



3 March 2008

2007 Full Year Results

A YEAR OF STRONG GROWTH

The Vitec Group plc, the international supplier of products, services and solutions to the Broadcast, Photographic, and Entertainment industries, announces its results for the year ended 31 December 2007.

<u>Results from continuing operations</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Revenue	£273.8m	£222.3m	+23%
<i>Before significant items*</i>			
Operating profit	£32.6m	£25.2m	+29%
Profit before tax	£30.3m	£24.1m	+26%
Earnings per share	46.0p	35.3p	+30%
<i>After significant items*</i>			
Operating profit	£27.7m	£23.5m	+18%
Profit before tax	£25.8m	£22.6m	+14%
Earnings per share	44.1p	32.6p	+35%
Total dividend recommended for the year	17.8p	16.5p	+8%

KEY POINTS

- Revenue growth of 30% in constant currency (12% organic)
- Operating profit before significant items* up 46% in constant currency (31% organic)
- Basic earnings per share before significant items * of 46.0p, up 30%
- Cash generated from operations of £33.8 million
- Imaging & Staging division sales up 24%
- Broadcast Systems operating margin above 10% for the full year
- Acquisition of RF Systems, performing well

**2007 significant items total a PBT charge of £4.5m and comprise amortisation of acquired intangibles (£5.0m), offset by negative goodwill (£0.1m) and fair value adjustments relating to volatile financial instruments (£0.4m); with an earnings charge of £0.8m after deferred tax credits (£3.7m). 2006 significant items totalled a PBT charge of £1.5m; with an earnings charge of £1.1m, after a deferred tax credit of £0.4m.*

Commenting on the results, Gareth Rhys Williams, Chief Executive, said:

“The Vitec Group has delivered another year of strong profit growth. We successfully positioned ourselves in markets which grew strongly, our consolidated operations platform is working well and the acquisitions we have made to broaden our product range and strengthen our distribution network provided further momentum.

“We entered 2008 with a strong order book and we have noted the encouraging forecasts of continued growth in the high end photographic market. 2008 will see the Olympics in Beijing and we will also benefit from a full year of contribution from RF Systems. Overall, the Board looks forward to continued progress in 2008.”

Enquiries

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This preliminary announcement should be considered to be part of the Directors' report to be contained in the forthcoming Annual Report and Accounts and as such has been drawn up and presented in accordance with and in reliance upon applicable English company law (in particular section 463 of the Companies Act 2006 and section 90A of the Financial Services and Markets Act 2000) and the liabilities of the directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Notes:

1. Whilst Vitec has significant production and sourcing in US dollars and has hedging arrangements in place, movements in the \$/£ and, particularly, \$/€ rates can have a significant impact on reported results. After hedging, the Group has seen an adverse effect of £3.7 million on operating profit in 2007 compared to 2006 (compared to the guidance of £3.3 million adverse given at the Interims in September) and, if current exchange rates continue throughout 2008, an adverse impact of some £1.9 million on 2008 operating profit compared to 2007 (compared to the guidance of £1.8 million adverse given in September and £1.5 million adverse given in January).
2. Current market exchange rates: £1 = \$1.98, £1 = €1.31, €1 = \$1.51.
3. 2007 average market exchange rates: £1 = \$2.00, £1 = €1.47, €1 = \$1.37.
4. 2006 average market exchange rates: £1 = \$1.84, £1 = €1.47, €1 = \$1.25.
5. Statements made in this announcement that look forward in time or that express management's beliefs, expectations or estimates regarding future occurrences are "forward-looking statements" within the meaning of the United States federal securities laws. These forward-looking statements reflect Vitec's current expectations concerning future events and actual results may differ materially from current expectations or historical results.
6. Vitec is an international Group, principally serving customers in the worldwide media sector with products and services for the broadcast, entertainment and photographic industries. Vitec is based on strong, well known, premium brands that professionals rely on. Vitec is organised in three divisions: Imaging & Staging, Broadcast Systems and Broadcast Services. More information can be found at www.vitecgroup.com.
7. The Group's AGM will be held on 27 May.

CHAIRMAN'S & CHIEF EXECUTIVE'S STATEMENT

We are delighted to report another year of good progress for The Vitec Group in revenue, profits and earnings per share. We continued to see excellent revenue growth, both organically and from acquisitions, and margins continued to progress based on the improved operations platform.

Results

2007 revenue grew 23%, to £273.8 million (2006: £222.3 million). Before acquisitions and adverse foreign exchange, our growth was around 12%. This was achieved in a year with no significant sporting events and reflects Vitec's positions in markets with positive underlying drivers. Acquisitions also contributed to our growth, the most significant being that of RF Systems in May 2007, which performed well.

Imaging & Staging: revenue grew 24% (2006: 24%) and, in constant currency, growth was 30%. In Imaging, there was continued strong demand for all product categories: in the professional market place for lighting stands and high-end camera supports, and in the 'prosumer' market where sales of the higher priced 'digital SLR' cameras continued to grow rapidly. This is the fifth year of growth in our Imaging business. In Staging, the acquisition of Tomcat improved our presence in the US and in the market for customised projects. The integration process, although slightly slower than expected, is continuing but, due principally to problems with two large contracts, the Staging business was loss-making in the year.

Broadcast Systems: revenue grew 29%, of which constant currency organic growth was 7%, due principally to strong global demand for camera supports offset by adverse foreign exchange and the end of an OEM contract at our batteries business. Teleprompting products from Autoscript, acquired in October 2006, had a very successful first business year in the Group. RF Systems continued to grow strongly following its acquisition, based on its success in the FCC-driven 'BAS Relocation Project'.

Broadcast Services: operating mainly in the US, saw US dollar revenues grow 7%, despite having no demand from major sporting events in the year. Reported revenue in sterling declined 2%.

This additional revenue and continued control of operating cost resulted in constant currency Group operating profit improving by 46% or £11.1 million. Excluding acquisitions, constant currency operating profit was up 31%. However adverse currency movements, principally the fall in the US dollar, cost the Group £3.7 million after hedging (2006: £0.7 million), resulting in reported operating profit improving 29% or £7.4 million to £32.6 million (2006: £25.2 million).

With a higher finance charge of £2.3 million (2006: £1.1 million) arising mainly from £0.6 million interest costs on the RF Systems acquisition, Group profit before tax and significant items* increased 26% to £30.3 million (2006: £24.1 million).

The headline tax rate for the Group was reduced again, by 3% to 37%. As a result of the above growth and the reduced rate, basic earnings per share, before significant items*, rose to 46.0p (2006: 35.3p), an improvement of 30%.

Cash generated from operations was £33.8 million (2006: £28.7 million). Working capital increased due to higher sales, although inventory days before the RF Systems acquisition reduced to 114 (2006: 116).

2007 dividend

With these improved results, the Board is proposing a final dividend of 10.9p per share, resulting in a full year total of 17.8p (2006: 16.5p), an increase of 8%. Subject to approval by shareholders, the final dividend will be paid on 30 May 2008 to shareholders on the register on 25 April 2008.

Using adjusted earnings per share before significant items* the dividend is covered 2.6 times (2006: 2.1 times), whilst after significant items* it is covered 2.5 times (2006: 2.0 times).

Outlook for 2008

We entered 2008 with a strong order book and we have noted the encouraging forecasts of continued growth in the high end photographic market. 2008 will see the Olympics in Beijing and we will also benefit from a full year of contribution from RF Systems. Overall, the Board looks forward to continued progress in 2008.

**Significant items are those items of financial performance that the directors consider should be separately disclosed to assist in the understanding of the underlying trading and financial performance achieved by the Group and in making projections of future results. These items are quantified and explained in the Financial Review and in Note 6.*

OPERATING REVIEW

IMAGING & STAGING DIVISION

Products for the photographic, videography and live event markets

	2007	2006
Revenue	£117.3m	£94.6m
Operating profit*	£17.7m	£16.6m
Operating margin*	15.1%	17.5%

**Before significant items. Significant items are amortisation of intangible assets of £0.7 million (2006: £0.5 million)*

Overview

The Imaging & Staging division operates in two main markets: manufacturing and distributing products for the professional and keen amateur photographer and videographer, such as camera supports and bags, and manufacturing lighting and staging systems for the live entertainment market. Lighting supports ('grip') are manufactured for both these markets and for cinematographers. It is organised in three units: Imaging Accessories, Imaging Distribution, and Staging Systems.

Strategy

Focusing on successful launches of innovative new products, combined with control of the distribution of those products in the key markets of the world, is proving to be a winning formula. Innovation is as important to the pro photographer as it is in Staging Systems, where customers who use our stage and lighting systems are looking for ever lighter, easier to operate and more elegant solutions to make their events look as good as possible.

2007 performance

2007 was another successful year for the Division: revenue rose 24% to £117.3 million (2006: £94.6 million). As in 2005 and 2006, every part of business saw revenue growth. Operating profit before significant items* rose 7% to £17.7 million (2006: £16.6 million). Adverse foreign exchange, particularly the weaker US dollar was a significant handicap, reducing operating profit by £2.1m; in constant currency sales and profit growth were 30% and 20% respectively.

Imaging saw good growth in both half-years, although the adverse FX conditions kept the reported revenue in the second half very similar to the first half. Sales of professional products remained strong and the growth in shipments of D-SLR cameras (the lower end of which are bought by the type of 'prosumer' customer who is likely to purchase our accessories) was 42% in 2007 according to CIPA, the camera manufacturers' trade association, underpinning our prosumer sales. We launched 22 new support products in the year, backed by 13 new international patents, and more than 40 new bag products, including a whole new mid-range

collection, the 'Digital Photo Collection'. The latest Manfrotto 190XProB tripod won the coveted TIPA award for Best Accessory.

The in-house distribution business, Bogen Imaging, made several significant steps forward in 2007: the US and European websites have been upgraded, allowing us to reach target customers in a more exciting but easier way, the French operation has been consolidated onto one site, with the warehousing outsourced. The existing UK operation, Kata UK, was scaled-up in the second half, also with outsourced warehousing, ready to bring the Manfrotto products in-house from February 2008, away from the previous UK distributor. Bogen Imaging now operates in six countries.

Corporate Social Responsibility is an important theme for customers like ours. 2007 saw the Italian operation awarded the ISO14001 environmental certification and their energy in Bassano and Feltre is now provided from renewable sources.

In late 2007 the decision was taken to outsource the central warehousing in Italy to a third party operation. This 'hub' will receive goods from the various Imaging plants or suppliers and consolidate shipments to the European in-house and third party distributors. The benefit of this will come from logistics savings, space savings in the Italian plants, and from offering reduced delivery times to customers as we will be selling from finished stock. Inventory levels rose in the final months of 2007 as the 'hub' was prepared and will fall back in 2008 as the stock in our in-house local 'spokes' can be trimmed back.

In Staging, the acquisition of Tomcat improved our market presence in the US and for customised projects. The integration process, although slightly slower than expected, is continuing but, due principally to problems with two large contracts, the Staging business was loss-making in the year. The US plant in Texas suffered from a lack of welding labour; we are planning to increase the size of the facility in Mexico and increase our project management strength to resolve these problems. In early 2007 we acquired a plant in Slovakia that has now been scaled-up, producing standard products for Europe.

BROADCAST SYSTEMS DIVISION

Products and systems primarily for broadcast applications

	2007	2006
Revenue	£129.8m	£100.5m
Operating profit*	£13.3m	£6.9m
Operating margin*	10.2%	6.9%

**Before significant items. Significant items are restructuring costs of £nil (2006: £1.5 million), amortisation of intangible assets of £4.3 million (2006: £0.1 million), profit on sale of property of £nil (2006: £0.4 million) and negative goodwill of £0.1 million (2006: £nil).*

Overview

The Broadcast Systems division provides equipment principally for professionals engaged in producing live events or video content, frequently for subsequent broadcast. The business units, Camera Dynamics, Communications, Mobile Power, and now RF Systems, sell their products worldwide, either direct to the end-customer or through a network of professional dealers. The division's brands are frequently the acknowledged leaders in their fields.

Strategy

The market for broadcast equipment is benefiting from the trend to make programmes in 'High Definition' (HD). This involves upgrading cameras and associated ancillary equipment, much of which is provided by Vitec Group companies. We have responded to the changed needs of the marketplace by managing our brands within single business units, enabling us to achieve

economies of scale in manufacturing and distribution and to develop exciting new product ranges.

2007 performance

2007 revenue increased by 29% to £129.8 million (2006: £100.5 million), with a significant improvement in operating profit – a rise of 93% to £13.3 million (2006: £6.9 million). It is very pleasing that the strong second half performance has lifted operating margins above 10% for the full year.

Volumes at Camera Dynamics were up, with sales of studio products and the recently acquired Autoscript products well ahead of 2006. They have entered 2008 with a very good order book, particularly for the Fusion robotic system.

Revenue in the Mobile Power business was down on the previous year as an OEM contract for medical product came to an end. The new battery systems for movie cameras have been received very well, uptake of which should resume now the writers' strike in Hollywood has been resolved. The Elipz battery system introduced in mid-2006 for small video cameras continues to gain momentum.

In our Communications business, more than 40 new Clear Com products were launched in 2007, driving higher demand and establishing a much stronger customer proposition. Significant contract wins at the Muziektheater in Amsterdam, Norway's National Opera House, Teatro Royal in Madrid, Korea's MBC network and China's CCTV network point to encouraging progress. Manufacturing operations and supply chain management were largely consolidated into our new Alameda facility in California, thereby downsizing production operations in Cambridge and reducing our UK facility accordingly.

RF Systems is performing well, with sales and operating profit in the seven months of Vitec ownership of £23.5 million and £3.3 million respectively. Pro forma 12-month sales and operating profit for 2007 were £32.2 million and £5.2 million. Both RF Central and Nucomm, have launched well-received 'High Definition' products that will maintain our competitive position. 2008 and 2009 results will be buoyed by revenue from the BAS relocation project, which is expected to fall away by 2010.

Within the operations area the extended Camera Dynamics plant in Costa Rica has performed well, and new investments in machining in the UK are also increasing responsiveness and delivering savings. We have acquired the Anton/Bauer building in Shelton, Connecticut, to gain space and flexibility in order to develop the business for the future.

BROADCAST SERVICES DIVISION

Rental and technical support services, mainly for the broadcast market

	2007	2006
Revenue	£26.7m	£27.2m
Operating profit	£1.6m	£1.7m
Operating margin	6.0%	6.3%

Overview

The Broadcast Services division provides rental equipment and technical support for demanding outside broadcast events, mostly in the USA, from a network of ten depots. Bexel people have a reputation for solving the most complex problems that arise when these events are broadcast. The division also acts as an integrator for sophisticated audio equipment and resells used equipment into the aftermarket.

Strategy

Customers choose Bexel because of their reputation for designing creative solutions, providing service excellence and because of their nationwide footprint. With the most relevant equipment and the best technical back-up, Bexel will continue to target contracts from customers looking for more than simple equipment hire.

2007 performance

Reported revenue of £26.7 million was down 2% (2006: £27.2 million). This business, based in the USA, grew 7% in local currency, a significant achievement in a year with none of the major sporting events that it supports. The fall in the US dollar, however, obscures this picture; reported profit of £1.6 million (2006: £1.7 million) was similarly down in sterling but slightly better in US dollars. This result, in US dollars, is the best since 2000.

With two of the 2008 Olympics contracts awarded to Bexel in 2007, investments in new equipment were increased and this equipment allowed us to earn extra rental income. For example the new Hercules HD fly pack, essentially a mini-studio that can be disassembled and air-freighted, debuted to great acclaim and has been well utilised since its introduction.

The fibre services business upgraded NFL's instant replay system to HD in 29 stadia; more work of this type is anticipated.

Operationally, the investments in IT now enable project staffing, profitability and performance to be monitored and managed very closely, a key part of delivering the required return on capital, which will be helped by the conclusion of new supply agreements with some of the major equipment providers. The Division's websites and communications have been enhanced, with all the business streams (rental, projects, fibre, resale) now using the well-known Bexel name, and the number of major sales events where we participated has been dramatically increased.

Preparation for the two major Olympics contracts in the summer is already well advanced and the Bexel team will exploit the expertise of other Vitec staff based in Beijing to make the event run efficiently.

STRATEGY UPDATE AND FUTURE DEVELOPMENT

The Group's strategy is summarised in the phrase 'Consolidate – Leverage – Grow'. After the initial phase, during which we consolidated multiple locations, smaller businesses and distribution channels into a more streamlined structure in order to extract scale economies, the focus has shifted to leveraging our skills in product development and to expanding and exploiting our routes to market in pursuit of growth. While continuous improvement activities are ongoing, the emphasis is on generating growth. We continue to look for value-adding acquisitions.

By running our brands within consolidated businesses we are able to deliver both cost efficiencies through better scale and maintain the individuality and energy of those brands, backed by higher levels of innovation.

We aim to grow ever closer to our end-customers, providing them with better tools and services to do their jobs, while at the same time looking for complementary areas into which the Group can expand and utilise its industry-leading expertise.

Research, development & engineering

As in previous years, we have maintained our emphasis on continuous innovation, bringing large numbers of new products to market and simultaneously widening our service offering.

Within Imaging & Staging and Broadcast Systems the Group spends approximately 4% of revenue on new product development, £10.4 million in 2007 (2006: £8.7 million). While Vitec's businesses are known for the quality and reliability of their products, there is an exciting pipeline of new ideas for the future. In 2007 we again received a large number of awards for innovation, a sign that the Group's products remain very relevant to our customers. Around 35% of sales in

2007 (2006: 25%) were derived from products launched in the last three years; this is a very high level of innovation and a source of significant competitive advantage.

Within Broadcast Services we continue to expand our range of services; this year we completed a large fibre networking project for the NFL and a number of agreements have been concluded with major equipment vendors that improve our flexibility and cost when handling large projects. The long-term rental programme with National City Commercial Capital has produced several projects and led to relationships with many new customers, who have subsequently used Bexel's rental services.

Acquisitions

During the year we bought three businesses: RF Central, Nucomm and MSC (Microwave Service Corporation). All three are based on the East Coast of the USA and principally serve US broadcast customers. These businesses between them provide leading products, system integration, installation and maintenance services. The US market for microwave equipment will be very strong in 2007 to 2009 because part of the microwave spectrum that the broadcasters use (for 'ENG' or 'electronics news gathering' video signals that are sent to the studio) is being converted from analogue to digital technology under the FCC-mandated 'BAS Relocation Project'. We believe that our three companies can grow market share during the BAS project which will leave them well-positioned afterwards when broadcasters have to consider how to upgrade their other networks. Vitec can also help them grow outside the USA by leveraging our network of sales offices.

In February 2007 we acquired a manufacturing plant in Slovakia that had been operating as a subcontract supplier for Litec, the Italian staging business. This plant has now been expanded to take more of our in-house production from the other plants in Europe.

FINANCIAL REVIEW

Revenue

Revenue increased by £51.5 million to £273.8 million, or 23.2% in the year. After adding back £11.3 million (6.6%) for adverse foreign exchange, there was a £24.7 million (11.7%) organic increase and £38.1 million (18.1%) due to acquisitions (including £14.6 million due to acquisitions made partway through 2006). Revenue growth, before acquisitions, was particularly strong in Asia, the UK and the rest of Europe.

Operating profit

The table below sets out an analysis of the causes of the increase in operating profit before significant items* between 2006 and 2007. The variances are based on management's best estimates and are not a statutory presentation.

Operating profit before significant items*	
2006-07 Variance Analysis (£m)	
2006 Operating profit*	25.2
Gross margin effects:	
- Volume and mix	10.7
- Sales price less cost inflation	1.3
Operating expenses	(4.7)
	7.3
Acquisitions	3.8
Foreign exchange effects:	
- Translation	(1.3)
- Transaction after hedging	(2.4)
	(3.7)
2007 Operating profit*	32.6

**2007 significant items in operating profit total a cost of £4.9m and comprise amortisation of acquired intangibles (£5.0m) offset by negative goodwill (£0.1m). 2006 significant items in operating profit totalled a cost of £2.1m.*

Operating profit before significant items* was £32.6 million, £7.4 million or 29.4% greater than 2006. The Group's operating profit* margin increased from 11.3% to 11.9%. Despite hedging its foreign exchange transaction exposure, the Group suffered from the weaker US dollar. Before adverse foreign currency effects of £3.7 million, the increase in operating profit was £11.1 million or 46.4%.

Net financial expense

Net financial expense before significant items* totalled £2.3 million (2006: £1.1 million) and increased principally because of the RF Systems acquisition.

Taxation

The effective taxation rate on operating profit after net finance expense but before significant items* was 37% (2006: 40%). The Group's tax charge is relatively high because the majority of its profits arise in high tax overseas jurisdictions.

Significant items

No restructuring costs (2006: £1.5 million) are included in significant items*. There was no operating profit on the sale of buildings (2006: £0.4 million).

Amortisation of acquired intangibles increased to £5.0 million (2006: £0.6 million) due to recent acquisitions, particularly RF Systems, and has been included in significant items*. Note: acquisition goodwill arising during the year was £12.1m, including £4.8m estimated earnout, and is not amortised. Intangible assets acquired in RF Systems amounted to £14.2 million and will be largely amortised during the BAS project years of 2007, 2008 and 2009.

Finance income included in significant items* consisted of a £0.4 million gain (2006: £0.2 million gain) due to currency movements on loans not accounted for as net investment hedges.

The tax credit of £3.7 million relates to deferred tax. £1.7 million is deferred tax credits relating to tax relief on the amortisation of intangible assets, particularly in the USA. The Group has significant UK tax losses brought forward and is paying no cash taxes in the UK. £2.0 million represents the credit for the establishment of a deferred tax asset which was created in the year then charged against profit before significant items.

Acquisitions

Acquisitions totalled £25.9 million, consisting of the cash outflow £15.0 million (2006: £15.8 million), debt acquired £4.3 million, new shares issued £1.8 million and estimated earnout of £4.8 million. There is a maximum potential earnout of £18.8 million relating to RF Systems and £0.1 million relating to Staging SK. The Group completed four acquisitions in 2007: Nucomm Inc, RF Central LLC and Microwave Services (together "RF Systems"), involved in the manufacture, sale and service of microwave systems primarily for broadcast use, and Staging SK, a manufacturer of staging trusses, located in Slovakia.

Business	Division	Acquisition date	Acquisition consideration ⁽¹⁾ £m	Bank loans & other borrowings acquired £m	Issue of new ordinary shares £m	Estimated potential earnout £m	Total estimated consideration £m	Earnout period
<u>2007 acquisitions</u>								
Staging SK	Imaging & Staging	1 Feb 07	0.3	-	-	0.1	0.4	2007-08
RF Systems	Broadcast Systems	30 May 07/ 27 Jun 07	12.3	4.3	1.8	4.7	23.1	2007-10
Total cost of 2007 acquisitions			12.6	4.3	1.8	4.8	23.5	
<u>Earnout payments for previous acquisitions</u>								
Petrol (re 2006)	Broadcast Systems	16 Jan 06	1.2	n/a	n/a	n/a	n/a	2006
Kata (re 2006)	Imaging & Staging	31 May 05	1.2	n/a	n/a	n/a	n/a	2005-07
Total acquisition cost in 2007			15.0	n/a	n/a	n/a	n/a	

⁽¹⁾ Including acquisition expenses and cash acquired

In addition, the Group invested a further £0.6 million (2006: £0.7 million) in Media Numerics Ltd, a company that has developed a digital network product targeted at the live entertainment industry. As at 31 December 2007 the Group holds a 29% shareholding in Media Numerics.

Cash flow and net debt

£m	2003	2004	2005	2006	2007
Net Debt	10.4	11.3	5.4	18.9	38.4
Free Cash Flow ⁽²⁾	2.9	11.1	17.3	10.5	4.7

⁽²⁾ Free cash flow is the cash generated from operations less interest, tax and capital expenditure on property, plant & equipment and capitalised IT costs.

Net debt increased to £38.4 million (2006: £18.9 million) mainly because of the RF Systems acquisition.

Despite higher profits, free cash flow reduced to £4.7 million (2006: £10.5 million) as a result of higher capital expenditure, increased working capital and higher tax payments.

Cash generated from operations was £33.8 million (2006: £28.7 million). Capital expenditure and financial investments totalled £19.0 million (2006: £13.9 million), of which £6.4 million (2006: £4.1 million) related to rental assets, partly financed by the proceeds from rental asset disposals of £1.4 million (2006: £1.4 million), and £3.4 million related to the acquisition of the Anton/Bauer building in Shelton, Connecticut.

Whilst working capital increased, as a percentage of revenue (before acquisitions) it was 24.0% (2006: 22.0%) at the year end, and averaged 24.1% in 2007 (2006: 23.1%). Inventory increased by £24.5 million to £65.6 million, reflecting higher revenue, the new acquisitions and deliberately increased inventory levels in Imaging. Nonetheless inventory days, before RF Systems, reduced to 114 (2006: 116 days). Trade receivables rose with the higher revenue and were £40.1 million (2006: £31.2 million), which resulted in debtor days, before the acquisition of RF Systems, of 52 (2006: 51 days).

Tax paid in 2007 of £9.5 million was significantly greater than 2006 (£5.5 million), with more taxes paid on profits in Italy and the USA.

Treasury

Financing, currency hedging and tax planning are managed centrally. Hedging activities are designed to protect profits, not to speculate. Substantial changes to the financial structure of the Group or treasury practice are referred to the Board.

The Group operates strict controls over all treasury transactions involving dual signatures and appropriate authorisation limits.

As in previous years, a portion of the transactions of subsidiaries in foreign currencies is hedged 12 months forward, as set out below.

Currency millions	December 2007	Average rate	December 2006	Average rate
US dollars sold for Euros				
Forward contracts	-	-	\$9.6	1.23
Options ⁽³⁾	\$30.1	1.40	\$23.6	1.25
US dollars sold for Sterling				
Forward contracts	\$14.7	1.97	\$17.3	1.85
Options	\$4.9	2.03	-	-

⁽³⁾Includes cylinder options, where the mid-point of range is taken

The Group does not hedge its foreign currency profits. A proportion of the Group's foreign currency net assets are hedged using normal Group borrowings and forward contracts.

Financing activities

The Group's principal financing facility is a five-year £100 million committed multicurrency revolving loan agreement involving five banks, expiring on 24 January 2010. At the end of December £43.4 million (2006: £26.3 million) of the facility was utilised.

The average cost of borrowing for the year was 6.1% (2006: 5.4%) reflecting the worldwide upward movement in interest rates. Net interest cost (consisting of net interest payable and commitment fees) was £2.6 million (2006: £1.4 million), reflecting principally the acquisition of RF Systems. Net interest cover (using operating profit before significant items*) remained high at 13 times (2006: 18 times).

With regard to the management of capital, the Group's primary objective is to ensure its continuance as a going concern. In respect of gearing, the Board seeks to maintain an efficient capital structure without exposing the Group to unnecessary levels of risk; the Group has operated comfortably within its loan covenant during 2007. The Board believes the current capital structure is appropriate for the Group, bearing in mind its current strong cash generation, dividend policy and its typical ongoing level of acquisition activity.

UK pensions

At the end of 2003 the Group closed both of its UK defined benefit schemes to new members. Since 2004 a Group personal pension plan has been made available for new employees with Standard Life. In November 2005 the defined benefit schemes were merged. As at 31 December 2007 the number of active members in the merged scheme was 8% lower at 176 (2006: 192). Total scheme members were 655 (2006: 662).

A triennial actuarial valuation was undertaken as at 5 April 2007. The Trustees' actuary has recently sent this to the Group and we are currently in discussion about the assumptions, funding position and impact on future contributions.

Following the funding actions set out above, the Group's UK defined benefit pension liabilities under IAS 19 (amended) as at 31 December 2007 were estimated by the Group's actuaries to be £43.2 million (2006: £43.5 million) with a surplus of £1.2 million (2006: £1.0 million deficit).

The surplus has principally arisen because of an increase in the corporate bond interest rate used to calculate the present value of future liabilities. The principal assumptions used for recent valuations are set out below.

	2007	2006	2005
Inflation rate	3.3%	3.0%	2.8%
Expected rate of increase in:			
- Salaries	5.3%	5.0%	4.8%
- Pensions and deferred pensions	3.3%	3.0%	2.8%
Discount rate	5.8%	5.2%	4.8%
Long term rates of return			
- Equities	8.0%	7.8%	7.8%
- Bonds	4.8%	4.7%	4.3%
- Property	6.7%	6.2%	6.3%
Longevity			
- Pensioners currently aged 65	86/89 ⁽⁴⁾	86/89 ⁽⁴⁾	84/87 ⁽⁴⁾
- Non-pensioners currently aged 45	88/91 ⁽⁴⁾	88/91 ⁽⁴⁾	86/89 ⁽⁴⁾
Pension charge			
- Operating profit	1.5	1.5	1.5
- Finance income	(0.7)	(0.6)	(0.3)
Net charge	0.8	0.9	1.2

⁽⁴⁾ male/female

2006 Companies Act

The 2006 Companies Act has introduced multiple, albeit individually small, changes. New Articles of Association reflecting these requirements are being drawn up for consideration at the AGM on 27 May 2008.

Post balance sheet events

There have been no significant post balance sheet events.

PRINCIPAL RISKS AND UNCERTAINTIES

US market

Fifty one per cent of 2007 revenue was from the Americas, principally the USA, so the Group remains susceptible to any major deterioration in demand for its products and services from US customers. It is difficult to mitigate this risk but the Group seeks to reduce its dependence on the US by actively widening its sales and distribution activities, particularly into Asia.

Foreign exchange

The great majority of the Group's profit is earned in overseas currencies and is therefore subject to translation risk if sterling strengthens. To mitigate this, a proportion of the Group's foreign currency net assets are hedged using normal Group borrowings and forward contracts.

Also, many of the Group's businesses sell worldwide from various countries of manufacture, so the Group is subject to transaction risk, particularly that of a weaker US dollar. The Group partially hedges its major foreign exchange receipts by selling currency 12-18 months forward on a rolling basis. In addition the Group seeks to outsource parts, where appropriate, to low-cost countries, which are frequently dollar-denominated.

Broadcast market

The Group's two broadcast divisions are at risk from a reduction in the capital expenditure requirements of its broadcast customers and, in the US, their rental requirements. This dependence is changing as broadcasting moves from TV to delivery by other modes such as internet and mobile services. To mitigate this, the Group markets its products and services to all of these producers of broadcast video material, as well as to the religious, corporate and government sectors.

With the acquisition of RF Systems, the Group is benefiting from the BAS Relocation Project, which entails the conversion of part of the microwave spectrum that broadcasters use from analogue to digital technology. There will be significant revenue from this project, which is expected to peak in 2008 and 2009, after which time the business will need to win other business in the US and abroad to replace these sales.

Low-cost competition

The Group is at risk from low-cost competitors who may sell similar products at lower prices, particularly for higher volume items such as the simpler photographic tripods. While the Group also sources those cheaper products from lower-cost countries, it combats this threat by patenting its technologies wherever possible and taking action against any infringement, continuously innovating its products and employing its significant marketing and distribution capabilities.

Cautionary statement

This announcement contains forward looking statements that are subject to risk factors associated with, amongst other things, the economic and business circumstances occurring from time to time in the countries and sectors in which the Group operates. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated.

Consolidated Income Statement
For the year ended 31 December 2007

	2007			2006		
	Before significant items £m	Significant items ⁽¹⁾ £m	Total £m	Before significant items £m	Significant items ⁽¹⁾ £m	Total £m
Revenue						
Continuing operations	250.3		250.3	222.3		222.3
Acquisitions	23.5		23.5			
	273.8		273.8	222.3		222.3
Cost of sales	(162.5)		(162.5)	(129.1)		(129.1)
Gross profit	111.3		111.3	93.2		93.2
Other operating income	-	-	-	-	0.4	0.4
Operating expenses	(78.7)	(4.9)	(83.6)	(68.0)	(2.1)	(70.1)
Operating profit						
Continuing operations	29.3	(1.0)	28.3	25.2	(1.7)	23.5
Acquisitions	3.3	(3.9)	(0.6)			
	32.6	(4.9)	27.7	25.2	(1.7)	23.5
<i>Interest payable on bank borrowings</i>	<i>(2.8)</i>		<i>(2.8)</i>	<i>(1.5)</i>		<i>(1.5)</i>
<i>Interest income</i>	<i>0.2</i>		<i>0.2</i>	<i>0.1</i>		<i>0.1</i>
<i>Pension scheme:</i>						
<i>Interest charge</i>	<i>(2.3)</i>		<i>(2.3)</i>	<i>(2.1)</i>		<i>(2.1)</i>
<i>Expected return on assets</i>	<i>2.9</i>		<i>2.9</i>	<i>2.6</i>		<i>2.6</i>
<i>Other financial income/(expense)</i>	<i>(0.3)</i>	<i>0.4</i>	<i>0.1</i>	<i>(0.2)</i>	<i>0.2</i>	<i>-</i>
Net financial expense	(2.3)	0.4	(1.9)	(1.1)	0.2	(0.9)
Profit before tax	30.3	(4.5)	25.8	24.1	(1.5)	22.6
Taxation	(11.2)	3.7	(7.5)	(9.6)	0.4	(9.2)
Profit for the period (attributable to Equity Shareholders)	19.1	(0.8)	18.3	14.5	(1.1)	13.4

Earnings per share

Basic earnings per share	44.1p	32.6p
Diluted earnings per share	43.5p	32.2p

Dividends per ordinary share

Prior year final paid 10.1p	£4.2m
Current year interim paid 6.9p	£2.8m
Current year final proposed 10.9p	£4.5m

⁽¹⁾ See Note 6

Consolidated statement of recognised income and expense

For the year ended 31 December 2007

	2007 £m	2006 £m
Actuarial gain/(loss) on pension obligations	2.5	2.2
Currency translation differences on foreign net investments	2.3	(7.0)
Net gain/(loss) on hedge of net investment in foreign subsidiaries	(0.6)	1.3
Cash flow hedging reserve:		
Amounts released to income statement	(1.3)	0.6
Effective portion of changes in fair value	0.3	1.4
Net income/(expense) recognised directly in equity	3.2	(1.5)
Profit for the year	18.3	13.4
Total recognised income for the year	21.5	11.9

Consolidated Balance Sheet
As at 31 December 2007

	2007 £m	2006 £m
Assets		
Non-current assets		
Property, plant and equipment	45.6	35.1
Intangible assets	55.5	34.1
Investments	-	0.7
Investment in equity-accounted investee	1.3	-
Deferred tax assets	13.7	4.7
	116.1	74.6
Current assets		
Inventories	65.6	41.1
Trade and other receivables	50.7	38.6
Derivative financial instruments	1.2	2.3
Current tax assets	2.1	-
Cash and cash equivalents	8.4	9.4
	128.0	91.4
Total assets	244.1	166.0
Liabilities		
Current liabilities		
Bank overdrafts	1.1	1.9
Bank loans	-	0.1
Trade and other payables	74.4	37.1
Derivative financial instruments	0.5	-
Current tax liabilities	10.2	9.9
Provisions	4.1	5.0
	90.3	54.0
Non-current liabilities		
Bank loans	45.7	26.3
Other payables	0.1	0.2
Post-employment obligations	2.8	5.0
Provisions	5.7	3.0
Deferred tax liabilities	2.2	0.7
	56.5	35.2
Total liabilities	146.8	89.2
Net assets	97.3	76.8
Equity		
Share capital	8.4	8.2
Share premium	7.0	3.2
Translation reserve	(5.8)	(7.5)
Other reserves	1.9	2.9
Retained earnings	85.8	70.0
Total equity	97.3	76.8

Consolidated Cash Flow Statement
For the year ended 31 December June 2007

	2007	2006
	£m	£m
Cash flows from operating activities		
Profit for the year	18.3	13.4
Adjustments for :		
Taxation	7.5	9.2
Depreciation	9.1	8.9
Impairment losses on property, plant and equipment	0.2	-
Amortisation of acquired intangible assets	5.0	0.6
Amortisation of capitalised software and development costs	1.3	1.1
Negative goodwill	(0.1)	-
Net gain on disposal of property, plant and equipment	(1.2)	(1.5)
Fair value (profits)/losses on derivative financial instruments	0.1	(0.2)
Cost of equity-settled employee share schemes	1.4	1.2
Financial income	(3.1)	(2.7)
Financial expense	5.0	3.6
Operating profit before changes in working capital and provisions	43.5	33.6
Decrease/(increase) in inventories	(0.7)	(9.2)
Increase in receivables	(6.3)	(2.1)
Increase/(decrease) in payables	(2.5)	4.4
Increase/(decrease) in provisions	(0.2)	2.1
Adjustments for foreign exchange losses	-	(0.1)
Cash generated from operations	33.8	28.7
Interest paid	(3.2)	(1.7)
Tax paid	(9.5)	(5.5)
Net cash flow from operating activities	21.1	21.5
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	1.8	2.0
Purchase of property, plant and equipment	(17.3)	(12.0)
Software & development costs capitalised as intangible assets	(1.1)	(1.2)
Interest received	0.2	0.2
Acquisition of investment	-	0.7
Acquisition of investment resulting in significant influence	(0.6)	-
Acquisition of subsidiaries, net of cash acquired	(15.0)	(15.8)
Net cash flow from investing activities	(32.0)	(27.5)
Cash flows from financing activities		
Proceeds from the issue of shares ⁽²⁾	2.2	0.5
Transfer/(purchase) of own shares	0.6	(0.9)
Borrowing/(repayment) of bank loans	13.5	9.1
Dividends paid	(7.0)	(6.5)
Net cash flow from financing activities	9.3	2.2
Decrease in cash and cash equivalents	(1.6)	(3.8)
Cash and cash equivalents at 1 January	7.5	11.8
Exchange rate movements ⁽¹⁾	1.4	(0.5)
Cash and cash equivalents at 31 December	7.3	7.5

⁽¹⁾ Exchange rate movements result from the adjustment of opening balances and cash flows in the year to closing exchange rates.

⁽²⁾ The initial consideration for the acquisition of RF Systems was satisfied in part by the issue of 285,776 new Vitec ordinary shares worth US\$3.5 million (£1.8 million). This is excluded from the £2.2 million of proceeds from the issue of shares.

Segment reporting

Primary format - by business segments

	Imaging & Staging		Broadcast Systems		Broadcast Services		Corporate & unallocated		Consolidated	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m	2007 £m	2006 £m
Revenue from external customers:										
Sale of goods	117.3	94.6	129.8	100.5	3.8	4.0	-	-	250.9	199.1
Services	-	-	-	-	22.9	23.2	-	-	22.9	23.2
Total revenue from external customers	117.3	94.6	129.8	100.5	26.7	27.2	-	-	273.8	222.3
Inter-segment revenue ⁽¹⁾	1.2	1.1	1.7	1.7	-	-	(2.9)	(2.8)	-	-
Total revenue	118.5	95.7	131.5	102.2	26.7	27.2	(2.9)	(2.8)	273.8	222.3
Operating profit before significant items	17.7	16.6	13.3	6.9	1.6	1.7	-	-	32.6	25.2
Amortisation of acquired intangibles	(0.7)	(0.5)	(4.3)	(0.1)	-	-	-	-	(5.0)	(0.6)
Negative goodwill	-	-	0.1	-	-	-	-	-	0.1	-
Profit on the sale of property	-	-	-	0.4	-	-	-	-	-	0.4
Restructuring costs	-	-	-	(1.5)	-	-	-	-	-	(1.5)
Segment result	17.0	16.1	9.1	5.7	1.6	1.7	-	-	27.7	23.5
Net financial expense									(1.9)	(0.9)
Taxation									(7.5)	(9.2)
Profit for the period									18.3	13.4
Segment assets	80.0	67.6	116.3	63.3	20.7	18.1	2.9	2.9	219.9	151.9
Unallocated assets										
Cash and cash equivalents							8.4	9.4	8.4	9.4
Current tax assets							2.1	-	2.1	-
Deferred tax assets							13.7	4.7	13.7	4.7
Total assets									244.1	166.0
Segment liabilities	26.2	24.2	55.4	19.2	2.8	3.7	3.2	3.2	87.6	50.3
Unallocated liabilities										
Bank overdrafts							1.1	1.9	1.1	1.9
Bank loans							45.7	26.4	45.7	26.4
Current tax liabilities							10.2	9.9	10.2	9.9
Deferred tax liabilities							2.2	0.7	2.2	0.7
Total liabilities									146.8	89.2
Cash flows from operating activities ⁽²⁾	4.9	9.5	8.7	4.4	2.2	3.3	5.3	4.3	21.1	21.5
Cash flows from investing activities	(6.1)	(6.1)	(2.3)	(4.0)	(5.0)	(2.6)	(18.7)	(14.8)	(32.1)	(27.5)
Cash flows from financing activities	-	(0.7)	(2.0)	-	-	-	11.3	2.9	9.3	2.2
Capital expenditure (including assets acquired within acquisitions)										
Property, plant & equipment	4.4	5.8	8.4	3.0	6.4	4.0	-	0.1	19.2	12.9
Intangible assets	0.9	4.2	14.3	2.2	-	0.1	0.1	-	15.3	6.5

⁽¹⁾ Inter-segment pricing is determined on an arm's length basis.

⁽²⁾ Prior year cash flows from operating activities have been restated to include Corporate allocations

Segment reporting (continued)
Secondary format - by geographical segments

	United Kingdom		The rest of Europe		The Americas		The rest of the World		Corporate and unallocated		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers:												
By location of customer	17.8	13.1	76.8	69.6	138.3	107.0	40.9	32.6	-	-	273.8	222.3
Segment assets	37.6	30.6	50.9	45.8	112.2	55.9	16.3	15.1	2.9	4.5	219.9	151.9
Unallocated assets												
Cash and cash equivalents									8.4	9.4	8.4	9.4
Current tax assets									2.1	-	2.1	-
Deferred tax assets									13.7	4.7	13.7	4.7
Total assets											244.1	166.0
Cash flows from operating activities ⁽¹⁾	(0.8)	2.1	12.7	10.9	3.4	5.7	0.5	(1.5)	5.3	4.3	21.1	21.5
Cash flows from investing activities	(2.1)	0.1	(4.5)	(4.9)	(4.2)	(3.7)	(2.6)	(4.2)	(18.7)	(14.8)	(32.1)	(27.5)
Cash flows from financing activities	-	(0.2)	-	-	(2.0)	(0.5)	-	-	11.3	2.9	9.3	2.2
Capital expenditure (including assets acquired within acquisitions)												
Property, plant & equipment	2.0	2.9	4.1	4.8	13.0	4.8	0.1	0.3	-	0.1	19.2	12.9
Intangible assets	0.1	2.0	0.5	0.4	14.5	3.0	0.1	1.1	0.1	-	15.3	6.5

⁽¹⁾ Prior year cash flows from operating activities have been restated to include Corporate allocations

1. Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the EU in accordance with EU law.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2007 or 2006. Statutory accounts for 2006 have been delivered to the registrar of companies, and those for 2007 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and (iii) did not contain statements under section 237 (2) or (3) of the Companies Act 1985

2. Basis of Segmentation

Segmental data in this statement is analysed on the basis of the divisional management structure (Imaging & Staging, Broadcast Systems, Broadcast Services) that the Group operates under.

3. Earnings per share

Basic earnings per share of 44.1 pence (2006: 32.6 pence) is based on profit for the year attributable to equity shareholders of £18.3 million (2006: £13.4 million) and the weighted average number of shares of 41,532,930 (2006: 41,107,593). Basic earnings per share before significant items of 46.0 pence (2006: 35.3 pence) is based on profit for the year attributable to equity shareholders but before the impact of significant items of £19.1 million (2006: £14.5 million).

4. Dividend

The directors have declared a final dividend of 10.9 pence per share, which will absorb £4.5 million (2006: 10.1 pence absorbing £4.2 million). The dividend will be paid on 30 May 2008 to shareholders on the register at the close of business on 25 April 2008.

5. Key Exchange Rates

	Weighted average		Year end	
	2007	2006	2007	2006
EUR / USD	1.37	1.25	1.46	1.32
GBP / USD	2.00	1.84	1.99	1.96
GBP / EUR	1.47	1.47	1.36	1.48

6. Significant items

Significant items are those items of financial performance that the directors consider should be separately disclosed to assist in the understanding of the underlying trading and financial performance achieved by the Group and in making projections of future results.

Significant items comprise the following:

	2007 £m	2006 £m
(a) Other operating income		
Profit on sale of property fixed assets	-	0.4
(b) Operating expenses		
Restructuring costs	-	1.5
Amortisation of intangible assets	5.0	0.6
Negative goodwill	(0.1)	-
	4.9	2.1
(c) Other financial income		
Currency translation gains	0.4	0.2

Currency translation differences, which arise on long-term intra-group funding loans that are similar in nature to equity, are charged/credited to reserves. The currency translation differences which arise on certain other intra-group funding balances that do not meet this strict criteria but are very similar in nature, are recorded in significant items within other financial income.

	2007 £m	2006 £m
(d) Taxation		
Current tax credit	-	0.4
Deferred tax credit	3.7	-
	3.7	0.4

The Group is paying no cash taxes in the UK, due to brought forward losses. A UK deferred tax asset of £2.0 million has been recognised in 2007, with a credit of £2.0 million to significant items. The £2.0 million deferred tax asset has then been amortised as a charge to profit before significant items in the year, reducing the overall tax on UK profits to £nil.

A deferred tax credit of £1.7 million to significant items, represents the amortisation of intangible assets acquired on the acquisition of RF Systems in the US, Bogen Imaging KK in Japan and Kata in Israel.