



2 March 2009

2008 Full Year Results

A YEAR OF GOOD PROGRESS

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 2008.

<u>Results from continuing operations</u>	<u>2008</u>	<u>2007</u>	<u>Change</u>
Revenue	£337.7m	£273.8m	+23%
<i>Before significant items*</i>			
Operating profit	£38.4m	£32.6m	+18%
Profit before tax	£35.4m	£30.3m	+17%
Earnings per share	55.9p	46.0p	+22%
<i>After significant items*</i>			
Operating profit	£28.2m	£27.7m	+2%
Profit before tax	£25.5m	£25.8m	-1%
Earnings per share	48.0p	44.1p	+ 9%
Total dividend recommended for the year	18.3p	17.8p	+3%

Key highlights of 2008 include:

- Strong revenue growth of 23% (5% constant currency, organic)
- All divisions achieved organic growth, reflecting positive market drivers
- Operating profit before significant items* up 18% (1% constant currency, organic)
- Loan facility increased by 25% to £125m, committed until 2013
- Excellent cash generated from operations, up 31% to £44.3m
- 3 acquisitions in 2008, including Litepanels, performing well

**2008 significant items total a PBT charge of £9.9 million and comprise amortisation of acquired intangibles (£7.1 million), goodwill impairment (£2.1 million) and a provision against equity accounted investee (£1.3 million), offset by profit on sale of property (£0.3 million) and fair value adjustments relating to volatile financial instruments (£0.3 million); with an earnings charge of £3.3 million after deferred tax credits (£6.6 million). 2007 significant items totalled a PBT charge of £4.5m; with an earnings charge of £0.8m after deferred tax credits (£3.7 million).*

Commenting on the results, Alastair Hewgill, Interim Chief Executive, said:

“The Vitec Group has delivered another year of strong operating profit growth, reflecting the continuing success of our strategy of launching innovative products, continually improving our operations and developing our global distribution network. The RF Systems and Litepanels acquisitions performed well.

“In 2009, orders and revenues have been in line with our expectations. However we have seen weakness in some of our Broadcast Systems businesses and experienced lower sales volumes, which have impacted our profitability. As a result we have taken further actions to reduce our cost base, the benefits of which will flow through during the course of the current year. Vitec has leading market positions and, whilst our trading visibility is limited, at this stage the Board’s view of 2009 remains in line with its expectations.”

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 a favourable effect of £2.1 million on operating profit in 2008 compared to 2007. If current exchange rates continue throughout 2009, at businesses' current estimates of sales volumes and profit activity for the year and at the current level of Group hedging in place, a favourable impact of over £10 million on 2009 operating profit compared to 2008 would arise.
2. Current market exchange rates as at 27 February 2009: £1 = \$1.42, £1 = €1.12, €1 = \$1.27.
3. 2008 average market exchange rates: £1 = \$1.85, £1 = €1.26, €1 = \$1.46.
4. 2007 average market exchange rates: £1 = \$2.00, £1 = €1.47, €1 = \$1.37.
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: Broadcast Systems, Imaging & Staging and Broadcast Services. More information can be found at www.vitecgroup.com.
7. The Company's AGM will be held on 19 May 2009.

CHAIRMAN'S & CHIEF EXECUTIVE'S STATEMENT

We are delighted to report another year of good progress for The Vitec Group in terms of revenue, operating profit and earnings per share growth.

Results

Revenue increased 23%, to £337.7 million in 2008 (2007: £273.8 million). Before acquisitions and favourable foreign exchange, revenue growth was around 5%. We achieved good organic growth, particularly in Broadcast Systems, which reflects Vitec's position in markets with positive underlying drivers and our focus on continuous innovation. Acquisitions also contributed to growth, the most significant being an additional five months of revenue from RF Systems (acquired in May 2007) and four months from Litepanels (acquired in August 2008).

Broadcast Systems: Revenue increased 33%, of which constant currency organic growth was 7%, due principally to strong global demand for broadcast video camera supports, together with the acquisition effects of RF Systems and Litepanels. Clear-Com and Autoscript, our intercoms and teleprompting businesses respectively, had excellent years. RF Systems performed strongly, as deliveries relating to the 'BAS Relocation Project' reached their peak.

Imaging & Staging: Overall constant currency revenue growth in 2008 was 3%. This is the sixth year of growth in our Imaging business, which experienced strong demand for camera tripods, monopods and bags, particularly in the 'prosumer' market where sales of the higher priced 'digital SLR' cameras continued to grow rapidly. However, there was no growth in sales of lighting stands, typically sold to the photographic professional. In Staging, reported revenue increased, but underlying volumes were largely unchanged compared to 2007. We took a number of actions to improve profitability in the business, including closing Tomcat UK, moving the low cost Tomcat Mexico business to larger premises and making significant changes to senior management.

Broadcast Services: Operating mainly in the US, the division saw reported revenue in sterling increase by 10%. Revenue in US dollars increased by 1%. Bexel had a successful Beijing Olympics and benefited from the US elections. This was largely negated by a further weakening in the general US broadcast rentals market.

Reported Group operating profit* improved by 18% or £5.8 million, to £38.4 million. Excluding acquisitions, and after favourable foreign exchange effects of £2.1 million (2007: £3.7 million adverse), constant currency organic operating profit* growth was 1%. Operating profit is stated after charging £1.6 million of one-off costs relating to redundancies and rationalisation, including the closure of Tomcat UK.

A higher finance charge* of £3.0 million (2007: £2.3 million) arose mainly because of the effects of acquisitions and the adverse foreign exchange effect of non sterling loan interest. Group profit before tax and significant items* increased 17% to £35.4 million (2007: £30.3 million). The headline tax rate for the Group was reduced again, by 3% to 34%, and earnings per share, before significant items* rose to 55.9p (2007: 46.0p), an improvement of 22%.

Cash generated from operations rose by 31% to £44.3 million (2007: £33.8 million). Working capital increased due to higher revenue, adverse movements in exchange rates and RF Systems' advance payments reducing. Inventory days, restated in constant currency at year-end rates before RF Systems (whose inventory is not comparable to activity levels due to BAS-related accounting), were 102 in 2008 vs 111 in 2007.

2008 dividend

The full year total dividend will be 18.3p (2007: 17.8p), an increase of 3%, with a final dividend of 10.9p per share. Subject to approval by shareholders at the Annual General Meeting, the final dividend will be paid on 22 May 2009 to shareholders on the register on 24 April 2009.

Using adjusted earnings per share before significant items* the dividend is covered 3.1 times (2007: 2.6 times), whilst after significant items* it is covered 2.6 times (2007: 2.5 times).

The Company has introduced a Dividend Reinvestment Plan that allows shareholders to re-invest dividends to purchase additional shares in the Company. For shareholders to apply the proceeds of the final dividend for the year ended 31 December 2008, the Plan application forms must be received by the Company's Registrars by no later than 27 April 2009. Details on the Plan can be obtained from Capita Registrars on 0871 664 0381.

Outlook

In 2009, orders and revenues have been in line with our expectations. However we have seen weakness in some of our Broadcast Systems businesses and experienced lower sales volumes, which have impacted our profitability. As a result we have taken further actions to reduce our cost base, the benefits of which will flow through during the course of the current year. Vitec has leading market positions and, whilst our trading visibility is limited, at this stage the Board's view of 2009 remains in line with its expectations.

**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

BROADCAST SYSTEMS DIVISION

Products and systems primarily for broadcast applications

	2008	2007
Revenue	£172.6m	£129.8m
Operating profit*	£21.7m	£13.3m
Operating margin*	12.6%	10.2%

**Before significant items. Significant items are amortisation of intangible assets of £6.4 million (2007: £4.3 million) and negative goodwill of £nil (2007: £0.1 million).*

Overview

The Broadcast Systems division provides equipment principally for video professionals engaged in producing live events or video content, frequently for subsequent broadcast. The business units, Camera Dynamics, Communications, Mobile Power, RF Systems and now Litepanels, 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.

2008 performance

2008 revenue increased by 33% to £172.6 million (2007: £129.8 million), with a significant improvement in operating profit – a rise of 63% to £21.7 million (2007: £13.3 million).

Camera Dynamics had a very strong year and it was a fitting time to celebrate the 50th anniversary of the Sachtler brand. We saw growth in volumes in all product groups, with a number of major installations of our Fusion robotic system, including the Spanish state

broadcaster, TVE Spain. New products included the Sachtler FSB8 and Vinten Pro Touch 6HDV, which further extended our lightweight camera support range. Vinten introduced its Vector 750 head, which establishes the new standard for studio and outside broadcast applications. Our OConnor brand, which is the global market leader for camera supports in the movie industry, increased sales as it was adopted as the support of choice for the innovative new RED HD digital video camera.

Autoscript continued to make progress, winning the Persian TV equipment and multi-year services contract with the BBC, and is now co-located in Twickenham with The Camera Store rental business acquired in September 2008. We continued to invest in advanced machine tools at our Bury St Edmunds plant, and manufacturing of OConnor camera supports was moved successfully from California to our Costa Rican facility.

RF Systems launched many new wireless HD products and were able to deliver significant quantities under the BAS contract, which helped Sprint Nextel meet its commitments. We have stepped up our marketing to international and non-broadcast US customers, and were pleased to win a major contract for the Houston Police Department, with delivery commencing in early 2009. Developing these additional markets is important as they will help offset the reduction in revenue we will see when deliveries under the BAS contract cease in about August 2009.

Our Communications business delivered a strong performance, reflecting greatly improved management, outsourced manufacturing and its refreshed product range. Key successes in 2008 were providing intercoms matrix systems for the Chinese state broadcaster, CCTV, at the Olympics and its new studio buildings and to ZDF, the German national TV broadcaster. We see intercoms-over-internet-protocol as a major growth area for the future and in October 2008 we were delighted to acquire Talkdynamics, a Montreal-based R&D business which was already a supplier to our Communications business.

Following a weakening in demand in the US broadcast market, Anton/Bauer, our mobile power business, had lower sales in 2008 than 2007. Nevertheless, with the recent introduction of the VCLX battery for HD video film cameras, together with other non-broadcast marketing initiatives that are being pursued, we are confident that the business will be able to grow more strongly as and when market conditions allow.

In August 2008 we announced the acquisition of Litepanels, a manufacturer of LED lights for the broadcast market, located in North Hollywood. LEDs use around 10% of the power of traditional tungsten lights and, because they generate less heat, are more portable and require significantly less air-conditioning when used in studios. The business has performed well and we are pleased by a number of initiatives that are underway between Litepanels and our other businesses, which demonstrate how the Group is able to add value to its acquisitions. The business has an exciting pipeline of new products which will be launched this year. We expect Litepanels' revenue to continue to grow in 2009.

Market developments

In December 2008 we announced headcount reductions in Camera Dynamics of 25, with an associated charge in the year of £0.4 million. In the first two months of 2009 overall order intake has been in line with our expectations; however, we have experienced lower volumes in a number of our businesses, which has led to some cost under-recovery. As a consequence we have taken further cost reduction actions, including those within Camera Dynamics and Communications, which will reduce headcount by some 50 people. We will continue to flex our capacity and cost base as we respond to material changes in demand.

IMAGING & STAGING DIVISION

Products for the photographic, videography and live event markets

	2008	2007
Revenue	£135.8m	£117.3m
Operating profit*	£15.6m	£17.7m
Operating margin*	11.5%	15.1%

*Before significant items. Significant items are amortisation of intangible assets of £0.7 million (2007: £0.7 million), impairment of goodwill of £2.1 million (2007: £nil) and profit on sale of property of £0.3 million (2007: £nil)

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 ("Imaging"), and manufacturing lighting and staging systems for the live entertainment market ("Staging"). Lighting supports ('grip') are manufactured for both these markets and for cinematographers. It is organised in two units: Imaging Accessories (including Supports, Bags and 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 photo, video and cine professionals 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.

2008 performance

Revenue increased by 16% to £135.8 million (2007: £117.3 million). In constant currency, the division reported revenue growth of 3%. Operating profit reduced by £2.1 million, or 12% to £15.6 million and a number of one-off actions were taken including closing Tomcat UK, moving the low cost Tomcat Mexico business to larger premises and significant changes to senior management.

Imaging Support launched thirty new products in 2008, with the 190 and 055 carbon fibre tripods and Gitzo ball heads being particularly well received. A sales office was established in Mumbai for the first time. According to CIPA, the Camera & Imaging Products Association, shipments of digital SLR cameras increased by 30% by volume and 18% by value in 2008, and it forecasts further growth in 2009 and 2010. We continued to achieve operational improvements, renting further factory space in Italy, optimising the new out-sourced logistics hub in Padua, as well as successfully moving our Chinese tripod production to a new subcontractor. Margins were affected both by the adverse euro/dollar exchange rate and increase in infrastructure costs that were needed to support the significant growth of the business over the past three years. Sales volumes in the bags business grew strongly, with over fifty new products launched, including the new Kata DPS line and the 3N1 model, which are proving to be very popular. Kata withdrew from its Protection and Security business line in 2008.

In Imaging Distribution, we saw good revenue increases in most of the six of the countries where Bogen Imaging distributes its products. Bogen Imaging UK was launched in February 2008 and reached its planned operating level, and we consolidated the Bogen Imaging Italy operation into Bassano after moving it from Milan. Our websites continued to help drive sales, with the number of hits increasing by over 100%.

In Staging we also saw reported revenue growth, but underlying volumes were largely unchanged compared to 2007. Brilliant Stages saw a reduction in project work, but we expect the pipeline to increase in 2009, with work on the Take That and U2 tours already in prospect. In order to increase sales in South America and reduce product costs, Tomcat's Mexican operation moved to larger premises in December 2008.

Market developments

In 2008, in order to improve the profitability of our Staging Business we closed our Tomcat UK operation and made a number of changes to senior management, at a combined cost of £1.2 million. In the first two months of 2009, order intake and sales are in line with our expectations, albeit volumes in constant currency are lower than the same period in 2008. In 2009, in Imaging, we have shed all temporary labour and had selective shut downs. We will continue to flex our capacity and cost base as we respond to material changes in demand.

BROADCAST SERVICES DIVISION

Rental and technical support services, mainly for the broadcast market

	2008	2007
Revenue	£29.3m	£26.7m
Operating profit	£1.1m	£1.6m
Operating margin	3.8%	6.0%

Overview

The Broadcast Services division provides rental equipment and technical support for the most demanding broadcast productions, mostly in the USA, from a network of nine depots. The division also acts as an integrator/dealer for high-end audio equipment, resells used equipment, and provides comprehensive maintenance and fibre optic installation services.

Strategy

Customers choose Bexel because of their reputation for designing creative solutions, providing service excellence and because of its nationwide US network. With the most relevant equipment and the best technical back-up, Bexel will continue to seek longer-term contracts from customers who want more than simple equipment hire, by offering the most in-demand equipment and innovative technical solutions and support.

2008 performance

Reported revenue of £29.3 million was up 10% (2007: £26.7 million). Revenue in US dollars increased by 1%. Bexel benefitted from its successful involvement in the coverage of the Beijing Olympics and the US presidential elections. However, their contributions were largely negated by a further weakening in the general US broadcast rentals market.

In 2008 Bexel benefitted from supporting the Olympics Broadcasters, including the host broadcaster, BOB (Beijing Olympic Broadcasting) and our highly-acclaimed Hercules flypack provided outstanding HD images of the aquatic events from the iconic Water Cube for NBC Sports. Bexel supported the Republican and Democratic national conventions with fibre optic transmission links along with video and audio systems.

The business continued to deliver leading-edge technology solutions to its customers, which this year included work on the Hell's Kitchen reality TV series for Fox and the new Jonas Brothers 3D movie for Disney, audio support for the first ever in-flight concert for the Grammy Awards and a brand new mobile edit vehicle provided to Turner for the NASCAR season. Our fibre business provided infrastructure for the Superbowl XLII in Arizona and the Papal visit to Yankee Stadium, audio sales made great progress with its Calrec dealership, and our resale business was able to sell on all of our anticipated Olympics and other surplus rental gear.

However, despite its strong performance in big events, sports and high-end reality programming, the general US broadcast rentals market weakened further, leading to the relatively flat year-on-year sales performance set out above.

Market developments

In the first two months of 2009 we estimate sales revenue (in dollars) will be some 10% behind the same period of 2008. In January 2009, in the light of the continued weakness of the US broadcast rental market, the closure of Bexel's Orlando office was announced, together with a number of other redundancies. Bexel continues to operate at nine locations, including its main Florida depot in Miami.

BUSINESS DEVELOPMENT

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 typically spends approximately 4% of revenue on new product development, amounting to £12.5 million in 2008 (2007: £10.4 million). While Vitec's businesses are known for the quality and reliability of their products, there is also an exciting pipeline of new ideas for the future. In 2008 we again received a large number of awards for innovation, a sign that the Group's products remain very relevant to our customers. Around 36% of product revenues in 2008 (2007: 35%) 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 supported a number of 3D initiatives.

Acquisitions

During 2008 we bought three businesses, all of which became part of the Broadcast Systems division: Litepanels, a manufacturer of LED lights (based in North Hollywood, August 2008), Talkdynamics Technologies, a developer of IP-based intercoms software (based in Montreal, October 2008) to complement our Communications business and The Camera Store (based in Twickenham, UK, September 2008), a broadcast equipment rental company.

SENIOR MANAGEMENT CHANGES

We recently announced the appointment of Stephen Bird as Chief Executive of the Group, commencing 14 April 2009. Stephen is currently divisional managing director of Weir Oil & Gas, part of Weir plc. Richard Cotton, previously Group Finance Director of Wagon plc, joined us as Group Finance Director in November 2008.

The Board would like to express its thanks to Alastair Hewgill, who is currently Interim Chief Executive and was previously Group Finance Director, for his major contribution to the Group over almost seven years. Alastair will be working with Stephen to ensure a smooth transition and will then leave the Company in due course.

FINANCIAL REVIEW

Revenue

Revenue increased by £63.9 million to £337.7 million, or 23.3% in the year. After deducting £28.7 million (11.7%) for favourable foreign exchange, there was a £14.0 million (4.6%) organic increase and £21.2 million (7.0%) due to acquisitions (including £19.3 million due to acquisitions made partway through 2007). Revenue growth, before acquisitions, was particularly strong in Camera Dynamics, RF Systems and Imaging.

Operating profit

The table below sets out an analysis of the causes of the increase in operating profit before significant items* between 2007 and 2008. The variances are based on management's best estimates and are not a statutory presentation.

Operating profit before significant items*	
2007-08 Variance Analysis (£m)	
2007 Operating profit*	32.6
Gross margin effects:	
- Volume and mix	7.6
- Sales price less cost inflation	0.9
Operating expenses	(6.6)
Redundancy and restructuring	(1.6)
	<hr/>
	0.3
Acquisitions	3.4
Foreign exchange effects:	
- Translation	3.8
- Transaction after hedging	(1.7)
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	2.1
2008 Operating profit*	38.4

**2008 significant items in operating profit total a cost of £10.2 million and comprise amortisation of acquired intangibles (£7.1 million), goodwill impairment (£2.1 million) and a provision against equity accounted investee (£1.3 million), offset by profit on sale of property (£0.3 million). 2007 significant items in operating profit totalled a cost of £4.9 million.*

Operating profit before significant items* was £38.4 million, £5.8 million or 17.8% greater than 2007. The Group's operating profit* margin fell slightly from 11.9% to 11.4%, reflecting some of the one-off reorganisation costs sustained mainly in Staging Systems. Despite hedging its foreign exchange transaction exposure, the Group suffered from the weaker US dollar in the first part of the year. Before beneficial foreign currency effects of £2.1 million over the entire period, the increase in operating profit was £3.7 million or 10.2%.

Net financial expense

Net financial expense before significant items* totalled £3.0 million (2007: £2.3 million) and increased principally because of acquisitions and the adverse foreign exchange effect of non sterling loan interest.

Taxation

The effective taxation rate on operating profit after net finance expense but before significant items* was 34% (2007: 37%). The Group's tax charge is higher than in the UK because the majority of its profits arise in overseas jurisdictions with high tax rates.

Significant items

Amortisation of acquired intangibles increased to £7.1 million (2007: £4.9 million after £0.1 million negative goodwill) due to recent acquisitions, particularly Litepanels and the full year-effect of RF Systems, and has been included in significant items*. Within Imaging and Staging division, the annual impairment review of goodwill led to an impairment charge of £2.1 million to the goodwill of Tomcat Global (2007: £nil). Acquisition goodwill arising during the year was £4.8 million, including £3.7 million relating to estimated earnouts, and is not amortised. Intangible assets acquired in Litepanels amounted to £6.6 million with a further £0.7 million arising from the acquisition of Talkdynamics.

A provision charged against the equity accounted investment in Media Numerics of £1.3 million (2007: £nil) and profit on sale of property of £0.3 million (2007: £nil) are also included in significant items*.

Finance income included in significant items* consisted of a £0.3 million gain (2007: £0.4 million gain) due to currency movements on loans not accounted for as net investment hedges.

The tax credit of £6.6 million (2007: £3.7 million) relates to deferred tax.

Acquisitions

Acquisitions totalled £11.8 million, consisting of cash outflow of £11.8 million (2007: £15.0 million), debt acquired of £nil (2007: £4.3 million), new shares issued of £nil (2007: £1.8 million); in addition there is an estimated earnout of £3.7 million (2007: £4.8 million). There is a maximum potential earnout of £34.8 million relating to Litepanels and £0.4 million relating to Talkdynamics. The Group completed three acquisitions in 2008: Litepanels in August, The Camera Store in September and Talkdynamics in October.

Business	Division	Acquisition date	Acquisition consideration for cash ⁽¹⁾ £m	Estimated potential earnout £m	Total estimated consideration £m	Earnout period
<u>2008 acquisitions</u>						
The Camera Store	Broadcast Systems	1 Sep 08	0.4	-	0.4	n/a
Litepanels	Broadcast Systems	21 Aug 08	8.2	3.4	11.6	2008-11
Talkdynamics	Broadcast Systems	10 Oct 08	1.1	0.3	1.4	2008-11
Total cost of 2008 acquisitions			9.7	3.7	13.4	
<u>Earnout payments for previous acquisitions</u>						
Kata (for 2007)	Imaging & Staging	31 May 05	1.0	n/a	n/a	2005-07
Autoscript (for 2007)	Broadcast Systems	31 Oct 06	1.0	n/a	n/a	2007-08
Staging SK (for 2007)	Imaging & Staging	1 Feb 07	0.1	n/a	n/a	2007-08
Total acquisition cost in 2008			11.8	n/a	n/a	

⁽¹⁾ Including acquisition expenses and cash acquired

The investment of £1.3 million in Media Numerics has been fully written down within significant items*.

Cash flow and net debt

Cash generated from operations was strong at £44.3 million (2007: £33.8 million). Capital expenditure and financial investments totalled £17.6 million (2007: £19.0 million), of which £4.7 million (2007: £6.4 million) related to rental assets, partly financed by the proceeds from rental asset disposals of £1.7 million (2007: £1.4 million).

£m	2004	2005	2006	2007	2008
Net Debt	11.3	5.4	18.9	38.4	53.0
Free Cash Flow ⁽²⁾	11.1	17.3	10.5	4.7	19.0

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

Despite strong free cash flow, net debt increased to £53.0 million (2007: £38.4 million) mainly because of the effect of weaker sterling on our utilisation of our £125 million committed multicurrency loan facility, a significant part of which is denominated in US dollars, euros and yen.

The higher profits were the main reason for the increased free cash flow of £19.0 million (2007: £4.7 million) which also benefited from lower capital expenditure, a more favourable working capital movement and lower tax payments.

Working capital increased, as a percentage of revenue due to weaker sterling. Before acquisitions and after being restated in constant currency at the year-end rates it was 22.7% (2007: 23.4%) at the year end, and averaged 27.7% in 2008 (2007: 24.1%). Inventory increased by £10.8 million to £76.4 million at the year-end, reflecting higher revenue, new acquisitions and adverse currency movements. In addition, inventory levels were deliberately increased in Imaging to improve service levels. Inventory days, restated in constant currency at year-end rates before RF Systems (whose inventory is not comparable to activity levels due to BAS-related accounting), reduced to 102 (2007: 111 days). Trade receivables rose with the higher revenue and were £46.6 million as at the year end (2007: £40.1 million), but there was a reduction in debtor days to 41 (2007: 51 days), when restated in constant currency at year-end rates before the acquisition of RF Systems.

Tax paid in 2008 of £6.7 million was significantly lower than 2007 (£9.5 million), mainly due to a US tax rebate.

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 for approval.

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, with the US dollars contracts as at 31 December 2008 set out below.

Currency millions	December 2008	Average rate	December 2007	Average rate
US dollars sold for Euros				
Forward contracts	\$10.0	1.26	-	-
Options ⁽³⁾	\$24.7	1.50	\$30.1	1.40
US dollars sold for Sterling				
Forward contracts	\$8.3	1.51	\$14.7	1.97
Options	\$6.7	1.85	\$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 £125 million committed multicurrency revolving loan agreement involving five banks, expiring on 8 August 2013. At the end of December 2008 £64.9 million (2007: £43.4 million) of the facility was utilised.

The average cost of borrowing for the year was 4.0% (2007: 6.1%) reflecting the worldwide downward movement in interest rates. Net interest cost (consisting of net interest payable and commitment fees) was £3.1 million (2007: £2.6 million), reflecting principally the acquisition of Litepanels, the full-year effect of RF Systems and the adverse foreign exchange effect of non

sterling loan interest. Net interest cover (using operating profit before significant items*) remained high at 12 times (2007: 13 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 covenants during 2008. 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.

In response to the weakening of sterling we have amended the Group policy on loan currency matching to net assets, to protect against further sterling deterioration and foreign exchange appreciation of our debt. About 50% of the drawn element of our loan facility is now denominated in sterling.

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 2008 the number of active members in the merged scheme was 10% lower at 158 (2007: 176). Total scheme members were 643 (2007: 655).

A triennial actuarial valuation was undertaken as at 5 April 2007. This was agreed by the Company and the Trustees on 4 July 2008.

Following the funding actions set out above, the Group's UK defined benefit pension liabilities under IAS 19 (amended) as at 31 December 2008 were estimated by the Group's actuaries to be £35.2 million (2007: £43.2 million) with a deficit of £0.4 million (2007: £1.2 million surplus). The deficit has arisen because the decrease in pension liabilities was offset by a greater decrease in pension assets. The principal assumptions used for recent valuations are set out below.

	2008	2007	2006
Inflation rate	2.8%	3.3%	3.0%
Expected rate of increase in:			
- Salaries	4.3%	5.3%	5.0%
- Pensions and deferred pensions	2.8%	3.3%	3.0%
Discount rate	6.3%	5.8%	5.2%
Long term rates of return			
- Equities	8.2%	8.0%	7.8%
- Bonds	4.4%	4.8%	4.7%
- Property	6.9%	6.7%	6.2%
Longevity			
- Pensioners currently aged 65	86/89 ⁽⁴⁾	86/89 ⁽⁴⁾	86/89 ⁽⁴⁾
- Non-pensioners currently aged 45	88/91 ⁽⁴⁾	88/91 ⁽⁴⁾	88/91 ⁽⁴⁾
Pension charge			
- Operating profit	1.5	1.5	1.5
- Finance income	(0.6)	(0.7)	(0.6)
Net charge	0.9	0.8	0.9

⁽⁴⁾ male/female

Post balance sheet events

There have been no significant post balance sheet events.

PRINCIPAL RISKS AND UNCERTAINTIES

US market

Fifty three per cent of 2008 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, whose currencies are frequently either dollar-denominated or linked to the dollar.

Markets

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 further revenue from this project in 2009, after which time the business will need to win other business in the US and abroad to mitigate this reduction in sales.

Imaging products are principally used by both professionals and keen amateurs. Whilst sales of cameras forecast to continue to grow, there is a risk that recessionary conditions may lead to adverse sales pressures in these markets.

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 2008

	2008			2007		
	Before significant items	Significant items ⁽¹⁾	Total	Before significant items	Significant items ⁽¹⁾	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Continuing operations	335.8		335.8	273.8		273.8
Acquisitions	1.9		1.9			
	337.7		337.7	273.8		273.8
Cost of sales	(200.6)		(200.6)	(162.5)		(162.5)
Gross profit	137.1		137.1	111.3		111.3
Other operating income	-	0.3	0.3	-	-	-
Provision against equity accounted investee	-	(1.3)	(1.3)	-	-	-
Operating expenses	(98.7)	(9.2)	(107.9)	(78.7)	(4.9)	(83.6)
Operating profit						
Continuing operations	38.0	(9.4)	28.6	32.6	(4.9)	27.7
Acquisitions	0.4	(0.8)	(0.4)			
	38.4	(10.2)	28.2	32.6	(4.9)	27.7
<i>Interest payable on bank borrowings</i>	(3.2)		(3.2)	(2.8)		(2.8)
<i>Interest income</i>	0.1		0.1	0.2		0.2
<i>Pension scheme:</i>						
<i>Interest charge</i>	(2.5)		(2.5)	(2.3)		(2.3)
<i>Expected return on assets</i>	3.1		3.1	2.9		2.9
<i>Other financial income/(expense)</i>	(0.5)	0.3	(0.2)	(0.3)	0.4	0.1
Net financial expense	(3.0)	0.3	(2.7)	(2.3)	0.4	(1.9)
Profit before tax	35.4	(9.9)	25.5	30.3	(4.5)	25.8
Taxation	(12.0)	6.6	(5.4)	(11.2)	3.7	(7.5)
Profit for the period (attributable to Equity Shareholders)	23.4	(3.3)	20.1	19.1	(0.8)	18.3

Earnings per share

Basic earnings per share	48.0p	44.1p
Diluted earnings per share	47.9p	43.5p

Dividends per ordinary share

Prior year final paid 10.9p	£4.6m
Current year interim paid 7.4p	£3.1m
Current year final proposed 10.9p	£4.6m

⁽¹⁾ See Note 6

Consolidated statement of recognised income and expense

For the year ended 31 December 2008

	2008 £m	2007 £m
Actuarial gain/(loss) on pension obligations	(1.8)	2.5
Revaluation reserve on property	(0.2)	-
Currency translation differences on foreign net investments	30.7	2.3
Net loss on hedge of net investment in foreign subsidiaries	(2.6)	(0.6)
Cash flow hedging reserve:		
Amounts released to income statement	(0.3)	(1.3)
Effective portion of changes in fair value	(3.7)	0.3
Net income recognised directly in equity	22.1	3.2
Profit for the year	20.1	18.3
Total recognised income for the year	42.2	21.5

Consolidated Balance Sheet
As at 31 December 2008

	2008 £m	2007 £m
Assets		
Non-current assets		
Property, plant and equipment	63.6	45.6
Intangible assets	71.6	55.5
Investment in equity-accounted investee	-	1.3
Deferred tax assets	17.8	13.7
	153.0	116.1
Current assets		
Inventories	76.4	65.6
Trade and other receivables	61.4	50.7
Derivative financial instruments	0.7	1.2
Current tax assets	0.8	2.1
Cash and cash equivalents	14.9	8.4
	154.2	128.0
Total assets	307.2	244.1
Liabilities		
Current liabilities		
Bank overdrafts	-	1.1
Other borrowings	3.0	-
Trade and other payables	71.5	74.4
Derivative financial instruments	7.4	0.5
Current tax liabilities	9.7	10.2
Provisions	4.1	4.1
	95.7	90.3
Non-current liabilities		
Bank loans and other borrowings	64.9	45.7
Other payables	0.1	0.1
Post-employment obligations	5.9	2.8
Provisions	5.7	5.7
Deferred tax liabilities	1.5	2.2
	78.1	56.5
Total liabilities	173.8	146.8
Net assets	133.4	97.3
Equity		
Share capital	8.5	8.4
Share premium	7.5	7.0
Translation reserve	22.3	(5.8)
Other reserves	(2.1)	1.9
Retained earnings	97.2	85.8
Total equity	133.4	97.3

Consolidated Cash Flow Statement
For the year ended 31 December 2008

	2008 £m	2007 £m
Cash flows from operating activities		
Profit for the year	20.1	18.3
Adjustments for:		
Taxation	5.4	7.5
Depreciation	11.6	9.1
Impairment losses on property, plant and equipment	-	0.2
Provision against equity-accounted investee	1.3	-
Amortisation of acquired intangible assets	7.1	5.0
Amortisation of capitalised software and development costs	1.2	1.3
Goodwill impairment	2.1	-
Negative goodwill	-	(0.1)
Net gain on disposal of property, plant and equipment	(1.6)	(1.2)
Fair value losses on derivative financial instruments	0.4	0.1
Cost of equity-settled employee share schemes	1.7	1.4
Financial income	(4.1)	(3.1)
Financial expense	6.8	5.0
Operating profit before changes in working capital and provisions	52.0	43.5
Decrease/(increase) in inventories	8.7	(0.7)
Decrease/(increase) in receivables	3.8	(6.3)
Decrease in payables	(21.0)	(2.5)
(Decrease)/Increase in provisions	0.8	(0.2)
Cash generated from operations	44.3	33.8
Interest paid	(3.7)	(3.2)
Tax paid	(6.7)	(9.5)
Net cash flow from operating activities	33.9	21.1
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	2.6	1.8
Purchase of property, plant and equipment	(16.4)	(17.3)
Purchase of intangible assets	(0.3)	-
Software and development costs capitalised as intangible assets	(0.9)	(1.1)
Interest received	0.1	0.2
Acquisition of investment resulting in significant influence	-	(0.6)
Acquisition of subsidiaries, net of cash acquired	(11.8)	(15.0)
Net cash flow from investing activities	(26.7)	(32.0)
Cash flows from financing activities		
Proceeds from the issue of shares ⁽¹⁾	0.5	2.2
Transfer of own shares	-	0.6
Purchase of treasury shares	(0.7)	-
Borrowing of bank loans	4.1	13.5
Dividends paid	(7.7)	(7.0)
Net cash flow from financing activities	(3.8)	9.3
Increase/(decrease) in cash and cash equivalents	3.4	(1.6)
Cash and cash equivalents at 1 January	7.3	7.5
Exchange rate movements ⁽²⁾	4.2	1.4
Cash and cash equivalents at 31 December	14.9	7.3

⁽¹⁾ In 2007, 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

⁽²⁾ Exchange rate movements result from the adjustment of opening balances and cash flows in the year to closing exchange rates

Segment reporting

Primary format - by business segments

	Broadcast Systems		Imaging & Staging		Broadcast Services		Corporate and unallocated		Consolidated	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m	2008 £m	2007 £m
Revenue from external customers:										
Sale of goods	171.0	129.8	135.8	117.3	6.3	3.8	-	-	313.1	250.9
Services	1.6	-			23.0	22.9			24.6	22.9
Total revenue from external customers	172.6	129.8	135.8	117.3	29.3	26.7	-	-	337.7	273.8
Inter-segment revenue ⁽¹⁾	2.0	1.7	2.3	1.2	-	-	(4.3)	(2.9)	-	-
Total revenue	174.6	131.5	138.1	118.5	29.3	26.7	(4.3)	(2.9)	337.7	273.8
Operating profit before significant items	21.7	13.3	15.6	17.7	1.1	1.6	-	-	38.4	32.6
Other operating income	-	-	0.3	-	-	-	-	-	0.3	-
Provision against equity-accounted investment	-	-	-	-	-	-	(1.3)	-	(1.3)	-
Amortisation of acquired intangibles	(6.4)	(4.3)	(0.7)	(0.7)	-	-	-	-	(7.1)	(5.0)
Negative goodwill	-	0.1	-	-	-	-	-	-	-	0.1
Impairment of goodwill	-	-	(2.1)	-	-	-	-	-	(2.1)	-
Segment result	15.3	9.1	13.1	17.0	1.1	1.6	(1.3)	-	28.2	27.7
Net financial expense									(2.7)	(1.9)
Taxation									(5.4)	(7.5)
Profit for the period									20.1	18.3
Segment assets	140.2	116.3	104.2	80.0	27.3	20.7	2.0	2.9	273.7	219.9
Unallocated assets										
Cash and cash equivalents							14.9	8.4	14.9	8.4
Current tax assets							0.8	2.1	0.8	2.1
Deferred tax assets							17.8	13.7	17.8	13.7
Total assets									307.2	244.1
Segment liabilities	51.4	55.4	31.0	26.2	1.9	2.8	10.4	3.2	94.7	87.6
Unallocated liabilities										
Bank overdrafts							-	1.1	-	1.1
Bank loans							67.9	45.7	67.9	45.7
Current tax liabilities							9.7	10.2	9.7	10.2
Deferred tax liabilities							1.5	2.2	1.5	2.2
Total liabilities									173.8	146.8
Cash flows from operating activities	15.7	8.7	8.4	4.9	3.2	2.2	6.6	5.3	33.9	21.1
Cash flows from investing activities	(1.2)	(2.3)	(6.0)	(6.1)	(3.0)	(5.0)	(16.5)	(18.7)	(26.7)	(32.1)
Cash flows from financing activities	-	(2.0)	-	-	-	-	(3.8)	11.3	(3.8)	9.3
Capital expenditure (including assets acquired within acquisitions)										
Property, plant & equipment	6.5	8.4	5.6	4.4	4.7	6.4	-	-	16.8	19.2
Intangible assets	7.9	14.3	0.6	0.9	-	-	-	0.1	8.5	15.3

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

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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers: by location of customer	20.6	17.8	87.8	76.8	178.0	138.3	51.3	40.9	-	-	337.7	273.8
Segment assets	40.4	37.6	67.0	50.9	143.1	112.2	21.2	16.3	2.0	2.9	273.7	219.9
Unallocated assets												
Cash & cash equivalents									14.9	8.4	14.9	8.4
Current tax assets									0.8	2.1	0.8	2.1
Deferred tax assets									17.8	13.7	17.8	13.7
Total assets											307.2	244.1
Cash flows from operating activities	5.6	(0.8)	13.5	12.7	4.9	3.4	3.3	0.5	6.6	5.3	33.9	21.1
Cash flows from investing activities	(3.7)	(2.1)	(5.5)	(4.5)	(11.5)	(4.2)	(1.2)	(2.6)	(4.8)	(18.7)	(26.7)	(32.1)
Cash flows from financing activities	-	-	-	-	-	(2.0)	-	-	(3.8)	11.3	(3.8)	9.3
Capital expenditure (including assets acquired within acquisitions)												
Property, plant & equipment	3.5	2.0	5.7	4.1	7.5	13.0	0.1	0.1	-	-	16.8	19.2
Intangible assets	1.5	0.1	0.5	0.5	6.5	14.5	-	0.1	-	0.1	8.5	15.3

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 2008 or 2007. Statutory accounts for 2007 have been delivered to the registrar of companies, and those for 2008 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 48.0 pence (2007: 44.1 pence) is based on profit for the year attributable to equity shareholders of £20.1 million (2007: £18.3 million) and the weighted average number of shares of 41,886,616 (2007: 41,532,930). Basic earnings per share before significant items of 55.9 pence (2007: 46.0 pence) is based on profit for the year attributable to equity shareholders but before the impact of significant items of £23.4 million (2007: £19.1 million).

4. Dividend

The directors have declared a final dividend of 10.9 pence per share, which will absorb £4.6 million (2007: 10.9 pence absorbing £4.5 million). The dividend will be paid on 22 May 2009 to shareholders on the register at the close of business on 24 April 2009.

5. Key Exchange Rates

	Weighted average		Year end	
	2008	2007	2008	2007
EUR / USD	1.47	1.37	1.39	1.46
GBP / USD	1.85	2.00	1.44	1.99
GBP / EUR	1.26	1.47	1.03	1.36

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:

	2008 £m	2007 £m
(a) Other operating income		
Profit on sale of property fixed assets	0.3	-
Other operating income of £0.3 million relates to profit on the sale of property fixed assets in the Imaging & Staging division.		
(b) Provision against equity-accounted investee	(1.3)	-
The Group holds a 29% interest in Media Numerics Ltd, which is accounted for as an equity-accounted investee. Full impairment provision of £1.3 million has been made against this investment because Media Numerics Ltd is insolvent.		

	2008 £m	2007 £m
(c) Operating expenses		
Amortisation of intangible assets	(7.1)	(5.0)
Impairment of goodwill	(2.1)	-
Negative goodwill	-	0.1
	(9.2)	(4.9)

The annual impairment review of goodwill led to an impairment charge of US\$3.9 million (£2.1 million) to the goodwill of Tomcat Global, in the Imaging & Staging division.

(d) Other financial income/(expense)		
Net fair value losses on financial instruments	(0.4)	-
Currency translation gains	0.7	0.4
	0.3	0.4

The Group uses options as part of its hedging of future foreign exchange cash flows. As such options are held to maturity, the ultimate net amount charged to the income statement in respect of any option will always equate to the initial premium paid for that option. However, as a result of the time value of such options being marked-to-market at each balance sheet date, volatile income and expenses can be introduced between periods and such amounts are therefore identified as significant other financial expense.

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.

(e) Taxation		
Deferred tax credit	8.8	3.7
Deferred tax charge	(2.2)	-
	6.6	3.7

The Group is paying no cash taxes in the UK due to brought forward losses. Relating to these losses, a UK deferred tax asset of £4.2 million and a US deferred tax asset of £1.7 million have been recognised in 2008, totalling £5.9 million, with a credit to significant items.

Deferred tax assets were reduced by £2.2 million relating to the reduction in estimated earn-out for the RF Systems acquisition. This reduction has been treated as an expense in significant items.

A deferred tax asset of £2.9 million has been recognised as a result of timing differences between the amortisation for accounting purposes of intangible assets acquired on the acquisition of RF Systems and Litepanels in the US and the amortisation of these assets for tax purposes. This asset recognition has been treated as a credit to significant items.

7. Vitec Group RF Systems

Vitec Group RF Systems, a sub division of the Broadcast Systems division, supplies wireless equipment under the Broadcast Auxiliary Services (BAS) Relocation Project, which is managed by Sprint Nextel.

Under this contract, Sprint Nextel makes advance payments to RF Systems to build up an inventory of 2GHz wireless equipment which can be called upon by US broadcasters, free of charge, at a later date. The effects of these are:

- Although RF Systems has received the full sale price of equipment from Sprint Nextel, under IAS 11 the revenue and profit cannot be fully recognised until the equipment is delivered to the broadcaster.

- RF Systems has significant inventory and advanced payments on their balance sheet related to the BAS Relocation Project. By the end of 2009, the project is planned to be largely complete, and these amounts are expected to have reduced to zero.

The results of RF Systems are as follows:

	2008	2007⁽¹⁾
	£m	£m
Revenue	49.3	23.5
Operating profit ⁽²⁾	9.3	3.3
Working capital trend:		
Inventory	16.2	19.4
Advanced payments under BAS contract	(9.1)	(26.2)
Other working capital	(8.2)	(2.4)
Total working capital	(1.1)	(9.2)

⁽¹⁾ Year to 31 December 2007 includes results of RF Systems for seven months

⁽²⁾ Operating profit includes an allocation of Corporate costs

8. Reconciliation of Decrease in Cash and Cash Equivalents to Movement in Net Debt ⁽¹⁾

	2008	2007
	£m	£m
Increase/(Decrease) in cash and cash equivalents	3.4	(1.6)
Loan acquired on acquisition of businesses	-	(4.3)
Net borrowing of loans	(4.1)	(13.5)
Increase in net debt resulting from cash flows	(0.7)	(19.4)
Exchange on cash movements	4.2	1.4
Exchange on loan movements	(18.1)	(1.5)
Exchange rate movements	(13.9)	(0.1)
Movements in net debt in the period	(14.6)	(19.5)
Net debt at 1 January	(38.4)	(18.9)
Net debt at 31 December	(53.0)	(38.4)

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

⁽¹⁾ Net debt constitutes cash and cash equivalents, bank overdrafts and bank loans