productivity in our core businesses.

Global distribution
We market our products and services through our own sales and marketing teams. The majority of our sales are conducted via a global network of distributors, dealers and retailers who sell on to customers. We are expanding our e-commerce capabilities through working closely with our customers to develop our online presence and have a particular focus on expanding in APAC. The breadth of products and our strong brand heritage means that our network of channel partners is unrivalled in the markets we serve. We also engage with a number of leading logistics partners to ensure responsive and timely delivery of our products to the relevant geography.

At the Group level we create value by:

Strategy
The Board and Operations Executive set Group and Divisional strategy, focusing on markets served, customer segments and products supplied.

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

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

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

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

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

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

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

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

Progress on our Strategic Priorities

Strategic Priorities	Our focus
1) Improve the core	We leveraged our premium brands and strong market positions to continue to improve and strengthen our traditional business. We focused on developing innovative products and solutions while maximising operational efficiencies.
2) Focus on new markets and technologies	We invested resources into faster growing markets and technologies to underpin future growth, launching products for independent content creators, filmmakers and enterprises.
3) Get closer to customers	Vitec has strong relationships with its customers and end users. We continue to enhance our distribution channels and collaborate with key market players to form more durable and strategic relationships that are less susceptible to commoditisation. Direct e-commerce is an important growth driver for our Imaging Solutions Division.
4) Expand in APAC	Geographical expansion is another key focus, especially in APAC, which we believe is a particularly attractive medium-term growth market with good opportunities.
5) Corporate development	We continue to supplement organic growth with carefully targeted acquisitions. We have a strong track record in making and integrating acquisitions and we will continue to look for opportunities that meet our criteria for financial returns and strategic fit. Our people are our most important asset and we aim to recruit suitable talent to support the business.

Our achievements in 2017

» Sustained investment in R&D with around 4.6% of product revenue invested in developing new products

» New products focused on improving our core, including:
- Manfrotto BeFree Advanced – lightweight tripod for travel photography
- Manfrotto Nitrotech – video head utilising nitrogen gas technology
- Sachtler/Vinten Flowtech – rapid deployment tripod utilising state-of-the-art carbon fibre technology developed and manufactured in-house in the UK
- Litepanels Gemini – new light to exploit growth in the LED lighting market
- Autoscript's Intelligent Prompting – a fully IP-enabled teleprompting solution
- Gitzo Limited Edition carbon fibre tripod – to commemorate Gitzo 100 year anniversary

» Implementation of a new three-Divisional reporting structure to give greater focus to the Independent Content Creator market and leverage synergies in the new Creative Solutions Division and improve commercial and operational performance

» Moved production of the Manfrotto BeFree range of tripods, which were previously part manufactured in China, back to an automated production facility in Italy; the "Made in Italy" stamp helps to differentiate us from our competitors

» Announced plans to move Production Solutions' manufacturing operations from Shelton, US, to our facility in Costa Rica to drive operational efficiencies

» Acquisition of JOBY and Lowepro brands gives Vitec a leading global position in the new and fast growing iphoneography, mobile journalism and vlogging accessories market, as well as the photographic bags market

» The Production Solutions Division will relocate its Bury St. Edmunds, UK facility in H1 2018 to a purpose-built manufacturing site in the same area that will deliver further operational improvements

» Continued to promote high potential employees both within and across Divisions as part of our succession planning for key senior employees

» Continued to encourage diversity within our business across all of the countries we operate in

» Continued to develop products and solutions for independent content creators, including:
- Teradek Cube HEVC encoders – small, power-efficient encoders that enable high quality video transmission
- Teradek's Serv Pro – hardware streaming device
- SmallHD Ultra Bright monitors
- Wooden Camera Universal and Manual Follow Focus

» Newly formed Creative Solutions Division gives greater focus to the fast-growing Independent Content Creator market

» Expanded our offering to filmmakers and independent content creators by the acquisition of the higher technology RTMotion business

» Investment in VitecEV, to address the growing demand for high quality video for enterprises

» Launched a number of cross-Group products for the Independent Content Creator market, developing synergies between Vitec brands, including a SmallHD monitor with a built-in Teradek Bolt wireless receiver, a SmallHD FOCUS monitor with an Anton/Bauer battery for DSLR cameras, and a Manfrotto/Wooden Camera Directors Cage for DSLR and mirrorless cameras

» Further improved our relationship with Apple and significantly increased our presence in Apple's stores globally through the acquisition of JOBY

» Developed our relationship with Amazon with double digit sales growth for the year in our Imaging Solutions Division

» Invested further in our e-commerce capabilities; e-commerce sales through our own platforms increased by c. 50% in the Imaging Solutions Division

» Opened a new Creative Solutions "Customer Experience Centre" in Irvine, bringing our total number of stores to three; these stores help us to refine our products to improve user experience, particularly when brands are used together

» Grown sales from continuing business in our key Asia-Pacific market by £4.5 million (+6.5%) during 2017 to £73.5 million including particularly strong growth in China

» Launched initiatives to utilise Imaging Solutions' distribution network in APAC to sell Vitec brands from Creative Solutions, initially in China

» The acquisition of the JOBY and Lowepro brands has brought additional specialist teams in APAC

» Significant portfolio refinement to reposition the Group to deliver increased operating margins and future progress

» Disposal of two non-core businesses, US Services (Bexel) and Haigh-Farr

» Part of the proceeds from the disposals were redeployed to acquire JOBY and Lowepro brands and RTMotion which have a good strategic fit and will materially enhance EPS for 2018

» Launch of three cross-Divisional strategic initiatives on operational excellence, getting closer to customers and leveraging our distribution in APAC

» Simplification of organisation within the Production Solutions Division including appointment of Operations Director who is responsible for all sites

Principal risks and uncertainties

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

Change in risk profile during 2017

- Increased risk
- Constant risk
- Decreased risk

Specific Risk	Mitigation
Demand for Vitec's products (Constant risk) 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 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 the changing demand. Demand may also be impacted by competitor activity, particularly from low-cost countries.	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 analyses 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.
New markets and channels of distribution (Constant risk) As we enter new markets and channels of distribution we may achieve lower than anticipated trading volumes and pricing levels or higher costs and resource requirements. This may impact the levels of profitability and cash flows delivered. We continue to increase our online presence and our investment in new innovative products which address the needs of independent content creators. We are also increasing our presence and investment in APAC.	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.
Acquisitions (Constant risk) In pursuing our business strategy we continuously explore opportunities to enhance our business through development activities such as strategic acquisitions. This involves a number of calculated risks including: acquiring desired businesses on economically acceptable terms; integrating new businesses, employees, business systems and technology; and realising satisfactory post-acquisition performance. In 2017, we acquired the JOBY and Lowepro brands, and RTMotion. These acquisitions are performing to plan.	We mitigate these risks by having a clear acquisition strategy with a robust valuation model. Thorough due diligence processes are completed including the use of external advisers where appropriate. The post-acquisition performance of each business is closely monitored and a plan is developed to integrate the acquired businesses in an effective way.
Pricing pressure (Increased risk) Vitec provides premium branded products and faces a number of competitors. The strength of this competition varies by product and geographical market. 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 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. Price competition from Chinese low-cost producers is becoming stronger in some of the more technologically advanced segments, particularly in respect of wireless transmitters.	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 also 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. With the recent currency fluctuations, we continue to monitor our pricing across the main currencies.
Dependence on key suppliers (Increased risk) 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. Our overall dependence on key suppliers has increased 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; such vendors may decide to compete with Vitec. The recent acquisition of JOBY and Lowepro has further increased the dependence on external sourcing.	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.

Specific Risk	Mitigation
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. Vitec's largest customer accounted for 11.9% of revenue from continuing operations which is marginally higher than in previous years. The business also works with a variety of customers on large sporting events and the extent of these activities varies year-on-year.	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. We continue to expand our customer base including entering into new channels of distribution to expand our portfolio of customers.
People We employ around 1,700 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.	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 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.
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, 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. Recent political developments in the US and Europe may have implications for several areas of regulations including but not limited to: the customs and import tariffs our businesses will be subject to; corporation tax rates; employment laws and regulations; and other business regulation. More specifically, the UK's exit from the European Union may have a significant impact on rates of duties and other taxes applied to our UK entities' exports and imports, which would have a material effect on the Group's results. There may be other legal, regulatory and commercial ramifications, the likely impact of which are difficult to measure given the uncertainties surrounding the outcome of the current negotiations between the UK Government and the EU.	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. 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 any party that infringes our intellectual property rights. With regards to Brexit, we have established an executive-led steering group to develop contingency plans whilst closely monitoring developments in the negotiations between the UK Government and the EU.
Reputation of the Vitec Group Damage to our reputation and our brand names can arise from a range of events such as poor product performance, unsatisfactory customer service, and other events either within or outside our control.	We 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 Code of Conduct.
Exchange rates The global nature of the Group's business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions, and the translation of net assets and income statements of foreign subsidiaries and equity accounted investments. The Group is exposed to a number of foreign currencies, the most significant being the US Dollar, Euro and Japanese Yen. The uncertain outcome of Brexit negotiations may increase Sterling's volatility in the next few years, which in turn may a material impact on the Group's translated results.	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.
Business continuity There are risks relating to business continuity resulting from specific events such as natural disasters including earthquakes, floods or fires. These 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 Group.	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. We have global insurance schemes in place which provide cover for business interruption. We review coverage annually to determine whether adjustments are needed.
Effectiveness and impact of restructuring projects In 2015/16 we conducted a number of restructuring projects to streamline the business, and to deliver cost savings. There is a risk that the restructuring activity could have been poorly executed and that the objectives might not be achieved. The main restructuring projects are now substantially complete, and have already started to generate year-on-year savings. We have also sold our Bury St. Edmunds site and will move these activities to a lean, modern manufacturing facility in H1 2018.	To address this risk, projects were monitored closely by senior operational management with regular updates provided to the Board. We anticipate that there will be significant year-on-year savings. In addition, we continually aim to identify and implement operational synergies between the different business units.

Financial Review
Group Finance Director Kath Kearney-Croft reviews performance

Revenue from continuing operations increased by 10.8% to £353.3 million (2016: £318.9 million) and adjusted operating profit* from continuing operations was 9.2% higher at £45.2 million (2016: £41.4 million). At constant exchange rates, revenue from continuing operations was 6.4% higher and adjusted operating profit* from continuing operations was in line with the prior year. Lower broadcast activity in the more mature US studio markets, higher corporate costs and non-repeat of the 2016 Olympics were offset by acquisitions and growth in sales of higher technology and photographic products.

Imaging Solutions' revenue grew by 16.2% to £175.9 million and adjusted operating profit* increased by 18.7% to £29.9 million. Revenue growth included a £12.6 million benefit from the acquisition of JOBY and Lowepro and £6.6 million from foreign exchange. At constant exchange rates and excluding the impact of the acquisition, revenue increased by 3.3% and adjusted operating profit* grew by 10.4% driven by higher sales of video and photo supports, as well as favourable channel mix and production efficiencies.

Production Solutions' revenue from continuing operations declined by 6.1% to £114.2 million and adjusted operating profit* from continuing operations declined by 6.7% to £15.2 million. This was partly due to non-repeat of the Olympics, and the spectrum "repack" in the US which led to our key broadcast customers focusing their expenditure on transmission rather than studios. At constant exchange rates revenue from continuing operations fell by 9.6% and adjusted operating profit* from continuing operations was 21.1% lower than the prior year.

Revenue in the Creative Solutions Division increased by 37.7% to £63.2 million, driven by continued strong growth in the Independent Content Creator market, a particularly strong performance for SmallHD and the acquisition of Wooden Camera in 2016. Adjusted operating profit* increased by 36.8% to £13.0 million. At constant exchange rates revenue increased by 31.9% and adjusted operating profit* grew by 31.3%.

Adjusted Group gross margin* from continuing operations at 44.3% was higher than the prior year (2016: 42.6%) reflecting growth in higher technology sales and favourable sales mix.

Adjusted operating expenses* from continuing operations were £16.8 million higher than 2016 at £111.3 million. This mainly reflects investments in our Creative Solutions and Imaging Solutions businesses to drive sales and future growth, including higher investment in new product development at 4.6% of Group product sales from continuing operations (2016: 4.4% on continuing operations), and higher corporate costs. This also reflects an adverse currency impact of £3.5 million. This year corporate costs of £12.9 million have been reported separately rather than being allocated to the Divisions.

Adjusted profit before tax* from continuing operations of £42.4 million was £5.0 million higher than the prior year (2016: £37.4 million). There was a net foreign exchange benefit versus 2016 of £3.4 million on our adjusted profit before tax* from continuing operations mainly due to a stronger Euro and US Dollar.

Adjusted earnings per share* from total operations increased by 11.1% to 68.1 pence per share (2016: 61.3 pence per share).

Adjusted revenue* Up 0.5%
£378.1 million

Adjusted operating profit* Up 8.0%
£44.8 million

Adjusted basic earnings per share Up 11.1%
68.1 pence

Statutory profit before tax of £27.4 million (2016: £26.4 million) was after £15.0 million charges associated with acquisition of businesses (2016: £7.6 million) and £nil restructuring costs (2016: £3.4 million).

Free cash flow* of £23.5 million (2016: £44.6 million) includes a working capital outflow of £9.4 million (2016: £12.0 million inflow). This reflects the anticipated investment in working capital following the acquisition of JOBY and Lowepro, as we have started to transition these businesses from a third party distributor model to using Vitec's own distribution business. Excluding the impact from this acquisition, working capital would have reduced. The significant reduction in working capital in 2016 was driven by the business right-sizing its inventory which, as expected, was not repeated this year. 2016 free cash flow also included £3.9 million from the sale of the Bury St. Edmunds manufacturing site as well as the benefit of the Olympics.

Net debt at 31 December 2017 was £42.9 million (31 December 2016: £75.1 million). The decrease in net debt resulting from cash flows was £29.0 million (2016: £12.8 million). This was after: £12.4 million cash outflow on acquisitions being made up of net payments of £10.8 million relating to the acquisitions of the JOBY and Lowepro brands and RTMotion and a £1.6 million earnout payment on Wooden Camera in respect of their strong 2016 performance, a net cash inflow on disposals of £32.4 million arising from the disposals of Bexel and Haigh-Farr (£32.6 million) partly offset by £0.2 million of rent payments relating to the prior disposal of IMT, £12.4 million of dividend payments (2016: £11.1 million), and a net favourable foreign exchange impact of £3.2 million principally driven by US Dollar denominated debt. Vitec repaid its $50 million private placement facility in full in the year, funded by the Revolving Credit Facility. The Group's balance sheet remains strong with a year-end net debt to adjusted EBITDA* ratio of 0.7 times (31 December 2016: 1.2 times).

Adjusted operating profit* for total operations in 2017 was £3.3 million higher than the prior year. This reflects an increase in adjusted gross profit* of £5.5 million, favourable foreign exchange impact of £3.8 million and a £3.3 million contribution from acquisitions. This was partly offset by investment in operating expenses of £8.8 million to drive sales and future growth in our higher technology and photographic businesses as well as higher corporate costs linked to our strong financial performance, and £0.5 million lower adjusted operating profit* from discontinued operations. The statutory operating profit for continuing operations of £30.2 million was £0.2 million lower than prior year.

Management's estimate of these drivers is summarised in the following table:

Adjusted operating profit* bridge (£ million)		
2016 Adjusted operating profit*		**41.5**
Increase in adjusted gross profit*	5.5	
Increase in adjusted operating expenses*	(8.8)	
		(3.3)
Acquisitions	3.3	
Disposals	(0.5)	
		2.8
Foreign exchange effects:		
- Translation	1.9	
- Transaction after hedging	1.9	
		3.8
2017 Adjusted operating profit*		**44.8**

* Before charges associated with acquisition of businesses, impairment of goodwill, restructuring costs and material non-operating events as defined on page 150.

Net financial expense
Net financial expense of £2.8 million was lower than the prior year (2016: £4.0 million) mainly due to lower overall debt levels, the benefit from repaying the $50 million private placement in May 2017 and lower rates of interest on the debt facility that was put in place in July 2016. Interest payable was £2.6 million (2016: £4.2 million) and was covered 23 times (2016: 14 times) by adjusted EBITDA*.

Profit before tax
Adjusted profit before tax* for total operations increased by £4.5 million to £42.0 million (2016: £37.5 million). Statutory profit before tax for continuing operations increased from £26.4 million to £27.4 million.

Taxation
The effective taxation rate on adjusted profit before tax* was 27% in 2017 (2016: 27%). Vitec's tax charge is higher than the UK statutory rate because the majority of our profits arise in overseas jurisdictions with higher tax rates than the UK.

Earnings per share
Adjusted earnings per share* for total operations was 68.1 pence per share (2016: 61.3 pence per share). Basic earnings per share for total operations was 61.4 pence per share (2016: 20.2 pence per share).

Financial Review

Acquisitions
On 22 September 2017, the Group acquired the trade and certain assets (primarily comprising the JOBY and Lowepro brands) of the DayMen Group S.a.r.l. including 100% of the share capital of the subsidiary companies in Hong Kong and China ("JOBY and Lowepro"), through a business combination for a cash consideration of £8.4 million, expected integration and deal costs of £4.4 million and expected investment in working capital of £10.9 million. The fair value of the net assets acquired was £4.4 million resulting in goodwill of £4.0 million.

JOBY and Lowepro products are designed and developed in Hong Kong and California respectively. JOBY's patented GorillaPod has transformed the camera accessories market while Lowepro has been a market leader in bags designed to protect electronic and photographic devices since its inception in 1967. The acquisition is an excellent strategic fit with the Group's existing core activities and gives the Group greater access to the fast growing iPhoneography and vlogging consumer accessories market.

On 20 September 2017, the Group acquired 100% of the issued share capital of RT Motion Systems Ltd ("RTMotion"), a private company based in the UK, for a cash consideration of £2.5 million (£1.9 million net of cash acquired). The fair value of the net assets acquired was £1.6 million resulting in goodwill of £0.9 million. Under the terms of the acquisition, there is a potential deferred payment of up to £1.2 million payable in cash. This is dependent on the achievement of non-financial targets, including integration milestones, being met over the period to 31 December 2019, and is not contingent consideration. In 2017 an amount of £0.2 million was provided for and charged to the Income Statement in relation to milestones met in 2017.

RTMotion is a high technology business which provides wireless motor lens control systems for broadcast, cine and video cameras. The acquisition complements the Group's existing activities in the expanding Independent Content Creator market and its products will be marketed through the Group's global distribution network.

Disposals
On 9 May 2017, the Group sold Haigh-Farr Inc ("Haigh-Farr"), a defence antennas business based in the US, for a cash consideration of $15.8 million (£12.2 million), of which $0.8 million (£0.6 million) is deferred for twelve months from disposal date. A profit of £3.2 million arose on disposal after taking into account £0.5 million costs of disposal, £17.3 million net assets disposed and the previously recorded foreign exchange gain of £8.8 million that has been recycled to the Income Statement.

On 1 August 2017, the Group sold Bexel for a net cash consideration of $32.1 million (£24.3 million). A profit of £11.3 million arose on disposal after taking into account £2.8 million costs of disposal, £18.7 million net assets disposed and the previously recorded foreign exchange gain of £8.5 million that has been recycled to the Income Statement.

Restructuring costs
In 2017 the restructuring charge was £nil (2016: £5.2 million). The prior year charge relates to actions to streamline operations with lower growth prospects and was mostly made up of redundancy costs.

Charges associated with acquisition of businesses
The 2017 charges relate to the Group's acquisition activities and amortisation of previously acquired intangible assets.

The amortisation of acquired intangible assets for continuing operations of £7.4 million (2016: £5.8 million) relates to the JOBY and Lowepro brands and RTMotion acquisitions in 2017, and other businesses acquired by the Group since 2011.

Transaction costs of £1.3 million (2016: £0.6 million) and integration costs of £2.2 million (2016: £nil) were incurred in relation to acquisitions.

Earnout payments of £4.1 million were accrued during the year (2016: £1.2 million). £3.9 million related to Wooden Camera on its strong performance in 2017 following its acquisition in the prior year and £0.2 million related to RTMotion following its acquisition in the current year.

Impairment of goodwill
There was £nil impairment of goodwill in the year (2016: £12.1 million).

Cash flow and net debt
Cash generated from operating activities for total operations was £48.7 million (2016: £64.8 million).

The Group uses a number of key performance indicators to manage cash including cash conversion^{+}, the percentage of working capital to sales, inventory days, trade receivable days and trade payable days. Inventory, trade receivable and trade payable days are stated at year end balances; inventory and trade payable days are based on Q4 cost of sales (excluding exchange gains/losses) while trade receivable days are based on Q4 revenue.

Cash conversion^{+} was 90% for 2017 (2016: 155%). This includes the impact of working capital investment following the acquisition of JOBY and Lowepro to move from a third party distributor model to using Vitec's own distribution business. After excluding the impact of the JOBY and Lowepro acquisition, cash conversion was 119%.

The working capital to sales metric was in line with prior year at 15.7% and overall working capital increased by £9.4 million (2016: £12.0 million decrease).

Trade receivable days increased slightly to 45 days (2016: 43 days) and remain well controlled with a good ageing profile.

On a cash flow basis, trade and other receivables increased by £5.6 million (2016: £4.5 million). The reported carrying value of trade receivables at year end of £52.5 million includes £1.5 million favourable foreign exchange compared to the prior year.

On a cash flow basis, inventory increased by £9.9 million (2016: £11.2 million decrease). The reported carrying value of inventory at year end includes £2.5 million favourable foreign exchange compared to the prior year. Inventory days increased to 106 days (2016: 83 days) partly driven by the buy-back of inventory in November 2017 relating to the acquisition of JOBY and Lowepro.

Trade payable days increased to 54 days (2016: 38 days). On a cash flow basis, there was a £6.1 million increase in trade and other payables (2016: £5.3 million) including bonus and commission accruals and timing of payments. The reported carrying value of trade payables at year end of £35.1 million includes £0.1 million adverse foreign exchange compared to the prior year.

Capital expenditure for total operations, including £4.3 million of software and capitalised development costs (2016: £3.4 million) totals £15.1 million (2016: £16.8 million). Overall capital expenditure was equivalent to 1.1 times depreciation (2016: 0.9 times).

We monitor Return on Capital Employed ("ROCE"), calculated as adjusted operating profit* divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings. This has increased from 17.5% in 2016 to 19.6% in 2017 for total operations.

The net tax paid in 2017 of £11.0 million was £3.8 million higher than the amount paid in 2016 due to the timing of tax payments.

As a result free cash inflow* was £23.5 million (2016: £44.6 million).

Free cash flow*

£ million for continuing and discontinued operations	2017 £m	2016 £m
Adjusted operating profit*	**44.8**	41.5
Depreciation[(1)]	**14.1**	18.4
Changes in working capital	**(9.4)**	12.0
Restructuring costs paid	**(1.4)**	(7.4)
Other adjustments[(2)]	**0.6**	0.3
Cash generated from operating activities	**48.7**	**64.8**
Purchase of property, plant and equipment	**(10.8)**	(13.4)
Capitalisation of software and development costs	**(4.3)**	(3.4)
Proceeds from sale of property, plant and equipment and software	**3.5**	9.0
Interest paid	**(2.6)**	(5.2)
Tax paid	**(11.0)**	(7.2)
Free cash flow*	**23.5**	**44.6**

* Before charges associated with acquisition of businesses, impairment of goodwill, restructuring costs and material non-operating events as defined on page 150.

(1) Includes depreciation, amortisation of software and capitalised development costs and impairment losses on property, plant and equipment

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

There was a £12.4 million net cash outflow relating to acquisitions during the year (2016: £20.3 million).

There was a £32.4 million net cash inflow from disposals, which mainly related to the disposals of Haigh-Farr and Bexel during the year (2016: £1.5 million outflow).

Dividends paid to shareholders totalled £12.4 million (2016: £11.1 million) and there was a net cash outflow in respect of shares purchased and issued of £2.1 million (2016: £1.1 million net inflow). The net cash inflow for the Group was £29.0 million (2016: £12.8 million) which, after £3.2 million favourable foreign exchange (2016: £11.6 million adverse), decreased net debt to £42.9 million (2016: £75.1 million).

Treasury

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

The Group is hedging a portion of its forecast future foreign currency transactions to reduce the volatility from changes in exchange rates. Our main exposure relates to the US Dollar and the table below summarises the contracts held as at 31 December 2017:

Currency hedging

	December 2017	Average rate of contracts	December 2016	Average rate of contracts
US Dollars sold for Euros				
Forward contracts	**$25.2m**	**1.14**	$42.3m	1.13
US Dollars sold for Sterling				
Forward contracts	**$9.0m**	**1.30**	$17.1m	1.37

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

Financial Review

Financing activities
In July 2016, a five year £125.0 million committed multi-currency Revolving Credit Facility with five relationship banks was renegotiated. This is due to expire on 5 July 2021. At the end of December 2017, £53.4 million (2016: £48.9 million) of the facility was utilised. In May 2017 the Group repaid its US$50 million private placement facility in full.

The average cost of borrowing for the year which includes interest payable, commitment fees and amortisation of set-up charges was 3.2% (2016: 3.9%) reflecting an interest cost of £2.6 million (2016: £4.2 million).

The Board has maintained an appropriate capital structure without exposing the Group to unnecessary levels of risk and Vitec has operated comfortably within its loan covenants during 2017.

Foreign exchange
2017 adjusted operating profit* included a £3.8 million net favourable foreign exchange effect after hedging, mainly due to favourable £/€ and £/$ rates when compared to 2016. Should exchange rates remain at current levels ($1.40, €1.13), we would expect a headwind from foreign exchange in 2018 in the order of £0.8 million.

Viability Statement
In accordance with the 2016 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 34 and 35 and the three year Group and Divisional strategic plans which are reviewed annually by the Board. 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 2020.

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 investment profile, its businesses and products and its limited order visibility. Whilst 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 while still providing a longer-term perspective.

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 the resilience of the Group across a number of severe but plausible scenarios, taking into account the principal risks facing the Group as detailed on pages 34 and 35, and the likely effectiveness of any mitigating actions. The Board reviews these risks in detail throughout the year, and the Audit Committee has a structured programme for the review of risks and mitigating actions. The following scenarios were applied to the most recent Strategic Plan which was reviewed by the Board in June 2017:

- Loss of significant amounts of revenue and gross margin;
- Additional working capital requirements;
- Significant adverse movements in foreign exchange rates.

The Directors' assessment considered the potential impacts of these scenarios, both individually and in combination on the Group's business model, future performance, solvency and liquidity over the period. The results of the sensitivity analysis which also included stress testing of the Strategic Plan, demonstrated that as a result of the Group's strong cash generation it was able to maintain sufficient headroom within its net debt covenant to accommodate the above scenarios, both individually and in combination. This is supported by the fact that the Group sells a wide portfolio of different products, has a global distribution network, and has well-established relationships with its customers.

Mitigation actions considered as part of this stress testing included further cost reductions, tight control of working capital, and reduction in non-essential capital expenditure. The Directors consider that under each of the scenarios, the mitigating actions would be effective and sufficient to ensure the continued viability of the Group.

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 primary element of the Group's committed borrowing facilities is the £125.0 million five-year Revolving Credit Facility that expires in July 2021. As at 31 December 2017, the Group had utilised £53.4 million (43%) of the facility.

Dividend
The Directors have recommended a final dividend of 20.1 pence per share amounting to £9.0 million (2016: 17.3 pence per share, amounting to £7.7 million). The final dividend, subject to shareholder approval at the 2018 Annual General Meeting, will be paid on Friday 18 May 2018 to shareholders on the register at the close of business on Friday 20 April 2018. This will bring the total dividend for the year to 30.5 pence per share (up 12.1%). A dividend reinvestment alternative is available with details available from our registrars, Link Asset Services.

Kath Kearney-Croft
Group Finance Director

21 February 2018

Key Performance Indicators

The Board and Operations Executive monitor a number of key performance indicators ("KPIs"), to measure our performance over time. Targets for most KPIs are set annually during our budgetary process and include our strategic priorities:

KPI measure	2017**	2016	Basis of preparation
Constant currency revenue growth	**6.4%**	4.8%	% increase in revenue at constant exchange rates
Constant currency adjusted operating profit* growth	**0.0%**	(0.3%)	% increase/(decrease) in adjusted operating profit* at constant exchange rates
Return on sales	**12.8%**	11.0%	Adjusted operating profit* divided by revenue
Investing in product development	**4.6%**	3.9%	Total research, development and engineering costs before capitalisation and amortisation of development costs, divided by revenue from product sales
Basic earnings per share (2017 total operations)	**68.1p**	61.3p	Adjusted profit after tax* divided by the weighted average number of shares in issue during the financial year
Basic earnings per share (2017 continuing operations)	**70.5p**	61.3p	
Total dividend per share	**30.5p**	27.2p	Sum of interim and final dividend per share in respect of the financial year
ROCE***	**19.6%**	17.5%	Adjusted operating profit* divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings
Operating cash generation***	**90%**	155%	Operating cash flow divided by adjusted operating profit*
Working capital to sales	**15.7%**	15.7%	Inventories, receivables and payables at the end of the financial year, divided by annualised Q4 revenue
Inventory days	**106 days**	83 days	Inventories at the end of the year divided by Q4 cost of sales (before exchange gains/losses) multiplied by number of days in Q4
Trade receivable days	**45 days**	43 days	Trade receivables at the end of the financial year divided by Q4 revenue multiplied by number of days in Q4
Trade payable days	**54 days**	38 days	Trade payables at the end of the financial year divided by Q4 cost of sales (before exchange gains/losses) multiplied by number of days in Q4
Accident record	**7**	4	Number of work-related accidents resulting in greater than three days absence
Electricity usage	**28.4**	28.6	Actual usage in MWh per £million of Group revenue
Gas usage	**19.0**	18.8	Actual usage in MWh per £million of Group revenue
Water usage	**0.05**	0.06	Actual usage in cubic metres per £million of Group revenue

* Before charges associated with acquisition of businesses, restructuring costs and material non-operating costs as defined on page 150.

** Unless otherwise indicated 2017 KPIs are based on continuing operations.

*** ROCE and Operating cash generation KPIs are based on total operations (continuing and discontinued) to be consistent with presentation elsewhere in the Annual Report & Accounts.

Corporate Responsibility

Stephen Bird, Group Chief Executive, explains the context for Vitec's journey towards sustainability that ensures our success and longevity as a business

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Business Ethics

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Employee Engagement

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Community & Economic Contribution

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Environmental Sustainability

As we continue to grow and acquire new businesses, Vitec is becoming increasingly multi-cultural and demographically diverse. At the same time, the democratisation of image capture and sharing means that our products are being used by an ever-wider range of customers. Vitec will continue to evolve as the needs and expectations of our customers change.

As a global business, we take our corporate responsibility extremely seriously. Our strategy looks at how we do business, how we operate as an employer, a supplier to our customers, a partner to the communities that host us, as well as a supply chain manager. This strategy is reflected by our employees who understand the importance of the right values and behaviours when carrying out their roles at Vitec. Our employee Code of Conduct underpins our Business Model to ensure Vitec's long-term success.

In early 2018 we refreshed and re-issued our Code of Conduct, as well as our Health and Safety and Diversity Policies – all critical aspects of the Company's ethical approach to business. In 2017, we issued for the first time our Statement on the UK's Modern Slavery Act 2015 which confirms our zero-tolerance approach to ensure our supply chain is free from slavery and human trafficking.

In terms of our strategic approach to corporate responsibility, we look for opportunities to invest in projects where the power of images specifically, or the creative arts more generally, can be used to positively impact the communities and environment in which we operate.

In particular we aim to support those projects which enable the young or under-privileged to learn new skills to improve their own lives and forge their careers.

The Vitec Mindset

We have a clear purpose that is supported by five values, namely:

Enabling the capture and sharing of exceptional images

> 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

In the past year, a number of key activities have taken place around Vitec which have demonstrated these values.

- Our Imaging Solutions Division's Picture of Life Programme offers disenfranchised young people the chance to learn professional photography skills. Now in its fourth year, we celebrated the programme's achievements with a global exhibition tour that will continue into 2018.
- Wooden Camera, part of our Creative Solutions Division, contributed specialist skills and equipment to the North Texas University film school.
- Our Production Solutions facility in Costa Rica was honoured with an Award for our export efforts which was presented by the President of Costa Rica.
- All over the world our people have given their time and money for people in need – from earthquake victims, to the homeless, to blood donations.

You can read about these initiatives and more in the coming pages.

Stephen Bird
Group Chief Executive

Business Ethics

Our vision

To ensure 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. We train our employees on business ethics.

Our management of corporate responsibility

The Board has overall responsibility for corporate responsibility. It considers and approves our key policies, including our Code of Conduct, Environmental Policy and Health and Safety Policy. These policies set a standard for all divisions and employees worldwide, are available on our website, and are central to our approach to corporate responsibility.

The Board has delegated the coordination of our corporate responsibility efforts to Stephen Bird and together with the Operations Executive and senior management, focuses his efforts on the areas outlined above.

The Board and Operations Executive regularly consider the Group's reputation and measure progress against our corporate responsibility objectives. Examples include: monthly health and safety performance reviews; whistleblowing reports; and regular training of employees ensuring the right corporate culture and good governance.

Code of Conduct

Our Code of Conduct ("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 sets out our approach to business integrity including an express 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 several languages. All newly acquired businesses receive the Code as part of their induction. In 2017, this included employees of the JOBY and Lowepro brands and RTMotion.

We require all senior management to undertake an online training module covering good corporate governance including issues such as share dealing, conflicts of interest, legal duties and other reputational issues.

In early 2018 we re-launched the Code to all employees and partners to reflect new branding and values and to ensure it remains visible.

Anti-bribery

We have continued with the development of our employees' understanding of anti-bribery and corruption as reflected in our Code.

Agents and distributors have agreements in place which clearly prohibit bribery and set out our expectation on behaviour and values. We carry out due diligence on major customers and suppliers with a more detailed screening of backgrounds using a third party provider focusing on reputational risk.

Modern slavery statement

In May 2017 we adopted our modern 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.

Whistleblowing service

We operate an independent whistleblowing service in conjunction with EXPOLINK. 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.

In accordance with a documented procedure, all reports are notified to the Group Company Secretary, the Group Chief Executive and the Chairman of the Audit Committee, and are investigated independently by senior management who are not connected to the report. The outcome of investigations is reported to the Chairman of the Audit Committee and remedial action taken where necessary.

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 Company website with all communications translated into several languages.

Employee Engagement

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 workforce, providing equal opportunities for all, whilst nurturing a sense of pride in being part of Vitec.

Cassola and Feltre employees participated in a multi company football and volleyball competition in the summer, collecting money for charity and fostering team building.

Our people are a key asset for the Group

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.

In 2017, we continued to focus time and resources on engaging, motivating and developing our employees, executing initiatives designed to improve the working environment, increase diversity, expand skillsets, and ensure health and wellbeing.

The Group runs a decentralised approach to operational management ensuring the individual cultures and needs of the brands can be met at a Divisional level where managers are closest to the needs of the people and the business. Maintaining the entrepreneurial essence of our brands is central to our ethos and ongoing success.

However, we believe that the value the Group can bring is in facilitating a culture of best practice, sharing and ensuring that policies and procedures are elevated to a high international standard.

In October 2017, 60 senior leaders from the three Divisions and Head Office met in the UK to input into the Company's strategic plan. Plenary and workshop sessions were held, where the Operations Executive shared the Group's strategy and vision, and agreed with the team what success would look like. The group explored how Vitec was organised and what needed to change to optimise our performance. The attendees also refreshed the Group's purpose and values, and agreed Divisional plans to implement the strategy, and communicate and engage all employees across the Group.

In October, we also held a Divisional HR Conference – sharing best practice, making sure there were robust processes in all Divisions, and agreed shared priorities for the coming year.

Employee engagement

We aim to provide our employees with an engaging and stimulating environment where they are encouraged to learn and develop. We communicate with our employees on a regular basis, keeping them informed of business performance at a Group and Divisional level. Reflecting the diverse global nature of our employees we use multiple channels and a variety of media to communicate.

Business overviews, focusing on results and key events, are shared with all employees via global communication videos presented by the Group Chief Executive which are uploaded to the Group intranet, with translations available.

Alongside Group-wide communications, employees receive briefings on performance and business issues on a regular basis from Divisional senior management.

More informal communications also take place around the various divisions: breakfast with the CEO is an informal opportunity for employees in our Imaging Solutions Division to exchange ideas and express opinions on current business strategies; in our Production Solutions US office, "Time Out" is a monthly activity combining social time including quizzes and food with Vitec updates.

Employees in the US Imaging Solutions office at a regular team briefing.

A number of other initiatives to keep employees engaged in the workplace and provide a chance to relax with colleagues were undertaken at sites around the world. These included Thanksgiving and Christmas lunches, wellness fairs, on-site massages, meditation coaching, sporting classes and competitions, and cooking contests.

Health and Safety

The provision of a healthy, safe and productive work environment for all of our employees and third parties on our sites is a priority for Vitec, for which all of our management and employees are responsible. It is an important part of our culture to ensure that all our colleagues are able to work in a safe and secure environment.

We promote the need for excellent health and safety procedures in compliance with the Group's Health and Safety Policy, which is available on our website. This policy sets Group-wide guidelines for the prevention of accidents and work-related ill-health, and provides guidance for the adequate control of health and safety risks arising from work-related accidents.

“Stephen Bird and Martin Green address colleagues at the Creative Solutions site in Irvine, California.

All accidents and near misses, whether they result in absence from work or not, are reported, with remedial action 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.

Our five-year accident record is shown below, and details the number of accidents resulting in over three days' absence from work across the Group. There were seven such accidents in 2017 compared to four in 2016. Each of these accidents has been fully investigated and key issues identified to try to ensure it is not repeated.

Our five year accident record

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

2015
5 accidents
representing 273 accidents per 100,000 employees
Average number of employees – 1,833

2014
1 accident
representing 53 accidents per 100,000 employees
Average number of employees – 1,876

2013
4 accidents
representing 211 accidents per 100,000 employees
Average number of employees – 1,898

There have been no work-related fatalities since the Group began collating health and safety statistics in 2002.

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. At the Imaging Solutions manufacturing sites in Feltre, Italy and Ashby-de-la-Zouch, UK, daily observation procedures have been set up to observe employees' health and safety behaviour in the workplace. In 2017, a total of 66,000 work actions were observed at both sites with an average of 99.9% compliance with safe working practices.

The Production Solutions sites in Cartago, Costa Rica and Bury St. Edmunds, UK as well as the Imaging Solutions sites in Cassola and Feltre, Italy, have had their OHSAS 18001 occupational health and safety accreditations confirmed again for 2017. Our sites in Cassola and Feltre in Italy continue to promote the “Are you working safely?” campaign which provides regular tips on health and safety.

Health and Well-Being

The Company continues to prioritise the provision of healthy working environments for our staff. The new site at Bury St. Edmunds, UK, which is due to open in H1 2018, has been developed following a detailed consultation with staff. It provides upgraded facilities, including a new, open-plan office environment, on-site catering, which will form the hub of the site, access to car share and bike schemes to make travelling to work easier.

Various Vitec locations are now providing free or subsidised healthy eating facilities onsite, and workplace health and gym memberships. The Production Solutions business in Costa Rica supports the Vitec Runners – a group of 15 employees who participated in ten fundraising running events in 2017.

New open-plan office at Bury St. Edmunds, UK.

Benefits

We employ around 1,700 people in ten countries who are managed in accordance with local employment legislation, policies and our organisational values. Attracting the talent we need and retaining their commitment to our organisation in all of the territories where we operate, has required the organisation to adopt comprehensive benefits packages to support our employees and remain competitive in a global market where talent is in short supply.

Employees in the UK, Italy, US, Costa Rica, Japan, France, Hong Kong, Singapore, the Netherlands and Germany are given the opportunity to join an all-employee Sharesave scheme on an annual basis, enabling the employee to save to purchase shares in the Company at a discounted rate. Employees save a fixed monthly amount of up to £350 (or foreign currency equivalent in other territories) over a fixed term (usually three years but two years in the US) with the option to purchase a fixed number of shares at a discount of up to 20% on the prevailing share price at the time of the offer. In 2017, over 450 employees shared in the maturity of the 2014/2015 Sharesave Scheme making an average gain of £5 per share. As an all-employee share scheme, this rewards employees at all levels in the organisation. Over 600 employees currently participate in the Sharesave scheme across these territories.

In the US, our employees participate in a consolidated Health Benefits Plan that provides a valued level of healthcare. Employees at the Cassola and Feltre sites in Italy benefit from the new Benefit Salute health care plan which has been promoted to provide an increasing number of services in line with our policies in terms of health, welfare and support of the individual employee. Similar plans are offered to employees in other territories.

Employees are also given the option to join pension plans appropriate to local markets. In the UK this involves a Company approved pension plan with minimum employer and employee contributions, and in the US a 401k plan. Since April 2014 in the UK, all employees except for those who have expressly opted out, are auto-enrolled into a qualifying pension plan.

Vitec offers a flexible work environment and is supportive of all employees enjoying a good work life balance. Flexible working policies are in place in most of our locations around the world, and a positive impact can be seen. For example, in our Production Solutions Division, recent changes introduced have meant several employees were able to reduce the time of their daily commute to work. Another aspect of creating a balance is an inclusive attitude towards employees' family life. In Italy, Imaging Solutions hosted two Summer Camps for children of employees offering a range of sports and training activities. These camps proved popular with employees with school-aged children as they helped to make life a little easier for parents to continue working during the European summer holiday period.

Training and development

Vitec aims to offer a comprehensive training and development programme, linked to performance reviews and development plans, for all employees. These are arranged at a Divisional level to ensure the needs of the relevant Division are met. In addition, in 2018 the Operations Executive will be reviewing its leadership and succession plans to ensure there is 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. This may, for example, involve training in warehouse operations, working at heights, fire safety or more general initiatives to make employees aware of the dangers that can be encountered in the execution of their various duties.

To meet our goal of linking the performance management system with training and development needs, our Imaging Solutions Division also set up the MyTalent Academy to offer both soft and technical skills for around 300 employees that was linked to training needs identified in the appraisal process.

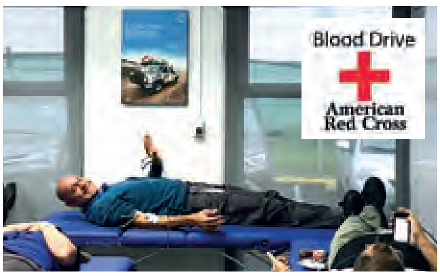
MYTALENT ACADEMY

Much of Vitec's strength lies in the expert knowledge of our people. It is vital that our employees understand, and are passionate about, our products and technologies. In 2017, Imaging Solutions ran the "Shoot and Share" training programme - offering camera craft and technical training on the Divisions' products.

All Divisions within the Vitec Group continually review and expand training options for staff; for example in Costa Rica, Production Solutions offered over 500 training days in 2017.

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. In 2017 both the Costa Rica and Shelton, US, teams within Production Solutions participated in the Red Cross Blood Drive, with over 65 staff opting to give blood on site during work hours at a time of severe shortages. In Costa Rica the team volunteered in a teenage community centre where Vitec participates annually in organising the Christmas lunch where gifts are donated by employees.



The US Production Solutions team participating in the American Red Cross Blood Drive.

Diversity and inclusion

Vitec has an equal opportunities culture with an express prohibition on discrimination of any kind.

The Board continues to monitor progress on equality and the Group Chief Executive is responsible for developing diversity throughout the Group. The organisation's gender breakdown as at the end of 2017 was as follows:

	Number of men	% of men	Number of women	% of women
Board	5	63%	3	37%
Operations Executive	8	80%	2	20%
Senior Management	32	91%	3	9%
Rest of organisation	1,074	70%	470	30%

Fixed term contractors are excluded from this list.

We recognise the importance of diversity throughout our workforce and the human resources teams continue with efforts to attract women to Vitec and encourage them to apply for promotions.

Vitec's approach to diversity has always followed a strict policy of sourcing the best person for the role irrespective of race, gender, age, religion, sexual preference or disability. We are keen to develop further the recruitment of talented women to the organisation at all levels and are developing policies and procedures across the Group to achieve this. Recruitment processes have been reviewed to ensure a diverse mix of candidates is reviewed and shortlisted for interviews, where appropriate, with a view to increasing the number of women in senior roles.

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.

"Team building event at Imaging Solutions

"Engineering technicians at work in our Costa Rican facility

“

Picture of Life exhibition, Rome

Community & Economic Contribution

Our vision

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

Our approach

We invest in projects that align with our values and look for opportunities to contribute our specialist skills in the creative arts or engineering, using our products and core skills to create a positive impact in our local communities.

The positive power of images

As a leading player in the image capture and sharing market, we believe in the positive power of images to convey ideas, create wealth and positive social and environmental value. Our employees are experts in photography, videography, engineering and technology, and we aim to share this knowledge constructively 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 and strengthening our communities

The following are a few examples of positive contributions we made in 2017 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.

Production Solutions regularly donates to technical schools in the local communities where they operate in Shelton, US and in Costa Rica; in 2017 in Japan, Imaging Solutions' products were given as prizes in a photography competition held between 500 high schools across the country; Creative Solutions' Teradek loaned equipment to film a local high school surf competition.

Students from Technical College in Costa Rica.

Wooden Camera, part of Creative Solutions, has a long-standing affiliation with The University of North Texas ("UNT") ever since co-founder Ryan Schorman graduated from there in 2006. Wooden Camera supports the development of talent in the Independent Content Creator market by providing technical support in the optimisation of the cameras and accessories in the University's film programme. In addition, the company donated specialist equipment to the University to the equivalent value of $10,000 in 2017. As a passionate proponent of independent film content creation, Ryan sits on the Media Arts Executive Board at UNT, where he advises on the film programme, judges film contests and contributes to scholarships.

The University of North Texas has a long standing affiliation with Wooden Camera.

2017 Project of Life: The Theme of Beauty

In the UK, Vitec has been a long-time supporter of The Vinten Trust which was set up by the original founder of the company that became Vitec, William Vinten. The Trust is a charitable foundation whose aim is to pursue initiatives which increase interest from students at schools and colleges in the Bury St. Edmunds area in science and technology subjects. As part of this support provided to the Trust, the UK Production Solutions team hosted 47 local students at their site in Bury St. Edmunds during half term holidays to help them learn about careers in engineering.

Students in Bury St. Edmunds learning about careers in engineering.

Picture of Life

Imaging Solutions' Picture of Life project, now in its fourth year, is a photography education initiative comprising a three-month training programme for young people who have faced hardship and disenfranchisement. Starting out as a collaboration between Vitec and the Italian Justice Ministry in 2014, photographers from the Manfrotto School of Xcellence teach techniques, lighting and street photography. The course is a way of rehabilitating and re-energising these young people.

Vitec supports the project by donating and setting up a permanent photography studio in the project centres, by providing participants with the photographic equipment 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, US, Shanghai, China, and the UK. In 2017, an international competition took place resulting in a touring exhibition to showcase some of the most impressive photographs from students around the world. The exhibition, which was launched in Rome in December, and will move to London, New York and other cities in 2018, has already been visited by hundreds of people.

"As with everything else in life, you need to feel it is your own, love it and then apply yourself and study. Otherwise you cannot learn. I feel like a richer person now. For me, photography is really important." Mohamadou, 18 year old participant in the 2017 Picture of Life programme.

Mohamadou, receiving his certificate from the 2017 Picture of Life programme.

Contributing to the local economy

In December 2017, Production Solutions was honoured to receive an Award from the Costa Rican Chamber of Exporters ("CADECXO") which recognised our outstanding contribution to export efforts in industrial manufacturing in the country. The Award was presented to Julio Lizano, Vice President Global Operations, Vitec Production Solutions Division, by the President of Costa Rica, Luis Guillermo Solís.

A significant player in terms of export volumes in the country and an employer of nearly 200 local jobs, Vitec was also recognised for its strong contribution in the local supply chain: 50% of its components used in manufacturing come from local suppliers, thereby creating a further 300 jobs with more than 30 Costa Rican suppliers.

The President of Costa Rica and Julio Lizano of Vitec.

Apprenticeships and work experience initiatives

Around the world, Vitec businesses have continued to offer work placements and internships for students of engineering and film studies. In the US, Production Solutions hosts engineering students within their team at Shelton, who assist with the design, implementation and support of new and existing products whilst gaining real world experience. In Costa Rica, a total of 15 students had placements at the Production Solutions site for two months; some of these students were offered full time roles at the end of the period.

Students on a two-month placement in Costa Rica.

Environmental Sustainability

Our vision

To ensure we limit our 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.

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 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 reused. Our efforts and environmental awareness have continued to evolve, not only to comply with regulations but also to make our business better.

New manufacturing and operational centre in Bury St. Edmunds, UK.

In H1 2018, a new centre will open in Bury St. Edmunds to house Production Solutions manufacturing and engineering plant, as well as many of the Division's operational functions in the UK. Replacing the 50-year old existing factory, the new centre is purpose-built for modern manufacturing, and will specialise in advanced technology in areas such as robotics, automation and broadcast studio equipment. It will include a unique manufacturing process for the development of carbon fibre for the Flowtech tripod.

The site will house up to 200 staff, comprising engineers, sales and marketing, operational support and manufacturing personnel. The facility's main challenge is to meet the needs of this diverse group, whilst improving work flow, efficiency, productivity and space utilisation. A cross-functional design team was engaged to meet this challenge.

The new site is 66,000 square feet and is one third smaller than the previous location, making effective space utilisation imperative. The goal is to reduce the use of electricity by 30% and gas by 60% through a combination of factors including: the introduction of LED lighting throughout; no requirement for heating in the factory due to improved thermal properties; and three new compressors that will deliver further electrical use savings and a new, more efficient paint oven.

Another key change will be the improved flow of materials from the assembly area to the shop floor; this will reduce travel time thereby cutting energy and improving efficiency. We will report more fully on this in the 2018 Annual Report.

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. Our new site at Bury St. Edmunds, UK and our Production Solutions site in Costa Rica now have LED lighting throughout, which will significantly cut their electricity usage. Other buildings have programmable thermostats that are centrally managed to optimise the building's heating and cooling needs.

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

Greenhouse gas reporting

In accordance with the Greenhouse Gas Emissions (Directors' Reports) Regulations and the requirement to report on greenhouse gas emissions, we have developed processes to accurately capture and report all material Scope 1 and 2 emissions as defined by the Greenhouse Gas Protocol as of 31 December 2016. We have applied the financial control basis for our reporting boundary. These emissions have been recorded at 20 of our operating sites in the 12 months to 30 September 2017, and arise from on-site energy use and any fugitive emissions, and transport from owned vehicles.

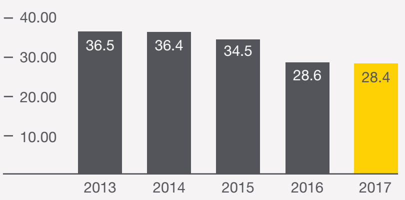
We have identified the following major operating sites as the material sites for the Group for this requirement: Feltre, Italy; Bury St. Edmunds, UK; Cartago, Costa Rica; Ashby-de-la-Zouch, UK; Irvine, US; and Shelton, US. These sites account for over 95% of the Group by revenue. We have excluded our smaller sites as their size and scale of operations are not material with respect to Scope 1 and 2 emissions.

Our electricity, gas and water usage in 2017 and 2016

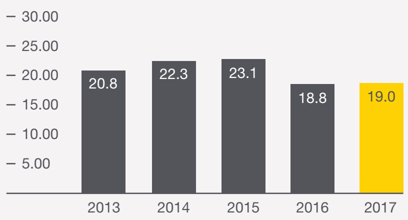
	Electricity (MWh)*	Gas (MWh)*	Water (cubic metres, thousands)*
2017	10,018	6,722	19.31
2016	10,773	7,091	23.99

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

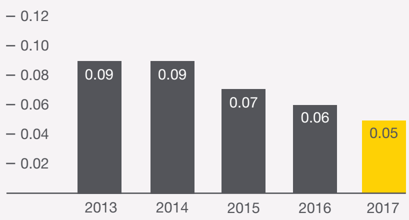
Electricity (MWh / £m Group revenue)*



Gas (MWh / £m Group revenue)*



Water (cubic metres, thousands / £m Group revenue)*



*The figures for 2017 are based on continuing operations.

Our most significant emissions arise from the use of electricity which makes up all our Scope 2 emissions. Approximately two thirds of our Scope 1 emissions arise from the use of natural gas, with the remainder mostly arising from transport fuel. All of our emissions have been calculated using the latest Defra conversion factors available at https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversionfactors-2016.

Greenhouse Gas Emissions for the period from 1 October 2016 to 30 September 2017 (Tonnes of CO_2 equivalent)

	2017	2016
Scope 1 emissions	**1,647**	1,709
Scope 2 emissions	**3,106**	4,353
Total gross emissions	**4,753**	6,062
Total carbon emissions per £m of Group revenue	**13.5**	16.1

We have selected a reporting date of 30 September each year to enable accurate data to be collated to compile the Greenhouse Gas Emissions disclosure in time for inclusion in this Annual Report.

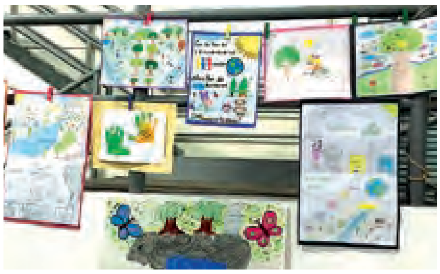
Sustainable resource management

Various initiatives around the Group took place in 2017 to build on our work to reduce the amount of waste created in our operations. We sort waste for recycling at our sites in Italy, the UK and Costa Rica using colour coded bins to improve segregation. At our factory in Bury St. Edmunds, UK, the improved waste stream segregation and labelling, combined with employee engagement in the process has resulted in 91% of all solid waste being diverted away from landfill, as well as a rebate for metal recycling from the site. Water free urinals and sensors for use of water for irrigation at our Costa Rican plant have also reduced water consumption. The introduction of print management software in Italy has significantly reduced paper wastage.

Recycling sorting bins at our site in Costa Rica.

Environmental awareness

Green Week events took place at our sites in both Italy and Costa Rica in 2017 to raise awareness amongst employees and share ideas on how to improve environmental impact. In Italy this took the form of a "Green to Work Week", during which employees were encouraged to consider alternative ways to get to work, using either public transport, cycling or car sharing.



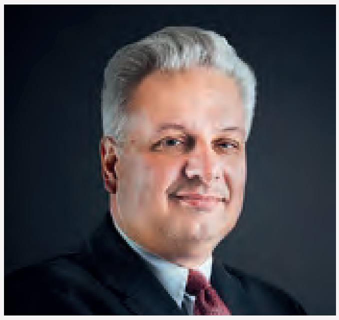
Children's drawing contest as part of Environmental "Green to Work Week".

Board of Directors

John McDonough
CBE, BSc (Eng) & ACGI

Stephen Bird
MA

Kath Kearney-Croft
BSc, MBA, ACMA



Martin Green
MA, MBA, ACCA

	John McDonough	Stephen Bird	Kath Kearney-Croft	Martin Green
Role	Chairman	Group Chief Executive	Group Finance Director	Group Business Development Director
Appointed	15 March 2012 (Chairman from 1 June 2012)	14 April 2009	24 April 2017	4 January 2017
Nationality	British	British	British	British
Age	66	57	43	49
Committee membership	Nominations (Chairman)	Nominations	-	-
Skills & experience	John is also Chairman of Vesuvius plc, a Director of Cornerstone Property Assets Ltd and Sunbird Business Services Ltd and a Trustee of Team Rubicon UK. John was Group Chief Executive of Carillion plc from January 2001 to December 2011. He was previously a Non-Executive director of Tomkins plc from June 2007 to September 2010, where he was also Chairman of the Remuneration Committee, and Excel plc from February 2004 to December 2005. John had also worked for Johnson Controls and Massey Ferguson. He was awarded a CBE in 2011 for services to Industry.	Stephen is currently a Non-Executive Director, Senior Independent Director of and Chairman of the Remuneration Committee of Dialight plc. He was formerly a Non-Executive Director of Umeco plc. He was responsible for setting up Weir 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. He has an MA from St. John's College, Cambridge.	Kath was previously Acting Finance Director at Rexam PLC until its acquisition by Ball Corporation Inc. in June 2016. Kath had been with Rexam since 2007 in a number of senior financial and strategic leadership roles. Prior to Rexam, Kath was with The BOC Group plc for nine years, qualifying as a Chartered Management Accountant in 2001 and holding a number of operational financial roles in the UK and US. Kath has an MBA with distinction from Manchester Business School and a first class degree in Business and Management from the University of Salford.	Martin has been with the Group since April 2003 in a variety of roles, most recently as Group Development & HR Director. Previously he held corporate development positions at Bunzl plc, at a broadcast equipment rental business and worked in investment banking at N M Rothschild. Martin has an MA in Law from Trinity Hall, Cambridge. He trained and qualified as a solicitor with Linklaters & Alliance in the UK, is a Certified Accountant and has an MBA from Cranfield School of Management.




	Caroline Thomson BA and D.Univ	**Christopher Humphrey** BA, MBA, FCMA	**Lorraine Rienecker** B.Eng, MBA	**Mark Rollins** B.Eng, ACA
Role	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director, Senior Independent Director
Appointed	1 November 2015	1 December 2013	1 December 2013	2 October 2013
Nationality	British	British	British	British
Age	63	60	54	55
Committee membership	Audit Nominations Remuneration (Chairman)	Audit (Chairman) Nominations Remuneration	Audit Nominations Remuneration	Audit Nominations Remuneration
Skills & experience	Caroline is currently Chair of Digital UK, a Non-Executive Director of CN Media Group, a Director of London First, a Non-Executive Director of UKGI and Chair of its Remuneration Committee, and a trustee of Tullie House Gallery in Cumbria. She has been Chair of Oxfam's UK trustees since January 2017. She was formerly Executive Director of English National Ballet. 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 member of the Council of the University of York, a Fellow of the Royal Television Society and a trustee of The Conversation.	Christopher is a Non-Executive Director of SDL PLC, Senior Independent Director and Chairman of the Audit Committee of AVEVA Group plc and Non-Executive Chairman of Eckoh PLC. He was 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.	Lorraine held the role of President, Meggitt Customer Services & Support until 2017, with responsibility for all centralised aftermarket operations since 2013. Prior to that she was Executive Vice President, Strategy, Sales & Marketing at Meggitt with increasing responsibility for group customers, including commercial and programme management, from 2005 to 2013. Previously she was Director of Strategy & Planning at BAE Systems and Marconi Electronic Systems (GEC) between 1998 and 2002 and has held several other senior roles at Booz Allen & Hamilton and Bombardier. Lorraine has a degree in Mechanical Engineering and is a Fellow of the Royal Aeronautical Society.	Mark was Chief Executive of Senior plc until 1 June 2015, being appointed to that position in March 2008. He joined Senior plc in 1998 from Morgan Crucible plc, and became Group Finance Director in 2000. He is currently a Non-Executive Director of Tyman plc, Non-Executive Chairman of Sigma Components Ltd and Non-Executive Director and Chairman of the Remuneration Committee of Carclo plc where he will become Chairman in July 2018. He was formerly a Non-Executive Director of WSP Group from 2006 to 2012. He is a Chartered Accountant and holds a degree in Engineering. Mark will cease to be a director on 2 April 2018.

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

2017 headlines

1) Significant progress on strategy
2) External board evaluation
3) Progress on succession, people and talent
4) Strong control environment whilst preserving entrepreneurial spirit

I am pleased to introduce my governance report for 2017 which sets out our culture and governance. Under my Chairmanship, the Board is responsible to all Vitec's stakeholders for the continued success of the Group. Culture and governance are critical to this.

Were there any Board changes in 2017?
Martin Green joined the Board on 4 January 2017 as Group Business Development Director and on 24 April 2017 Kath Kearney-Croft joined as Group Finance Director, succeeding Paul Hayes who left the Company on 28 April 2017. Both Martin and Kath bring excellent skills to the Board. Martin has been with the Group for over ten years and brings strong commercial insight into the Group's core markets and will be particularly focused on growth in APAC and opportunities in the Creative Solutions businesses as well as responsibility for corporate development and HR. Kath has undergone a thorough induction visiting our major operations and has made an excellent start during a period of significant change.

On 22 February 2018 we announced that Mark Rollins would leave the Board as a Non-Executive Director with effect from 2 April 2018. We also announced that Richard Tyson will join the Board as a Non-Executive Director with effect from 2 April 2018. I discuss the recruitment process later in this report. Christopher Humphrey will be taking on the role of Senior Independent Director following Mark's departure. I would like to thank Mark for his thoughtful insight into Board matters over the last five years and wish him well for the future. At the same time I welcome Richard Tyson to the Board and look forward to working with him.

Biographical details for each Board member as at 31 December 2017 can be found on pages 52 and 53 of the Annual Report and details for Richard Tyson can be found in the 2018 AGM notice circular.

How does the Board set the right culture and tone from the top?
We strongly believe in doing business in the right way. Our Code of Conduct sets out our expectations around behaviours and is given to all employees and is available to all our stakeholders including customers and suppliers. Our Code of Conduct was re-communicated to all employees in early 2018 and is available on our website. The Vitec Mindset sets out our values which remain unchanged and can be found on page 42. Health and Safety is a key performance indicator for our business with management focused on safe working conditions and accurate reporting of any near misses and accidents along with root cause investigations. Reports are provided to the Board on a monthly basis to track incidents and remedial actions taken as necessary. Our online governance training module has been completed by all new senior joiners during 2017, notably newly acquired businesses. In 2017 we also re-issued our independent whistleblowing service run by EXPOLINK. This enables employees or third parties to confidentially raise any concerns especially if they feel unable to do so through normal line management channels.

The Board and Operations Executive visited a number of our businesses in 2017 to meet with employees, share key messages and 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 will continue to visit our operations and meet with our people in 2018 to further embed our values.

What has the Board done in terms of strategy and its implementation?
During 2017 the Board undertook a detailed review of the Group's strategy. As a result of the strategy review, we announced in November 2017 that we would be moving to a three divisional structure with effect from 1 January 2018 and this is set out in Stephen Bird's Group Chief Executive's Review. Coupled with this, the Board visited the Creative Solutions business in October, meeting that Division's senior management team and the Teradek business site in Irvine, California. The Board has further communicated with shareholders on strategy and business priorities, including results presentations, an investor visit to Italy and several one-to-one meetings with major shareholders to hear first-hand their views on the strategy and business performance. With clear focus on the core broadcast and photographic markets, the Board also took the decision in 2017 to sell the non-core businesses of Bexel, the US Services business, and Haigh-Farr and acquire the JOBY and Lowepro brands and RTMotion.

Does the Board have the right structure and skills, and which directors will be standing for reappointment at the AGM?
The Board currently comprises eight directors with three executive directors, four independent non-executive directors and myself as chairman. As noted above, there will be a change to the Board and I believe we have the right sized Board with the correct balance of skills given the scale of our operations. Each Director has skills in the areas of strategy, finance, technology, human resources and global commercial experience to assist with the implementation of our strategy. They also enhance our diversity in terms of gender,

professional and global experience. The Board also has a strong independent element to ensure that the interests of all stakeholders are reflected in the running of the Company.

All Directors will stand for reappointment at the 2018 AGM.

Is the Annual Report fair, balanced and understandable?

The Board considers 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 and performance, business model and strategy, and has retained this power for itself. To achieve this we asked the Executive Directors and the Operations Executive to provide us with clear documentary evidence around the content and process of the 2017 Annual Report at our February 2018 Board meeting. The February 2018 Audit Committee confirmed to us that: the 2017 financial statements are true and fair; the work of the external auditor was effective; and the process supporting the Viability Statement was robust. As a consequence we are able to confirm that the 2017 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.

Has the Company complied with the UK Corporate Governance Code?

My governance review has taken into account the UK Corporate Governance Code ("Governance Code") as published in April 2016, and explains how we applied its main principles, supporting principles and provisions. Each was complied with throughout 2017, as required by the Listing Rules. The Board is aware that the Financial Reporting Council is consulting on a new Governance Code that is likely to come into effect for accounting periods beginning on or after 1 January 2019 and will adopt any new requirements as appropriate as and when the new Code is published.

Leadership

How do you lead the Board and how are decisions made by the Board?

The Board is responsible to shareholders for the creation and delivery of sustainable performance and long-term shareholder value. There are separate roles for each member of the Board 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 law and any directions as provided by the Company in general meeting. Apart from the remuneration of Directors or Directors' fees there were no instances when a Director had to abstain from voting on a matter due to a conflict of interest during 2017. The Board has a clear policy for dealing with any such conflicts or potential conflicts of interest.

How does your role interact with the Group Chief Executive?

The Group Chief Executive is responsible for managing the business. The Operations Executive supports the Group Chief Executive in this duty, the members of which are shown on page 17. The Group Chief Executive and I have an excellent working relationship, meeting and speaking regularly outside of scheduled Board meetings to discuss strategy and performance, and to ensure that Board meetings cover relevant matters. Our relationship and regular dialogue helps to underpin the working of the Board, providing a forum in which matters are discussed openly and robustly.

Who is the Senior Independent Director?

Mark Rollins acted as Senior Independent Director throughout 2017 and until he ceases to be a director on 2 April 2018. Notably in this role, Mark led the evaluation of my performance as part of the 2017 Board evaluation, information on which is provided later in this report. With Mark ceasing to be a director, the Board has decided that Christopher Humphrey will be appointed Senior Independent Director with effect from 2 April 2018. The Board considers that Christopher Humphrey is clearly independent and has the right experience and background to fill this important role.

What is the Board responsible for?

The Board has a Schedule of Matters Reserved to it which includes: the Group strategy; setting of annual operating budgets; review of progress against strategy and budgets; financial results; dividends; changes in Board composition including key roles; acquisitions and disposals; material litigation; capital structure; 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.

What are the Board's Committees responsible for?

The Board has delegated certain items of business to its principal Committees. 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 2017 are set out later in this report.

What did the Board do in 2017?

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, Group Business Development 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 including litigation
- Key performance indicators

There were six scheduled Board meetings and five short notice Board meetings in 2017. In addition to the standing items, the following is a summary of the business considered at each meeting in 2017.

January (short notice meeting held by phone)

- Approved lease terms for the new Bury St. Edmunds site
- Considered performance conditions tied to 2017 LTIP awards
- Updates on potential acquisitions and disposals

February (held in Richmond, UK)

- Annual Results, including review and approval, where appropriate, of:
  - Principal risks and mitigation
  - Report on going concern and viability statement
  - Final dividend recommendation
  - Full year results announcement for the year ended 31 December 2016
  - 2016 Annual Report including an assessment that the Report was fair, balanced and understandable
  - Notice of AGM
  - Management representation letter
- Recommended the reappointment of external auditor
- Group strategy including post acquisition reviews of the Creative Solutions businesses and potential acquisitions and disposals
- Update on the Group's financing structure concerning the Revolving Credit Facility and the Private Placement Facility
- Production Solutions Division business update

May (short notice meeting held by phone)

- Approved the content of the trading update including the disposal of the Haigh-Farr business
- Received updates on potential acquisitions

May (held in central London, UK)

- AGM briefing
- Trading update (including reforecast of 2017 performance)
- Group strategy including potential acquisitions
- Update on the Group's financing arrangements
- Update on the Enterprise Video business
- Investor relations update from Investec
- Approval of the Group's Modern Slavery Statement

June (held in Richmond, UK)

- Review of Group and divisional strategies
- Capital expenditure proposal for European Services business
- Sharesave offer to all employees

June (short notice meeting held by phone)

- Update on potential acquisition and associated due diligence

July (short notice meeting held by phone)

- Update on potential acquisition and disposal and associated due diligence, including an approval for the disposal of Bexel, the US Services business.

August (held in Richmond, UK)

- Half year results, including review and approval, where appropriate, of:
  - Principal risks and mitigation
  - Report on going concern
  - Interim dividend
  - Half year results announcement for the period ended 30 June 2017
  - Management representation letter
- Update on Group strategy including potential acquisitions
- Reviewed the reforecast of 2017 performance
- Approved the format of the 2017 external Board evaluation

September (short notice meeting held by phone)

- Considered and approved the acquisitions of the JOBY and Lowepro brands and RTMotion

October (held in Los Angeles, US)

Update on Group strategy

- Presentations from the Creative Solutions business
- Reviewed the reforecast of 2017 performance
- Received an update on Group synergies
- Update on progress with the external Board Evaluation
- Update on Group property matters including Chatsworth lease

December (held in Richmond, UK)

- Update on Group strategy
- Update on Group synergies project
- Approved the 2018 budget
- Presentation on investor relations strategy
- Presentation on the European Services business
- Presentation from Rothschild on strategic matters
- Outcome of the 2017 external Board evaluation and approved 2018 Board objectives
- Reviewed Board governance arrangements and key policies including terms of reference for board committees
- Reviewed the Chairman's and Non-Executive Directors' fees
- Update on pension matters relating to the UK's Defined Benefit and Defined Contribution schemes

Did all Directors attend meetings in 2017?

Details of Directors' attendance at Board and Committee meetings is shown in the table on page 60. All Directors attended each scheduled Board meeting and the five called at short notice, with the exception of Lorraine Rienecker who could not attend the short notice meeting in July due to prior commitments. 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.

Did the Board visit any of the Group's sites during the year?

In October 2017 the Board visited the Creative Solutions business operations in California, US. The visit included management presentations on market trends, product development, innovation and operations. The Board intends to hold a meeting at an operational site each year to deepen its knowledge and understanding of the Group. In 2018 this will be at our new Bury St. Edmunds facility in the UK. Each Director is encouraged to visit our operations at their own convenience to further build on their understanding of the Group.

Did the Board meet outside of scheduled meetings, including Non-Executive Director only meetings?

We continue to spend time together outside of Board meetings to learn not only about the business but each other's skills and personalities, which helps ensure an effective Board. We hold a dinner for the Board before each scheduled Board meeting to enable Directors to informally discuss current business matters. It also gives an opportunity for the Operations Executive, other senior management or external advisors to attend to give updates on the business. This is a very useful and effective format.

We also hold Non-Executive Director only meetings, scheduled around the February and August Board meetings. These enable the Non-Executive Directors to raise any issues without executive management present. As Chairman, I feed back to the Executive Directors on these discussions and take any actions necessary to address matters raised.

How is the Board supported by executive management?

The Operations Executive 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 Operations Executive 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, market, products, customers and competitors.

Effectiveness

How do you measure the 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 issues. During 2017 we conducted an externally facilitated Board evaluation and the detail of this is set out later in this report. In compliance with the Governance Code we conduct an external Board evaluation every three years to ensure that we independently measure the effectiveness and performance of the Board. In years where we do not have an external Board evaluation, we conduct an internal evaluation to ensure that we continue to challenge the Board on its effectiveness and performance.

Are the Non-Executive Directors independent?

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 Christopher Humphrey, Lorraine Rienecker, Caroline Thomson and Mark Rollins are independent in accordance with the recommendations of the Governance Code. Each of these Non-Executive Directors' tenure on the Board is less than five years and I lead the process of ensuring that each year the performance of each Director is objectively appraised. Each Director is also required to declare any conflict of interest arising on any matter and I confirm that no such conflicts arose in 2017. Each Director brings a complementary set of skills and diversity to the Board, having served in companies of varying size, complexity and market sector. When combined, these skills give your Board the comprehensive skill set required to deliver the strategic objectives of the Group and to ensure its continued success. We have also appointed Richard Tyson as Non-Executive Director with effect from 2 April 2018 and Mark Rollins will cease to be a Director with effect from 2 April 2018. We consider that Richard Tyson is independent.

Do new Directors receive an induction?

On appointment, we provide each Director with a tailored and extensive induction to the Group. The induction programme for Kath Kearney-Croft included meetings with: senior colleagues internally; the Group's key advisors from KPMG, Investec, Rothschild, Slaughter and May and our relationship banks, including regular reviews with the KPMG Audit Partner; and the Audit Committee Chairman. Kath visited our businesses in Costa Rica, Bury St. Edmunds, UK, various locations in the US and Italy during 2017 to learn more about operations in each location and meet our employees. She attended all Board meetings and the strategy day held in June, allowing her to gain an in-depth understanding of the Group, as well as a senior management conference in October attended by over 60 of our senior employees. As part of the Board meetings she received presentations on the products and services we offer and how each business operates in its chosen markets and segments, along with the internal governance processes and procedures that exist to support our operations. Martin Green's induction was more finely tailored on account that he has been with the Group for over ten years. Each induction process is tailored to the individual and would be adjusted if it related to a Non-Executive Director. Each Director is encouraged to continue visiting the Group's operations as their schedule permits.

Corporate Governance

Does the Board receive ongoing 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 appointed advisors. The requirement for training is discussed at meetings of the Board and Committees and I ensure that each Director has the required skills and knowledge to enable them to operate efficiently on the Board. The Group Company Secretary maintains a register of training undertaken by Directors to facilitate this discussion. During the year the Board collectively received training sessions on product technology, investor relations and the broadcast and photographic markets. The Board regularly receives written updates on governance, regulatory and financial matters as they are published.

What if a Director needs to take independent external advice?

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 2017 no Director took such advice. They also have access to the advice and services of the Group Company Secretary, who is responsible for advising the Board, through myself, on all governance matters.

How do you ensure that Board meetings run effectively?

Working with the Group Chief Executive and Group Company Secretary, I ensure that Directors receive papers for consideration at Board meetings so that it gives all Board members adequate time to read, prepare and, where appropriate, ask questions prior to the meeting. 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 Board member receives a detailed monthly report from the Group Chief Executive, Group Finance Director, Group Business Development Director, Group Company Secretary and Group Legal Counsel, plus a Health and Safety Report covering the ongoing performance of the business. The Board receives further information from time to time as and when necessary.

All Board and Committee meetings are minuted by the Group Company Secretary. In the first instance, minutes are reviewed by the Chairman of that meeting before being circulated to all Directors in attendance and then tabled for approval at the next meeting.

What is the Board's policy on appointing 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 shall hold office only until the next AGM and shall then put himself or herself forward to be reappointed by shareholders.

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.

Under the Company's Articles, each Director is required to stand for annual reappointment at every AGM. The table below sets out the Chairman's and Non-Executive Directors' appointment dates and scheduled renewal of terms. Mark Rollins will cease to be a director on 2 April 2018 and has not been included in the table below. Having served on the Board for six years, the Chairman's term of appointment was renewed at the February 2018 Board meeting and he will be standing for re-election at the 2018 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.

Richard Tyson has been appointed as a Non-Executive Director with effect from 2 April 2018 and will be standing for re-election at the 2018 AGM.

Chairman or Non-Executive Director	Appointment date	First renewal of term	Second renewal of term	Annual renewal of term post two three year terms
John McDonough (Chairman)	15 March 2012	15 March 2015	15 March 2018	Annually from 15 March 2019 onwards
Christopher Humphrey	1 December 2013	1 December 2016	1 December 2019	Annually from 1 December 2020 onwards
Lorraine Rienecker	1 December 2013	1 December 2016	1 December 2019	Annually from 1 December 2020 onwards
Caroline Thomson	1 November 2015	1 November 2018	1 November 2021	Annually from 1 November 2022 onwards

What is the Board's policy on diversity?

The Board considers the issue of diversity for every appointment. 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, the Parker and McGregor-Smith reviews on Ethnic Diversity. We will report upon this issue annually in our Annual Report.

The Employees section of the Corporate Responsibility Report contains further information on diversity, including the disclosure of gender diversity statistics in accordance with the requirements of the Companies Act 2006.

What format did the Board's evaluation take in 2017?

In 2017 we conducted an external Board evaluation that was facilitated by Lintstock, who previously conducted our last external evaluation in 2014.

The process entailed individual meetings held with myself, Stephen Bird, Kath Kearney-Croft and the Group Company Secretary, where the performance of the Board and business were discussed. Following this, the Group Company Secretary and I worked with Lintstock to develop two bespoke questionnaires that focused on the work completed by the Board during 2017 including the strategy review held in June and the Board visit to the US in October along with general Board matters. These were issued to all Directors and the Group Company Secretary, and also covered reviews of the Board, the Audit, Remuneration and Nominations Committees, and the Chairman. Lintstock collated the findings from both questionnaires into five separate reports which were presented to the Board by Lintstock at the December 2017 Board meeting. I also met with each Director individually, allowing for a discussion to take place around any areas for improvement. Mark Rollins, as Senior Independent Director, coordinated the process for my own evaluation. The outcomes have helped to shape the Board and Committee objectives for 2018.

What was the outcome of the 2017 evaluation?

I am pleased to report that Lintstock concluded that your Board was performing well, with its dynamic rated highly, reflecting a collegiate and transparent approach during meetings. The Board's composition, skills and expertise were also rated favourably, with strong governance processes underpinning its performance. The relationship between the Chairman and Group Chief Executive continued to work well. The strategy review process had improved on the prior year and the Board's oversight of the resulting actions was effective. Visiting the US operations in California had allowed Directors to understand more about the Creative Solutions business and its people.

Each Committee was deemed to be effective along with individual Directors contributing time and effort both during and outside of meetings. Non-Executive Directors demonstrated a willingness to devote sufficient time and effort to understand the Company and its businesses and provided independent, rigorous and constructive challenge on strategy and operational performance. Board and Committee materials and papers are comprehensive, clear, appropriately detailed and circulated in good time, allowing for meetings to be managed efficiently.

What actions has the Board taken as a result of the 2017 evaluation?

The 2017 Board evaluation has been used as a basis to set Board objectives for 2018 and these focus on the areas of: strategy; governance and culture; financial performance; customers, technology and competitors; key performance indicators; and risk. The Board will track progress against each during 2018 and I will report on these objectives in the 2018 Annual Report.

Each of the Board Committees were reviewed with individual outputs and actions created. As with the Board, the output helped set the 2018 objectives that will be reported on by each Committee in the 2018 Annual Report. For the Audit Committee, 2018's focus will be on: reviewing the risk management of strategic objectives; a successful handover to the new external auditor; an overview of IT strategy and processes; oversight of treasury arrangements and tax strategy; the successful induction of the new Non-Executive Director and continued training on financial and governance matters. The Remuneration Committee's objectives for 2018 include: ensuring the Remuneration Report takes into account best practice and receives significant shareholder support at the 2018 AGM; ensuring remuneration structures for senior management remain appropriate and aligned to delivery of our Group strategy; preparing for changes concerning executive remuneration as a consequence of new legislation and a revision to UK Corporate Governance Code; and ensuring the Committee continues to receive appropriate ongoing training.

Finally, my review led by Mark Rollins highlighted that I have a good relationship with the Group Chief Executive, Board members and major shareholders, and my performance was rated highly by every Board member.

John McDonough and the Vitec Board visiting the offices and operating facilities of Teradek in October 2017.

Corporate Governance

How did the Board perform against the 2017 Board Objectives?

The Board set itself several objectives for 2017. These are summarised below with an assessment of performance against each.

2017 Board Objectives	Progress during 2017
Continue to review current strategy and ensure it is fit for purpose based on changing markets and customer needs, monitor progress of strategy against KPIs, continue to oversee acquisition strategy, and resolve long-term future of Bexel and Haigh-Farr	• Received regular updates from each Division on progress against their strategic plans with Divisional and Business Unit senior management attending several Board meetings • Visited the Creative Solutions business to review operations, technology and people • Undertook detailed strategic review, identified key areas concerning strategy and agreed programme for ongoing review, including splitting the Group into three Divisions • Regular review of strategic KPIs • Completed the acquisitions of the JOBY and Lowepro brands and RTMotion • Sold the non-core businesses of Bexel and Haigh-Farr
Ensure that Executive Director succession planning is regularly discussed, talent development processes for senior roles are in place and the Board has visibility of senior management to support delivery of strategy	• Received regular updates on talent and succession planning for Executive Directors and senior management roles across the Group • Met with a number of senior employees during visits to operations in the US and during the strategic review • Reviewed incentive proposals for roles below the Operations Executive • Externally recruited Kath Kearney-Croft as Group Finance Director
Continue to develop understanding and knowledge of underlying and emerging technologies, and the risks associated with those technologies, along with customers and their technology needs and competitors' technological capabilities	• Received presentations from product specialists within the business on existing and developing technologies • Attendance at Photographic and Broadcast trade shows including NAB • Considered capital expenditure requests for new products and acquisitions
Continue to ensure that robust governance processes are in place and that Group's culture and common values are well communicated and widely understood throughout the Group. Undertake an external board evaluation	• Approved and published the Group's Modern Slavery statement in May 2017 • Ensured that the governance disclosures in the 2017 Annual Report were robust and accurate and received over 99% support from shareholders voting on the 2016 Annual Report • Health & Safety and Whistleblowing notices re-communicated to all employees to stress their importance • All major customers vetted for reputational risk issues • Engaged an external consultant to assist with corporate responsibility reporting • Completed an external Board evaluation facilitated by Lintstock • Code of Conduct re-communicated to all employees in February 2018
Develop detailed understanding of operations ensuring operations are optimised, aligned with future strategy and deliver improved financial performance	• Regular presentations from business units covering operational matters • Presentation from Group Finance Director on synergies across operations and back office functions including synergies action plan • Site visits to the US to allow for oversight of operations
Closely monitor current financial performance and recommend actions as appropriate	• Received regular updates from the Group Chief Executive and Group Finance Director on current trading • Approved content of full and half year announcements and trading updates • Reviewed quarterly reforecasts of 2017 performance • Approved sales of US Services business (Bexel), and Haigh-Farr, along with agreeing three Divisional structure to optimise Group operations

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 in respect of the outcome of their 2017 annual bonus.

Directors' Attendance table for 2017

	Board		Audit		Remuneration		Nominations	
	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice
Number of meetings	**6**	**5**	**4**	**-**	**3**	**-**	**3**	**-**
Directors								
John McDonough	6	5	-	-	-	-	3	-
Christopher Humphrey	6	5	4	-	3	-	3	-
Lorraine Rienecker	6	4	4	-	3	-	3	-
Mark Rollins	6	5	4	-	3	-	3	-
Caroline Thomson	6	5	4	-	3	-	3	-
Stephen Bird	6	5	-	-	-	-	3	-
Kath Kearney-Croft (appointed 24 April 2017)	5/5	4/4	-	-	-	-	-	-
Paul Hayes (resigned 28 April 2017)	1/1	1/1	-	-	-	-	-	-
Martin Green (appointed 4 January 2017)	6	5	-	-	-	-	-	-

What is the purpose of the Nominations Committee?

The Board has appointed the Nominations Committee to oversee the composition of the Board (including skills, knowledge, experience and diversity), senior executive recruitment and succession, and the process for appointments of Directors.

Current Committee members are set out below and all served throughout 2017. Other members of the Board attend Nominations Committee meetings by invitation and where there is no conflict.

Chairman	Members
John McDonough	**Stephen Bird** **Christopher Humphrey** **Lorraine Rienecker** **Mark Rollins** **Caroline Thomson**

What did the Nominations Committee do in 2017 and what are its plans for 2018?

During 2017 the Nominations Committee focused its attention on executive management, receiving presentations on talent development and succession planning for the Executive Directors, Operations Executive and senior management. In the early part of 2017, the Committee was principally focussed on the recruitment process for a new Group Finance Director that culminated in Kath Kearney-Croft's appointment on 24 April 2017. In the latter part of 2017, the Committee commenced a search for a new Non-Executive Director following Mark Rollins' indication that he would wish to stand down as a Director in 2018. The Committee managed this search for his successor and made a recommendation on this to the Board at the February 2018 meeting. In 2018 the Committee will focus in detail on succession planning and talent development for the direct reports of the Executive Directors and senior management within each of the Group's divisions.

What is the process for the appointment of a new Director?

Once the Board has identified the need for a new Director, the Chairman would, except where the search relates to his role, engage the support of an external executive search consultant where necessary to facilitate the search. The Chairman would work with the consultant to draft a clear brief on the role, skills and personal attributes that the Board was looking for, taking into account Board diversity, and follow this 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 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.

The Nominations Committee used the services of JCA Group in 2017 as part of the process for the recruitment of a new Non-Executive Director.

Does the Board have the right mix of Directors?

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 2017 each Board member assessed the current mix of the Board and skills of directors to identify potential areas for improvement. This has helped to support the recruitment of new Directors as we move forward. The recruitment of a new Non-Executive Director has taken into account the current mix of the Board and the need to ensure continued diversity of experience and background. I will remain mindful of the need to have the right balance on the Board and future Board changes will take this into consideration. The Nominations Committee will continue to monitor Board structure and succession plans, including talent and succession plans of senior management below Board level.

Nominations Committee activities during 2017

At each main meeting the Committee considers:

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

The Committee had three scheduled meetings in 2017 and covered the following matters:

February

- Recommended to the Board the appointment of a new Group Finance Director

October

- Reviewed Board succession planning
- Received an update on senior management talent and succession planning in the Creative Solutions business

December

- Reviewed Board succession planning
- Received an update on senior management talent and succession planning across the Group

What is the purpose of the Remuneration 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 Operations Executive. An overview of the work completed by the Remuneration Committee during the year is set out in the following table. The Remuneration Committee is chaired by Caroline Thomson and comprises exclusively independent Non-Executive Directors. The Chairman, Group Chief Executive, Group Finance Director, Group Business Development Director and Group Company Secretary have all been invited to attend meetings throughout 2017.

The Remuneration Report for the year ended 31 December 2017 on pages 70 to 90 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 2017 AGM and will next be put to shareholders at the 2020 AGM, unless changes to the remuneration policy need to be made before this date. The Remuneration Report gives full details of Executive and Non-Executive Directors' remuneration during 2017 including payments made to previous directors.

Current Committee members are set out below and all served throughout 2017.

Chairman	Members
Caroline Thomson	**Christopher Humphrey**
	Lorraine Rienecker
	Mark Rollins

Remuneration Committee activities during 2017

During 2017 the Remuneration Committee had three scheduled meetings. At each scheduled meeting the Committee considered the following matters:

- Directors' duties and conflicts of interest
- Minutes of previous meetings and matters arising
- Reviewed progress against objectives

The following specific business was dealt with at each meeting held in 2017:

February

- Approved the 2017 Remuneration Committee Report including the Remuneration Policy
- Approved the outcome of personal objectives for Executive Directors for 2016 and agreed Executive Directors' 2017 objectives
- Approved the outcome of 2016 Annual Bonus Plan and confirmed financial targets for 2017 Annual Bonus Plan
- Approved the outcome of performance conditions tied to 2014 LTIP and DBP awards
- Approved 2017 awards to be made under the LTIP and DBP
- Agreed the treatment of incentives for Paul Hayes ahead of his resignation as a Director

October

- Noted an update on performance conditions for the 2015 LTIP
- Considered the treatment of acquisitions and disposals on the outcome of LTIP awards and 2017 Annual Bonus Plan awards

December

- Approved the outcome of the Committee's 2017 objectives and set 2018 objectives
- Update on general remuneration matters from Mercer, the Committees' appointed remuneration advisor
- Considered the treatment of acquisitions and disposals on the outcome of LTIP Awards
- Update on indicative outcome for the 2017 Annual Bonus Plan
- Approved proposed salary increases for 2018 for the Executive Directors and Operations Executive
- Approved the structure of the 2018 Annual Bonus Plan
- Considered draft personal objectives for Executive Directors for 2018

How did the Remuneration Committee monitor its performance?

The Remuneration Committee set itself several objectives for 2017, the detail and progress against which is shown in the table on the following page.

The Remuneration Committee has set itself objectives for 2018 and will report on progress against these in the 2018 Annual Report.

2017 Remuneration Committee Objectives	Progress during 2017
Draft 2017 Remuneration Policy and ensure it is aligned to Group strategy, in line with best practice and receives over 80% approval at the 2017 AGM	• Policy drafted to include introduction of ROCE underpin to LTIP, rebalance of performance conditions with an increased proportion based on EPS growth and a reduced proportion based on TSR, and a reduction of pension contribution for future Executive Directors • Remuneration Policy approved by 99.9% of shareholders voting at the 2017 AGM. Successful consultation with shareholders completed as part of the process. Policy to be applicable for three years to 2020 AGM • 2016 Remuneration Report compliant with regulations and received 99.9% support of shareholders voting on the advisory resolution at the 2017 AGM
Ensure appropriate remuneration structures for senior management taking into account business operations and global locations	• Remuneration and incentives for Operations Executive agreed
Review performance of the remuneration advisor, Mercer, following the 2017 AGM	• Mercer provided support on the drafting of the remuneration policy and shareholder consultation in late 2016 / early 2017 • The Committee remains satisfied that Mercer continue to provide appropriate advice on executive remuneration including market context and Company specific issues
Make LTIP awards in conjunction with new remuneration policy and appropriately stretching performance conditions	• 2017 LTIP awards made in line with the terms of the approved remuneration policy at the 2017 AGM and with appropriately stretching performance conditions attached
Support recruitment of a new Group Finance Director with appropriate remuneration structure	• Remuneration of Group Finance Director in line with remuneration policy and market practice

Accountability

How does the Board oversee 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 risks it faces and for putting in place procedures to monitor and manage those risks.
- The responsibilities of senior management at each business unit to manage risks within their businesses are periodically reinforced by the Operations Executive.
- Major strategic, operational, financial, regulatory, compliance and reputational risks are formally assessed during the annual long-term business planning process around mid-year. These plans and the attendant risks to the Group are reviewed and considered by the Board.
- Large financial capital projects, property leases, product development projects and all acquisitions and disposals require advance Board approval.
- The process by which the Board reviews the effectiveness of internal controls has been agreed by the Board and is documented. This involves regular reviews by the Board of the major business risks of the Group, together with the controls in place to 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 34 and 35 of this Annual Report.
- The Board has established a control framework within which the Group operates. This contains the following key elements:
  - an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
  - defined expenditure authorisation levels;
  - an operational review process covering all aspects of each business conducted by Group executive management on a regular basis throughout the year;

- a strategic planning process identifying key actions, initiatives and risks to deliver the Group's long-term strategy; and
- a 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 Operations Executive 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 a number of internal audits and additional assurance reviews during 2017, 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; and IT processes. An internal audit plan for 2018 was prepared and agreed with the Audit Committee at its February 2018 meeting.

What publications has the Board reviewed in consideration of compliance with internal control and risk matters?

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.

Relations with shareholders

How does the Board ensure it has a continued dialogue with its major shareholders?

Maintaining regular contact with our shareholders remains an important part of our activities and is fundamental to good corporate governance. During 2017, the Group Chief Executive and Group Finance Director held face-to-face meetings with each of our major shareholders tied into the publication of our full year and half year results and also periodically as requested by existing and potential shareholders. I also make myself available to shareholders as required to discuss the Group's strategy, governance and remuneration matters. In May 2017 we took some of our major shareholders and analysts to visit our facilities in Italy. The visit included a tour of our operations and allowed them to meet with more of our employees. We plan to run a similar visit to our new facility in Bury St. Edmunds that will open in 2018. We aim to ensure that our business, strategy, governance and remuneration policies are clearly understood and that any concerns are addressed through constructive engagement.

How does the Board use the AGM to communicate with all shareholders?

I was pleased to meet some of our shareholders at the 2017 AGM and look forward to meeting shareholders again at the 2018 AGM. This offers an opportunity for you to meet with our Directors and to hear more about the Group's strategy. Shareholders are encouraged to attend the AGM and to ask questions about the business. The Group Chief Executive gives a short business update to the AGM. I confirm that all Board members will attend the forthcoming AGM, including each of the Committee Chairmen. Details of the AGM are included in the Notice of Meeting that accompanies this Annual Report and which is available on our website.

How do shareholders vote at the AGM?

All resolutions are voted on by way of a poll. This reflects best practice and ensures that all the views of all shareholders who submit proxy forms are taken into account in terms of the actual voting at the general meeting. The outcome of the voting at the AGM will be announced by way of a Stock Exchange announcement and full details will be published on the Company's website shortly after the AGM. At the 2017 AGM, over 80% 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 have the opportunity to ask questions at the meeting. In the event that 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 in excess of 20% of shareholders voting to be significant.

What about other types of shareholder communication?

We publish an Annual Report each year usually in March following the end of the financial year on 31 December. To allow shareholders to review the Annual Report in advance of the AGM and create an informed view of the Group, we comply with the requirement set out in the current Governance Code in respect of shareholder meetings to send the Notice of Meeting and related papers at least 20 working days before the meeting and we will continue to comply with this requirement. The Board communicates with its shareholders via a combination of public announcements through the London Stock Exchange, analyst briefings, roadshows and press interviews at the time of the announcements of the half year and full year results and, when appropriate, at other times in the year.

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 to receive up-to-date information about us.

John McDonough CBE
Chairman

21 February 2018

Corporate Governance

Report from Christopher Humphrey, Chairman of the Audit Committee

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

The Audit Committee at the date of this report comprises four independent Non-Executive Directors. During 2017 the members were:

Chairman	Members
Christopher Humphrey	Lorraine Rienecker
	Mark Rollins
	Caroline Thomson

The Audit Committee provides effective governance over external financial reporting, risk management and internal controls and reports its findings and recommendations to the Board. As Chairman of the Audit Committee, I am pleased to report on the operations of the Committee during 2017, with emphasis on the specific matters we considered, including compliance with the Governance Code and associated Guidance on Audit Committees. We fully comply with the requirements of the Governance Code as issued in April 2016.

What qualifications and skills do you possess as Audit Committee Chairman?

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 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 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 52 and 53.

What did the Committee do in 2017?

In 2017 I chaired four scheduled meetings of the Committee and I worked closely with both Group Finance Directors, the Group Risk Assurance Manager and the Deputy Company Secretary to ensure the Committee is provided with the necessary information it requires to discharge its duties. We operate with a rolling agenda programme, taking into account our terms of reference (which can be found on 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. A priority in 2017 was to ensure the smooth handover to Kath Kearney-Croft as the new Group Finance Director and full details of her induction are contained earlier in this report. Her induction has been extremely thorough and she provides detailed input to the Audit Committee. The Committee also undertook in the latter part of 2017 a tender for the services of the external auditor. This was earlier than expected due to a number of business changes that I explain in more detail below. Full details of the work we completed during 2017 is set out in the table on page 68.

How long has KPMG been the Group's Auditor?

KPMG has been the Company's auditor since 19 July 1995 and we comply with the requirement to rotate the audit partner every five years. Adrian Wilcox was appointed as Audit Partner in 2016 and was in attendance at the 2017 AGM.

How did the Committee review the effectiveness of KPMG?

Before I explain about the tender process for the external auditor, I will explain how we formally assessed the effectiveness of the external auditor during 2017. Alongside collecting verbal feedback from each business unit on KPMG's performance, every three years we issue a feedback questionnaire to employees who had interaction with KPMG during the 2016 audit. The questionnaire was issued in mid-2017 and covered areas of: leadership and team structure; planning, approach and scope; execution and process; risks; communication; independence and objectivity; adding value; and cost effectiveness. The results of the questionnaire showed that KPMG was performing adequately and highlighted areas for improvement during the 2017 audit process.

The aggregated results of the questionnaires were shared with KPMG and allowed the Audit Committee to conclude that the KPMG audit process was robust, effective and in accordance with auditing standards. We also took into account publications made by the FRC, including the Audit Quality Practice Aid for Audit Committees as published in May 2015. These provided the Committee with comfort that an external and independent review of the quality of KPMG's overall audit work had taken place.

Why did you tender the external auditor?
In the 2016 Annual Report we reported that we expected to tender the external auditor in 2020, to coincide with the rotation of the audit partner, or earlier, if KPMG's performance fell short of the Audit Committee's expectations. In late 2017 we decided to accelerate the tender of the external auditor due to a number of factors, including: the appointment of a new Group Finance Director; the change to a three Divisional reporting structure; material changes to the composition of the Group following the sales of Bexel and Haigh-Farr and the acquisitions of the JOBY and Lowepro brands and RTMotion.

What process was undertaken in selecting a new external auditor?
Following a decision by the Audit Committee to put the external audit to tender, a number of firms were invited including Deloitte, EY, PwC and BDO. BDO declined to participate due to their limited knowledge of our business. Initial meetings were held with each firm and the Group Finance Director, following which a number of due diligence documents were shared with each firm to allow them to gain a better understanding of our business. Formal tender meetings were held with each firm where they presented their proposals and met with a number of head office and divisional finance colleagues. The proposed lead audit partners also met with myself as Chairman of the Audit Committee and the Group Finance Director. All three firms presented to the Audit Committee in December 2017 on a blind fee basis, and were rated on a pre-defined list of criteria before fees were disclosed. Two firms were shortlisted and a recommendation made to the Board. Following further discussion, the lead audit partner from the preferred firm met with the Board Chairman and Group Chief Executive. A final decision on the appointment of a new external auditor was made by the Board on 21 February 2018.

Which audit firm is being recommended to shareholders to be appointed as the external auditor at the 2018 AGM and why?
As a result of the tender process, the Audit Committee recommended to the Board that Deloitte LLP ("Deloitte") be appointed as the Group's external auditor. KPMG will not seek re-appointment at the 2018 AGM and therefore the Board recommend to shareholders for approval at the 2018 AGM, the appointment of Deloitte, to succeed KPMG as the external auditor for the financial year commencing 1 January 2018. As outgoing auditor, KPMG will provide the Company with a statement of the reasons for ceasing to hold office as the Company's external auditor and a copy will be circulated to shareholders attached to the 2018 AGM Notice of Meeting.

Deloitte was the strongest candidate firm and had built up a strategic relationship with the Group over a number of years. Its audit team impressed the Group head office and Divisional finance functions with their technical knowledge and its senior team was felt to have the best fit with the Group. Deloitte is currently the Group's tax advisor and due to independence issues will step down from this role at the commencement of the audit engagement.

A resolution will be put to shareholders at the 2018 AGM to recommend the appointment of Deloitte as auditor of the Group. A separate resolution for the approval of the external auditors remuneration will also be put to shareholders at the 2018 AGM.

We will review Deloitte's performance during 2018 and provide a summary in the 2018 Annual Report.

How do you keep on top of matters outside meetings?
I 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.

Was the Company subject to any reviews by the FRC during 2017?
The Company was not subject to any FRC reviews during 2017. Should this occur in future, we will advise shareholders in the subsequent Annual Report.

How has the Committee assessed the content of the Annual Report?
As already explained by the Chairman, the Board takes responsibility for determining that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's 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 who recommended to the Board at its meeting on 19 February 2018 the adoption of the financial statements as at 31 December 2017 and that they provide a true and fair view of the financial performance of the Group.

What were the significant accounting issues considered by the Committee?
The Committee considered several significant accounting issues, matters and judgements in relation to the Group's financial statements and disclosures for the year ended 31 December 2017. As part of the half year and full year reporting process, management present an accounting paper to the Committee, and the external auditor is asked to also comment on the key significant areas of accounting judgement and disclosure, specifically inventory and tax provisions. The information presented is used by the Committee to critically review and assess the key policies and judgements that have been applied, the consistency of policy application and the appropriateness of key disclosures made, together with compliance with the applicable accounting standards. The significant issues arising and a description of how each was addressed is shown in the following table.

Significant issue	How it was addressed
Working capital management	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. Management presented to the Committee the experience of bad debts during the year, and the debtor concentration and days outstanding. With regard to inventory the gross levels held 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 other liabilities	The Committee considered the judgemental issues relating to the level of provisions and other liabilities. The more significant items include post-employment 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.

Who else attends 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 2017 he attended three of the four 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.

What is the policy on non-audit services provided by the external auditor?

We have a policy on the use of the external auditor for non-audit services which is reviewed annually. During 2017 the policy was refined to include only two classes of work (previously three): services from which the external auditor is excluded and services for which the external auditor may be considered, which better represented how the policy was being applied in practice. There were no changes to the items of work covered by the policy except for being covered under two categories instead of three. An express provision was included in the policy that written permission must be obtained from the Group Finance Director 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 KPMG have been set by the Committee. The policy ensures that the non-audit work provided by KPMG does not impair their independence or objectivity and is divided into two parts:

- Work from which the external auditor is excluded: This includes but is 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 adviser or investment banking services.
- Work where use of the external auditor may be deemed appropriate – subject to pre-approval from the Group Finance Director and Chairman of the Audit Committee: This includes accounting advice in relation to acquisitions and divestments, corporate governance and risk management advice, defined audit related work and regulatory reporting, reporting accountant services, compliance services, transaction work (mergers, acquisitions and divestments), valuation and actuarial services, fairness opinions and contribution reports.

I confirm that during 2017 the policy was followed without exception. A report on the level of non-audit work provided by KPMG is given to the Committee half-yearly and the Committee is satisfied that the advice they received from KPMG has been objective and independent. During 2017, £0.1 million was paid to KPMG 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-yearly financial statements. The policy on non-audit services provided by the external auditor will continue to apply to Deloitte going forward from their appointment as external auditor.

How was the Committee rated in the annual evaluation?

Our performance as a Committee was assessed through the external Board performance evaluation, information on which is provided in the Governance Report. The Audit Committee is working effectively and supported by internal finance and internal audit teams. A number of suggestions for areas to focus on have been incorporated in our 2018 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 2017 and the progress made is summarised below. I am pleased to confirm that we successfully achieved all of these objectives. Progress on achievement against our 2018 objectives will be reported in next year's Annual Report.

2017 Audit Committee Objectives Progress during 2017

2017 Audit Committee Objectives	Progress during 2017
Ensure continued appropriateness of the Group's Risk Management processes and that internal audit actions are aligned with critical business risks. Oversee resources of internal audit team	• 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 2016 Annual Report • Reviewed regular Risk Assurance Reports from the Group Risk Assurance Manager • Approved the 2017 Internal Audit Plan • Initiated the recruitment of an additional internal audit resource in the US
Receive updated governance materials and discuss their impact on the Group, and oversee the Group's whistleblowing arrangements	• Received technical updates during the year from KPMG's Audit Committee Institute, other publications from major accounting firms and a legal and regulatory presentation • Reviewed and recommended to the Board the Viability Statement as disclosed in the 2016 Annual Report • Received a presentation from Adrian Wilcox, the senior KPMG partner, on forthcoming technical and governance changes • Oversaw the Group's whistleblowing arrangements and the recommunication of the whistleblowing service to all employees in August 2017 • Update on suppliers vetted through the Group's reputational risk database
Oversee the Group's Treasury function	• Presentation from Group Treasurer on the Group's Treasury function • Recommended the Group's Treasury policy to the Board for approval
Review the Group's Tax strategy	• Scheduled for February 2018 Audit Committee meeting
Ensure successful induction of Group Finance Director	• Met with finance team to understand Vitec's finance function • Met with key external advisors including KPMG, Investec, Slaughter and May and Rothschild and key banking relationship managers • Met with Christopher Humphrey to discuss the finance function and workings of the Audit Committee • Visited major sites including: Costa Rica, Bury St. Edmunds, various sites in the US and Italy • Attended NAB in Las Vegas • Participated in the AGM and met with a number of investors and analysts following the half year results • Received a governance induction from the Group Company Secretary • Led the finance process around the 2017 half and full year results • Led the re-forecast process for 2017 and the budget process for 2018 • Managed the tender process for the external audit services alongside Christopher Humphrey • Reviewed the Group's Investor Relations strategy

Audit Committee activities during 2017

During 2017 the Audit Committee had four scheduled meetings. At each scheduled meeting the Committee considered the following matters:

- Directors' duties and any new 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
- Any whistleblowing reports

The following specific business was dealt with at each meeting held in 2017:

February

- Annual results for 31 December 2016, including:
  - Accounting issues report
  - Full year report from the external auditor including Auditor's Report to be included in the 2016 Annual Report
  - Consolidated financial statements for the year ended 31 December 2016
  - 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
  - Process behind the drafting of the Viability Statement
- Recommendations to the Board on:
  - The consolidated financial statements
  - The reappointment of, and fees for, KPMG
  - The independence and objectivity of KPMG
  - Management's representation letter to KPMG
  - The Viability Statement
- Reviewed results of enhanced controls self-assessment process
- Reviewed 2017 internal audit plan
- Summaries of internal audit's reviews of the business
- Private meeting between the Committee and external auditor without executive management present

June

- Reviewed progress on compliance with General Data Protection Regulations
- Approved policy on audit and non-audit services provided by the external auditor
- Reviewed outcome of review of the external auditor following the year end
- Reviewed external audit strategy for the year ended 31 December 2017
- Training session from KPMG on technical and governance issues
- Summaries of internal audit's reviews of the business

August

- Reviewed KPMG's fees and scope for the external audit for 31 December 2017
- Half year results for 30 June 2017, including reviews of:
  - Accounting issues report
  - Report from the external auditor
  - Results for the half year ended 30 June 2017
  - Fees for non-audit services and professional fees
  - Principal risks and uncertainties
- Recommendations to the Board on:
  - The half year results
  - Management's representation letter to KPMG
- Summaries of internal audit's reviews of the business
- Presentation on geopolitical risks

December

- Considered the outcome of 2017 objectives and agreed 2018 objectives
- Considered progress on a tender for the external auditor
- Reviewed bribery and whistleblowing arrangements
- Presentation on the Group's Treasury strategy
- Presentation on legal and regulatory matters

Christopher Humphrey
Chairman, Audit Committee

21 February 2018

Annual Statement by Caroline Thomson, Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present to you our 2017 Remuneration Report which is split into three separate sections.

- **Firstly, my annual statement setting out the work of the Remuneration Committee in 2017 and priorities for 2018.**
- **Secondly, a summary of the Remuneration Policy Report ("Policy Report"). The Policy Report was approved by over 99% of shareholders voting at the 2017 Annual General Meeting and sets out the Company's policy on Directors' remuneration for the three years from May 2017 to May 2020.**
- **Thirdly, the Annual Report on Remuneration that sets out the remuneration paid to Directors in 2017 as well as details of how the Committee intends to implement our remuneration policy for 2018. Shareholders will have the opportunity for an advisory vote on the Annual Report on Remuneration at the 2018 AGM.**

2017 performance

Vitec achieved record performances in adjusted revenue* and adjusted profit* for 2017 as well as a material appreciation in share price from an opening price in January 2017 of £6.48 per share to a closing share price at 31 December 2017 of £11.30. In addition to growth in revenues and adjusted profit*, management successfully carried out strategic corporate activity including the disposals of the non-core businesses of Haigh-Farr and Bexel, the US Services business, as well as the acquisitions of the JOBY and Lowepro brands and RTMotion. The Group delivered a strong cash performance and has reduced Group net debt. The Group's Return on Capital Employed ("ROCE") performance was also strong in 2017. The Group is well positioned for future growth in its core markets with a robust balance sheet.

Committee activities in 2017

The Remuneration Committee in 2017 dealt with the following matters:

- The Committee sought approval from shareholders at the 2017 AGM for a new Remuneration Policy following a detailed shareholder consultation in 2016. The policy is similar to that approved by shareholders in 2014 except for two changes:
  - Firstly, under the Long Term Incentive Plan ("LTIP") a re-balancing in the performance conditions from a 50%/50% split between Total Shareholder Return ("TSR") and Earnings per Share ("EPS") to a 33%/67% split respectively. Vesting is underpinned by Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of awards.
  - Secondly, under the pension contribution, a reduction in the Company contribution for Executive Directors appointed from 2017 onwards from 20% of salary to 15% of salary.

  The Policy Report was approved by over 99% of shareholders voting at the 2017 AGM giving a clear mandate on Directors' remuneration for the next three years.
- The Committee approved an increase in the Group Chief Executive's, Group Finance Director's and Group Business Development Director's salaries with effect from 1 January 2018 of 2.5%, reflecting pay increases within the Group's workforce and current market conditions. The fees paid to the Chairman and Non-Executive Directors have also been increased by the same percentage.
- Bonus payments for 2017 were 88.4%, 87.9% and 88.4% respectively of the maximum potential award for the Group Chief Executive, Group Finance Director and Group Business Development Director. The 2017 Annual Bonus Plan paid out against the adjusted profit and operating cash* performance measures at 84.2% and 100% respectively as well as an individual assessment against personal objectives for each Executive Director. Each of the Executive Directors is required to defer half of their earned 2017 bonus (after taxes) into the Deferred Bonus Plan ("DBP") for three years, ensuring focus on long-term growth for the Company.

- The Committee approved the remuneration packages for Kath Kearney-Croft upon her appointment as Group Finance Director with effect from 24 April 2017, Martin Green upon his appointment as Group Business Development Director with effect from 4 January 2017, and also approved the leaving arrangements for Paul Hayes upon his departure as Group Finance Director on 28 April 2017.
- LTIP awards made in 2015 to Executive Directors partially achieved their performance conditions based upon TSR and adjusted basic earnings per share* growth with 100% of the TSR performance condition achieved and 35% of the EPS growth performance condition achieved. As a consequence a blended level of 67.5% of the 2015 LTIP will vest to Executive Directors (and other participants) on the third anniversary of the award on 8 April 2018. As part of the calculation of EPS the Committee exercised a discretion around the treatment of acquisitions and disposals made in the performance period. The detail is set out on page 82.
- The Committee made LTIP awards to Executive Directors and senior managers on 28 February 2017 with performance conditions based on TSR and EPS growth with a discretionary ROCE underpin. Share awards made to Executive Directors under the LTIP are subject to a further two year holding period following a three year performance period.
- The 2017 AGM approved the Company's 2016 Annual Report on Remuneration with over 99% of shareholders voting in favour of the Report which was in accordance with the Remuneration Policy approved by shareholders in 2014.
- The Remuneration Committee approved the structure of the 2018 Annual Bonus Plan to ensure that it motivates Executive Directors to deliver against challenging financial targets for 2018. Its structure is the same combination of both financial targets (Group adjusted profit before tax* and operating cash flow* generation) and personal objectives as was used in 2017. We will disclose financial targets for the 2018 Annual Bonus Plan against actual performance in the 2018 Remuneration report along with a commentary on our assessment of the personal objectives element.

Committee priorities for 2018

The Committee in 2018 will focus on the following matters:

- Securing shareholder approval at the 2018 AGM for the Annual Report on Remuneration.
- Granting LTIP awards in 2018 to support our strategic growth targets with appropriately stretching performance conditions based on the Company's EPS and TSR performance and with a ROCE underpin.
- Ensuring that the 2018 Annual Bonus Plan is structured to drive performance, with stretching financial performance targets, and to reward growth in the Company.
- Considering the impact and actions necessary to address proposed changes to the UK Corporate Governance Code relating to Directors' remuneration and other matters that is currently under consultation by the Financial Reporting Council and that is likely to be implemented for accounting periods beginning on or after 1 January 2019.

Annual General Meeting

The Annual Remuneration Report will be put to the Company's shareholders for an advisory vote at the AGM to be held on Tuesday 15 May 2018. I encourage all shareholders to vote in favour of this resolution and I look forward to the opportunity to meet with shareholders at the 2018 AGM.

Caroline Thomson
Chairman, Remuneration Committee

21 February 2018

* This report provides alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). We have included a glossary on page 150 which provides a comprehensive list of APMs that we use including an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where appropriate.

Remuneration Policy Report

Policy Report

The following is a summary of the Policy Report that covers remuneration for Directors of the Company for a three year period from the Company's AGM on 17 May 2017 until the 2020 AGM. The full Policy Report, as approved by shareholders, is available on the Company's website and is contained in the 2016 Annual Report. Should there be any need to change the Company's remuneration policy ahead of the 2020 AGM, shareholders will be asked to approve a revised Policy Report.

This Report contains further information required under the Listing Rules and the April 2016 version of the UK Corporate Governance Code.

Remuneration policy table for Executive Directors

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Base salary is set at a level to secure the services of talented Executive Directors with the ability to develop and deliver a growth strategy.	Fixed contractual cash amount usually paid monthly in arrears. Normally reviewed annually, with any increases taking effect from 1 January each year, although the Committee may award increases at other times of the year if it considers it appropriate. This review is dependent on continued satisfactory performance in the role of an Executive Director. It also includes a number of other factors, including experience, development and delivery of Group strategy and Group profitability, as well as external market conditions and pay awards across the Company.	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. Larger increases may, in certain circumstances, be awarded where the Committee considers that there is a genuine commercial reason to do so, for example: • where there is a significant increase in the Executive Director's role and duties; • where an Executive Director's salary falls significantly below market positioning; • where there is significant change in the profitability of the Company or material change in market conditions; and • where an Executive Director was recruited on a lower than market salary and is being transitioned to a more market standard package as he or she gains experience.	Not applicable.
Benefits	To provide Executive Directors with ancillary benefits to assist them in carrying out their duties effectively.	Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance. Other ancillary benefits may also be provided where relevant, such as expatriate travel or accommodation allowances. Executive Directors are entitled to participate on the same terms as all UK employees in the Sharesave Plan or any other relevant all-employee share plan.	There is no maximum level of benefits set, 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. Executive Directors' participation in the UK all-employee Sharesave Plan is capped by the rules of the Sharesave Plan (currently £350 per month maximum).	Not applicable.

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable shareholder value. Half of any earned annual bonus is deferred into the Deferred Bonus Plan and focuses the Executive Director on long-term value delivery and growth.	Paid annually based on performance in the relevant financial year. The amount is determined based on published full year results after the financial year end. Award levels and performance measures are reviewed annually. The Committee ensures that performance measures remain aligned to the Company's business objectives and strategic priorities for the year. Half of the annual bonus paid 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. After a period of three years, the awards are paid out to Directors in the form of shares in the Company. The Committee retains full discretion to amend the bonus payout (upwards or downwards), if in its opinion any calculation of payout does not produce a fair result for either the individual or the Company, taking into account the overall business performance of the Company. Any such use of discretion will be clearly reported in the next published Remuneration Report. Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise, the Committee may reduce, cancel or impose further conditions on awards.	An absolute maximum of 125% of base salary to be paid in each year.	Measures and targets for the annual bonus are set annually by the Committee. Currently, 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*. The Committee reserves the right to vary these proportions and also the measures annually to ensure the annual bonus remains appropriate and challenging. Targets are measured over a one year period. Payments range between 0% and 125% of base salary for threshold and maximum performance. Awards granted under the Deferred Bonus Plan are not subject to any performance conditions.

Remuneration Policy Report

Remuneration policy table for Executive Directors (continued)

	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ("LTIP")	To provide a long-term performance and retention incentive for the Executive Directors involving the Company's shares. To link long-term rewards to the creation of long-term sustainable shareholder value by way of delivering on the Group's agreed strategic objectives.	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. Awards may be settled in cash. Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. Awards made since 2015 are subject to a mandatory two year holding period for any shares that vest for an Executive Director. 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, the Committee may reduce or impose further conditions on awards.	The maximum value of shares over which awards may be granted in respect of each year is 150% of base salary (although 200% is permitted in exceptional circumstances determined by the Committee). Awards to Executive Directors in 2018 will be at a level representing 125% of base salary.	LTIP awards may be based on both financial and share price based performance conditions as determined from time to time by the Committee. LTIP awards from 2017 onwards have 33% of the award subject to the Company's TSR compared to a comparator group measured over a three year performance period and 67% of the award subject to targets set against growth (adjusted by the Committee as it considers appropriate) in the Company's adjusted basic earnings per share* over the same performance period. However the Committee reserves the right to change the balance of the measures as it deems appropriate, such that no measure accounts for less than 25% of the total award. For LTIP awards from 2017 onwards the Remuneration 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. 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. There is no re-testing of any performance measure.
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.	Executive Directors appointed before 2017 receive a pension contribution of 20% of base salary. Executive Directors appointed from 2017 onwards receive a pension contribution of 15% of base salary. 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.

Legacy plans

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

Performance measures

The Annual Bonus Plan is based on both personal and financial measures. Typically, the majority of the bonus will be based on financial measures such as Group 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.

LTIP awards from 2017 onwards 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 Company performance 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. For LTIP awards from 2017 onwards, the Committee has 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 we will not be disclosing a formulaic target in advance, the Committee will ensure that it provides full retrospective disclosure around our 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 less current liabilities excluding the current portion of interest-bearing borrowings, calculated on an average monthly basis at constant currency. Any changes to these measures will be aligned with the long-term strategy of the Group.

Provisions for the withholding and recovery of sums from the Directors are as set out in the table above and on page 89.

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 for the period through to the 2020 AGM.

Neither the Chairman nor the Non-Executive Directors participate in any annual bonus plan or the Company's share plans.

Role	Purpose	Operation
Chairman	To recruit and retain an independent Non-Executive Chairman reflecting the responsibilities and time commitment for the role. To lead an effective Board enabling the delivery on the Group's growth strategy and creation of long-term sustainable shareholder value.	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. The Chairman's fee is an all-inclusive consolidated amount. It is paid in cash, not shares, usually on a monthly basis in arrears. 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. The Chairman's remuneration also covers his chairmanship of the Nominations Committee.
Non-Executive Director	To recruit and retain independent Non-Executive Directors reflecting the responsibilities and time commitment for the role to contribute to an effective Board and to deliver on the Group's growth strategy and creation of long-term sustainable shareholder value.	Fees paid to Non-Executive Directors of the Company consist of the following: • A base fee; • An additional fee for the role of the Senior Independent Director; and • An additional fee for chairing the Audit and Remuneration Committees. Fees are usually reviewed annually and are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. Fees are typically increased in line with annual salary increases for the Executive Directors. All fees are paid in cash, not shares, usually on a monthly basis in arrears. Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role. The Board has not imposed a maximum level of fee payable.
Benefits	To reimburse Non-Executive Directors for reasonable expenses 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 Policy Report

Illustrative remuneration performance scenarios

The following charts set out three scenarios for the current remuneration of Stephen Bird, Kath Kearney-Croft and Martin Green for 2018 in line with the Policy Report:

	Stephen Bird	Kath Kearney-Croft	Martin Green
Basic Remuneration			
Base salary	£451,758	£317,750	£266,500
Benefits	£28,286	£22,627	£22,200
Pension	(20% of salary) £90,352	(15% of salary) £47,663	(15% of salary) £39,975
Total fixed pay (minimum)	£570,396	£388,040	£328,675
On target performance:			
Fixed pay	£570,396	£388,040	£328,675
Annual Bonus	£282,349	£198,594	£166,563
LTIP	£141,175	£99,297	£83,282
Total On Target Pay	£993,920	£685,931	£578,520
Maximum pay:			
Fixed pay	£570,396	£388,040	£328,675
Annual Bonus	£564,698	£397,188	£333,125
LTIP	£564,698	£397,188	£333,125
Total Maximum Pay	£1,699,792	£1,182,416	£994,925

The illustrations above are based on the following assumptions:

- Fixed pay – Base salary as at 1 January 2018.
- The total value of benefits received for the full year ended 31 December 2017 which included car allowance, private healthcare and income protection.
- Pension contribution of 20% of base salary for Stephen Bird and 15% of base salary for Kath Kearney-Croft and 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. 25% of 125% 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. 125% of base salary) and set out at face value, with no share price growth or dividend assumptions.

Consideration of employment conditions elsewhere in the Company

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

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 £42,000 per annum, an additional £5,100 per annum in the role of Senior Independent Director and £5,100 as Chairman of the Remuneration Committee. Under the terms of their service contracts, Kath Kearney-Croft and 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 neither Kath Kearney-Croft nor Martin Green had taken up any such external non-executive appointment.

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
Kath Kearney-Croft, Finance Director – appointed on 24 April 2017	21 February 2017	12 months	6 months
Martin Green, Group Business Development Director – appointed on 4 January 2017	3 January 2017	12 months	6 months

Details of the Committee's approach and policy on payment for loss of office are given in full in the 2016 Remuneration Policy Report and are available on the Company's website.

Chairman and Non-Executive Directors

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

The initial period of their appointments is three years but their appointments may, by mutual consent and with the approval of the Nominations Committee and the Board, be extended for a further three years. Appointments may be extended beyond six years by mutual consent and with the approval of the Nominations Committee and the Board, if it is in the interest of the Company to do so. Under the letters of appointment notice can be given by either party upon one month's written notice. Apart from the disclosure under the Remuneration Policy table for the Chairman and Non-Executive Directors there are no further obligations which could give rise to a remuneration or loss of office payment under the letters of appointment. All the Non-Executive Directors and Chairman (as well as the Executive Directors) are subject to annual 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.

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 over 99% support for the 2016 Remuneration Policy Report and over 99% support for the 2016 Annual Report on Remuneration at the 2017 AGM indicating a strong level of support for the structure of Directors' remuneration.

During 2017, the Committee continued to take into account the views of the Company's major shareholders on the structure of the Remuneration Policy with a view to the Policy being submitted to shareholders for approval at the 2017 AGM. This entailed a consultation letter setting out the structure and several face-to-face meetings with major shareholders to review the detail in the latter part of 2016 and early 2017. This consultation was on the basis that the current policy was fit for purpose and achieved the objectives of incentivising management in the delivery of the Company's growth strategy. A summary of the Policy is set out earlier in this Report and the strong level of support from shareholders indicates that the Committee and shareholders are aligned on the issue of Directors' remuneration.

The Committee further took into consideration the views of shareholders in its treatment in connection with the resignation of Paul Hayes, particularly the lapsing of LTIP awards and also in the recruitment and remuneration packages of both Martin Green and Kath Kearney-Croft, appointed in 2017.

Annual Report on Remuneration

This Annual Report on Remuneration will be put to an advisory vote at the AGM to be held on Tuesday 15 May 2018.

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 2017 and 2016:

	Base salary / fees		Benefits		Pension		Annual bonus		Long-term incentives		Total	
	2017 £	2016 £	2017[1] £	2016 £	2017[2] £	2016 £	2017[3] £	2016 £	2017[4] £	2016 £	2017 £	2016 £
Executive Directors												
Stephen Bird	**440,740**	429,990	**28,286**	27,861	**88,148**	85,998	**486,771**	418,450	**528,199**	-	**1,572,144**	962,299
Martin Green (appointed 4/1/17)	**260,000**	-	**22,200**	-	**39,000**	-	**287,155**	-	**270,707**	-	**879,062**	-
Kath Kearney-Croft (appointed 24/4/17)	**213,125**	-	**15,426**	-	**31,969**	-	**235,043**	-	**-**	-	**495,563**	-
Paul Hayes (left on 28/4/17)	**98,534**	295,601	**7,542**	22,739	**19,707**	59,120	**-**	285,820	**-**	-	**125,783**	663,280
Non-Executive Directors												
John McDonough	**150,000**	150,000	**-**	-	**-**	-	**-**	-	**-**	-	**150,000**	150,000
Christopher Humphrey	**54,152**	53,075	**-**	-	**-**	-	**-**	-	**-**	-	**54,152**	53,075
Caroline Thomson	**53,152**	52,075	**-**	-	**-**	-	**-**	-	**-**	-	**53,152**	52,075
Mark Rollins	**50,152**	49,075	**-**	-	**-**	-	**-**	-	**-**	-	**50,152**	49,075
Lorraine Rienecker	**44,152**	43,075	**-**	-	**-**	-	**-**	-	**-**	-	**44,152**	43,075
Total	**1,364,007**	1,072,891	**73,454**	50,600	**178,824**	145,118	**1,008,969**	704,270	**798,906**	-	**3,424,160**	1,972,879

Notes:

1. Benefits includes car allowance, healthcare cover and income protection.
2. Stephen Bird receives a pension contribution of 20% of base salary. Both Kath Kearney-Croft and Martin Green receive a pension contribution of 15% of base salary. Each Executive Director currently takes this contribution in the form of a cash payment.
3. For the Annual Bonus 2017, Stephen Bird and Martin Green's bonus potential was 125% of base salary. Kath Kearney-Croft's bonus potential was also 125% of base salary but pro-rated from her start date of 24 April 2017. Further details are set out in the "Further notes" section on the following page.
4. Long-term incentives comprise LTIP awards. Awards made in 2015 achieved in part performance conditions based on TSR and growth in adjusted basic earnings per share*. Long-Term Incentives – 2015 LTIP to vest at 67.5%, share price as at 31 December 2017 of £11.30 and associated dividend shares paid on shares vesting (76.9 pence per share). The 2018 Remuneration Report will reflect updated final values. Awards made in 2014 did not achieve their performance conditions also based on the same performance conditions and therefore lapsed. Further details on the vesting of the 2015 LTIP awards are set out in the "Further notes" section on the following pages.
5. Each Director has confirmed in writing to the Company that the information in the single figure remuneration table is correct and that they have not received from the Company any other items of remuneration other than disclosed.

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

(1) Base salary

The table below shows base salaries for 2017:

Executive Director	2017 Salary
Stephen Bird	£440,740
Paul Hayes – left on 28 April 2017	£98,534 (£295,601 for the full year)
Martin Green – appointed on 4 January 2017	£260,000
Kath Kearney-Croft – appointed on 24 April 2017	£213,125 (£310,000 for the full year)

(2) Benefits

The single figure of total remuneration table sets out the total value of benefits received by each Executive Director in 2017. Details are as follows:

Executive Director	Car allowance	Healthcare cover	Income protection
Stephen Bird	£22,031	£1,455	£4,800
Paul Hayes – left on 28 April 2017	£5,457 (£16,372 for the full year)	£485 (£1,455 for the full year)	£1,600 (£4,800 for the full year)
Martin Green – appointed on 4 January 2017	£16,519	£881	£4,800
Kath Kearney-Croft – appointed on 24 April 2017	£11,256 (£16,372 for the full year)	£970 (£1,455 for the full year)	£3,200 (£4,800 for the full year)

(3) Pension allowance

The table below sets out the value of the cash payment in lieu of pension for each Executive Director in 2017:

Executive Director	Pension allowance
Stephen Bird	£88,148
Paul Hayes – left on 28 April 2017	£19,707 (£59,120 for the full year)
Martin Green – appointed on 4 January 2017	£39,000
Kath Kearney-Croft – appointed on 24 April 2017	£31,969 (£46,500 for the full year)

(4) Annual bonus

In 2017, each Executive Director was entitled to receive, subject to performance, a maximum bonus of up to 125% of base salary, half of which is deferred into the Deferred Bonus Plan. Kath Kearney-Croft's bonus potential was pro-rated from her appointment date of 24 April 2017. Paul Hayes was not entitled to any bonus payment for 2017 due to his departure on 28 April 2017.

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 quarterly and full year average target) measured against financial targets set by the Board. The Group adjusted profit before tax* financial element represents 50% of the maximum bonus that could be earned and the Group conversion of adjusted operating profit* into operating cash flow* represents 25% of the maximum bonus that could be earned.

Under the rules of the annual bonus plan there is a link between the two financial performance conditions so that the conversion of 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.

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 adjusted profit before tax* and operating cash flow* generation and had the most direct impact upon shareholder value for the year ended 31 December 2017.

Annual Report on Remuneration

The personal objective element of the 2017 annual bonus plan for each Executive Director, representing 25% of the maximum bonus that could be earned, is based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee, as set out below:

Stephen Bird - 2017 Personal Objectives

- Build a world class organisation – Replace Group Finance Director and ensure successful induction for both Kath Kearney-Croft and Martin Green in their Executive Director roles; improve the quality of succession planning and talent development across the Group; and ensure that Group strategy is well communicated to employees.
- Execution of growth strategy – Deliver budgeted underlying constant currency sales and PBT growth in 2017 as well as achieve ROCE and operating cash targets; ensure strategy review in 2017 is streamlined; deliver Enterprise Video budget; focus on new product development launches; drive cross Group synergies; and growth plans for APAC market.
- Creative Solutions – Develop the Creative Solutions business structure including synergies across business units to maximise sales and operating profit.
- Corporate structure – Dispose of non-core businesses (Haigh-Farr and the US Services business (Bexel)) and maximise shareholder value; review divisional structure to reflect focus on core markets and areas of growth; and deliver on acquisition targets.
- Investor Relations ("IR") strategy – Review current strategy with advisors and deliver new shareholders, ensure greater analyst coverage and increase in share liquidity.

Martin Green - 2017 Personal Objectives

- Execution of growth strategy – Support Group Chief Executive on growth strategy review; growth plans for APAC market; drive synergies between the Creative Solutions businesses and deliver on revenue and operating profit uplift; and embed processes around strategic plan KPIs and tracking of major R&D projects.
- Talent development – Support Group Chief Executive with improving the quality of succession plans and talent development across the Group; support Group Chief Executive and Divisional Heads in improving employee communications; and lead Divisional HR Directors to support execution of strategy.
- Corporate Development – Investigate and deliver on potential disposals of Haigh-Farr and the US Services business (Bexel) to maximise shareholder value; identify acquisition targets in line with strategic criteria; and monitor integration of Wooden Camera into the Creative Solutions Division.
- Investor Relations strategy – support Group Chief Executive on the review of IR strategy.

Kath Kearney-Croft - 2017 Personal Objectives

- Continue to build a world class finance team – Develop talent and succession plans for global finance team; review and develop finance team including communications and ensuring finance function is an effective business partner while ensuring financial reporting and controls are maintained.
- Execution of growth strategy – Support Group Chief Executive on growth strategy review; lead Group synergies project to deliver quantified savings; support M&A activity including financial due diligence and ensure appropriate financing to support M&A activity.
- Investor Relations strategy – Review and refresh current IR strategy with input from advisors; ensure wider analyst base understands the business and support Group Chief Executive on shareholder engagement including improving share liquidity.
- 2018 Budget – Preparation and approval of a budget for 2018 reflecting underlying growth in line with strategic plan.
- Onboarding – Review and refresh functional strategies and requirements including tax and treasury strategy, management reporting processes and working capital model.
- Induction and personal development – Undertake a thorough induction to the Group visiting its main locations; attend training and develop personal development plan.
- Manage a successful external audit tender.

2017 Annual Bonus Outcome

The table below sets out the annual bonus awards made to Executive Directors in respect of the year ended 31 December 2017 including the financial trigger points used in determining whether a bonus was payable. Paul Hayes did not receive any bonus for 2017 due to leaving the Company on 28 April 2017.

Name	Bonus potential	Elements of bonus potential	Threshold	Target	Maximum	Actual Group Performance/ Assessment of personal objective performance	Pay-out and % of maximum
Stephen Bird	125% of annual salary	50% Group adjusted PBT*	£34.3m	£38.1m	£41.9m	£40.7m**	£231,968 (84.2%)
		25% Group conversion of adjusted operating profit* into operating cash flow#	72%	80%	88%	108%	£137,731 (100%)
		25% Personal objectives				85%	£117,072
						TOTAL	**£486,771 (88.4%)**
Kath Kearney-Croft – appointed on 24 April 2017 – bonus pro-rated to reflect start date	125% of annual salary	50% Group adjusted PBT*	£34.3m	£38.1m	£41.9m	£40.7m**	£112,646 (84.2%)
		25% Group conversion of adjusted operating profit* into operating cash flow#	72%	80%	88%	108%	£66,884 (100%)
		25% Personal objectives				83%	£55,513
						TOTAL	**£235,043 (87.9%)**
Martin Green – appointed 4 January 2017	125% of annual salary	50% Group adjusted PBT*	£34.3m	£38.1m	£41.9m	£40.7m**	£136,842 (84.2%)
		25% Group conversion of adjusted operating profit* into operating cash flow#	72%	80%	88%	108%	£81,250 (100%)
		25% Personal objectives				85%	£69,063
						TOTAL	**£287,155 (88.4%)**

** The £40.7 million Group adjusted profit before tax* represents an average of:
- £42.4 million being the reported Group adjusted profit before tax*; and
- £39.0 million being the Group adjusted profit before tax* adjusted for constant foreign exchange rates with those of 2016.

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 2017 given the uncertain macroeconomic environment, challenging markets that the Group faced, strategic objectives and performance in the prior year.

For the conversion of adjusted operating profit* into operating cash flow* element of annual bonus, trigger points and performance are measured over a quarterly and full year average. The table above shows the full year performance and equivalent trigger points only.

Under the rules of the Annual Bonus Plan the Remuneration Committee retains a full and absolute discretion as to whether a bonus is payable or not, 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 2017 Annual Bonus Plan the Remuneration Committee determined the following treatment of disposals and acquisitions made during 2017:-

Group Adjusted PBT Element

- For the disposals of Haigh-Farr and the US Services business (Bexel) – actual and budgeted results from 1 January 2017 to the respective dates of disposal were excluded from the financial targets.
- For the acquisition of the JOBY and Lowepro brands and RTMotion – their actual results and base case financials for the acquisitions were included in the financial results from the dates of acquisition until 31 December 2017.
- JOBY and Lowepro integration costs were excluded from both actual results and base case for the 2017 Annual Bonus Scheme.

Group conversion of adjusted operating profit* into operating cash flow*

- For the disposals of Haigh-Farr and Bexel, the US Services business – their actual and budgeted cash conversion was excluded from financial targets.
- For the acquisition of the JOBY and Lowepro brands and RTMotion – excluded the businesses from measurement of Group cash conversion given that there was only three months left of the year and that the calculation involves an average of annual and quarterly cash conversion measures.

Half of the 2017 annual bonus will be deferred into the Deferred Bonus Plan. The 2017 deferred bonus will be used to purchase core award shares to be held in trust for a three year period. No matching award shares can be earned under the Deferred Bonus Plan. After three years, the core award shares plus any dividends accrued on the core award are released from the Trust to the Executive Directors.

The Committee determined the treatment as detailed above was merited as the acquisitions and disposals were strongly in line with agreed Group strategy and executed well. The Committee considered that the best interests of the Company performance overall were served by ensuring that the executives were incentivised to deliver the restructuring savings resulting from the acquisitions as quickly as possible and that therefore they should be removed from the calculations. The Committee, as part of this decision, took into account share price growth, growth in adjusted PBT and dividends paid, reduction in Group Net Debt and improvement in the Group's ROCE performance.

(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 2015 and vesting in respect of performance to 31 December 2017

These relate to awards made in 2015 under the LTIP. Awards are measured based 50% upon the Company's TSR measured against a comparator group and 50% 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. The detail of each performance condition for each award is set out below.

For that part of an LTIP award made in 2015 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 comprises the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three year performance period. The Remuneration Committee considered that this index has a greater level of complexity and internationality and was most comparable to Vitec's business operations where approximately 90% of revenues are generated outside of the UK.

For that part of an LTIP award made in 2015 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 12% (Compound Average Annual Growth Rate) or greater. There is a pro-rata straight line vesting between these two points.

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

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

Performance out-turn

The table below summarises the value of awards vesting for the 2015 award.

2015 Awards	Actual performance	Vesting as a % of total award
TSR	Vitec ranked in the 83rd percentile of the comparator group (100th percentile being the highest) with TSR performance of 104.9% over the 3 year performance period.	50%
EPS	Adjusted EPS of 68.1p	17.5%
Total vesting		67.5%

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 Mercer 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 114. As part of the assessment of EPS performance the Committee adopted a policy of:- (i) including disposed businesses in all years during the performance period up until the date of disposal; (ii) including all acquisitions of businesses during the performance period from the date of their acquisition; (iii) excluding integration costs for JOBY and Lowepro incurred in 2017; and (iv) excluding integration costs for JOBY and Lowepro entirely in 2018 on the basis that they are excluded from adjusted earnings (see page 150). While other treatments were possible, the Committee considered that this treatment was appropriate, consistent with past treatment and best reflected the true underlying performance of the business.

The Remuneration Committee has confirmed that 2015 awards will therefore vest at a level of 67.5% on the third anniversary of the awards on 8 April 2018. Indicative values for vesting awards for the Executive Directors are shown in the Remuneration Table on page 78. Final values will be reported in 2018's Remuneration Report.

Awards made in 2014 and vesting in respect of performance to 31 December 2016

These relate to awards made in 2014 under the LTIP and DBP. The performance conditions for these awards are the same as those made in 2015. The EPS growth targets were 6% growth per annum (Compound Average Annual Growth Rate) for 25% of that element of an award to vest and 12% or more growth per annum for full vesting respectively. The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting.

As disclosed in last year's report, both performance conditions were measured to 31 December 2016 and the final outcome resulted in 0% of the TSR and EPS elements vesting. As a consequence the 2014 LTIP awards lapsed on 2 April 2017 and the DBP matching award shares lapsed on 31 March 2017.

Other outstanding awards made in 2016 and vesting in respect of performance to 31 December 2018

For awards made in 2016, 50% of an award is subject to TSR with the Company's TSR performance ranked against the constituents of the FTSE 250 index (excluding financial services companies and investment trusts) over a three year performance period. Threshold performance for the TSR performance condition will be at the median point of the comparator group and will result in 25% of an award vesting. Full vesting for the TSR element will be at the upper quartile point of the comparator group. A straight line sliding scale will operate between each of the above points. Below threshold performance none of the award will vest.

50% of the award will be subject to EPS growth over a three year performance period. For awards made in 2016 the adjusted EPS* growth figures were set at 5% compound average per annum for 25% vesting and 12% plus compound average per annum for full vesting. A straight line sliding scale will operate between each of the above points and below 5% adjusted EPS* compound average growth none of the award will vest. Subject to satisfaction of performance conditions to 31 December 2018, these awards will vest in March 2019.

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

The table below provides details of the awards made under the LTIP on 28 February 2017 to Stephen Bird and Martin Green. Kath Kearney-Croft's LTIP award was made on 15 May 2017 following her appointment as Group Finance Director on 24 April 2017. Performance for these awards is measured over the three financial years from 1 January 2017 to 31 December 2019.

As reported to shareholders in the 2016 Annual Report while the performance conditions of TSR and EPS growth targets remain, awards in 2017 and in the future have been re-balanced so that the split in performance conditions is changed to 33%/67% between TSR and EPS respectively. Vesting will be underpinned by Remuneration Committee discretion that will take into account, in particular, Return on Capital Employed ("ROCE") performance over the performance period for the EPS element of the award.

Under the EPS element the performance required for threshold vesting (25% of this part of the award) is adjusted EPS* growth of 6% per annum. Full vesting of this part of the award required adjusted EPS* growth of 14% plus per annum, with a straight line sliding scale between these two points. None of this part of the award will vest for adjusted EPS* absolute growth lower than 6% per annum.

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 Mercer on behalf of the Committee and is ranked against the comparator group companies' TSR performance to determine the outcome. The same targets apply for vesting under TSR as in 2016 and 2015.

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

Long Term Incentive Plan 2017 awards (audited)

Executive Director	Type of award	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	78,647	£550,925	125%	25%	100%	31 December 2019
Martin Green	Performance shares	46,395	£325,000	125%	25%	100%	31 December 2019
Kath Kearney-Croft	Performance shares	41,876	£387,500	125%	25%	100%	31 December 2019

(1) Face value has been calculated using the Company's share price at the date of the award of £7.00 for Stephen Bird and Martin Green and £9.25 for Kath Kearney-Croft following her appointment on 24 April 2017.

Deferred Bonus Plan 2017 awards (audited)

The following table provides details of the awards made under the DBP on 5 April 2017. There are no performance conditions or matching shares associated with these awards. The core shares are held in an Employee Trust on behalf of the Directors for three years and will be released to the individuals on 5 April 2020. Dividends accrued on the core shares during the three years will be paid out as additional dividend shares on this same date. Kath Kearney-Croft having joined the Company on 24 April 2017 did not participate in the DBP during 2017.

Executive Director	Type of award	Number of core shares awarded	Face value[(1)] (£)	End of holding period
Stephen Bird	Core award shares using deferred annual cash bonus	13,344	£110,882	5 April 2020
Martin Green[(2)]	Core award shares using deferred annual cash bonus	4,203	£34,925	5 April 2020

(1) Face value has been calculated using the Company's share price at the date of the award of £8.31.
(2) Martin Green's award relates to a bonus earned prior to his appointment as a Director of the Company.

Payments to Past Directors (audited)

There were no payments in 2017 to past directors of the Company. Payments made to Paul Hayes in 2017 up to the date he ceased to be a director on 28 April 2017 are set out below:

- Salary totalling £98,534 for the period to his departure date.
- Annual Bonus of £285,820 paid in March 2017 in connection with financial and personal objectives for the year ended 31 December 2016 and disclosed in the 2016 Remuneration Report.
- Pension contribution totalling £19,707 for the period to his departure date.
- Benefits (including car allowance, healthcare and income protection) totalling £7,542 for the period to his departure date.
- Core award shares under the DBP plus associated dividend shares were paid out to Paul Hayes as follows:-
  - 31 March 2017 – 2014 DBP – 20,147 shares plus 1,842 dividend shares at a price of £7.94 per share and a total value of £174,593
  - 19 May 2017 – 2015 DBP – 6,531 core shares plus 470 dividend shares at a price of £9.225 per share and a total value of £64,592
  - 19 May 2017 – 2016 DBP – 3,242 core shares plus 148 dividend shares at a price of £9.225 per share and a total value of £31,279
  - All of Paul Hayes' LTIP awards up until the date of his resignation were lapsed with effect from that date.

Chairman and Non-Executive Directors (audited)

The Chairman and Non-Executive Directors were paid the following fees in 2017:

Role	2017 Annual Fee	Comment
Chairman	£150,000	Last increased to £150,000 with effect from 1 January 2016.
Non-Executive Director	£44,152	Base fee paid to Non-Executive Directors. Fee effective from 1 January 2017.
Chairman of Audit Committee	£10,000	Fee was last increased on 1 January 2014.
Chairman of Remuneration Committee	£9,000	Fee was last increased on 1 January 2014.
Senior Independent Director	£6,000	Fee was last increased on 1 January 2014.

Fees for the Chairman, Non-Executive Directors, Committee Chairmen and Senior Independent Director roles are reviewed annually by the Board with the support of Mercer providing market data to ensure that fees remain appropriate given 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 holding of shares in the Company of at least one times base salary. A reasonable period is considered to be the life of a performance period tied to an award vesting under the Company's LTIP or DBP. Stephen Bird and Martin Green met this requirement throughout the whole of 2017 and up to the date of this report. Kath Kearney-Croft having been appointed Group Finance Director on 24 April 2017 is building a shareholding towards this requirement. Other members of the Operations Executive are encouraged to do the same up to a level of 50% of base salary.

The Chairman and Non-Executive Directors of the Company have no such requirement and have discretion as to whether to hold shares in the Company or not. The following table sets out the interests in the ordinary shares of the Company held by each Director (or connected persons) of the Company during the year ended 31 December 2017.

Executive Director's shareholdings as at 31 December 2017 (audited)

Executive Director	Share ownership requirement (% of salary)	Number of shares owned outright (including connected persons)	Number of shares beneficially owned (DBP core award shares)	Number of shares unvested and subject to performance (LTIP shares)	Ownership requirement - % of salary held as shares
Stephen Bird	100%	173,731	27,300	246,847	515%
Kath Kearney-Croft	100%	2,700	-	41,876	10%
Martin Green	100%	26,937	8,466	122,894	153%

Chairman and Non-Executive Directors' shareholdings as at 31 December 2017 (audited)

Director	1 January 2017	31 December 2017
John McDonough, Chairman	50,000	50,000
Caroline Thomson	8,407	8,407
Mark Rollins	10,000	10,000
Christopher Humphrey	10,000	10,000
Lorraine Rienecker	3,248	3,248

1. The closing mid-market share price on 31 December 2017 was £11.30 and the calculation of the percentage shareholding requirement achieved for the Executive Directors is based on this closing mid-market share price.
2. The shares shown in the beneficial holdings table above were acquired by the Directors using their own funds and not through any share incentive scheme (or similar) with the exception of the following disclosures in notes 3,4 and 5 below.

3. Stephen Bird's share interests include 27,300 shares (at 31 December 2017) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group DBP. These shares will vest out of the DBP in 2018, 2019 and 2020 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 2017 Stephen Bird acquired 15,449 shares through the exercise of awards under the DBP arising from awards made in 2014. Stephen Bird also sold 75,000 shares during the year ended 31 December 2017. 2,000 shares of Stephen Bird's holding are held by his spouse.
4. Martin Green's share interests include 8,466 shares (at 31 December 2017) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust, the trust used to hold shares in respect of awards made under the Vitec Group DBP. These shares will vest out of the DBP in 2018, 2019 and 2020 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 2017 Martin Green acquired 4,967 shares through the exercise of awards under the DBP arising from awards made in 2014.
5. Kath Kearney-Croft's share interests were acquired following her appointment on 24 April 2017.
6. There has been no change to the Directors' shareholdings described in the table above in the period from 31 December 2017 to 21 February 2018.

Sharesave (audited)

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, Netherlands and Germany). The scheme and plan are open to all the Group's employees in those countries, including the Executive Directors. As at 31 December 2017 Stephen Bird, Kath Kearney-Croft and Martin Green participate in the UK scheme and the details are shown below.

Director	Date of grant	At 1 January 2017 or date of appointment if later (shares)	Options exercised during the year	Options lapsed during the year	Options granted during the year	At 31 December 2017 (shares)	Exercise price (pence)	Market price at date of grant (pence)	Date from which exercisable[4]	Expiry date
Stephen Bird	25 September 2015	2,560	-	-	-	2,560	492	614[1]	1 November 2018	30 April 2019
Martin Green	27 September 2016	2,597	-	-	-	2,597	485	606[2]	1 November 2019	30 April 2020
Kath Kearney-Croft	9 October 2017	-	-	-	1,607	1,607	784	980[3]	1 November 2020	30 April 2021

(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 27 August 2015 to 1 September 2015 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 a three day average of the closing mid-market share price from 31 August 2016 to 2 September 2016 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 a three day average of the closing mid-market share price from 11 September 2017 to 13 September 2017 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 (audited)

Each year the Executive Directors are made a conditional award of shares in the Company. Up until 2015 this had been at a level representing 100% of annual base salary, based on the three day average closing mid-market share price of the Company in the period just prior to the award. From 2015, awards to Executive Directors have been increased to a level representing 125% of annual base salary to partly compensate for the removal of the matching share award element under the Deferred Bonus Plan (as disclosed in the 2014 Annual Report). The Executive Directors at that time agreed to waive this increase in 2015. The award is subject to satisfaction of performance conditions over a three year performance period. The following table sets out the outstanding awards under the LTIP as at 31 December 2017 for the Executive Directors:

Director	Date of award	Awards at 1 January 2017	Award exercised during the year	Associated dividend shares with the exercised award	Awards lapsed during the year	Awards made during the year	At 31 December 2017	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	2 April 2014[(1)]	65,958	-	-	65,958	-	-	620.5	-	100% of annual salary	25%	31 December 2016
	8 April 2015[(2)]	64,838	-	-	-	-	64,838	647	-	100% of annual salary	25%	31 December 2017
	1 March 2016	103,362	-	-	-	-	103,362	520	-	125% of annual salary	25%	31 December 2018
	28 Feb 2017	-	-	-	-	78,647	78,647	700	-	125% of annual salary	25%	31 December 2019
Total		**234,158**	**-**	**-**	**65,958**	**78,647**	**246,847**					
Martin Green[(3)]	2 April 2014[(1)]	33,037	-	-	33,037	-	-	620.5	-	100% of annual salary	25%	31 December 2016
	8 April 2015[(2)]	33,230	-	-	-		33,230	647	-	100% of annual salary	25%	31 December 2017
	1 March 2016	43,269	-	-	-	-	43,269	520	-	125% of annual salary	25%	31 December 2018
	28 Feb 2017	-	-	-	-	46,395	46,395	700	-	125% of annual salary	25%	31 December 2019
Total		**109,536**	**-**	**-**	**33,037**	**46,395**	**122,894**					
Kath Kearney-Croft (appointed 24 April 2017)	15 May 2017	-	-	-	-	41,876	41,876	925	-	125% of annual salary	25%	31 December 2019
Total		**-**	**-**	**-**	**-**	**41,876**	**41,876**					

(1) The LTIP award made on 2 April 2014 did not achieve either of its performance conditions based on adjusted EPS* growth and TSR performance compared to a comparator group. As a consequence the award lapsed on its third anniversary of 2 April 2017.

(2) The LTIP award made on 8 April 2015 has achieved 100% of the TSR performance condition and 35% of the Adjusted EPS* growth performance condition, resulting in a blended level of vesting of 67.5%. As a consequence 67.5% of this award, plus associated dividend shares, will vest on its third anniversary of 8 April 2018. Details of the estimated associated value are shown in the remuneration table for the year ended 31 December 2017 on page 78.

(3) The LTIP awards to Martin Green for 2014, 2015 and 2016 were made before he was appointed a director on 4 January 2017 and are reported for completeness.

Deferred Bonus Plan (audited)

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 since 2014. Kath Kearney-Croft having been appointed on 24 April 2017 does not currently participate in the Deferred Bonus Plan.

Director	Date of award	Awards at 1 January 2017 (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 2017	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	31 March 2014 (core award)[1]	28,313	28,313	2,588	-	-	-	628	-	50% of annual bonus	Not applicable	31 December 2016
	31 March 2014 (matching award)[1]	28,313	-	-	28,313	-	-	628	-	50% of annual bonus	33.30%	31 December 2016
	16 April 2015 (core award)[2]	9,240	-	-	-	-	9,240	649	-	50% of annual bonus	Not applicable	Shares held in Employee Trust to third anniversary of award date
	11 April 2016 (core award)	4,716	-	-	-	-	4,716	589	-	50% of annual bonus	Not applicable	Shares held in Employee Trust to third anniversary of award date
	5 April 2017 (core award)	-	-	-	-	13,344	13,344	831	-	50% of annual bonus	Not applicable	Shares held in Employee Trust to third anniversary of award date
Total		**70,582**	**28,313**	**2,588**	**28,313**	**13,344**	**27,300**					
Martin Green[3]	31 March 2014 (core)[1]	8,588	8,588	785	-	-	-	628	-	50% of annual bonus	Not applicable	31 December 2016
	31 March 2014 (matching award)[1]	8,588	-	-	8,588	-	-	628	-	30% of annual bonus	33.30%	31 December 2016
	16 April 2015 (core)[2]	2,777	-	-	-	-	2,777	649	-	30% of annual bonus	Not applicable	Shares held in Employee Trust to third anniversary of award date
	11 April 2016	1,486	-	-	-	-	1,486	589	-	30% of annual bonus	Not applicable	Shares held in Employee Trust to third anniversary of award date
	5 April 2017	-	-	-	-	4,203	4,203	831	-	30% of annual bonus	Not applicable	Shares held in Employee Trust to third anniversary of award date
Total		**21,439**	**8,588**	**785**	**8,588**	**4,203**	**8,466**					

(1) The DBP award made on 31 March 2014 did not achieve either of its performance conditions based on EPS growth and TSR performance compared to the comparator group. As a consequence the matching award lapsed on its third anniversary of 31 March 2017.

(2) The DBP core award made on 16 April 2015 will vest on its third anniversary of 16 April 2018. The core award plus associated dividend shares will be paid out to the participant on this anniversary.

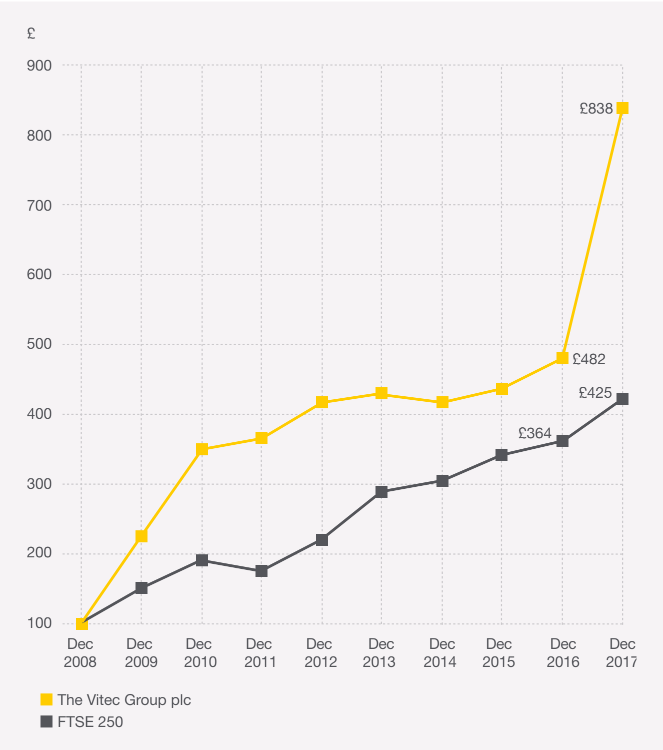
(3) Martin Green's DBP award relates to a bonus period prior to his appointment as an Executive Director of the Company.

Annual Report on Remuneration

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

Since 2013, the Company is required to include a line graph showing the Company's ordinary share performance compared to an appropriate index initially over a five year period, but building up to a ten year performance period. 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 eight year period, assuming an initial investment of £100. This index has been chosen since it is the comparator group (excluding financial services companies and investment trusts) for one of the performance conditions tied to awards under the LTIP. The Committee notes that the FTSE 250 index is a recognised broad market equity index, relatively complex and international in nature and is comparable to the Company's business operations where approximately 90% of revenues are generated outside the UK.

Each point is a 30 trading day average of the indices. TSR data is taken from Datastream.



The Company's share price on 31 December 2008 was £2.355 and on 31 December 2017 was £11.30.

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 nine years ended 31 December 2017.

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 %
2017	Stephen Bird	£1,572,144	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% (£195,634)
2012	Stephen Bird	£1,697,841	79.4% (£386,434)	92.4% (£817,428)
2011	Stephen Bird	£2,053,828	87.3% (£323,816)	100% (£1,259,398)
2010	Stephen Bird	£812,946	98.75% (£355,994)	-
2009	Stephen Bird (from 14 April 2009)	£487,087	68.7% (£172,069)	-
2009	Alastair Hewgill (from 1 January 2009 to 14 April 2009)	£151,634	42% (£51,911)	-

Percentage change in remuneration of the Group Chief Executive

The table below sets out a comparison of the following elements of remuneration paid to the Group Chief Executive, Stephen Bird, in the year ended 31 December 2017 compared to the year ended 31 December 2016 and compared to that of UK based employees: Annual Salary; Taxable Benefits; and Annual Bonus. The Remuneration Committee has selected this comparator group on the basis that the Group Chief Executive is UK based and this provides a local market reference, is a sizeable population and a fair representation of the Group's employee base.

	Annual Salary (% change in 2017 compared to 2016)	Taxable benefits (% change in 2017 compared to 2016)	Annual Bonus (% change in 2017 compared to 2016)
Stephen Bird, Group Chief Executive	2.5%	2.5%	16.3%
UK based employees	2.5%	2.5%	20.5%

Relative importance of spend on pay

The following table sets out for the year ended 31 December 2017 compared to the year ended 31 December 2016 the actual expenditure of the Company in terms of remuneration paid to or receivable by all employees of the Vitec Group and distributions to shareholders by way of dividends. In 2017, the Company acquired 15,600 ordinary shares that are held in treasury to cover Employer's National Insurance Contribution costs in relation to the Company's LTIP. 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 2017	Year ended 31 December 2016	% change
Total remuneration paid to all Vitec Group employees	£91.1m	£99.7m	8.6%
Total dividends paid to shareholders	£12.4m	£11.1m	11.7%

Statement of Implementation of Remuneration Policy in the Year Ending 31 December 2018

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2018.

(1) Base salary

The table sets out the 2018 base salary for each Executive Director, together with the percentage increase from 2017:

Executive Director	2018 Salary	Increase from 2017
Stephen Bird	£451,758	2.5%
Kath Kearney-Croft	£317,750	2.5%
Martin Green	£266,500	2.5%

In determining the increases for 2018, the Committee took into account a number of factors, including Company and individual performance, the executive's responsibilities and experience, pay increases for the Company's employees, market rates for Executive Director remuneration, the need for retention of a talented executive team and prevailing economic conditions.

(2) Benefits

The car allowance taxable benefit has been increased in line with base salary increases for 2018. The other taxable benefits of private healthcare and income protection are respectively premium and contractually based.

(3) Pension allowance

Pension allowances paid to Executive Directors are set out in the table below. Stephen Bird's allowance represents 20% of his base salary. For any Executive Director appointed since 1 January 2017, the pension allowance has been set at 15% of base salary.

Executive Director	Pension allowance
Stephen Bird	£90,352
Kath Kearney-Croft	£47,663
Martin Green	£39,975

(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 2018 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 2018 annual bonus plan will be measured:

Core measures for 2018 annual bonus plan	Weighting (% of overall opportunity)
Group adjusted profit before tax*	50%
Group percentage of adjusted operating profit* converted to operating cash flow*	25%
Role specific personal objectives set by the Board and Remuneration Committee for the Executive Director	25%

The performance measures selected reflect the strategic and operational objectives of the Group. The Committee considers that the specific targets and personal objectives for 2018 are commercially sensitive and therefore has not disclosed them. 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, Kath Kearney-Croft and Martin Green will each receive an award of shares under the LTIP equivalent to 125% of base salary in 2018. These awards will be made in the 42 day period following the announcement of the full year results for the year ended 31 December 2017 that will be announced on 22 February 2018. The performance conditions for the LTIP awards to be granted in 2018 will be as follows: 67% of the award will be subject to adjusted basic earnings per share* growth over a three year performance period. The Remuneration Committee has determined that the EPS targets for threshold and maximum vesting levels for 2018 will be 81.1 pence and 100.9 pence to be achieved in the year ending 31 December 2020, equivalent to 6% and 14% per annum growth over the three year performance period. 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. 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 2018, 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.

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. In addition, any award made since February 2015 under the above plans includes a clawback provision 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.

(6) Chairman and Non-Executive Directors' remuneration

The fee structure for the Chairman and Non-Executive Directors for 2018 is set out in the table below:

Role	2018 fee	2017 fee
Chairman	£153,750[(1)]	£150,000
Non-Executive Director's Base fee	£45,255[(1)]	£44,152
Chairman of Audit Committee	£10,000[(2)]	£10,000
Chairman of Remuneration Committee	£9,000[(2)]	£9,000
Senior Independent Director	£6,000[(2)]	£6,000

[(1)] The Chairman's and Non-Executive Director's base fee was increased by 2.5% with effect from 1 January 2018.

[(2)] The Chairman of the Audit Committee, Chairman of the Remuneration Committee and Senior Independent Director fees are reviewed annually to ensure that they remain appropriate taking into account the nature of each role, the time commitment, performance of the respective individuals, market conditions for the complexity of the roles and the calibre of individuals. The last increases for each of these roles were with effect from 1 January 2014.

The Board has agreed that the Chairman's and basic Non-Executive Director fee will typically be increased in line with the level of salary increases given to Executive Directors on an annual basis in future years. The fees paid to the Senior Independent Director and Chairmen of the Audit and Remuneration Committees will be reviewed annually to ensure that they remain appropriate.

Voting at Annual General Meeting

At the Company's last AGM held on 17 May 2017, shareholders were asked to vote on the Directors' Remuneration Policy Report and an advisory vote on the Directors' Annual Remuneration Report for the year ended 31 December 2016. The Policy Report set out the policy towards Directors' remuneration for a three year period from the date of the 2017 AGM until 2020. Both the Policy Report and Annual Remuneration Report resolutions were approved by shareholders on a poll. The table below sets out the proxy votes voted for, against and withheld against each resolution.

Resolution	For proxy votes and % of votes cast	Against proxy votes and % of votes cast	Withheld proxy votes
Remuneration Policy Report	36,268,829 (99.97%)	9,424 (0.03%)	11,500
Advisory vote on the Remuneration Report for the year ended 31 December 2016	36,272,645 (99.99%)	5,308 (0.01%)	11,800

As at the date of the Company's AGM on 17 May 2017 the Company had 44,744,200 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 2017 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.

The Remuneration Committee

The Remuneration Committee comprised the following members during 2017: Caroline Thomson – Chairman, Mark Rollins, Lorraine Rienecker and Christopher Humphrey.

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.

The Committee also oversees the framework of remuneration for the Operations Executive, including terms of service, pay structure, annual cash bonus, pensions, share incentive arrangements and all other benefits.

The Committee invites individuals to attend meetings, as it deems necessary, to assist with consideration of remuneration matters. The Chairman, John McDonough, the Group Chief Executive, Stephen Bird, the Group Finance Director, Kath Kearney-Croft, the Group Company Secretary, Jon Bolton and the Group Business Development Director, Martin Green, attended meetings by invitation in the year ended 31 December 2017. The Executive Directors or members of the Operations Executive are not present when their own remuneration is being considered.

The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, with the Chairman or the relevant Non-Executive Director abstaining when his or her remuneration is considered.

For further information regarding governance for the Remuneration Committee see pages 70 and 71 of this Annual Report.

External advisors

The Committee received independent advice from Mercer (formerly Kepler) as the Committee's appointed remuneration advisor during 2017. During 2017 the level of fees paid to remuneration advisors totalled £19,565 (2016: £53,085) and this fee covered advice relating to disclosures in the 2016 Directors' Remuneration Report, measurement of performance conditions associated with long-term incentive arrangements, preparation of the 2017 Policy, consultation exercise with shareholders on the 2017 Policy and general remuneration advice. Mercer is a member of the Remuneration Consultants Group and operates under that group's voluntary code of practice for remuneration consultants in the UK. The Committee is satisfied that the advice it received from Mercer during 2017 was objective and independent. The Committee also received advice and administrative support during 2017 from the Group Company Secretary, Jon Bolton, and the Group Business Development Director, Martin Green.

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

Caroline Thomson
Chairman, Remuneration Committee

21 February 2018

Directors' Report

Strategic Report

The statements and reviews on pages 2 to 41 comprise the Strategic Report which contains certain information, outlined below, that is incorporated into this Directors' Report by reference:

- 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; and
- the Group's disclosures regarding greenhouse gas emissions.

Directors

The Directors who held office at 31 December 2017 and up to the date of this report are set out on pages 52 and 53 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 4 January 2017	Executive Director, Group Business Development Director
Paul Hayes	Resigned on 28 April 2017	Executive Director, Group Finance Director
Kath Kearney-Croft	Appointed on 24 April 2017	Executive Director, Group Finance Director

All current Directors will be standing for reappointment at the forthcoming AGM to be held on Tuesday 15 May 2018, with the exception of Mark Rollins who will cease to be a director on 2 April 2018. The Board has announced that Richard Tyson will be appointed as an independent Non-Executive Director on 2 April 2018, and he will also be standing for reappointment at the 2018 AGM. The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 70 to 90.

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 15,600 number of shares held in treasury. Note 4.3 to the consolidated financial statements on page 134 summarises the rights of the ordinary shares as well as the number issued during 2017. An analysis of shareholdings is shown on page 152. The closing mid-market price of a share of the Company on 31 December 2017, together with the range during the year, is also shown on page 152. For details of own shares held by the Company see note 4.3 to the consolidated financial statements.

Substantial shareholdings

As at 21 February 2018, the Company had been advised under the Disclosure Guidance and Transparency Rules, or had ascertained from its own analysis, that the following held more than 3% of the issued capital:

Shareholder	Number of voting rights	% of voting rights
Alantra Asset Management	6,393,263	14.21
Aberforth Partners	5,508,233	12.24
Fidelity Investments	4,627,993	10.29
JO Hambro Capital Management	2,585,474	5.75
M&G Investment Management	2,401,529	5.34
Royal London Asset Management	2,043,728	4.54
NN Investment Partners	2,029,900	4.51
Heronbridge Investment Management	2,024,456	4.50
Gidema SPA	1,970,000	4.38
Schroder Investment Management	1,800,000	4.00
Pacific SRL	1,634,720	3.63
Hargreave Hale	1,357,648	3.02

Committees of the Board

The Board has established Audit, Nominations and Remuneration Committees. Details of these Committees, including membership and their activities during 2017, are contained in the Corporate Governance section of this Annual Report and in the Remuneration Report.

Corporate responsibility

The Group's report on corporate responsibility is set out on pages 42 to 51. The Group has a revised Code of Conduct which has been communicated to all employees and is available on the Company's website and intranet. The Group has also adopted specific policies which cover the following key areas: health and safety; risk and fraud; employment; whistleblowing; the environment; human rights; community impact and involvement; and relationships with suppliers, customers and other stakeholders. It regularly reviews these policies and revises them as and when necessary.

Corporate governance

The Group's report on corporate governance is on pages 52 to 96 and forms part of this Directors' Report.

Companies Act 2006 disclosures

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

- the Company's capital structure and voting rights are summarised on page 134, 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 15,600 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 above;
- shares awarded under the core award of the Company's Deferred Bonus Plan are held in a nominee capacity by the Employee Benefit Trust ("EBT"). The Trustees of the EBT do not seek to exercise voting rights on shares held in the EBT. No voting rights are exercised in relation to shares unallocated to individual beneficiaries;
- the rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006;
- there exist no agreements to which the Company is party that may affect its control following a takeover bid; and
- there exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Directors' Report

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 2017. The Company's policy is not to make political donations.

Financial instruments

The financial risk management objectives and policies of the Group and the exposure of the Group to foreign currency risk, interest rate risk, and liquidity risk are outlined in note 4.2 to the consolidated financial statements on pages 129 and 130.

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. 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.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy, at any time, the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Annual General Meeting (AGM)

The 2018 AGM will be held at 11.00am on Tuesday 15 May 2018 at The Academy of Medical Sciences, 41 Portland Place, London W1B 1QH.

The Company will be making use of the electronic voting facility provided by its registrars, Link Asset Services. The facility includes CREST voting for members holding their shares in uncertificated form. For further information, please refer to the section on online services and electronic voting set out in the notes to the Notice of Meeting.

The notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying this Annual Report. The Board fully supports all the resolutions and encourages shareholders to vote in favour of each of them as they intend to in respect of their own shareholdings.

Auditor

KPMG LLP will not be standing for reappointment at the 2018 AGM. The Board has recommended the appointment of Deloitte LLP as auditor and a resolution concerning their appointment shall be put to the 2018 AGM. A separate resolution will also be put to the AGM authorising the Board to agree the auditor's remuneration.

By order of the Board

Jon Bolton
Group Company Secretary

21 February 2018

Independent auditor's report to the members of The Vitec Group plc only

1. Our opinion is unmodified

We have audited the financial statements of The Vitec Group plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes, including the accounting policies included therein.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the Audit Committee.

We were appointed as auditor in 1995. The period of total uninterrupted engagement is for the 23 financial years ended 31 December 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£1.45m (2016: £1.45m) 5% (2016: 5%) of normalised Group profit before tax from continuing operations
Coverage	84% (2016: 82%) of Group profit before tax

Risks of material misstatement		vs 2016
Recurring risk	Net realisable value of inventory	›
	Tax provisioning	›
Parent company only	Recoverability of parent company's investment in subsidiaries	›

Independent auditor's report to the members of The Vitec Group plc only

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters, in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response included the following audit procedures:
Net realisable value of inventory (Provision for obsolescence included as a deduction within the carrying value of £69.8 million; 2016: £57.9 million) *Refer to note 3.3 of the financial statements* *Refer to page 65 (Audit Committee Report) and page 119 (accounting policy and financial disclosures)*	**Subjective estimate** The inventory held at the year end covers a wide range of products in different geographical regions and the demand for these and the ability of the Group to sell this inventory in the future may be adversely affected by many factors including changes in customer and consumer preferences, competitor activity including pricing and the introduction of new products and technology. This variability introduces an element of judgement into the estimation of the net realisable value of, and the level of provision held in relation to, inventory.	**Our procedures included:** • **Reperformance:** Inspecting the ageing of inventory, the accuracy of which was tested, to identify any slow moving inventory lines and assessing that these inventories have been provided for; • **Our sector experience:** Critically assessing whether appropriate provisions have been established for slow-moving and obsolete items based on our knowledge of the business and discontinued product lines; • **Tests of details:** Comparing recent sales prices for a sample of inventory items to their carrying values to identify carrying values in excess of sales prices, and in such instances checking that a suitable provision was in place; • **Methodology implementation:** Comparing the methodology and assumptions used by the Group in calculating the inventory provisions to those used in the prior years having first considered whether we would expect a change to the methodology and assumptions to reflect changes in the demand factors highlighted opposite; • **Historical comparisons:** Assessing the historical accuracy of provisions recorded by examining the utilisation or release of previously recorded provisions; and • **Assessing transparency:** Considering the adequacy of the Group's disclosures in relation to inventory. **Our results** We found the estimated net realisable value of inventory, and the related level of provisioning, to be acceptable (2016 results: acceptable).
Tax provisioning (Included within Current Tax Liability £4.4 million; 2016: £8.1 million) *Refer to note 2.4 of the financial statements* *Refer to page 65 (Audit Committee Report) and page 109 (accounting policy and financial disclosures)*	**Dispute outcome** Tax provisions require the Directors to make judgements and estimates in relation to tax issues and exposures given the Group operates in a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation and the time taken for tax matters to be agreed with the tax authorities. The complexity is increased as a result of acquisitions and disposals undertaken by the Group.	**Our procedures included:** • **Our tax expertise:** Use of our own tax specialists to assess the Group's tax positions, its correspondence with the relevant tax authorities, and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts; • **Assessing transparency:** Assessing the adequacy of the Group's disclosures in respect of tax and uncertain tax positions. **Our results** We found the level of tax provisioning to be acceptable (2016 results: acceptable).
Recoverability of parent company's investment in subsidiaries (£329.6 million; 2016: £364.6 million) *Refer to note h of the parent company financial statements*	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 83% (2016: 89%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement, with only 2% of investments supported by cash flow forecasts (2016: 2%). The impairment losses recognised during the year are non-judgemental and relate to Group reorganisation. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	**Our procedures included:** • **Tests of detail:** Comparing the carrying amount of a sample of the highest value investments, representing 99% (2016: 99%) of the total investment balance with the relevant subsidiaries' draft balance sheet, that we tested, to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making; • **Our sector experience:** For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable cash flow forecast. **Our results** We found the Group's assessment of the recoverability of the investment in subsidiaries to be acceptable (2016 results: acceptable).

During the audit we continued to perform procedures over the carrying value of goodwill. However, due to the disposal of the US broadcast services and Haigh Farr CGUs during the year and the headroom on remaining CGUs, the inherent risk of material misstatement is considered to have reduced to the extent we have not assessed this as one of the risks that had the greatest effect on our audit and therefore is not separately identified in our report this year. Restructuring is no longer considered a key audit matter given the completion of the restructuring plan.

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

Materiality for the Group financial statements as a whole was set at £1.45 million (2016: £1.45 million), determined with reference to a benchmark of Group profit before tax from continuing operations normalised to take an average of earnout costs for the last 3 years, of £28.9m, of which it represents 5% (2016: 5% of Group profit before tax normalised to exclude restructuring costs, impairment of goodwill and business acquisition charges, of £29.5m).

Materiality for the parent company financial statements as a whole was set at £0.4m (2016: £1.1m) by reference to component materiality. This is lower than the materiality we would otherwise have determined by reference to company net assets, and represents 0.1% (2016: 0.3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £72,500 (2016: £72,500), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 52 (2016: 51) reporting components, we subjected 13 (2016: 19) to full scope audits for Group purposes and 5 (2016: 6) to specified risk-focused audit procedures over inventory and revenue. The components within the scope of our work accounted for the percentages of the Group's results as detailed in the table below.

	Group revenue*	Group profit before tax*	Group total assets
From continuing operations			
Audits for Group reporting purposes	47%	62%	80%
Specified risk-focused audit procedures	26%	10%	14%
From discontinued operations			
Audit	-	11%	-
Specified risk-focused audit procedures	6%	1%	-
Total	**79%**	**84%**	**94%**
Total (2016)	76%	82%	86%

* Group revenue and profit before tax are from continuing and discontinued operations.

Components for which specified risk focused audit procedures were performed were not individually financially significant enough to require an audit for Group reporting purposes, but did present specific individual risks that needed to be addressed. The remaining 11% of total Group revenue, 16% of Group profit before tax and 6% of total Group assets is represented by 34 reporting components, none of which individually represented more than 5% of any of total Group revenue, Group profit before tax or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £0.05m to £1.1m (2016: £0.2m to £0.8m), having regard to the mix of size and risk profile of the Group across the components. The work on 8 (2016: 7) of the 18 (2016: 25) components was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group audit team. The Group team performed procedures on the items excluded from normalised Group profit before tax.

The Group audit team visited 14 (2016: 15) reporting components in the following locations: UK, US and Italy. Telephone conference meetings were also held with these component auditors and all others that were not physically visited. At these visits and meetings, the findings reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

4. We have nothing to report on going concern

We are required to report to you if:

- we have anything material to add or draw attention to in relation to the directors' statement in note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 92 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of The Vitec Group plc only

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

- the directors' confirmation within the Directors' Viability Statement on page 40 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the principal risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the directors' explanation in the Directors' Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether 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 of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Directors' Viability Statement. We have nothing to report in this respect.

Corporate Governance disclosures

We are required to report to you if:

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

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 92, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**

Irregularities – ability to detect

Our audit aimed to detect non-compliance with relevant laws and regulations (irregularities) that could have a material effect on the financial statements. In planning and performing our audit we considered the impact of laws and regulations in the specific areas of intellectual property legislation, recognising the significance of this to the Group. We identified this area through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's legal correspondence. In addition we had regard to laws and regulations in other areas including financial reporting, and company and taxation legislation.

We considered the extent of compliance with those laws and regulations that directly affect the financial statements, being taxation legislation and financial reporting (including related company legislation), as part of our procedures on the related financial statement items. For the remaining laws and regulations, we made enquiries of directors and other management (as required by auditing standards) and inspected relevant legal correspondence.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the Group to component audit teams of relevant laws and regulations identified at Group level, with a request to report on any indications of potential existence of irregularities in these areas, or other areas directly identified by the component team.

As with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Adrian Wilcox (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square, London E14 5GL
21 February 2018

Table of Contents

The notes are grouped under the following sections:

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

Consolidated Income Statement

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Revenue	2.1	**353.3**	318.9
Cost of sales	2.1	**(196.8)**	(183.2)
Gross profit		**156.5**	135.7
Operating expenses	2.1 / 2.2	**(126.3)**	(105.3)
Operating profit	2.1	**30.2**	30.4
Comprising			
- Adjusted operating profit		**45.2**	41.4
- Charges associated with acquisition of businesses	2.2	**(15.0)**	(7.6)
- Restructuring costs	2.2	**-**	(3.4)
		30.2	30.4
Net finance expense	2.3	**(2.8)**	(4.0)
Profit before tax		**27.4**	26.4
Comprising			
- Adjusted profit before tax		**42.4**	37.4
- Charges associated with acquisition of businesses	2.2	**(15.0)**	(7.6)
- Restructuring costs	2.2	**-**	(3.4)
		27.4	26.4
Taxation	2.4	**(16.9)**	(1.5)
Profit from continuing operations		**10.5**	24.9
Profit/(loss) after tax from discontinued operations	3.5	**17.0**	(15.9)
Profit for the year attributable to owners of the parent		**27.5**	9.0
Earnings per share from continuing operations	2.5		
Basic earnings per share		**23.4p**	55.9p
Diluted earnings per share		**23.3p**	55.7p
Earnings per share from continuing and discontinued operations	2.5		
Basic earnings per share		**61.4p**	20.2p
Diluted earnings per share		**61.0p**	20.1p
Average exchange rates			
Euro		**1.14**	1.22
US$		**1.29**	1.35

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2017

	2017 £m	2016 £m
Profit for the year	27.5	9.0
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit pension obligation	0.6	(6.4)
Related tax	(0.1)	1.0
Items that are or may be reclassified to profit or loss:		
Foreign exchange gain recycled to the Income Statement on disposal of businesses	(17.3)	-
Currency translation differences on foreign currency subsidiaries	(10.8)	37.7
Net investment hedges - net gain/(loss)	2.7	(16.6)
Cash flow hedges - reclassified to the Income Statement, net of tax	3.3	0.8
Cash flow hedges - effective portion of changes in fair value	2.5	(4.6)
Related tax	(0.6)	0.9
Other comprehensive (expense)/income, net of tax	(19.7)	12.8
Total comprehensive income for the year attributable to owners of the parent	7.8	21.8

Consolidated Balance Sheet

As at 31 December 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Intangible assets	3.1	**88.4**	99.0
Property, plant and equipment	3.2	**31.0**	54.0
Trade and other receivables	3.3	**0.9**	0.9
Derivative financial instruments	4.2	**0.4**	0.2
Deferred tax assets	2.4	**17.7**	26.6
		138.4	180.7
Current assets			
Inventories	3.3	**69.8**	57.9
Trade and other receivables	3.3	**65.8**	66.2
Derivative financial instruments	4.2	**1.9**	0.2
Current tax assets	2.4	**1.2**	0.7
Cash and cash equivalents	4.1	**12.6**	17.1
		151.3	142.1
Total assets		**289.7**	322.8
Liabilities			
Current liabilities			
Bank overdrafts	4.1	**-**	0.3
Interest-bearing loans and borrowings	4.1	**0.5**	40.9
Trade and other payables	3.3	**67.4**	55.3
Derivative financial instruments	4.2	**0.4**	4.8
Current tax liabilities	2.4	**4.4**	8.1
Provisions	3.6	**9.3**	4.9
		82.0	114.3
Non-current liabilities			
Interest-bearing loans and borrowings	4.1	**55.0**	51.0
Derivative financial instruments	4.2	**0.1**	1.2
Post-employment obligations	5.2	**12.6**	13.0
Provisions	3.6	**1.7**	1.1
Deferred tax liabilities	2.4	**2.7**	2.4
		72.1	68.7
Total liabilities		**154.1**	183.0
Net assets		**135.6**	139.8
Equity			
Share capital		**9.0**	9.0
Share premium		**16.8**	15.4
Translation reserve		**(8.6)**	16.8
Capital redemption reserve		**1.6**	1.6
Cash flow hedging reserve		**1.3**	(3.9)
Retained earnings		**115.5**	100.9
Total equity	4.3	**135.6**	139.8
Balance Sheet exchange rates			
Euro		**1.13**	1.17
US$		**1.35**	1.24

Approved by the Board on 21 February 2018 and signed on its behalf by:

Kath Kearney-Croft
Group Finance Director

Consolidated Statement of Changes in Equity

	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2017	9.0	15.4	16.8	1.6	(3.9)	100.9	139.8
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	27.5	27.5
Other comprehensive (expense)/income for the year	-	-	(25.4)	-	5.2	0.5	(19.7)
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(12.4)	(12.4)
Own shares purchased	-	-	-	-	-	(3.5)	(3.5)
Share-based payment charge	-	-	-	-	-	2.2	2.2
Tax on share-based payment charge	-	-	-	-	-	0.3	0.3
New shares issued	-	1.4	-	-	-	-	1.4
Balance at 31 December 2017	**9.0**	**16.8**	**(8.6)**	**1.6**	**1.3**	**115.5**	**135.6**
Balance at 1 January 2016	8.9	14.3	(4.3)	1.6	(1.0)	106.8	126.3
Total comprehensive income for the year							
Profit for the year	-	-	-	-	-	9.0	9.0
Other comprehensive income/(expense) for the year	-	-	21.1	-	(2.9)	(5.4)	12.8
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(11.1)	(11.1)
Own shares purchased	-	-	-	-	-	(0.1)	(0.1)
Share-based payment charge	-	-	-	-	-	1.6	1.6
Tax on share-based payment charge	-	-	-	-	-	0.1	0.1
New shares issued	0.1	1.1	-	-	-	-	1.2
Balance at 31 December 2016	9.0	15.4	16.8	1.6	(3.9)	100.9	139.8

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	Notes	2017 £m	2016 £m
Cash flows from operating activities			
Profit for the year		27.5	9.0
Adjustments for:			
Taxation		13.3	1.5
Depreciation		10.3	15.3
Amortisation of intangible assets		12.2	11.0
Impairment losses on property, plant and equipment		0.2	-
Impairment of intangible assets		-	12.1
Net gain on disposal of property, plant and equipment and software		(0.7)	(1.5)
Fair value (gains)/losses on derivative financial instruments		(0.6)	0.4
Share-based payment charge		2.2	1.6
Earnout, deferred payments and purchase price adjustment		4.1	1.2
Profit on disposal of businesses, before tax	3.5	(15.0)	-
Net finance expense		2.8	4.0
Operating profit before changes in working capital and provisions		56.3	54.6
(Increase)/decrease in inventories		(9.9)	11.2
Increase in receivables		(5.6)	(4.5)
Increase in payables		6.1	5.3
Increase/(decrease) in provisions		1.8	(1.8)
Cash generated from operating activities		48.7	64.8
Interest paid		(2.6)	(5.2)
Tax paid		(11.0)	(7.2)
Net cash from operating activities		35.1	52.4
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and software		3.5	9.0
Purchase of property, plant and equipment		(10.8)	(13.4)
Capitalisation of software and development costs		(4.3)	(3.4)
Acquisition of businesses, net of cash acquired	3.4	(12.4)	(20.3)
Disposal of businesses	3.5	32.6	-
Cash outflow on previous disposal	3.5	(0.2)	(1.5)
Net cash from/(used in) investing activities		8.4	(29.6)
Cash flows from financing activities			
Proceeds from the issue of shares		1.4	1.2
Own shares purchased		(3.5)	(0.1)
Repayment of interest-bearing loans and borrowings		(144.5)	(84.9)
Borrowings from interest-bearing loans and borrowings		110.7	71.3
Dividends paid		(12.4)	(11.1)
Net cash used in financing activities		(48.3)	(23.6)
Decrease in cash and cash equivalents	4.1	(4.8)	(0.8)
Cash and cash equivalents at 1 January		16.8	12.5
Effect of exchange rate fluctuations on cash held		0.6	5.1
Cash and cash equivalents at 31 December		12.6	16.8

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 in the United Kingdom. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 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 page 150 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 risks, interest rate risks and liquidity risks.

The Group has considerable financial resources, including undrawn borrowing facilities at the end of the year of £82.6 million (see note 4.2 "Financial instruments"). The Directors believe that the Group is well placed to manage its business risks.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months from the date of approval of the consolidated financial statements. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists when the Group has the 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 of the day the fair value was determined.

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

The revenues and expenses of these companies are translated at the weighted average exchange rate for the year. Where differences arise between these rates, they are recognised in the translation reserve within equity and other comprehensive income.

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

In the consolidated financial statements, currency translation gains and losses on external loans and borrowings and on long-term inter company loans that form part of the net investment in the subsidiaries are recognised directly in the 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.

Section 1 – Basis of preparation

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.

Working capital

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

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, liabilities and assumed contingent considerations are measured at fair value and the purchase price is allocated to assets and liabilities based on these fair values. Judgement is applied in relation to the estimation of the provisional fair values and useful lives of acquired assets and liabilities at the date of acquisition. Details concerning the acquisitions made in the year are set out in note 3.4 "Acquisitions".

Tax

The Group is subject to income taxes in a number of jurisdictions. Management is required to make judgements and estimates in determining the provisions for income taxes 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. Details on the tax charge and assets and liabilities recorded are set out in note 2.4 "Tax".

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations will become effective for the Group in future years.

IFRS 9 "Financial Instruments" is effective from 1 January 2018. The initial application of IFRS 9 is not expected to have a material impact on these results or the Balance Sheet reported in the consolidated financial statements.

IFRS 15 "Revenue from Contracts with Customers" is effective from 1 January 2018. This standard requires the separation of performance obligations within contracts with customers and the contractual value to be allocated to each of the performance obligations. Revenue is then recognised as each performance obligation is satisfied. This standard will replace existing revenue recognition standards. The Group will apply the standard from the transition date using the cumulative effect method. The Directors do not consider that the application of IFRS 15 will have a material impact on these results or the Balance Sheet reported in the consolidated financial statements. For the sale of goods, where revenue is currently recognised when both the significant risks and rewards of ownership have been transferred to the customer, and for the rental of assets, where revenue is recognised over the duration of the rental contract on a straight line basis at the amount billed to the customer, no adjustments are expected under IFRS 15. For goods sold with a right to return, and service warranties over an extended period, the adjustments are not material.

IFRS 16 "Leases" was revised on 13 January 2016 and is effective from 1 January 2019 and will require all leases to be recognised on the Balance Sheet. Currently, IAS 17 "Leases" only requires those categorised as finance leases to be recognised on the Balance Sheet, with leases categorised as operating leases not recognised and expensed through the Income Statement. The impact of IFRS 16 will be to recognise a lease liability and a corresponding asset in the Balance Sheet for leases currently classified as operating leases. The Directors are continuing to evaluate the full impact of the adoption of this standard. The actual impact in the period of initial application will depend on the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and exemptions. The Group expects to disclose its transition approach and quantitative information before adoption.

Other standards

Other amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

Section 2 – Results for the Year

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

2.1 Profit before tax (including segmental information)

2.2 Charges associated with acquisition of businesses, impairment of goodwill and restructuring costs

2.3 Net finance expense

2.4 Tax

2.5 Earnings per share

2.1 Profit before tax (including segmental information)

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

Accounting policies

Revenue recognition

Revenue is stated exclusive of sales tax and consists of sales to third parties after an allowance for returns, trade discounts and volume rebates.

Revenue recognition policies for material revenue streams are detailed below.

Revenue from the sale of goods is recognised when both the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be measured reliably. This is typically on delivery when legal title transfers to the customer.

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

Section 2 – Results for the Year

2.1 Profit before tax (including segmental information)

Segment reporting

In the year, the Group reorganised its business into three Divisions (Imaging Solutions, Production Solutions and Creative Solutions) to reflect a changing customer base, to enable the Group to adapt quickly to market and technological challenges, and to give greater focus to the fast-growing Independent Content Creator market. These reportable segments reflect 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.

The US broadcast services business and the Haigh-Farr defence antennae business, both part of the previous Broadcast Division, have been classified as discontinued operations in the current year. Their performance in this year and the comparative year is therefore part of discontinued operations as presented in note 3.5 "Disposals and discontinued operations" and is excluded from segmental performances below.

	Imaging Solutions [1]		Production Solutions [2]		Creative Solutions [2]		Corporate and unallocated		Consolidated	
	2017 £m	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
From continuing operations:										
Total revenue from external customers	**175.9**	151.4	**114.2**	121.6	**63.2**	45.9	**-**	-	**353.3**	318.9
Inter-segment revenue [3]	**0.6**	0.6	**1.0**	1.1	**0.2**	-	**(1.8)**	(1.7)	**-**	-
Total revenue	**176.5**	152.0	**115.2**	122.7	**63.4**	45.9	**(1.8)**	(1.7)	**353.3**	318.9
Adjusted operating profit	**29.9**	25.2	**15.2**	16.3	**13.0**	9.5	**(12.9)**	(9.6)	**45.2**	41.4
Earnout, deferred payments and purchase price adjustment	**-**	0.1	**-**	0.2	**(4.1)**	(1.5)	**-**	-	**(4.1)**	(1.2)
Transaction costs relating to acquisition of businesses	**(1.2)**	(0.1)	**-**	-	**(0.1)**	(0.5)	**-**	-	**(1.3)**	(0.6)
Integration costs	**(2.2)**	-	**-**	-	**-**	-	**-**	-	**(2.2)**	-
Amortisation of acquired intangible assets	**(0.4)**	(0.8)	**(1.1)**	(1.3)	**(5.9)**	(3.7)	**-**	-	**(7.4)**	(5.8)
Restructuring costs	**-**	(1.8)	**-**	(1.5)	**-**	(0.1)	**-**	-	**-**	(3.4)
Operating profit	**26.1**	22.6	**14.1**	13.7	**2.9**	3.7	**(12.9)**	(9.6)	**30.2**	30.4
Net finance expense									**(2.8)**	(4.0)
Taxation									**(16.9)**	(1.5)
Profit for the year									**10.5**	24.9
Segment assets	**124.9**	94.8	**87.6**	88.3	**41.4**	45.0	**4.3**	1.5	**258.2**	229.6
Unallocated assets										
Cash and cash equivalents							**12.6**	17.1	**12.6**	17.1
Current tax assets							**1.2**	0.7	**1.2**	0.7
Deferred tax assets							**17.7**	26.6	**17.7**	26.6
Total assets									**289.7**	274.0
Segment liabilities	**44.6**	31.3	**31.0**	26.9	**7.2**	5.9	**8.7**	10.8	**91.5**	74.9
Unallocated liabilities										
Bank overdrafts							**-**	0.3	**-**	0.3
Interest-bearing loans and borrowings							**55.5**	91.9	**55.5**	91.9
Current tax liabilities							**4.4**	8.1	**4.4**	8.1
Deferred tax liabilities							**2.7**	2.4	**2.7**	2.4
Total liabilities									**154.1**	177.6
Cash flows from operating activities	**13.8**	23.3	**19.5**	24.5	**11.7**	6.3	**(13.2)**	(10.3)	**31.8**	43.8
Cash flows from investing activities	**(13.5)**	(4.3)	**(6.9)**	(1.3)	**(4.9)**	(20.4)	**-**	(0.1)	**(25.3)**	(26.1)
Cash flows from financing activities	**-**	-	**-**	-	**-**	-	**(48.3)**	(23.6)	**(48.3)**	(23.6)
Capital expenditure										
Property, plant and equipment	**4.2**	2.6	**4.9**	2.9	**0.2**	0.7	**-**	-	**9.3**	6.2
Software and development costs	**2.0**	1.5	**1.6**	1.1	**0.6**	0.4	**-**	0.1	**4.2**	3.1

[1] Imaging Solutions Division was previously called Photographic Division.

[2] Production Solutions and Creative Solutions Divisions were previously presented within the Broadcast Division.

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

One customer (2016: nil) accounted for more than 10% of external revenue. In 2017, the total revenue from this customer, which was recognised in all three segments, was £42.1 million.

Geographical segments

	2017 £m	2016 £m
Continuing operations - analysis of revenue from external customers, by location of customer		
United Kingdom	**40.3**	34.8
The rest of Europe	**83.1**	75.4
North America	**144.3**	129.6
Asia Pacific	**73.5**	69.0
The rest of the World	**12.1**	10.1
Total revenue from external customers	**353.3**	318.9

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.

Operating expenses

	2017 £m	2016 £m
Analysis of operating expenses		
- Charges associated with acquisition of businesses [1]	**15.0**	7.6
- Restructuring costs [2]	**-**	3.2
- Other administrative expenses	**46.4**	38.7
Administrative expenses	**61.4**	49.5
Marketing, selling and distribution costs	**49.7**	42.6
Research, development and engineering costs	**15.2**	13.2
Total from continuing operations	**126.3**	105.3
- Amortisation of acquired intangible assets	**1.2**	2.1
- Impairment of goodwill	**-**	12.1
- Restructuring costs [2]	**-**	1.5
- Other administrative expenses	**3.6**	8.1
Administrative expenses	**4.8**	23.8
Marketing, selling and distribution costs	**2.7**	4.5
Total from discontinued operations	**7.5**	28.3

[1] See note 2.2 "Charges associated with acquisition of businesses, impairment of goodwill and restructuring costs".

[2] In 2016, of the total £5.2 million restructuring costs (continuing operations: £3.4 million; discontinued operations: £1.8 million), £4.7 million (continuing operations: £3.2 million; discontinued operations: £1.5 million) is included in operating expenses and £0.5 million (continuing operations: £0.2 million; discontinued operations: £0.3 million) in cost of sales.

Operating profit

	2017 £m	2016 £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	**0.5**	0.4
- Transaction and other services	**0.1**	0.2

2.2 Charges associated with acquisition of businesses, impairment of goodwill and restructuring costs

Charges associated with acquisition of businesses, impairment of goodwill, restructuring costs, and material non-operating events are excluded from key performance measures in order to more accurately show the underlying current business performance of the Group in a consistent manner. This also reflects how the business is managed and measured on a day-to-day basis. Charges associated with acquisition of businesses include non-cash charges such as amortisation of acquired intangible assets and cash charges such as transaction costs, earnout and deferred payments and significant costs relating to the integration of acquired businesses. Restructuring costs comprise employment termination and other site rationalisation costs.

	2017 £m	2016 £m
From continuing operations:		
Earnout, deferred payments and purchase price adjustment [1]	(4.1)	(1.2)
Transaction costs relating to acquisition of businesses [2]	(1.3)	(0.6)
Integration costs [3]	(2.2)	-
Amortisation of acquired intangible assets	(7.4)	(5.8)
Charges associated with acquisition of businesses	(15.0)	(7.6)
Restructuring costs	-	(3.4)
From discontinued operations:		
Amortisation of acquired intangible assets	(1.2)	(2.1)
Impairment of goodwill	-	(12.1)
Restructuring costs	-	(1.8)
Total	(1.2)	(16.0)

[1] The charge of £4.1 million comprises an earnout payable of £3.9 million (US$5.0 million) in relation to Wooden Camera which was as a result of its performance for the year ending 31 December 2017, and an amount of £0.2 million relating to RTMotion, as a result of certain non financial targets having been met in 2017. See note 3.6 "Provisions".

[2] Transaction costs of £1.3 million (2016: £0.6 million) were incurred in relation to acquisitions in the year. See note 3.4 "Acquisitions".

[3] Integration costs of £2.2 million relate to the integration of JOBY and Lowepro into the Group and mainly comprise employment termination costs and costs to terminate agreements with third party distributors. See note 3.4 "Acquisitions".

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;
- interest payable on borrowings and interest receivable on funds invested; and
- net interest expense on net defined benefit pension scheme.

Net finance expense

	2017 £m	2016 £m
Finance income		
Net currency translation gains	0.1	0.4
Finance expense		
Interest payable on interest-bearing loans and borrowings	(2.6)	(4.2)
Net interest expense on net defined benefit pension scheme [1]	(0.3)	(0.2)
	(2.9)	(4.4)
Net finance expense	(2.8)	(4.0)

[1] 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 tax currently payable and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and increased or reduced to the extent of the probable level of taxable profit that would be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax liabilities are not recognised for the following temporary differences:

- Goodwill not deductible for tax purposes on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- Differences relating to investments in subsidiaries to the extent that the timing of the reversal is controlled by the Company and they will probably not reverse in the foreseeable future.

US Tax Reform

On 22 December 2017, the Tax Cuts and Jobs Act was enacted in the United States. The Act is complex and wide ranging and in these financial statements the impact has been estimated and may be further refined as more clarity and guidance becomes available.

The legislation includes a reduction in the federal tax rate from 35% to 21% and also contains increased restrictions on the deductibility of interest expense. As a consequence of these changes, the remeasurement of the deferred tax asset for both the change in tax rate and forecast utilisation of the deferred tax asset has resulted in a one-off deferred tax charge of £7.9 million which is excluded from adjusted earnings.

The Group expects that the effective tax rate on adjusted profits will be reduced by two percentage points, from 27% to 25%, in 2018 as a result of the reduction in federal tax rate.

2.4 Tax

Tax - Income Statement

	2017 £m	2016 £m
The total taxation charge/(credit) in the Income Statement is analysed as follows:		
Summarised in the Income Statement as follows		
Continuing operations		
Current tax	6.2	8.4
Deferred tax	10.7	(6.9)
	16.9	1.5
Discontinued operations		
Current tax	0.4	-
Deferred tax	(4.0)	-
	(3.6)	-
Continuing and discontinued operations		
Current tax	6.6	8.4
Deferred tax	6.7	(6.9)
	13.3	1.5
Charges associated with acquisition of businesses, impairment of goodwill, restructuring costs, profit on disposal of businesses and material non-operating events		
Continuing operations		
Current tax [1]	(0.2)	(4.9)
Deferred tax [2]	6.3	(3.8)
	6.1	(8.7)
Discontinued operations		
Current tax [1]	0.4	-
Deferred tax [2]	(4.7)	-
	(4.3)	-
Continuing and discontinued operations		
Current tax [1]	0.2	(4.9)
Deferred tax [2]	1.6	(3.8)
	1.8	(8.7)
Before charges associated with acquisition of businesses, impairment of goodwill, restructuring costs, profit on disposal of businesses and material non-operating events		
Continuing operations		
Current tax	6.4	13.3
Deferred tax	4.4	(3.1)
	10.8	10.2
Discontinued operations		
Current tax	-	-
Deferred tax	0.7	-
	0.7	-
Continuing and discontinued operations		
Current tax	6.4	13.3
Deferred tax	5.1	(3.1)
	11.5	10.2

(1) Current tax expense of £0.2 million (2016: £4.9 million credit) was recognised in the year of which £0.1 million credit (2016: £nil) relates to integration costs, £0.1 million credit (2016: £4.2 million credit) to amortisation of intangible assets and £0.4 million (2016: £nil) to tax on the disposal of businesses.

(2) Deferred tax expense of £1.6 million (2016: £3.8 million credit) was recognised in the year of which £0.2 million credit (2016: £nil) relates to integration costs, £1.8 million credit (2016: £0.7 million credit) to acquisitions, £0.4 million (2016: £2.0 million credit) to amortisation of intangible assets, £4.7 million credit (2016: £nil) to the disposal of businesses and £7.9 million (2016: £nil) to the impact of US tax reform.

	2017 £m	2016 £m
Current tax expense/(credit)		
Charge for the year	6.8	8.9
Adjustments in respect of prior years	(0.2)	(0.5)
Total current tax expense	6.6	8.4

The UK current tax charge represents a charge of £0.3 million (2016: £0.3 million) of the total Group current tax charge of £6.6 million (2016: £8.4 million), with the remaining £6.3 million (2016: £8.1 million) charge relating to overseas tax.

	2017 £m	2016 £m
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	5.8	(6.2)
Adjustments in respect of prior years	0.9	(0.7)
Total deferred tax credit	6.7	(6.9)

The UK deferred tax charge represents £nil (2016: £1.6 million credit) and the US deferred tax charge represents £6.4 million (2016: £5.3 million credit) of the total Group deferred tax charge of £6.7 million (2016: £6.9 million credit), with £0.3 million (2016: £nil) relating to overseas tax. A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly. The UK deferred tax asset at 31 December 2017 has been calculated based on these rates.

The US deferred tax charge of £6.4 million includes a one-off exceptional charge of £7.9 million in relation to the remeasurement of deferred tax assets as a consequence of the reduction in US federal tax rate (from 35% to 21%) enacted by the Tax Cuts and Jobs Act in the US on 22 December 2017.

	2017 £m	2016 £m
Tax charge recognised in Statement of Changes in Equity ("SOCIE")		
Current tax recognised in SOCIE [3]	-	-
Deferred tax recognised in SOCIE [4]	0.3	0.1
	0.3	0.1

[3] No current tax deductions have been reflected in the SOCIE in both the current and prior year.

[4] A deferred tax charge of £0.3 million (2016: £0.1 million) relating to the impact of share based payments on outstanding options, has been reflected in the SOCIE.

Reconciliation of Group tax charge	2017 £m	2016 £m
Profit before tax	40.8	10.5
Income tax using the domestic corporation tax rate at 19.25% (2016: 20%)	7.8	2.1
Effect of tax rates in foreign jurisdictions	(11.8)	(1.4)
Non-deductible expenses	12.7	1.5
Impact of US tax reform	7.9	-
Impact of tax losses not recognised	(0.6)	(0.3)
Movement in US unrecognised deferred tax	(2.4)	-
Other	(1.0)	0.8
Impact of tax credits in respect of prior years	0.7	(1.2)
Total income tax expense in Income Statement	13.3	1.5

2.4 Tax

Tax - Balance Sheet

Current tax

The current tax liability of £4.4 million (2016: £8.1 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 £1.2 million (2016: £0.7 million) mainly relates to income tax receivable in the UK, the US, Italy and France.

In October 2017, the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company ("CFC") rules. The Group Financing Exemption was introduced into the UK tax legislation in 2013. In common with other UK based international companies whose arrangements are in line with current CFC legislation, Vitec may be affected by the outcome of this investigation and continues to monitor developments. If the preliminary findings of the European Commission's investigation are upheld, Vitec calculates its maximum potential liability to be £6.3 million. The detailed arguments of the European Commission are not yet available and it is unlikely that a decision will be made within the next 12 months. No provision has been made in the financial statements as the outcome of the investigation cannot be determined at this time.

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.

Deferred tax assets and liabilities

	2017 £m	Recognised in income £m	Recognised in goodwill and reserves £m	Exchange movements £m	Transfer between categories £m	2016 £m
Assets						
Inventories	3.7	0.7	-	-	-	3.0
Intangible assets	0.4	0.9	(0.1)	(0.1)	-	(0.3)
Tax value of loss carry-forwards recognised	7.8	2.1	-	(0.6)	-	6.3
Property, plant, equipment & other	5.8	(10.4)	0.3	(0.5)	(1.2)	17.6
	17.7	(6.7)	0.2	(1.2)	(1.2)	26.6
Liabilities						
Property, plant, equipment & other	(0.4)	-	(1.6)	-	1.2	-
Intangible assets	(2.3)	-	(0.1)	0.2	-	(2.4)
	(2.7)	-	(1.7)	0.2	1.2	(2.4)
Net	15.0	(6.7)	(1.5)	(1.0)	-	24.2

	2016 £m	Recognised in income £m	Recognised in reserves £m	Exchange movements £m	Transfer between categories £m	2015 £m
Assets						
Inventories	3.0	0.1	-	0.2	-	2.7
Intangible assets	(0.3)	2.9	-	(0.2)	-	(3.0)
Tax value of loss carry-forwards recognised	6.3	0.5	-	1.0	-	4.8
Property, plant, equipment & other	17.6	3.3	1.7	1.9	-	10.7
	26.6	6.8	1.7	2.9	-	15.2
Liabilities						
Intangible assets	(2.4)	0.1	-	(0.4)	-	(2.1)
Net	24.2	6.9	1.7	2.5	-	13.1

Deferred tax assets have been offset against liabilities where assets and liabilities arise in the same jurisdiction and there is a legal right of offset. Deferred tax relating to cashflow hedges was an asset at 31 December 2016 and a liability at 31 December 2017.

The deferred tax credit of £1.5 million (2016: charge of £1.7 million) recognised in reserves relates to the following: £1.6 million credit recognised in the Consolidated Statement of Comprehensive Income in relation to cashflow hedges, £0.1 million credit recognised in the Consolidated Statement of Comprehensive Income in relation to defined benefit pension obligations and £0.3 million charge reflected in the Consolidated Statement of Changes in Equity in relation to share options. There is also a £0.1 million credit reflected in goodwill in relation to the acquisition of RTMotion.

Deferred tax assets totalling £10.2 million (2016: £17.5 million) have been recognised in the US on the basis that future profits are expected to be made across all of the US businesses such that it is probable that these assets will be utilised in the foreseeable future. This also reflects a reduction in the level of deferred tax assets by £7.9 million to reflect the changes introduced as part of US tax reform.

Deferred tax assets have not been recognised of £16.3 million, comprising £3.9 million in relation to losses, £2.3 million in relation to intangibles and £10.1 million in relation to other timing differences (2016: £17.3 million) 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 £54.2 million at 31 December 2017 (2016: £40.8 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, impairment of goodwill, restructuring costs, material non-operating events and profit on disposal of businesses, all net of tax.

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

	2017 £m	2016 £m
Profit/(loss) for the financial year		
Continuing operations	10.5	24.9
Discontinued operations	17.0	(15.9)
	27.5	9.0
Add back charges associated with acquisition of businesses, impairment of goodwill, restructuring costs, material non-operating events and profit on disposal of businesses, all net of tax		
Continuing operations	21.1	2.3
Discontinued operations	(18.1)	16.0
	3.0	18.3
Adjusted profit after tax		
Continuing operations	31.6	27.2
Discontinued operations	(1.1)	0.1
	30.5	27.3

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	2017 Number	2016 Number	2017 pence	2016 pence	2017 pence	2016 pence
From continuing and discontinued operations						
Basic	44,798	44,568	68.1	61.3	61.4	20.2
Dilutive potential ordinary shares	319	96	(0.5)	(0.1)	(0.4)	(0.1)
Diluted	45,117	44,664	67.6	61.2	61.0	20.1
From continuing operations						
Basic	44,798	44,568	70.5	61.0	23.4	55.9
Dilutive potential ordinary shares	319	96	(0.5)	(0.1)	(0.1)	(0.2)
Diluted	45,117	44,664	70.0	60.9	23.3	55.7
From discontinued operations						
Basic	44,798	44,568	(2.4)	0.3	38.0	(35.7)
Dilutive potential ordinary shares	319	96	-	-	(0.3)	0.1
Diluted	45,117	44,664	(2.4)	0.3	37.7	(35.6)

Section 3 – Operating Assets and Liabilities

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

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

3.1 Intangible assets

3.2 Property, plant and equipment

3.3 Working capital

3.4 Acquisitions

3.5 Disposals and discontinued operations

3.6 Provisions

3.1 Intangible assets

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

- **Goodwill**
- **Acquired intangible assets**
- **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 ("CGU") that are anticipated to benefit from the combination, and is not subject to amortisation but is tested annually for impairment. Impairment is determined by assessing the recoverable amount of the CGU 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 CGU, including both its operating profit and operating cash flow performance. Where the recoverable amount of the CGU 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 twelve months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition. Transaction costs that the Group incurs in connection with an acquisition, such as legal fees, due diligence fees and other professional and consulting fees, are expensed as incurred.

Other intangible assets

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

Acquired intangible assets

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

Order backlog	up to 2 years
Brand	3 to 15 years
Customer relationships	3 to 10 years
Technology	3 to 10 years

Software

The cost of acquiring software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are assessed as likely to generate economic benefits exceeding costs beyond one year, are also capitalised and recognised as intangible assets. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. 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, typically up to two to three years. 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) containing goodwill

In accordance with the requirements of IAS 36, "Impairment of Assets", goodwill is allocated to the Group's CGUs which are identified by the way goodwill is monitored for impairment. The Group's total consolidated goodwill of £58.0 million at 31 December 2017 is allocated to: Production Solutions: £28.9 million (2016: £30.1 million); Imaging Solutions: £18.8 million (2016: £15.4 million); and Creative Solutions: £10.3 million (2016: £10.3 million). Each CGU is assessed for impairment annually and whenever there is a specific indication of impairment.

Section 3 – Operating Assets and Liabilities

3.1 Intangible assets

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

The key assumptions on which the value in use calculations are based relate to business performance over the next five years, long-term growth rates beyond 2022 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 2022 are assumed to be 1.5% to 2.0% (2016: 1.0% to 2.0%), which is considered to be at or below long-term market trends for significant CGUs.

The cash flow projections have been discounted to present value using the Group's weighted average cost of capital adjusted for economic and CGU-specific risk factors including markets and size of business. Pre-tax rates of 13% to 17% (2016: 13% to 15%) reflecting different geographies have been used for impairment testing (13% (2016: 13%) applied to the Production Solutions CGU, 14% (2016: 13%) applied to the Imaging Solutions CGU and 17% (2016: 15%) applied to the Creative Solutions CGU).

The following specific individual sensitivities of reasonable possible change have been considered for each CGU in relation to the weighted average cost of capital used in the value in use calculations, resulting in the carrying amount not exceeding the recoverable amount for each CGU:

- a 10% increase in unlevered equity beta;
- a 1% increase in alpha;
- a 10% decrease in gearing;
- a 1% increase in the pre-tax cost of debt; and
- a 10% reduction in forecast cashflows over the next five years.

Intangible assets

	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Capitalised development costs £m
Cost					
At 1 January 2016	139.6	71.7	43.5	15.1	9.3
Currency translation adjustments	20.6	10.3	7.3	1.8	1.2
Additions	3.4	-	-	1.4	2.0
Disposals	(0.2)	-	-	(0.2)	-
Acquisitions	16.2	1.2	15.0	-	-
At 31 December 2016	179.6	83.2	65.8	18.1	12.5
At 1 January 2017	**179.6**	**83.2**	**65.8**	**18.1**	**12.5**
Currency translation adjustments	**(8.6)**	**(4.3)**	**(4.1)**	**0.1**	**(0.3)**
Additions	**4.3**	**-**	**-**	**1.1**	**3.2**
Disposals - on disposal of businesses [(1)]	**(39.6)**	**(25.4)**	**(12.4)**	**(1.8)**	**-**
Acquisitions [(2)]	**13.4**	**4.9**	**8.5**	**-**	**-**
At 31 December 2017	**149.1**	**58.4**	**57.8**	**17.5**	**15.4**
Amortisation and impairment losses					
At 1 January 2016	48.9	5.0	28.8	12.2	2.9
Currency translation adjustment	8.8	2.1	4.7	1.4	0.6
Amortisation in the year	11.0	-	7.9	1.3	1.8
Impairment charge	12.1	12.1	-	-	-
Disposals	(0.2)	-	-	(0.2)	-
At 31 December 2016	80.6	19.2	41.4	14.7	5.3
At 1 January 2017	**80.6**	**19.2**	**41.4**	**14.7**	**5.3**
Currency translation adjustment	**(3.7)**	**(1.1)**	**(2.5)**	**0.1**	**(0.2)**
Amortisation in the year	**12.2**	**-**	**8.6**	**1.2**	**2.4**
Disposals - on disposal of businesses [(1)]	**(28.4)**	**(17.7)**	**(9.3)**	**(1.4)**	**-**
At 31 December 2017	**60.7**	**0.4**	**38.2**	**14.6**	**7.5**
Carrying amounts					
At 1 January 2016	90.7	66.7	14.7	2.9	6.4
At 31 December 2016 and 1 January 2017	99.0	64.0	24.4	3.4	7.2
At 31 December 2017	**88.4**	**58.0**	**19.6**	**2.9**	**7.9**

[(1)] See note 3.5 "Disposals and discontinued operations".

[(2)] See note 3.4 "Acquisitions".

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.

Depreciation

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

Freehold land	not depreciated
Freehold and long leasehold buildings	up to 50 years
Leasehold improvements	shorter of estimated useful life or remaining period of the lease
Plant and machinery	4 to 10 years
Motor vehicles	3 to 4 years
Equipment, fixtures and fittings	3 to 10 years
Rental assets	3 to 6 years

Impairment of assets

Property, plant and equipment that is subject to depreciation is reviewed for impairment 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.

3.2 Property, plant and equipment

Property, plant and equipment

	Total £m	Land and buildings £m	Plant, machinery and vehicles £m	Equipment, fixtures and fittings £m
Cost				
At 1 January 2016	139.0	27.7	99.8	11.5
Currency translation adjustments	22.3	3.8	17.0	1.5
Transfers between asset categories	-	0.4	-	(0.4)
Additions	13.4	0.3	12.1	1.0
Disposals	(21.4)	(6.8)	(13.0)	(1.6)
Acquisitions	0.1	-	0.1	-
At 31 December 2016	153.4	25.4	116.0	12.0
At 1 January 2017	**153.4**	**25.4**	**116.0**	**12.0**
Currency translation adjustments	**(3.5)**	**(0.2)**	**(3.0)**	**(0.3)**
Additions	**10.8**	**1.5**	**8.0**	**1.3**
Disposals	**(6.6)**	**(1.7)**	**(4.7)**	**(0.2)**
Disposals - on disposal of businesses	**(50.7)**	**(0.7)**	**(47.7)**	**(2.3)**
Acquisitions	**0.4**	**-**	**0.2**	**0.2**
At 31 December 2017	**103.8**	**24.3**	**68.8**	**10.7**
Depreciation				
At 1 January 2016	85.2	14.3	62.4	8.5
Currency translation adjustment	13.8	1.9	10.8	1.1
Transfers between asset categories	-	0.3	-	(0.3)
Depreciation charge in the year	15.3	1.0	12.8	1.5
Disposals	(14.9)	(4.1)	(9.2)	(1.6)
At 31 December 2016	99.4	13.4	76.8	9.2
At 1 January 2017	**99.4**	**13.4**	**76.8**	**9.2**
Currency translation adjustment	**(1.5)**	**0.1**	**(1.4)**	**(0.2)**
Impairment losses in the year	**0.2**	**-**	**-**	**0.2**
Depreciation charge in the year	**10.3**	**0.8**	**8.5**	**1.0**
Disposals	**(3.8)**	**(0.5)**	**(3.1)**	**(0.2)**
Disposals - on disposal of businesses	**(31.8)**	**(0.6)**	**(29.3)**	**(1.9)**
At 31 December 2017	**72.8**	**13.2**	**51.5**	**8.1**
Carrying amounts				
At 1 January 2016	53.8	13.4	37.4	3.0
At 31 December 2016 and 1 January 2017	54.0	12.0	39.2	2.8
At 31 December 2017	**31.0**	**11.1**	**17.3**	**2.6**

Plant, machinery and vehicles include equipment rental assets with an original cost of £8.4 million (2016: £56.8 million) and accumulated depreciation of £5.2 million (2016: £32.1 million).

Capital commitments at 31 December 2017 for which no provision has been made in the accounts amount to £0.6 million (2016: £1.2 million).

3.3 Working capital

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

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

Accounting policies

Inventories

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

In the ordinary course of business, 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 and other receivables are recognised at the invoice value less provision for impairment. The carrying value of trade receivables is considered to approximate fair value.

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

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

Trade and other payables

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

Inventories

	2017 £m	2016 £m
Raw materials and components	**19.2**	19.3
Work in progress	**5.9**	6.7
Finished goods	**44.7**	31.9
Inventories, net of impairment provisions	**69.8**	57.9

During the year £1.5 million (2016: £2.1 million) was recognised as an expense resulting from the write-down of inventory. Inventory of £3.8 million is carried at fair value less costs to sell.

Section 3 – Operating Assets and Liabilities

3.3 Working Capital

Trade and other receivables

	2017 £m	2016 £m
Short-term receivables		
Trade receivables, net of impairment provisions	52.5	50.9
Other receivables	7.1	8.1
Prepayments and accrued income	6.2	7.2
	65.8	66.2
Long-term receivables		
Other receivables	0.9	0.9
Total receivables	66.7	67.1

	2017 £m	2016 £m
Gross trade receivables - ageing [1]		
Current	43.1	43.2
1-30 days	8.8	5.9
31-60 days	0.9	1.8
61-90 days	0.5	0.7
over 90 days	2.0	1.6
Gross trade receivables	55.3	53.2

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

	Total £m	Overdue debts £m	Sales returns and discounts £m
Impairment provisions against trade receivables			
Balance at 1 January 2017	2.3	1.5	0.8
Net increase during the year	1.3	0.4	0.9
Utilised during the year	(0.7)	(0.1)	(0.6)
Currency translation adjustments	(0.1)	-	(0.1)
Balance at 31 December 2017	2.8	1.8	1.0

Trade and other payables

	2017 £m	2016 £m
Current trade and other payables		
Trade payables	35.1	26.8
Other tax and social security costs	3.5	3.3
Accruals	12.4	12.7
Other non-trade payables and deferred income	16.4	12.5
	67.4	55.3

3.4 Acquisitions

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

Acquisitions are accounted for under the acquisition method of accounting. As part of the acquisition accounting the Group has adopted a process to identify the fair values of the assets and liabilities acquired, including contingent considerations assumed. This includes the separate identification of intangible assets and the allocation of the consideration paid. This process continues as information is finalised, and accordingly the fair value adjustments presented in the tables below are provisional. In accordance with IFRS 3 until the assessment is complete the allocation period will remain open up to a maximum of 12 months from the acquisition date so long as information remains outstanding. Acquisition-related costs are recognised in the Income Statement as incurred in accordance with IFRS 3.

A detailed exercise is undertaken to assess the fair value of assets acquired and liabilities assumed, with the use of third-party experts where appropriate. The valuation of intangible assets requires the use of assumptions and estimates, including future growth rates, expected inflation rates, discount rates used and useful economic lives.

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

Acquisition of JOBY and Lowepro

On 22 September 2017, the Imaging Solutions Division of the Group acquired the trade and certain assets (primarily comprising the JOBY and Lowepro brands) of the DayMen Group S.a.r.l. including 100% of the share capital of the subsidiary companies in Hong Kong and China ("JOBY and Lowepro"), through a business combination for a cash consideration of £8.4 million. The fair value of the net assets acquired was £4.4 million resulting in goodwill of £4.0 million.

JOBY and Lowepro products are designed and developed in Hong Kong and California respectively. JOBY's patented GorillaPod has transformed the camera accessories market while Lowepro has been a market leader in bags designed to protect electronic and photographic devices since its inception in 1967. The acquisition is an excellent strategic fit with the Group's existing core activities and gives the Group greater access to the fast growing iPhoneography and vlogging consumer accessories market.

A summary of the effect of the acquisition of JOBY and Lowepro is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	7.4	7.4
Property, plant and equipment	0.4	-	0.4
Inventories	7.5	(0.4)	7.1
Trade and other receivables	4.7	(2.4)	2.3
Trade and other payables	(11.2)	0.1	(11.1)
Provisions	-	(1.7)	(1.7)
	1.4	3.0	4.4
Goodwill			4.0
Consideration satisfied from existing cash resources			8.4

The trade receivables acquired had a fair value and a gross contractual value of £1.8 million.

3.4 Acquisitions

Acquisition of RTMotion

On 20 September 2017, the Group acquired 100% of the issued share capital of RT Motion Systems Ltd ("RTMotion"), a private company based in the UK, for a cash consideration of £2.5 million (£1.9 million net of cash acquired). The fair value of the net assets acquired was £1.6 million resulting in goodwill of £0.9 million.

Under the terms of the acquisition, there is a potential deferred payment of up to £1.2 million payable in cash. This is dependent on the achievement of non-financial targets, including integration milestones, being met over the period to 31 December 2019 and is not contingent consideration. In 2017 an amount of £0.2 million was provided for and charged to the Income Statement in relation to milestones met in 2017.

RTMotion is a high technology business which provides wireless motor lens control systems for broadcast, cine and video cameras. The acquisition complements the Group's existing activities in the expanding Independent Content Creator market and its products will be marketed through the Group's global distribution network. RTMotion operates within the Creative Solutions Division.

A summary of the effect of the acquisition of RTMotion is detailed below:

	Book value at acquisition £m	Provisional fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	1.1	1.1
Inventories	0.1	-	0.1
Trade and other receivables	0.1	-	0.1
Trade and other payables	(0.1)	-	(0.1)
Cash	0.6	-	0.6
Deferred tax	-	(0.1)	(0.1)
Current tax	(0.1)	-	(0.1)
	0.6	1.0	1.6
Goodwill			0.9
Consideration satisfied from existing cash resources			2.5

The trade receivables acquired had a fair value of £0.1 million and a gross contractual value of £0.3 million.

The results of the acquisitions made during the year comprise the following:

	JOBY and Lowepro £m	RTMotion £m
Revenue	12.6	0.3
Operating loss	(1.7)	-

Due to a material difference in the post-acquisition operating model of certain businesses, the Directors consider that it is impracticable to disclose the results of the combined entity as though all the acquisitions were effected 1 January 2017.

The level of profitability is stated after integration costs and amortisation of intangible assets.

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

	2017 £m
Net outflow of cash in respect of acquisitions	
Cash consideration	10.9
Transaction costs	1.3
Payment into escrow to be released to vendors in 2019, subject to 2018 milestones being met	0.5
Cash acquired	(0.6)
Net cash outflow in respect of 2017 acquisitions	12.1
Cash paid in respect of contingent consideration for Wooden Camera (acquired in 2016)	1.6
Net cash outflow in respect of acquisitions [(1)]	13.7

[(1)] Of the £13.7 million net cash outflow in respect of acquisitions, transaction costs of £1.3 million are included in cash flows from operating activities and the remaining net cash outflow of £12.4 million is included in cash flows from investing activities.

Acquisitions in 2016

Acquisition of Manfrotto Distribution Benelux (formerly Provak Foto Film Video B.V.)

A summary of the effect of the acquisition of Manfrotto Distribution Benelux is detailed below:

	Book and fair value of net assets acquired £m
Net assets acquired	
Inventories	0.2
Trade and other receivables	0.4
Trade and other payables	(0.2)
	0.4
Goodwill	0.5
Consideration satisfied from existing cash resources	0.9

Acquisition of Offhollywood

A summary of the effect of the acquisition of Offhollywood is detailed below:

	Book value at acquisition £m	Fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	1.6	1.6
Trade and other payables	(0.1)	-	(0.1)
	(0.1)	1.6	1.5
Goodwill			-
Consideration satisfied from existing cash resources			1.5

Acquisition of Wooden Camera

A summary of the effect of the acquisition of Wooden Camera is detailed below:

	Book value at acquisition £m	Fair value adjustments £m	Fair value of net assets acquired £m
Net assets acquired			
Intangible assets	-	13.2	13.2
Property, plant and equipment	0.1	-	0.1
Inventories	0.8	(0.2)	0.6
Trade and other receivables	0.8	(0.2)	0.6
Trade and other payables	(0.1)	-	(0.1)
Provisions	-	(0.2)	(0.2)
Cash	0.5	-	0.5
	2.1	12.6	14.7
Goodwill			0.7
Consideration satisfied from existing cash resources			15.4

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

	2016 £m
Net outflow of cash in respect of acquisitions	
Cash consideration [1]	18.0
Cash acquired	(0.5)
Transaction costs	0.6
Net cash outflow in respect of 2016 acquisitions	18.1
Cash paid in respect of contingent consideration for Teradek (acquired in 2013)	3.0
Cash received in relation to the purchase price adjustment for Autocue (acquired in 2014), agreed with the vendors during the period	(0.2)
Cash paid in 2016 in respect of prior year acquisitions	2.8
Net cash outflow in respect of acquisitions [2]	20.9

[1] Cash consideration of £18.0 million includes £0.2 million relating to the purchase of the intellectual property of Xume technology in September 2016. This has been fully amortised in the year.

[2] Of the £20.9 million net cash outflow in respect of acquisitions, transaction costs of £0.6 million are included in cash flows from operating activities and the net cash consideration paid of £20.3 million is included in cash flows from investing activities.

3.5 Disposals and discontinued operations

On 9 May 2017 the Group sold Haigh-Farr, Inc. ("Haigh-Farr"), a defence antennae business based in the US for a cash consideration of $15.8 million (£12.2 million), of which $0.8 million (£0.6 million) is deferred for twelve months from disposal date. A profit of £3.2 million arose on disposal after taking into account £0.5 million costs of disposal, £17.3 million net assets disposed and the previously recorded foreign exchange gain of £8.8 million that has been recycled to the Income Statement.

On 1 August 2017 the Group sold its US broadcast services business based in the US for a net cash consideration of $32.1 million (£24.3 million). A profit of £11.3 million arose on disposal after taking into account £2.8 million costs of disposal, £18.7 million net assets disposed and the previously recorded foreign exchange gain of £8.5 million that has been recycled to the Income Statement.

The property lease of the IMT business which was disposed in 2014 came to an end in the year. At 31 December 2016 there was a provision of £0.7 million in relation to onerous lease contracts and potential exit costs. The Group made a payment of £0.2 million and the remaining provision of £0.5 million was released to the Income Statement.

Both Haigh-Farr and the US broadcast services business, which were included in the previous Broadcast Division, have been classified as discontinued operations in the current year in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations". The disposals enable management to place greater focus on opportunities in its core activities.

The tables below show the results of the discontinued operations which are included in the Group Income Statement and Group Statement of Cash Flows respectively.

Income Statement - discontinued operations

	2017 £m	2016 £m
Revenue	**24.8**	57.3
Expenses	**(26.4)**	(73.2)
Operating loss	**(1.6)**	(15.9)
Comprising		
- Operating (loss)/profit before amortisation of acquired intangible assets, impairment of goodwill and restructuring costs	**(0.4)**	0.1
- Amortisation of acquired intangible assets	**(1.2)**	(2.1)
- Impairment of goodwill	**-**	(12.1)
- Restructuring costs	**-**	(1.8)
	(1.6)	(15.9)
Taxation	**(0.7)**	-
Loss after tax from discontinued operations	**(2.3)**	(15.9)
Gain on disposal of discontinued operations before tax	**15.0**	-
Taxation	**4.3**	-
Gain on disposal of discontinued operations after tax	**19.3**	-
Profit/(loss) after tax from discontinued operations attributable to owners of parent	**17.0**	(15.9)

Statement of Cash Flows - discontinued operations

	2017 £m	2016 £m
Net cash from operating activities	**3.3**	8.6
Net cash from/(used in) investing activities (1)	**33.7**	(3.5)
Net cash from discontinued operations	**37.0**	5.1

(1) 2017 includes net proceeds of £32.6 million from the disposal of businesses.

3.6 Provisions

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

Accounting policies

Provisions

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

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

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

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

	Total £m	Warranty £m	Restructuring £m	Onerous lease and other £m	Earnout and deferred payments £m
At 1 January 2017	6.0	1.2	1.5	1.7	1.6
Charged to the Income Statement	9.2	1.0	-	4.1	4.1
Provisions utilised during the year	(6.7)	(0.6)	(1.4)	(3.1)	(1.6)
Provisions reversed during the year	(0.7)	(0.2)	-	(0.5)	-
Divestment of business	1.8	-	-	1.8	-
Acquisition of subsidiary undertaking	1.7	-	-	1.7	-
Currency translation adjustments	(0.3)	-	-	(0.1)	(0.2)
At 31 December 2017	**11.0**	**1.4**	**0.1**	**5.6**	**3.9**
Current	9.3	1.0	0.1	4.3	3.9
Non-current	1.7	0.4	-	1.3	-
	11.0	1.4	0.1	5.6	3.9

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.

Onerous lease contracts and other

The onerous lease contracts provision of £0.1 million is in relation to non-cancellable leases on vacant property and a provision of £0.4 million relates to potential dilapidation costs on the termination of leases on occupied property that the Group entered into in previous years.

The other provisions are in relation to costs associated with the integration of JOBY and Lowepro (£1.2 million), off-market contracts on the disposal of the US broadcast services business (£1.2 million), fair value adjustments relating to acquisitions made in the year (£1.2 million), transfer of manufacturing from the US to Costa Rica (£0.8 million) and severance and legal claims (£0.7 million).

Earnout and deferred payment

Of the £3.9 million earnout and deferred payment provision at 31 December 2017, £3.7 million (US$5.0 million) after currency translation adjustments is in respect of Wooden Camera's earnout (acquired in 2016) and £0.2 million in respect of RTMotion's deferred payment. (See note 2.2 "Charges associated with acquisition of businesses, impairment of goodwill and restructuring costs" and note 3.4 "Acquisitions").

Section 4 – Capital Structure

This section outlines the Group's capital structure. The Group defines its capital structure as its equity and non-current interest bearing loans and borrowings, and aims to manage this to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, it may return capital to shareholders, through dividends and share buy backs, issue new shares or sell assets to reduce debt. The Group considers its dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern and deliver its business plan. The Group focuses on leverage, credit ratings and interest cost, particularly when considering investment.

On the following pages there are disclosures concerning the following:

4.1 Net debt

4.2 Financial instruments

4.3 Share capital and reserves

4.1 Net debt

The Group's net debt comprises the following:

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

Accounting policies

Cash and cash equivalents

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

Cash and cash equivalents in the Statement of Cash Flows include bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these transaction costs are recognised in the Income Statement over the term of the related borrowings.

Analysis of net debt

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

	2017 £m	2016 £m
Decrease in cash and cash equivalents	**(4.8)**	(0.8)
Repayment of interest-bearing loans and borrowings	**144.5**	84.9
Borrowings from interest-bearing loans and borrowings	**(110.7)**	(71.3)
Decrease in net debt resulting from cash flows	**29.0**	12.8
Effect of exchange rate fluctuations on cash held	**0.6**	5.1
Effect of exchange rate fluctuations on debt held	**2.6**	(16.7)
Effect of exchange rate fluctuations on net debt	**3.2**	(11.6)
Movements in net debt in the year	**32.2**	1.2
Net debt at 1 January	**(75.1)**	(76.3)
Net debt at 31 December	**(42.9)**	(75.1)
Cash and cash equivalents in the Balance Sheet	**12.6**	17.1
Bank overdrafts	**-**	(0.3)
Cash and cash equivalents in the Statement of Cash Flows	**12.6**	16.8
Interest-bearing loans and borrowings	**(55.5)**	(91.9)
Net debt at 31 December	**(42.9)**	(75.1)

4.2 Financial instruments

This provides details on:

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

Financial risk management

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

Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign 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.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts including the US Dollar, Euro and Japanese Yen. Forward exchange contracts are typically used to hedge approximately 75% of the Group's forecasted foreign currency exposure in respect of forecast cash transactions for the following 12 months. 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 two years 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 2017 would have increased/decreased by approximately £1.6 million from a ten cent stronger/weaker US Dollar against Sterling, by approximately £1.9 million from a ten cent stronger/weaker Euro against Sterling and by approximately £0.4 million from a ten Yen stronger/weaker Japanese Yen against Sterling. This reflects the impact of the sensitivities to the translational exposures and to the proportion of the transactional exposures that is not hedged. The Group, in accordance with its policy, does not use derivatives to manage translational risks. During 2017 the Group's operating profit included a net loss of £2.3 million (2016: £5.0 million) in relation to the crystallisation of forward exchange contracts as described later in this note.

It is estimated that the statutory operating profit for the year ended 31 December 2017 would have increased/decreased by approximately £0.7 million from a ten cent stronger/weaker US Dollar against Sterling, by approximately £1.7 million from a ten cent stronger/weaker Euro against Sterling and by approximately £0.4 million from a ten Yen stronger/weaker Japanese Yen against Sterling.

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 2017, it is estimated that a general increase/decrease of one percentage point in interest rates, would decrease/increase the Group's profit before tax by approximately £0.8 million.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

In 2011, the Group drew down US$50 million from a Private Placement shelf facility. This was repaid on 11 May 2017 funded by the Multicurrency Revolving Credit Facility.

The Group has a five year £125 million Multicurrency Revolving Credit Facility Agreement with a syndicate comprising five banks: two UK banks, two American banks, and one European bank, that expires in July 2021. The Group was utilising 43% of the £125 million Multicurrency Revolving Credit Facility at 31 December 2017.

4.2 Financial instruments

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

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

b) Cash balances and derivative financial instruments
Credit risk associated with cash balances is managed by transacting with a number of major financial institutions worldwide and periodically reviewing their credit worthiness. Transactions involving derivative financial instruments are managed centrally. These are only with banks that are part of the Group's £125 million Multicurrency Revolving Credit Facility Agreement. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

Derivative financial instruments

This is a summary of the derivative financial instruments that the Group holds and uses to manage 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.

Accounting policies

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.

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

Forward exchange contracts

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next 24 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 24 months.

	Currency	As at 31 December 2017 millions	Average exchange rate of contracts	As at 31 December 2016 millions	Average exchange rate of contracts
Cash flow hedging contracts					
USD / GBP forward exchange contracts	USD	**9.0**	**1.30**	17.1	1.37
USD / EUR forward exchange contracts	USD	**25.2**	**1.14**	42.3	1.13
EUR / GBP forward exchange contracts	EUR	**17.6**	**1.15**	25.9	1.25
JPY / GBP forward exchange contracts	JPY	**508.8**	**143.0**	769.1	159.2
JPY / EUR forward exchange contracts	JPY	**946.6**	**123.7**	1,233.4	124.1

A net loss of £2.3 million (2016: £5.0 million) 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.

Fair value hierarchy

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

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

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

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

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

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

	Carrying value 2017 £m	Fair value 2017 £m	Carrying value 2016 £m	Fair value 2016 £m
Forward exchange contracts - Assets	**2.3**	**2.3**	0.4	0.4
Forward exchange contracts - Liabilities	**(0.5)**	**(0.5)**	(6.0)	(6.0)
Cash at bank and in hand	**12.6**	**12.6**	17.1	17.1
Net trade receivables	**52.5**	**52.5**	50.9	50.9
Trade payables	**(35.1)**	**(35.1)**	(26.8)	(26.8)
Accruals	**(12.4)**	**(12.4)**	(12.7)	(12.7)
Fixed rate borrowings	**(2.1)**	**(2.1)**	(43.0)	(43.7)
Floating rate borrowings	**(53.4)**	**(53.4)**	(49.2)	(49.2)
	(36.1)	**(36.1)**	(69.3)	(70.0)

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

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

All financial instruments are deemed Level 2.

Interest rate profile

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

Accounting policies

Net investment hedge accounting

The Group uses US Dollar, Euro and Japanese Yen denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies.

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

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

Interest-bearing loans and borrowings

The table below analyses the Group's interest-bearing loans and borrowings including bank overdrafts, by currency:

Currency	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m
US Dollar	**21.4**	**-**	**21.4**
GB Pound	**30.0**	**-**	**30.0**
Euro	**2.1**	**2.1**	**-**
Japanese Yen	**2.0**	**-**	**2.0**
At 31 December 2017	**55.5**	**2.1**	**53.4**
US Dollar	73.7	40.5	33.2
Euro	16.4	2.5	13.9
Japanese Yen	2.1	-	2.1
At 31 December 2016	92.2	43.0	49.2

The floating rate borrowings comprise borrowings bearing interest at rates based on LIBOR.

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:

2017	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From two to five years £m
Unsecured interest-bearing loans and borrowings	(55.5)	(59.6)	(1.7)	(57.9)
Trade payables	(35.1)	(35.1)	(35.1)	-
Forward exchange contracts	(0.5)	(0.5)	(0.5)	-
	(91.1)	(95.2)	(37.3)	(57.9)

2016	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From two to five years £m
Unsecured interest-bearing loans and borrowings including bank overdrafts	(92.2)	(95.1)	(43.3)	(51.8)
Trade payables	(26.8)	(26.8)	(26.8)	-
Forward exchange contracts	(6.0)	(6.0)	(4.9)	(1.1)
	(125.0)	(127.9)	(75.0)	(52.9)

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

Expiring in:	2017 £m	2016 £m
Less than one year		
- Uncommitted facilities	11.0	10.6
More than one year but not more than five years		
- Committed facilities	71.6	76.1
Total	82.6	86.7

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 2017 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 2017	44,732	9.0
Exercise of share options	273	-
At 31 December 2017	45,005	9.0

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 2017 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	290	484p-784p	2018-2022
International Sharesave schemes	803	484p-833p	2018-2021
	1,093		

Other Reserves

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

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

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

Own shares held
Own shares held by the Company's Employee Benefit Trust are recognised as a deduction from retained earnings. As at 31 December 2017 the Company Employee Benefit Trust held 354,271 ordinary shares.

Dividends

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

	2017 £m	2016 £m
Amounts arising in respect of the year		
Interim dividend for the year ended 31 December 2017 of 10.4p (2016: 9.9p) per ordinary share	**4.7**	4.4
Proposed final dividend for the year ended 31 December 2017 of 20.1p (2016: 17.3p) per ordinary share	**9.0**	7.7
	13.7	12.1
The aggregate amount of dividends paid in the year		
Final dividend for the year ended 31 December 2016 of 17.3p (2015: 15.1p) per ordinary share	**7.7**	6.7
Interim dividend for the year ended 31 December 2017 of 10.4p (2016: 9.9p) per ordinary share	**4.7**	4.4
	12.4	11.1

The proposed final dividend for the year ended 31 December 2017 was recommended by the Directors. This is subject to approval by shareholders at the AGM on Tuesday 15 May 2018 and, if approved, will be paid on Friday 18 May 2018. The dividend has not been included as a liability in these financial statements.

Section 5 – Other Supporting Notes

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

5.1 Employees

	2017 £m	2016 £m
Employee costs, including Directors' remuneration, comprise:		
Wages and salaries	**71.2**	82.0
Employers' social security costs	**11.7**	10.3
Employers' pension costs - defined benefit schemes	**1.1**	1.2
Employers' pension costs - defined contribution schemes	**1.5**	1.5
Other employment benefits	**3.4**	3.1
Share-based payment charge	**2.2**	1.6
	91.1	99.7

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

	2017 Total	2016 Total
Average number of employees during the year		
Discontinued operations	**86**	195
Imaging Solutions	**781**	697
Production Solutions	**591**	609
Creative Solutions	**194**	154
Head Office	**23**	21
	1,675	1,676

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.

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.

Defined contribution schemes

The total Income Statement charge of the defined contribution schemes for the year ended 31 December 2017 was £1.5 million (2016: £1.5 million). There were no outstanding or prepaid contributions to these plans as at 31 December 2017 (or at 31 December 2016).

Defined benefit schemes

The Group's defined benefit schemes are disclosed below:

	2017 £m	2016 £m
Amounts recognised on the Group Balance Sheet		
Plan assets		
- Equities	23.0	21.9
- Bonds	31.9	30.5
- Other	9.2	9.1
Total fair value of plan assets	64.1	61.5
Present value of defined benefit obligation	(76.7)	(74.5)
Net deficit recognised in the Group Balance Sheet	(12.6)	(13.0)

	2017 £m	2016 £m
Analysis of net recognised deficit		
Total funded plan (UK Pension scheme)	(8.4)	(8.8)
Total unfunded plans (non-UK Pension schemes)	(4.2)	(4.2)
Liability recognised on the Group Balance Sheet	(12.6)	(13.0)

	2017 £m	2016 £m
Amounts recognised in the Income Statement		
- Administration costs incurred during the period	1.2	1.3
- Past service gain	(0.1)	(0.1)
Included in operating expenses	1.1	1.2
Net interest expense on net defined benefit pension scheme liabilities	0.3	0.2
Total amounts charged to the Income Statement	1.4	1.4

UK defined benefit 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 2016 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 2018 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 significant individual assumptions

	2017	2016
Discount rate increased by 0.1% point	-2%	-2%
Inflation increased by 0.1% point	+1%	+1%
Life expectancy increased by one year	+3%	+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.

	2017 % pa	2016 % pa
Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December were:		
Price inflation (RPI)	3.1	3.2
Price inflation (CPI)	2.1	2.2
Life expectancy of male / female aged 65 in 2017	22.5 / 24.4	22.5 / 24.6
Life expectancy of male / female aged 65 in 2032	23.3 / 25.3	23.5 / 25.7
Pension increase rate (% pa)		
- Discretionary (pre - 6 April 1997 accrual in excess of GMP)	3.0	3.1
- Guaranteed LPI 5% (6 April 1997 - 30 June 2008)	3.0	3.1
- Guaranteed LPI 5%, with 3% floor	3.2	3.3
- Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.1	2.1
Discount rate	2.4	2.6

	2017 £m	2016 £m
Change in DBO for the year to 31 December		
Present value of DBO at start of year	70.3	57.3
Interest cost	1.8	2.1
Actuarial loss on experience	0.3	0.4
Actuarial gain on demographic assumptions	(0.3)	(1.1)
Actuarial loss on financial assumptions	2.3	14.2
Actual benefit payments	(1.8)	(2.5)
Past service gains	(0.1)	(0.1)
Present value of DBO at end of year	72.5	70.3

At 31 December 2017, the weighted-average duration of the scheme's DBO was 18 years (2016: 18 years). The proportion of DBO in respect of pensions in payment is 50% and that in respect of deferred pensioners is 50%.

	Fair value 2017 £m	Quoted split %	Unquoted split %	Fair value 2016 £m
Scheme assets and proportion which have quoted market price, at 31 December				
Bonds	31.9	100	-	30.5
Equities	23.0	77	23	21.9
Diversified growth (bonds and equities)	-	-	-	8.5
Infrastructure	8.5	-	100	-
Cash/non-cash assets	0.5	-	100	0.3
Insurance policies	0.2	-	100	0.3
Total value of assets	64.1			61.5

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

	2017 £m	2016 £m
Change in fair value of assets for the year to 31 December		
Fair value of assets at start of year	**61.5**	54.8
Interest income on scheme assets	**1.6**	2.0
Return on scheme assets greater than discount rate	**2.9**	7.4
Actual benefit payments	**(1.8)**	(2.5)
Administration expenses paid	**(0.1)**	(0.2)
Fair value of assets at end of year	**64.1**	61.5

	2017 £m	2016 £m
Development of net balance sheet position at 31 December		
Present value of defined benefit obligation	**(72.5)**	(70.3)
Assets at fair value	**64.1**	61.5
Net defined benefit scheme liability	**(8.4)**	(8.8)

	2017 £m	2016 £m
Reconciliation of net balance sheet position		
Net defined benefit scheme liability at start of year	**(8.8)**	(2.5)
Total amounts charged to the Income Statement	**(0.2)**	(0.2)
Remeasurement effects recognised in Other Comprehensive Income ("OCI")	**0.6**	(6.1)
Defined benefit scheme liability at end of year	**(8.4)**	(8.8)

	2017 £m	2016 £m
Amounts recognised in the Group Income Statement		
- Administration costs incurred during the period	**0.1**	0.2
- Past service gains	**(0.1)**	(0.1)
Included in operating expenses	**-**	0.1
Net interest expense on net defined benefit pension scheme liability	**0.2**	0.1
Total amounts charged to the Income Statement	**0.2**	0.2

	2017 £m	2016 £m
Amounts recognised in OCI		
Actuarial loss due to liability experience	**0.3**	0.4
Actuarial loss due to liability assumption changes	**2.0**	13.1
Actuarial loss arising during the period	**2.3**	13.5
Return on scheme assets greater than discount rate	**(2.9)**	(7.4)
Remeasurement effects recognised in OCI	**(0.6)**	6.1

	2017 £m	2016 £m
Defined benefit pension scheme cost		
Administration costs incurred during the period	**0.1**	0.2
Past service gains	**(0.1)**	(0.1)
Net interest expense on net defined benefit pension scheme liability	**0.2**	0.1
Remeasurement effects recognised in OCI	**(0.6)**	6.1
Total defined benefit pension scheme (credit)/cost	**(0.4)**	6.3

5.3 Share-based payments

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

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

Accounting policies

Share-based payments

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

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

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

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

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

Share-based payments expense

The amount recognised in the Income Statement for share-based payment transactions with employees for the year ended 31 December 2017 was £2.9 million (2016: £1.9 million), of which £0.7 million (2016: £0.3 million) related to employers' tax liability.

The outstanding employers' tax liability recognised in the Balance Sheet for UK awards was £1.0 million (2016: £0.3 million).

Share options outstanding at the end of the period

Options outstanding under the 2002 UK Sharesave Scheme, 2002 International Sharesave Plan, 2011 UK Sharesave Scheme and 2011 International Sharesave Plan as at 31 December 2017, together with their exercise prices and vesting periods, are as follows:

	Number outstanding (thousands)	Weighted average exercise price (£)	Weighted average remaining contractual life (years)
Range of Exercise Prices			
£4.51 - £5.00	512	4.89	2
£5.01 - £5.50	142	5.15	1
£7.50 - £8.50	439	8.02	3
Total	1,093	6.18	2

Movements in these share option plans were as follows:

	Sharesave (thousands)	Weighted average Exercise Price (£)
Awards at 31 December 2015	984	4.98
Exercised during 2016	(238)	5.03
Lapsed during 2016	(131)	5.00
Granted during 2016	415	5.02
Awards at 31 December 2016	**1,030**	**4.98**
Exercised during 2017	**(273)**	**5.03**
Lapsed during 2017	**(103)**	**5.07**
Granted during 2017	**439**	**8.02**
Awards at 31 December 2017	**1,093**	**6.18**
Awards exercisable at 31 December 2017	**3**	**4.84**

The weighted average share price at the date of exercise for share options exercised during the year was £10.38 (2016: £5.99).

Arrangement	2011 International Sharesave Plan 2 Year	2011 UK and International Sharesave Scheme 3 Year	2011 UK and International Sharesave Scheme 5 Year	2014 Long Term Incentive Plan	2014 Deferred Bonus Plan
Nature of arrangement	"Save as you earn scheme"	"Save as you earn scheme"	"Save as you earn scheme"	Share award plan	Share award plan
Date of grant [(1)]	09 Oct 2017	09 Oct 2017	09 Oct 2017	28 Feb 2017/ 15 May 2017	05 April 2017
Number of instruments granted (thousands)	163	265	11	577	24
Exercise price	£8.33	£7.84	£7.84	n/a	n/a
Share price at date of grant	£10.86	£10.86	£10.86	£7.00 / £9.23	£8.53
Contractual life (years)	2.3	3.6	5.6	n/a	n/a
Expected option life (years)	2.1	3.3	5.3	n/a	n/a
Vesting Conditions	**2 year service period and savings requirement**	**3 year service period and savings requirement**	**5 year service period and savings requirement**	**Relative TSR performance against comparator group and adjusted EPS growth**	**3 year service period**
Settlement	Shares	Shares	Shares	Shares	Shares
Expected volatility [(2)]	22.0%	22.0%	22.0%	22.5%	-
Risk free interest rate	0.41%	0.50%	0.76%	n/a	n/a
Expected dividend yield	2.6%	2.6%	2.6%	n/a	n/a
Expected departures (per annum from grant date)	5%	5%	5%	8%	n/a
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	80%	n/a
Fair value per granted instrument determined at the grant date	£2.45	£2.80	£2.83	£7.00/£3.14 £9.23/£4.14 [(3)]	£8.53
Valuation model	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo [(4)]	n/a

[(1)] The 2017 LTIP awards were issued on 2 dates - 28 February 2017 and 15 May 2017.

[(2)] The expected volatility is based on historical volatility determined by the analysis of daily share prices over a period commensurate with the expected lifetime of the award and ending on the date of grant of the award. Due to significant fluctuations in 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.

[(3)] As mentioned above, the 2017 LTIP awards were issued on 2 dates 28 February and 15 May 2017. The first figures (£7.00/£9.23) represents fair value of awards subject to adjusted EPS growth criteria and the second figure (£3.14/£4.14) represents fair value of awards subject to TSR criteria.

[(4)] 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 the TSR for Vitec and the companies in the comparator group. Based on these projections, the number of awards that will vest is determined. Thousands of simulations are run and the fair value of the award is calculated as the product of the vesting probability and the share price at the date of grant.

5.4 Leases

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

Accounting policies

Leases

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

	Land and buildings £m	Other £m	Total 2017 £m	Land and buildings £m	Other £m	Total 2016 £m
Total future minimum lease payments under non-cancellable operating leases						
Expiring within one year	4.2	0.6	4.8	5.1	0.4	5.5
Expiring within two to five years	12.0	1.0	13.0	11.7	1.0	12.7
Expiring after five years	6.0	-	6.0	1.8	-	1.8
	22.2	1.6	23.8	18.6	1.4	20.0

During the year £4.5 million (2016: £5.0 million) was recognised in the Income Statement in respect of operating lease payments.

5.5 Related party transactions

A related party relationship is based on the ability of one party to control or significantly influence the other.

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

Transactions with key management personnel

Details of Directors' remuneration along with their pension, share incentive, 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 ten (2016: ten) members of the Operations Executive during the year, including the Executive Directors, is shown in the table below:

	2017 £m	2016 £m
Salaries	2.5	1.7
Performance-related bonuses	2.3	1.5
Share-based payment charge [1]	1.1	0.6
Other short-term employee benefits	0.2	0.2
Post employment benefits	0.3	0.3

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

5.6 Group investments

The Group's subsidiaries at 31 December 2017 are listed below. All subsidiaries are 100% owned within the Group.

Company	Country of incorporation	Issued securities
ALC Broadcast Limited	England & Wales [1]	Ordinary shares of £1 each
Anton/Bauer Europe B.V.	Netherlands [2]	Ordinary shares of €1 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
Bexel Global Broadcast Solutions Limited	England & Wales [1]	Ordinary share of £1 each
Bogen Imaging UK Limited	England & Wales [1]	Ordinary share of £1 each
Camera Corps, Inc.	United States [35]	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
DayMen Asia Limited	Hong Kong [32]	Shares of HK$1 each
DayMen Dongguan Trading Co Limited	China [33]	Ordinary share of HK$3,000,000 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 [34]	Ordinary share of RMB1,814,855 each
Kata UK Limited	England & Wales [1]	Ordinary shares of £1 each
Kata Vitec P Limited	Israel [8]	Ordinary shares of ILS1 each
Lastolite Limited	England & Wales [1]	Ordinary shares of £1 each
LCB Beteiligungs GmbH	Germany [9]	Ordinary shares of €25,000
Lino Manfrotto & Co Spa	Italy [10]	Ordinary shares of €5.556 each
Litepanels Ltd	England & Wales [1]	Ordinary shares of US$1 each
Manfrotto Bags Ltd	Israel [8]	Ordinary shares of ILS1 each
Manfrotto Distribution Benelux B.V.	Netherlands [11]	Ordinary shares of €454 each
Manfrotto Distribution GmbH	Germany [12]	Shares of €25,000 each
Manfrotto Distribution HK Limited	Hong Kong [13]	Shares of HK$1 each
Manfrotto Distribution KK	Japan [15]	Shares of JP¥1 each
Manfrotto Distribution Limited	England & Wales [1]	Ordinary shares of £1 each
Manfrotto Distribution SAS	France [6]	Ordinary shares of €16 each
Manfrotto Distribution Shanghai Limited	China [16]	Ordinary shares of US$1 each
Manfrotto UK 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

Company	Country of incorporation	Issued securities
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 JP¥100 each
Panlight Limited	England & Wales [1]	Ordinary shares of £1 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
RT Motion Systems Limited	Scotland [7]	Ordinary shares of £0.0167 each
Sachtler Limited	England & Wales [1]	Ordinary share of £1 each
SmallHD LLC	United States [23]	Membership units of NPV
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 Brasil Commercio Importacao e Intermediacao de Tecnologias, Ltda	Brazil [26]	Shares of BRL1 each
Vitec Group Holdings Limited	England & Wales [1]	Ordinary shares of £1 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 Inc. (formerly Manfrotto Distribution Inc.)	United States [14]	Ordinary shares of NPV
Vitec Investments Limited	England & Wales [1]	Ordinary shares of £1 each
Vitec Videocom GmbH	Germany [9]	Ordinary share of DEM50,000 each
Vitec Videocom KK	Japan [15]	Ordinary shares of JP¥1,000 each
Vitec Videocom Limitada	Costa Rica [28]	Shares of CRC50 each
Vitec Videocom Limited	England & Wales [1]	Ordinary shares of £1 each
Vitec Videocom Pte Limited	Singapore [29]	Ordinary shares of SGD1 each
Vitec Videocom, Inc	United States [5]	Ordinary shares of US$0.01 each
Vitecgroup Italia spa	Italy [30]	Ordinary shares of €1,000 each
Wooden Camera, Inc	United States [31]	Ordinary shares of NPV

The registered address is as follows:

[1] Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom
[2] Sint Lambertuslann 9, 6212 AR Maastricht, Netherlands
[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] 272 Bath Street, Glasgow, Scotland, G2 4JR, United Kingdom
[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] Uspenskaya 2, Odessa, 65014, Ukraine
[25] CSC-Lawyers Incorporating Service, 2710 Gateway Oaks Drive – Suite 150N, Sacramento, CA 95833-3505, United States
[26] Robertson Emerenciano of Emerenciano, Baggio & Associados, Avenida Paulista, 1842 – 17º Andar, Edifício Torre Norte, Brasil, CEP 01310-200
[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] Via Monte Rosa, 91, 20149 Milano, Italy
[31] 1826 West Commerce Street, Dallas TX 75208, United States
[32] Unit 901-2, 9/F, Metroplaza Tower 2, No. 223 Hing Fong Road, Kwai Fong, N.T. Hong Kong
[33] No. 1101, Office Building, Block B, Zhixing Commercial Building, Banshi Village, Changping Town, Dongguan City, Guangdong Province, China
[34] Suite 916, Office Tower, Shun Hing Square, Di Wang Commercial Centre, 5002 Shen Nan Dong Road, Shenzhen, 518008, China
[35] Corporate Service Company, 251 Little Falls Drive, Wilmington, County of New Castle, DE, 19808, United States

5.7 Subsequent events

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

Company Balance Sheet
As at 31 December 2017

	Notes	2017 £m	2016 £m
Fixed assets			
Intangible assets	f)	**0.1**	0.1
Investments in subsidiary undertakings	h)	**371.9**	454.0
		372.0	454.1
Current assets			
Debtors	i)	**4.0**	7.2
Cash at bank and in hand		**30.9**	6.4
		34.9	13.6
Liabilities falling due within one year - creditors	j)	**(6.8)**	(52.8)
Net current assets/(liabilities)		**28.1**	(39.2)
Total assets less current liabilities		**400.1**	414.9
Liabilities falling due after one year - creditors	j)	**(53.7)**	(100.0)
Net assets		**346.4**	314.9
Capital and reserves			
Called up share capital	k)	**9.0**	9.0
Share premium account		**16.8**	15.4
Revaluation reserve		**0.9**	0.9
Other reserves	l)	**55.3**	55.3
Profit and loss account		**264.4**	234.3
Equity shareholders' funds		**346.4**	314.9

Approved by the Board of Directors on 21 February 2018 and signed on its behalf:

Kath Kearney-Croft
Group Finance Director

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

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 2017	9.0	15.4	0.9	55.3	234.3	314.9
Total comprehensive income for the year						
Profit for the year	-	-	-	-	43.5	43.5
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(12.4)	(12.4)
Own shares purchased	-	-	-	-	(3.5)	(3.5)
Share-based payment charge, net of tax	-	-	-	-	2.5	2.5
New shares issued	-	1.4	-	-	-	1.4
Balance at 31 December 2017	9.0	16.8	0.9	55.3	264.4	346.4
Balance at 1 January 2016	8.9	14.3	0.9	55.3	229.9	309.3
Total comprehensive income for the year						
Profit for the year	-	-	-	-	13.9	13.9
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(11.1)	(11.1)
Share-based payment charge, net of tax	-	-	-	-	1.6	1.6
New shares issued	0.1	1.1	-	-	-	1.2
Balance at 31 December 2016	9.0	15.4	0.9	55.3	234.3	314.9

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 (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.

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

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;
- 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; 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

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.

Leasehold improvements	over the remaining period of the lease
Equipment, fixtures and fittings	three to ten years

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 Videocom 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	3.6 "Provisions"
Derivative financial instruments and hedging activities	4.2 "Financial instruments"
Bank loans	4.1 "Net debt"
Leases	5.4 "Leases"
Share-based payments	5.3 "Share-based payments"
Share capital and reserves	4.3 "Share capital and reserves"

d) Employees

	2017 £m	2016 £m
Employee costs comprise:		
Wages and salaries	**4.9**	4.0
Employers' social security costs	**0.7**	0.5
Employers' pension costs - defined contribution schemes	**0.1**	0.1
Share-based payment charge	**0.8**	0.5
	6.5	5.1

	2017	2016
Average number of employees during the year	23	21

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	
At 1 January 2017 and 31 December 2017	0.2
Accumulated amortisation	
At 1 January 2017 and 31 December 2017	0.1
Net book value	
At 31 December 2016 and 31 December 2017	0.1

g) Property, plant and equipment

	Leasehold buildings £m
Cost	
At 1 January 2017 and 31 December 2017	0.5
Accumulated depreciation	
At 1 January 2017 and 31 December 2017	0.5
Net book value	
At 31 December 2016 and 31 December 2017	-

	2017 £m	2016 £m
Land and buildings		
Total commitments under non-cancellable operating leases expiring:		
Within one year	0.2	0.2
In two to five years	0.5	0.7
	0.7	0.9

During the year £0.2 million (2016: £0.2 million) was recognised as an expense in the profit and loss account in respect of operating lease payments.

h) Investments in subsidiary undertakings

	Total £m	Shares in Group undertakings £m	Loans to Group undertakings £m
Cost			
At 1 January 2017	642.9	553.5	89.4
Additions/(repayments)	(44.0)	3.1	(47.1)
At 31 December 2017	598.9	556.6	42.3
Provisions			
At 1 January 2017	188.9	188.9	-
Impairment losses	38.1	38.1	-
At 31 December 2017	227.0	227.0	-
Net book value			
At 1 January 2017	454.0	364.6	89.4
At 31 December 2017	371.9	329.6	42.3

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

The Company's investments in subsidiaries as at 31 December 2017 are included in note 5.6 "Group investments" of the Group's consolidated financial statements.

i) Debtors

	2017 £m	2016 £m
Amount falling due within one year		
Other debtors	1.2	1.4
Derivative financial instruments - forward exchange contracts	1.7	5.5
Deferred tax assets	1.1	0.3
	4.0	7.2

j) Creditors

	2017 £m	2016 £m
Amounts falling due within one year		
Bank loans (unsecured)	-	40.5
Amounts owed to subsidiary undertakings	0.8	3.5
Derivative financial instruments - forward exchange contracts	1.7	5.5
Corporation tax	0.4	0.2
Other creditors	0.1	-
Accruals and deferred income	3.8	3.1
	6.8	52.8
Amounts falling due after more than one year		
Bank loans (unsecured)	53.4	48.9
Amounts owed to subsidiary undertakings	0.3	51.1
	53.7	100.0

Contingent liabilities

There are no contingent liabilities at 31 December 2017 (2016: £nil).

k) Called up share capital

Disclosure in respect of the Company's share capital is provided in note 4.3 "Share capital" of the Group's consolidated financial statements.

Options over shares of the Company have been granted to employees of the Company under various plans. Details of the terms and conditions of each share-based payment plan are given in the Remuneration Report on pages 70 to 90 and note 5.3 "Share-based payments" of the Group's consolidated financial statements.

l) 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 thousand ordinary shares by the Company in 1999.

m) Related party transactions

The Company has identified a related party relationship with its Board, the Vitec Group Pension Scheme and members of the Operations Executive as disclosed in the Remuneration Report and note 5.5 "Related party transactions" of the Group's consolidated financial statements. There are no other related party transactions to disclose.

Glossary on Alternative Performance Measures (“APMs”)

APM	Closest equivalent statutory measure	Definition and purpose
Income Statement Measures		
Adjusted revenue	Revenue	Revenue from continuing and discontinued operations.
Adjusted operating profit	Operating profit	Calculated as operating profit before charges associated with acquisition of businesses, impairment of goodwill, restructuring costs and material non-operating events. These are excluded from key performance measures in order to more accurately show the underlying current business performance of the Group in a consistent manner. See Consolidated Income Statement for reconciliation.
Adjusted operating margin	None	Calculated as adjusted operating profit divided by revenue.
Adjusted operating expenses	Operating expenses	Calculated as operating expenses before charges associated with acquisition of businesses, impairment of goodwill, restructuring costs and material non-operating events. The table below shows the reconciliation for continuing operations:

	2017 £m	2016 £m
Operating Expenses	**126.3**	105.3
Charges associated with acquisition of businesses	**(15.0)**	(7.6)
Restructuring costs	**-**	(3.2)
Adjusted Operating Expenses	**111.3**	94.5

APM	Closest equivalent statutory measure	Definition and purpose
Adjusted profit before tax	Profit before tax	Calculated as profit before tax, before charges associated with acquisition of businesses, impairment of goodwill, restructuring costs, profit on disposal of businesses and material non-operating events. This is a measure used within the Group’s incentive plans as set out in the Remuneration Report. See Consolidated Income Statement for reconciliation.
Adjusted profit after tax	Profit after tax	Calculated as profit after tax, before charges associated with acquisition of businesses, impairment of goodwill, restructuring costs, profit on disposal of businesses and material non-operating events. See note 2.5 “Earnings per share”.
Adjusted earnings per share	Earnings per share	Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares in issue during the financial year. This 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		
Operating cash flow	Cash generated from operating activities	Cash generated 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, and before payment of restructuring costs, transaction costs relating to acquisition of businesses, and significant costs relating to integration of acquired businesses.

	2017 £m	2016 £m
Cash Generated from Operating Activities	**48.7**	64.8
Proceeds from sale of property, plant and equipment and software	**3.5**	9.0
Purchase of property, plant and equipment	**(10.8)**	(13.4)
Capitalisation of software and development costs	**(4.3)**	(3.4)
Payment of restructuring costs, transaction costs relating to acquisition of businesses and significant costs relating to integration of acquired businesses	**3.3**	7.4
Operating cash flow	**40.4**	64.4

This is a measure used within the Group’s incentive plans as set out in the Remuneration Report.

APM	Closest equivalent statutory measure	Definition and purpose
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. See “Five Year Financial Summary” on page 151.
Other Measure		
Return on capital employed	None	Adjusted operating profit divided by average total assets less current liabilities excluding the current portion of interest-bearing borrowings.

Five Year Financial Summary

As at 31 December 2017

	2017 [1] £m	2016 [1] £m	2015 £m	2014 £m	2013 £m
Revenue	**353.3**	318.9	317.8	309.6	315.4
Adjusted operating profit	**45.2**	41.4	35.4	38.8	39.5
Net interest on interest-bearing loans and borrowings	**(2.6)**	(4.2)	(4.0)	(3.6)	(3.6)
Other financial (expense)/income	**(0.2)**	0.2	0.1	0.1	(0.3)
Adjusted profit before tax	**42.4**	37.4	31.5	35.3	35.6
Cash generated from operating activities	**48.7**	64.8	41.7	42.0	52.4
Interest paid	**(2.6)**	(5.2)	(4.0)	(3.3)	(3.6)
Tax paid	**(11.0)**	(7.2)	(5.6)	(3.5)	(8.5)
Net cash from operating activities	**35.1**	52.4	32.1	35.2	40.3
Net capital expenditure on property, plant and equipment, software and development costs	**(11.6)**	(7.8)	(15.9)	(17.0)	(18.9)
Free cash flow	**23.5**	44.6	16.2	18.2	21.4
Capital employed					
Intangible assets	**88.4**	99.0	90.7	87.1	76.3
Property, plant and equipment	**31.0**	54.0	53.8	54.8	53.5
Other net assets	**44.1**	37.7	45.0	35.2	39.2
	163.5	190.7	189.5	177.1	169.0
Financed by					
Shareholders' funds - equity	**135.6**	139.8	126.3	118.6	120.2
Net debt	**42.9**	75.1	76.3	70.9	61.5
Deferred tax	**(15.0)**	(24.2)	(13.1)	(12.4)	(12.7)
	163.5	190.7	189.5	177.1	169.0
Statistics					
Adjusted operating profit (%)	**12.8**	13.0	11.1	12.5	12.5
Adjusted effective tax rate (%)	**27.4**	27.2	30.4	30.0	30.9
Adjusted basic earnings per share (p)	**68.1**	61.3	49.4	55.9	56.1
Basic earnings per share (p)	**61.4**	20.2	29.3	29.4	31.9
Dividends per share (p)	**30.5**	27.2	24.6	24.0	23.0
Year end mid-market share price (p)	**1,130.0**	648.5	602.5	594.0	639.0

[1] Revenue, adjusted operating profit and adjusted profit before tax for 2017 and 2016 reflect continuing operations only. The US broadcast services business and the Haigh-Farr defence antennae business, both part of the previous Broadcast Division, have been classified as discontinued operations in these years. See note 3.5 "Disposals and discontinued operations".

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:

Link Asset Services	
Website	https://www.signalshares.com
Email	shareholderenquiries@linkgroup.co.uk
Address	The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Phone from UK	0871 664 0300*

* Calls cost 12p per minute plus your phone company's access charge. If you are outside the UK, please call +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. Link can be contacted between 9.00am and 5.30pm, Monday to Friday (excluding public holidays in England and Wales).

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 Link Asset Services. You must arrange for your Dividend Reinvestment Plan application form to be received by Link Asset Services no later than Monday, 23 April 2018 to join the Plan for the final dividend for the year ended 31 December 2017.

International dividend payment service

Overseas shareholders can receive their dividends in a local currency instead of Sterling and can find out more about this by visiting http://ips.linkassetservices.com. Any election to receive dividends in local currency in respect of the final dividend for the year ended 31 December 2017 must be received by Link Asset Services no later than the record date for the final dividend, Friday, 20 April 2018.

Share price information

The closing mid-market price of a share of The Vitec Group plc on 29 December 2017, the last trading day of the year, was £11.30. During the year, the share price fluctuated between £6.40 and £11.47. 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 2017 final dividend	Thursday, 19 April 2018
Record date for 2017 final dividend	Friday, 20 April 2018
Annual General Meeting	Tuesday, 15 May 2018 (11.00am)
2017 final dividend payment date	Friday, 18 May 2018
Announcement of 2018 half year results	Thursday, 9 August 2018
Proposed 2018 interim dividend payment date	October 2018

Analysis of shareholdings as at 31 December 2017

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	452	53.50	164,172	0.36
1,001 to 5,000	234	27.70	560,007	1.24
5,001 to 10,000	41	4.86	303,915	0.68
10,001 to 50,000	56	6.62	1,388,959	3.08
50,001 to 100,000	17	2.00	1,175,260	2.61
100,001 and over	45	5.32	41,412,539	92.03
	845	**100**	**45,004,852**	**100**
Institutions and companies	274	32.40	43,310,990	96.23
Individuals including Directors and their families	571	67.60	1,693,862	3.77
	845	**100**	**45,004,852**	**100**

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