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24 August 2010

**The Vitec Group plc**

**Half Year results to 30 June 2010**

**Strategic Progress in all Three Core Markets**

Vitec Group, the international provider of products and services for the broadcast, photographic, and MAG (military, aerospace and government) markets, announces its results for the half year ended 30 June 2010.

Results	H1 2010	H1 2009	% Change	% Change At CER**
Revenue	£152.5m	£160.8m	-5	-3
<i>Before significant items*</i>				
Operating profit	£13.2m	£11.0m	+20	+7
Profit before tax	£12.6m	£10.2m	+24	+9
Basic earnings per share	19.5p	16.6p	+17	+4
<i>After significant items*</i>				
Operating profit	£11.3m	£3.4m	+232	+206
Profit before tax	£10.9m	£3.1m	+252	+225
Basic earnings per share	28.2p	6.1p	+362	+346
Free cash flow	£9.7m	£7.2m	+35	
Net debt	£35.3m	£52.6m	-33	
Interim dividend per share	7.6p	7.4p	+3	

**Key points**

- **Core Broadcast market recovering**
  - growth in Vinten and Sachtler businesses
- **Photographic market strengthening**
  - new Manfrotto range for the non-professional to be launched at Photokina in September
- **MAG strategy is progressing well**
  - 5 year framework agreement and initial \$6.6 million Auction 66 DoJ contract in US
  - 2 year helicopter surveillance framework contract from Penn State police
  - \$0.9 million LA Sheriff's department helicopter surveillance contract
- **Divested non core Clear-Com business**
- **Improved operating margin from 6.8% to 8.7%**
  - 2009 cost reduction initiatives delivered to plan
- **Strong Balance sheet**
  - good cash generation, as well as Clear-Com disposal proceeds

*\*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. H1 2010 significant items in operating profit are a net charge of £1.9 million and comprise profit on disposal of business of £1.8 million and amortisation of acquired intangible assets of £3.7 million. Significant items in profit before tax total a charge of £1.7 million after a gain of £0.2 million relating to financial instruments.*

*\*\*CER: Constant Exchange Rates*

**Commenting on the results, Stephen Bird, Group Chief Executive of Vitec, said:**

***“These results demonstrate strong execution against our plans for 2010, which together with strengthened Photographic and Broadcast markets, have enabled us to more than make up for the anticipated revenue shortfall arising from the completion of the BAS contract in late 2009. As a result of the financial performance in the first half, the Board has increased the interim dividend by 3%.***

***“Winning a large proportion of the Auction 66 contract with the US Department of Justice was a significant achievement for Vitec, and reflects the expertise we have built in the MAG market. In the Photographic market, we have created an impressive range of supports, bags, LED lighting and apparel products for the faster growing non-professional market and look forward to the forthcoming launch at Photokina.***

***“Whilst the economic and foreign exchange environment for the balance of the year remains uncertain, and our order book visibility is limited, given stronger demand to date and the full benefit in 2010 of the cost reductions implemented in 2009, the Board continues to expect good progress for the year as a whole.***

***“Looking further ahead, we are encouraged by the developments in all three of our core strategic markets of Broadcast & Video, Photographic and MAG, and the prospects they provide for future growth.”***

**Enquiries:**

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**Notes**

1. This statement is based on information sourced from management estimates.
2. Current market exchange rates as at 20 August 2010: £1 = \$1.55, £1 = €1.22, €1 = \$1.27.
3. H1 2010 average market exchange rates: £1 = \$1.53, £1 = €1.15, €1 = \$1.33
4. H1 2009 average market exchange rates: £1 = \$1.49, £1 = €1.11, €1 = \$1.34
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.

*Vitec is an international Group principally serving customers in the broadcast, photographic and military, aerospace and government (MAG) markets. Listed on the London Stock Exchange with 2009 revenue of £315 million, Vitec is based on strong, well known, premium brands on which its customers worldwide rely. Vitec is organised in three divisions: Imaging & Staging, Videocom and Services.*

*Imaging & Staging designs, manufactures and distributes equipment and accessories for photography, video and events.*

*Videocom designs and distributes systems and products used in broadcasting and live entertainment, film and video production and MAG.*

*Services provides equipment rental, workflow design and technical support for camera, video, audio, fibre optic and wireless technology used by TV production teams and film crews.*

**More information can be found at: [www.vitecgroup.com](http://www.vitecgroup.com).**

## **Half Year Management Review**

The first half of 2010 was a period of good operational and strategic progress for the Group against a backdrop of improving Photographic and Broadcast markets.

Reported revenue declined by 5% to £152.5 million (H1 2009: £160.8 million) and increased by 1% at constant exchange rates, after excluding Clear-Com disposed of in April, and IFF disposed of in 2009. As anticipated, the end of the BAS contract caused a reduction of revenue in Videocom, although this was more than recovered elsewhere through growth in the strengthening Photographic and Broadcast markets.

Reported operating profit\* increased by 20% to £13.2 million (H1 2009: £11.0 million), with organic growth of 1% at constant exchange rates. Our 2009 cost saving initiatives are on track to deliver the expected annual benefit of £21.9 million in the current year (2009: £17.0 million). The operating margin increased to 8.7% (H1 2009: 6.8%). Reported Group PBT increased by 24% to £12.6 million (H1 2009: £10.2 million), or 3% in organic growth at constant exchange rates. Underlying Group Basic EPS\* was up 17% at 19.5p (H1 2009: 16.6p); Group Basic EPS after significant items was 28.2p (H1 2009: 6.1p).

Cash generation was strong, with Free cash flow of £9.7 million (H1 2009: £7.2 million), representing a cash flow conversion (before interest, tax and restructuring) of 87% (H1 2009: 104%). Continuing working capital control resulted in a further reduction of the working capital to sales percentage to 14.4% (December 2009: 16.7%; June 2009: 18.1%, both excluding Clear-Com). This is after the start-up working capital investment for our new Manfrotto Distribution business in China, for which the first sales impact will be in the second half. Free cash flow was also strengthened by a net cash inflow of £1.1million, following tax rebates relating to prior years in the US and Germany.

The Group's balance sheet has strengthened: our net debt / EBITDA ratio reduced to 0.8 times (31 December 2009 1.0 times; 30 June 2009 1.2 times). Net debt at 30 June 2010 reduced to £35.3 million (31 December 2009: £40.6 million; 30 June 2009 £52.6 million) and drawings under our £125 million committed banking facility (which extends to 2013) were reduced to £39.8 million, or 31.8% (31 December 2009: 42.2%; 30 June 2009: 48.3%).

The Board has declared an interim dividend of 7.6p per share (H1 2009: 7.4p), which equates to a dividend cover of 2.6 times (based on basic earning per share before significant items\*). The dividend will be paid on 29 October 2010 to shareholders on the register at the close of business on 24 September 2010.

*\* Before 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 (see note 3).*

## **Three Market Strategy Progress**

Our strategy is to focus on the three markets that will provide us with significant growth from the organic development of our existing capabilities and strengths, supplemented where appropriate with selective acquisitions. The three markets are (a) Broadcast and Video (b) Photographic and (c) Military, Aerospace and Government (MAG).

### *Broadcast and Video*

In the Broadcast and Video market, our strategy is to maintain our premium product offerings and market share in the broadcast segment whilst developing specific products and new channels focused on the needs of the independent cameraman in the video segment.

In the Broadcast segment, demand strengthened in the first half following the c.25% constant exchange rate decline in sales in 2009, reflecting the stronger outlook for advertising revenues. The video market was even more buoyant. Our Videocom Division launched 31 new products in April at NAB 2010, the leading international exhibition for broadcasters. These included the first of a range of LED-based lights specifically designed for broadcast

studios. Our Imaging & Staging Division also released several new video products in the period including the new Manfrotto 504 HDV system with its revolutionary “bridging technology” which received an enthusiastic response. Our Services Division continued with its strategy of focusing on larger events. It supplied over 25 tons of broadcast hardware and installed 48 miles of fibre optic cable for the Winter Olympics in Vancouver, serving the needs of OBS (the host broadcaster) and other major broadcasters. It also entered into a multi-year agreement with Panasonic to make 3D television production equipment available for rental, promoting greater content production by TV networks.

#### *Photographic*

In the Photographic market, our strategy is to maintain our premium market position and share among professional and serious amateur photographers whilst leveraging the Manfrotto brand to enter new faster-growing segments among non-professional users.

This has entailed the development of an integrated range of Manfrotto-branded accessories targeting the non-professional market. The first elements of this Powerbrand strategy will be revealed at the Photokina exhibition in September where we will be launching over 100 new lines across four product categories (supports, bags, apparel, and LED lighting) with products being available to purchase in early 2011. Demand in our existing market segments strengthened in the first half versus 2009.

#### *Military Aerospace & Government*

In the MAG market, which we have identified as attractive given its size, forecast growth and technology fit, our strategy is to leverage our microwave technology from the broadcast market.

In the first half, we continued to see opportunities for our range of transmitters (Tx) and receivers (Rx) in military and law enforcement applications. Whilst overall defence budgets may be under pressure, demand for intelligence, surveillance and reconnaissance (ISR) equipment remains a priority. Our Integrated Microwave Technologies (IMT) business unit, formerly known as RF Extreme, has successfully won a large proportion of Auction 66. We have also continued our progress elsewhere in the law enforcement market, with contracts secured for helicopter borne microwave video transmitters and receivers for the Los Angeles Sheriff’s department and the Penn State police. We have continued to enhance our product development with the addition of miniaturised high definition Tx/Rx products in three frequency bands and have doubled our sales force in the US with the addition of further experienced MAG professionals.

#### **International Profile**

Vitec benefits significantly from the wide geographical spread of its business. In the first half of 2010, just under half of our revenues by destination came from North America, with the remainder split between Europe (31%), Asia-Pacific (14%) and Rest of World (6%). Less than 8% of its revenue is derived from the UK. We currently have a direct presence in 14 countries around the world, including USA, Mexico, Costa Rica, France, Germany, Italy, Holland, Slovakia, Israel, Japan, China and Singapore.

In June we successfully launched a new international branch of Manfrotto Distribution in China. The establishment of the China business brings the number of Manfrotto Distribution entities to seven. The business will operate out of offices in Shanghai and Hong Kong, and will consolidate our former third party distribution arrangements in China and Hong Kong. China is a large and rapidly growing market and offers significant opportunities for growth.

The Broadcast business is growing rapidly in Brazil – the largest TV market in South America - and we want to create a local presence to facilitate our sales and service there. We are therefore in the process of establishing Vitec Group Tecnologias Ltda. This new business unit will be fully operational in Sao Paolo in H2 2010, and will create an important bridgehead in this significant and rapidly growing Broadcast market, which will be further stimulated by hosting the World Cup in 2014 and the Olympic games in 2016.

### **2009 cost reductions**

In 2009 we implemented cost reduction actions to deliver annual savings of £21.9 million at a cost of £10.9 million. Approximately £17.0 million of these savings benefitted 2009, the remaining £4.9 million taking effect in 2010. In the first half, £2.3 million of cash associated with these actions was spent (2009 FY: £5.5 million).

The cost savings are being realised as expected.

### **Clear-Com disposal**

On 1 April 2010, Vitec Group sold its Clear-Com business to HM Electronics Inc. for a cash consideration of up to £8.7 million, before adjustments for changes in working capital. As Clear-Com's business is involved in the transmission of wired voice signals, it was not considered core to Vitec Group's strategy.

Consideration of £8.0 million was paid in cash at completion. Subsequently further cash of £0.4 million has been received arising from changes in working capital. There is a further potential consideration of up to £0.7 million in 2011 based on the actual turnover achieved during 2010. Receipts from the sale have been used to pay down borrowings and to invest in Vitec Group's future development.

The gross assets disposed of at the date of sale amounted to £10.0 million. A profit on disposal of £1.8 million before tax and £3.8 million after tax is recorded in significant items in the Income Statement. The further potential consideration of up to £0.7 million has not been recorded in these Accounts.

The sale of Clear-Com represents an important strategic move for the Group, as we focus on opportunities in our chosen core markets.

### **Operational Review**

#### ***Imaging & Staging Division***

The Imaging & Staging Division has a strong reputation with two main groups of creative professionals: firstly photographers and videographers, whether they are shooting commercially, independently or for pleasure; and secondly live and corporate event production and touring bands who need versatile trussing and staging sets.

	2010	2009	△ %
Revenue	£73.5m	£74.2m	-0.9%
Operating Profit*	£9.3m	£8.1m	+14.8%
Operating Margin*	12.7%	10.9%	+1.8pts

*\*Before significant items. Significant items are the amortisation of acquired intangibles of £0.3 million (H1 2009: £0.5 million), charges/provisions for restructuring costs £nil (H1 2009: £0.5 million) and a loss on disposal of business of £nil (H1 2009: £0.7 million).*

#### ***Markets***

The photographic market has seen new generation Digital SLR cameras driving an increased demand for camera bags and tripods. Lighting and video support products also took advantage of more resilient market conditions, after their volumes had suffered in 2009 due to reduced investment in inventory from key customers.

### Operations

Revenue in the period decreased by 0.9% to £73.5 million, and in organic terms at constant exchange rates it increased by 1.9%. Operating profit increased by 14.8% to £9.3m and was flat in organic terms at constant exchange rates. Operating margin increased by 1.8pts to 12.7% and decreased by 0.2pts in organic terms at constant exchange rates.

Imaging sales strengthened in the first half and as a result of this sustained growth we are increasing our manufacturing headcount to satisfy the demand. Our photo and video bags business launched a new range of Kata bags positioned as “lightweight protection” which has initially performed well in the market. In June we launched our new business Manfrotto Distribution China, which was well received in the market and at local trade exhibitions. This has necessitated a planned build-up of finished goods inventory in China to be ready for launch which will normalise relative to sales in the second half.

Staging markets continued to be weak in both the USA and Europe, though Brilliant Stages, whose contracts included Muse, Rammstein, Lady Gaga and Tokio Hotel, continued to perform well.

A key growth focus of the first half has been the development of the Manfrotto Powerbrand range of products for the non-professional market. Marketing research has been completed and a new range of supports, bags, LED lighting and apparel products developed, the first elements of which will be launched at the Photokina exhibition in Cologne, the premier international photography trade show in September.

### Key business achievements

- Sales growth in Imaging accessories
- Launch of Manfrotto Distribution China
- Development of Manfrotto Powerbrand product range on schedule

*\* Before 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 (see Segment reporting).*

### Videocom Division

Our Videocom Division specialises in the design and distribution of high-quality equipment principally for professionals engaged in producing and transporting video content for the global media industries – broadcast, film, live events and education. More recently, our world-leading products and technologies have successfully entered the military, aerospace and government (MAG) markets, where our mission-critical visual communication and surveillance products are increasingly sought after.

	2010	2009	△ %
Revenue	£60.6m	£73.9m	-18.0%
Operating Profit*	£3.7m	£3.5m	+5.7%
Operating Margin*	6.1%	4.7%	+1.4pts

*\*Before significant items. Significant items are the amortisation of acquired intangibles of £3.4 million (H1 2009: £3.9 million), charges/provisions for restructuring costs £nil (H1 2009: £1.3 million) and profit on disposal of business of £1.8 million (H1 2009: £nil).*

### Markets

Broadcast markets saw growth in all regions, but particularly in Asia and Europe, partly driven by the World Cup. In the Business and Industry segment, new HD DSLR cameras are driving the need for new accessories; also in this segment Vitec is well positioned to leverage the many 3D trials at major sporting and music events. In the MAG market, demand for intelligent

wireless video links remains strong in law enforcement and military applications, with our IMT business increasingly recognised as a technology leader in this space.

#### *Operations*

Reported revenue in the period decreased by 18.0% to £60.6 million, and in organic terms at constant exchange rates it decreased by 10.0%, as the anticipated end of the BAS contract was offset to some extent by sales growth in other areas. Operating profit increased by 5.7% to £3.7 million and decreased by 15.8% in organic terms at constant exchange rates. Operating margin increased by 1.4pts to 6.1% and decreased by 0.4pts in organic terms at constant exchange rates.

The camera support brands (Vinten, Sachtler and OConnor) enjoyed healthy growth in both the studio and on-location production segments, particularly stimulated by the revival of capital expenditure projects in Asia. Vinten's Innovation in perfect balance technology has been recognised by a Queen's Award for Enterprise. Videocom products were well represented at the World Cup: for instance, Sachtler had several portable Artemis camera rigs in use to cover the football matches in side line coverage.

Litepanels continued its strong growth, with an increasing number of broadcast and video journalists trading in conventional tungsten lights for new energy and environmentally efficient LED lights. With the launch of its new SOLA range of LED Fresnel style lights, Litepanels continues to be the technology leader with these innovative high intensity, high quality studio and news journalist lights.

IMT confirmed its MAG market credentials by outperforming several competitors to secure a major slice of the US DOJ Auction 66 contract. It also continued volume deliveries under the military contract secured in 2009. At NAB it introduced its unique miniature transmission/receiver technology (based on the MPEG4 compression standard).

#### *Key business achievements*

- Sales growth in Broadcast and Business & Industry markets
- IMT secured US DOJ Auction 66 contract
- Litepanels launch new range of Fresnel LED lights for studios

*\* Before 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 (see Segment reporting).*

#### **Services Division**

Our Services Division provides rental equipment and technical support for the most demanding broadcast productions, from the world's first in-flight concert to a papal visit. We are also an integrator/dealer for high-end audio equipment, provide comprehensive maintenance services and offer fibre optic systems design and installation services along with resale of used broadcast hardware.

	2010	2009	Δ %
Revenue	£18.4m	£12.7m	+44.9%
Operating Profit*	£0.2m	£(0.6)m	n/m
Operating Margin*	1.1%	-4.7%	+5.8pts

*\*Before significant items. Significant item is a charge/provision for restructuring costs £nil (H1 2009: £0.3 million).*

#### *Markets*

The US broadcast rental and services marketplace strengthened in H1 2010. The main drivers were major sporting events, increases in content demand from a plethora of new distribution channels, together with a continuing implementation of High Definition. Services is

well positioned to take advantage of growth in both the large, live-event segment and the more mobile and compact reality / documentary segment.

#### *Operations*

Reported revenue in the period increased by 44.9% to £18.4 million, and at constant exchange rates it increased by 49.6%, helped by stronger Broadcast market activity, and a strong showing at the Vancouver Olympic games. Operating profit increased by £0.8 million to £0.2 million and increased by £0.7 million at constant exchange rates. Operating margin increased by 5.8pts to 1.1% and at constant exchange rates it increased by 5.2pts.

Following the Olympic Broadcast Services contract signed in 2009, the Vancouver Winter Olympics revenues surpassed our expectations; under this contract umbrella we are equipping other major events such as the Youth Games in Singapore.

Bexel has been selected by the City of New York as a partner in the redevelopment of Times Square from 2011, to provide a permanent multi-media event capability. In addition to initial consulting fees, this will provide ongoing rental and services business to the site.

3D is in the very early stages of adoption, but the Bexel brand and our relationships with top technology companies mean that we are well positioned to benefit from any near term opportunities that may arise. Services has signed a 2 year agreement with Panasonic who will provide Bexel with six 3D camera rigs for their exclusive use on a revenue share arrangement. Associated with this, Panasonic is promoting Bexel as one of their preferred suppliers of 3D production hardware.

#### *Key Achievements*

- Strong Vancouver Olympics, leveraging OBS contract
- 3D rental offering in conjunction with Panasonic
- Major role in top sports events: Super Bowl, NCAA Final Four Basketball, NBA finals, US Open Tennis

*\* Before 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 (see Segment reporting).*

#### **UK Defined Benefit Pension Scheme Closure**

Following consultation with active members and scheme trustees, on 31 July 2010 the Group closed its UK defined benefit pension scheme, the Vitec Group Pension scheme. The scheme was closed to new members in 2003, and as a result of this change, further pension accrual for the remaining 112 active members ceased as at 31 July 2010, and they will become Deferred Members. The employees affected have been invited to join the Group's UK Defined Contribution scheme, the Group Personal Pension Plan instead. The Group employed 302 people in the UK at 30 June 2010, the majority of whom are enrolled in the Group Personal Pension Plan.

As at 30 June 2010, the actuarial estimate of liabilities was £48.6 million (31 December 2009: £47.1 million; 30 June 2009: £41.7 million), with an accounting deficit under IAS 19 of £9.4 million at 30 June 2010 (31 December 2009: £6.1 million; 30 June 2009: £6.7 million). A triennial actuarial valuation as at 5 April 2010 is in the course of preparation.

The closure of the scheme achieves a number of benefits for the Vitec Group:

- It removes further investment and actuarial volatility risk from the scheme funding in the future by stopping the addition of further liabilities.
- It reduces the cost of the scheme provision to the Vitec Group: the employer contributions necessary to support the ongoing scheme funding were becoming prohibitive and uncompetitive.
- It harmonises the provision of pension benefits to UK employees in an equitable way in line with market rates.

Changes to the accounts brought about by the closure of the scheme, including an anticipated curtailment gain, will be made in the second half of 2010 in line with IFRS accounting standards.

### **Outlook**

Whilst the economic and foreign exchange environment for the balance of the year remains uncertain, and our order book visibility is limited, given stronger demand to date and the full benefit in 2010 of the cost reductions implemented in 2009, the Board continues to expect good progress for the year as a whole.

Looking further ahead, we are encouraged by the developments in all three of our core strategic markets of Broadcast & Video, Photographic and MAG, and the prospects they provide for future growth.

Michael Harper  
Chairman

Stephen Bird  
Group Chief Executive

### **Foreign Exchange**

Overall the first half benefitted from a gain in sterling operating profit of £1.5 million, arising from foreign exchange rates. First half £/\$ exchange rates were slightly unfavourable compared to 2009 (£/\$1.53 vs £/\$1.49) which generated a £0.3 million adverse foreign exchange translation. However favourable £/\$ and \$/€ hedging contracts contributed to a transaction gain of £1.8 million which more than offset this.

### **Dividend Reinvestment Plan**

The Company has a Dividend Reinvestment Plan that allows shareholders to reinvest dividends to purchase additional shares in the Company. For shareholders to apply the proceeds of this and future dividends to the plan, application forms must be received by the Company's Registrars by no later than 4 October 2010. Existing participants in the Plan will automatically have the interim dividend reinvested. Details on the Plan can be obtained from Capita Registrars at [www.capitaregistrars.com](http://www.capitaregistrars.com).

### **Cautionary Statement**

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.

### **Principal Risks and Uncertainties**

Details of the principal risks and uncertainties that the Group is exposed to are as set out on page 15 of the 2009 Annual Report and Accounts.

### **Responsibility Statement**

On behalf of all the directors of the Company, we confirm that to the best of our knowledge:

- the condensed set of financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) as adopted by the European Union
- the Interim management report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

For and on behalf of the Board

Richard Cotton  
Group Finance Director

24 August 2010

## **Independent review report to The Vitec Group plc**

### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Balance Sheet, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union (EU). The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### **Scope of our review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

### **Lynton Richmond for and behalf of KPMG Audit Plc**

Chartered Accountants  
8 Salisbury Square  
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EC4Y 8BB

24 August 2010

**Condensed Consolidated Income Statement**  
For the half year ended 30 June 2010

	Notes	Half year to 30 June 2010			Half year to 30 June 2009			Year to 31 December 2009		
		Before significant items	Significant items (1)	Total	Before significant items	Significant items (1)	Total	Before significant items	Significant items (1)	Total
		£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Revenue</b>	2	<b>152.5</b>		<b>152.5</b>	<b>160.8</b>		<b>160.8</b>	<b>315.1</b>		<b>315.1</b>
Cost of sales		(89.7)		(89.7)	(97.4)		(97.4)	(191.2)		(191.2)
<b>Gross profit</b>		<b>62.8</b>		<b>62.8</b>	<b>63.4</b>		<b>63.4</b>	<b>123.9</b>		<b>123.9</b>
Operating expenses	3	(49.6)	(1.9)	(51.5)	(52.4)	(7.6)	(60.0)	(99.4)	(21.6)	(121.0)
<b>Operating profit/(loss)</b>	2	<b>13.2</b>	<b>(1.9)</b>	<b>11.3</b>	<b>11.0</b>	<b>(7.6)</b>	<b>3.4</b>	<b>24.5</b>	<b>(21.6)</b>	<b>2.9</b>
Financial income		1.6	0.4	2.0	1.6	0.2	1.8	2.4	0.3	2.7
Financial expense		(2.2)	(0.2)	(2.4)	(2.4)	0.3	(2.1)	(4.2)	0.4	(3.8)
Net finance costs	3/4	(0.6)	0.2	(0.4)	(0.8)	0.5	(0.3)	(1.8)	0.7	(1.1)
<b>Profit/(loss) before tax</b>		<b>12.6</b>	<b>(1.7)</b>	<b>10.9</b>	<b>10.2</b>	<b>(7.1)</b>	<b>3.1</b>	<b>22.7</b>	<b>(20.9)</b>	<b>1.8</b>
Taxation	3/7	(4.3)	5.4	1.1	(3.2)	2.7	(0.5)	(7.2)	8.6	1.4
<b>Profit/(loss) for the period attributable to owners of the parent</b>		<b>8.3</b>	<b>3.7</b>	<b>12.0</b>	<b>7.0</b>	<b>(4.4)</b>	<b>2.6</b>	<b>15.5</b>	<b>(12.3)</b>	<b>3.2</b>

(1) See Note 3

**Earnings per share**

	5			
Basic earnings per share		28.2p	6.1p	7.5p
Diluted earnings per share		27.5p	6.1p	7.4p

**Average exchange rates**

Euro	1.15	1.11	1.12
US\$	1.53	1.49	1.56

**Condensed Consolidated Statement of Comprehensive Income**

For the half year ended 30 June 2010

	Half year to 30 June 2010 £m	Half year to 30 June 2009 £m	Year to 31 December 2009 £m
<b>Profit for the period</b>	<b>12.0</b>	<b>2.6</b>	<b>3.2</b>
<b>Other comprehensive income</b>			
Actuarial loss on pension obligations	(3.2)	(6.5)	(6.1)
Currency translation differences on foreign currency subsidiaries	4.2	(21.8)	(20.8)
Net (loss)/gain on designated effective net investment hedges	(2.6)	2.5	4.0
Amounts released to income statement in relation to cash flow hedges, net of tax	(0.4)	2.4	3.4
Effective portion of changes in fair value of cash flow hedges	(3.5)	2.3	0.9
<b>Other comprehensive income for the period, net of tax</b>	<b>(5.5)</b>	<b>(21.1)</b>	<b>(18.6)</b>
<b>Total comprehensive income for the period attributable to owners of the parent</b>	<b>6.5</b>	<b>(18.5)</b>	<b>(15.4)</b>

## Condensed Consolidated Balance Sheet

As at 30 June 2010

	As at 30 June 2010 £m	As at 30 June 2009 £m	As at 31 December 2009 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	51.2	54.0	54.6
Intangible assets	56.8	59.7	58.2
Trade and other receivables	-	-	0.3
Deferred tax assets	18.6	17.9	18.1
	126.6	131.6	131.2
<b>Current assets</b>			
Inventories	56.8	63.4	51.9
Trade and other receivables	45.0	49.2	45.5
Derivative financial instruments	1.2	2.1	1.7
Cash and cash equivalents	8.7	12.6	12.1
	111.7	127.3	111.2
<b>Total assets</b>	<b>238.3</b>	<b>258.9</b>	<b>242.4</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdrafts	4.2	2.2	-
Bank loans and other borrowings	-	2.6	-
Trade and other payables	47.5	52.9	46.5
Derivative financial instruments	4.5	0.9	0.3
Current tax liabilities	6.0	10.2	6.6
Provisions	5.3	5.1	8.6
	67.5	73.9	62.0
<b>Non-current liabilities</b>			
Bank loans	39.8	60.4	52.7
Other payables	0.2	0.1	0.1
Derivative financial instruments	1.2	0.1	-
Post-employment obligations	13.9	11.2	11.0
Provisions	2.3	1.4	4.4
Deferred tax liabilities	1.0	1.6	1.0
	58.4	74.8	69.2
<b>Total liabilities</b>	<b>125.9</b>	<b>148.7</b>	<b>131.2</b>
<b>Net assets</b>	<b>112.4</b>	<b>110.2</b>	<b>111.2</b>
<b>Equity</b>			
Share capital	8.6	8.6	8.6
Share premium	9.1	8.6	9.0
Translation reserve	7.1	3.0	5.5
Capital redemption reserve	1.6	1.6	1.6
Cash flow hedging reserve	(3.3)	1.0	0.6
Retained earnings	89.3	87.4	85.9
<b>Total equity attributable to Equity holders of the Company</b>	<b>112.4</b>	<b>110.2</b>	<b>111.2</b>

**Condensed Consolidated Statement of Changes in Equity**  
**As at 30 June 2010**

	Share capital	Share premium	Translation reserve	Capital redemption reserve	Cash flow hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2009	8.5	7.5	22.3	1.6	(3.7)	97.2	133.4
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	2.6	2.6
<b>Other comprehensive income</b>							
Actuarial loss on pension obligations	-	-	-	-	-	(6.5)	(6.5)
Currency translation differences on foreign currency subsidiaries	-	-	(21.8)	-	-	-	(21.8)
Net gain on designated effective net investment hedges	-	-	2.5	-	-	-	2.5
Amounts released to income statement in relation to cash flow hedges, net of tax	-	-	-	-	2.4	-	2.4
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	2.3	-	2.3
Total other comprehensive income	-	-	(19.3)	-	4.7	(6.5)	(21.1)
Total comprehensive income for the period	-	-	(19.3)	-	4.7	(3.9)	(18.5)
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends paid	-	-	-	-	-	(4.6)	(4.6)
Own shares (Treasury) purchased	-	0.7	-	-	-	(0.7)	-
Own shares (Employee benefit trust) purchased	-	-	-	-	-	(0.6)	(0.6)
Equity-settled transactions	-	-	-	-	-	-	-
New shares issued	0.1	0.4	-	-	-	-	0.5
Total transactions with owners	0.1	1.1	-	-	-	(5.9)	(4.7)
<b>Balance at 30 June 2009</b>	<b>8.6</b>	<b>8.6</b>	<b>3.0</b>	<b>1.6</b>	<b>1.0</b>	<b>87.4</b>	<b>110.2</b>
Balance at 1 January 2010	8.6	9.0	5.5	1.6	0.6	85.9	111.2
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	12.0	12.0
<b>Other comprehensive income</b>							
Actuarial loss on pension obligations	-	-	-	-	-	(3.2)	(3.2)
Currency translation differences on foreign currency subsidiaries	-	-	4.2	-	-	-	4.2
Net loss on designated effective net investment hedges	-	-	(2.6)	-	-	-	(2.6)
Amounts released to income statement in relation to cash flow hedges, net of tax	-	-	-	-	(0.4)	-	(0.4)
Effective portion of changes in fair value of cash flow hedges	-	-	-	-	(3.5)	-	(3.5)
Total other comprehensive income	-	-	1.6	-	(3.9)	(3.2)	(5.5)
Total comprehensive income for the period	-	-	1.6	-	(3.9)	8.8	6.5
<b>Transactions with owners, recorded directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends paid	-	-	-	-	-	(4.6)	(4.6)
Own shares (Employee benefit trust) purchased	-	-	-	-	-	(1.1)	(1.1)
Equity-settled transactions	-	-	-	-	-	0.3	0.3
New shares issued	-	0.1	-	-	-	-	0.1
Total transactions with owners	-	0.1	-	-	-	(5.4)	(5.3)
<b>Balance at 30 June 2010</b>	<b>8.6</b>	<b>9.1</b>	<b>7.1</b>	<b>1.6</b>	<b>(3.3)</b>	<b>89.3</b>	<b>112.4</b>

## Condensed Consolidated Statement of Cash Flows

For the half year ended 30 June 2010

	Notes	Half year to 30 June 2010 £m	Half year to 30 June 2009 £m	Year to 31 December 2009 £m
<b>Cash flows from operating activities</b>				
Profit for the period		12.0	2.6	3.2
Adjustments for:				
Taxation		(1.1)	0.5	(1.4)
Depreciation		6.8	7.2	14.3
Impairment losses on property, plant & equipment		-	-	2.5
Net gain on disposal of property, plant and equipment		(0.4)	(0.6)	(1.0)
Amortisation of acquired intangible assets		3.7	4.4	8.5
Amortisation of capitalised software		0.6	0.7	1.3
Amortisation of development costs		0.1	-	-
(Gain)/loss on disposal of business	9	(1.8)	0.7	0.7
Fair value losses/(gains) on derivative financial instruments		0.6	-	(0.6)
Cost of equity-settled employee share schemes		0.3	0.7	1.4
Financial income		(2.0)	(1.8)	(2.7)
Financial expense		2.4	2.1	3.8
Operating profit before changes in working capital and provisions		21.2	16.5	30.0
(Increase)/decrease in inventories		(7.8)	3.2	16.6
(Increase)/decrease in receivables		(1.7)	5.3	10.3
Increase/(decrease) in payables		4.6	(11.6)	(19.6)
(Decrease)/increase in provisions		(2.6)	0.1	5.5
Cash generated from operating activities		13.7	13.5	42.8
Interest paid		(0.6)	(1.0)	(2.1)
Tax received/(paid)		1.1	(1.0)	(4.3)
<b>Net cash from operating activities</b>		<b>14.2</b>	<b>11.5</b>	<b>36.4</b>
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant and equipment		1.0	0.8	1.6
Purchase of property, plant and equipment		(4.2)	(4.4)	(13.6)
Software costs capitalised as intangible assets		(0.5)	(0.7)	(1.1)
Development costs capitalised as intangible assets		(0.8)	-	(0.6)
Acquisition of subsidiaries, net of cash acquired	8	(2.5)	(2.9)	(3.0)
Disposal of business	9	6.7	0.7	0.7
<b>Net cash used in investing activities</b>		<b>(0.3)</b>	<b>(6.5)</b>	<b>(16.0)</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of shares		0.1	-	0.5
Purchase of own shares by Employee Benefit Trust		(1.1)	(0.6)	(0.6)
(Repayment)/Borrowing of bank loans and other borrowings		(14.9)	0.4	(11.2)
Dividends paid		(4.6)	(4.6)	(7.8)
<b>Net cash used in financing activities</b>		<b>(20.5)</b>	<b>(4.8)</b>	<b>(19.1)</b>
<b>Increase in cash and cash equivalents</b>	10	<b>(6.6)</b>	<b>0.2</b>	<b>1.3</b>
Cash and cash equivalents at the beginning of period		12.1	14.9	14.9
Effect of exchange rate fluctuations on cash held		(1.0)	(4.7)	(4.1)
<b>Cash and cash equivalents at the end of period</b>		<b>4.5</b>	<b>10.4</b>	<b>12.1</b>

## **1 Accounting policies**

### **Basis of preparation and statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The accounting policies adopted in the preparation of this interim financial information are consistent with the policies applied by the Group in the consolidated financial statements as at and for the year ended 31 December 2009 which were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. It does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2009.

The comparative figures for the year ended 31 December 2009 do not constitute statutory accounts for the purpose of section 435 of the Companies Act 2006. The auditors have reported on the 2009 accounts, and these have been filed with the Registrar of Companies; their report was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis, and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

These condensed consolidated interim financial statements were approved by the Board of Directors on 23 August 2010.

### **Changes in Accounting Policies**

The following amendments to published standards and interpretations are effective for the Group for the half year ended 30 June 2010:

- IFRS 3 (revised 2008), Business Combinations;
- Amendment to IAS 27, Consolidated and Separate Financial Statements;
- Amendment to IAS 39, Financial Instruments: Recognition and Measurement: Eligible Hedged Items;
- Amendment to IFRS 2, Share-based Payment: Group Cash-settled Share-based Payment Transactions;
- Improvements to IFRSs 2009;

The Group has reviewed the effect of these amendments and interpretations, and has concluded that they have no material impact on these condensed consolidated interim financial statements.

## 2. Segment reporting

### Reportable Segments

For the half year ended 30 June 2010

	Imaging & Staging		Videocom		Services		Corporate and unallocated		Consolidated	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Total revenue :										
Sales	73.7	74.7	62.1	74.7	3.6	2.5	-	-	139.4	151.9
Services	-	-	0.3	0.9	14.8	10.2	-	-	15.1	11.1
Total revenue	73.7	74.7	62.4	75.6	18.4	12.7	-	-	154.5	163.0
Inter-segment revenue <sup>(1)</sup>	(0.2)	(0.5)	(1.8)	(1.7)	-	-	-	-	(2.0)	(2.2)
<b>Total revenue from external customers</b>	<b>73.5</b>	<b>74.2</b>	<b>60.6</b>	<b>73.9</b>	<b>18.4</b>	<b>12.7</b>	<b>-</b>	<b>-</b>	<b>152.5</b>	<b>160.8</b>
<b>Operating profit before significant items</b>	<b>9.3</b>	<b>8.1</b>	<b>3.7</b>	<b>3.5</b>	<b>0.2</b>	<b>(0.6)</b>	<b>-</b>	<b>-</b>	<b>13.2</b>	<b>11.0</b>
Profit/(Loss) on disposal of business	-	(0.7)	1.8	-	-	-	-	-	1.8	(0.7)
Restructuring costs	-	(0.5)	-	(1.3)	-	(0.3)	-	(0.4)	-	(2.5)
Amortisation of acquired intangible assets	(0.3)	(0.5)	(3.4)	(3.9)	-	-	-	-	(3.7)	(4.4)
<b>Segment result</b>	<b>9.0</b>	<b>6.4</b>	<b>2.1</b>	<b>(1.7)</b>	<b>0.2</b>	<b>(0.9)</b>	<b>-</b>	<b>(0.4)</b>	<b>11.3</b>	<b>3.4</b>
Net finance costs							(0.4)	(0.3)	(0.4)	(0.3)
Taxation							1.1	(0.5)	1.1	(0.5)
<b>Profit for the period</b>	<b>9.0</b>	<b>6.4</b>	<b>2.1</b>	<b>(1.7)</b>	<b>0.2</b>	<b>(0.9)</b>	<b>0.7</b>	<b>(1.2)</b>	<b>12.0</b>	<b>2.6</b>

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

### Geographical Segments

For the half year ended 30 June 2010

	The rest of Europe		United Kingdom		The Americas		The rest of the World		Consolidated	
	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m	2010 £m	2009 £m
Revenue from external customers:										
<b>by location of customer</b>	<b>36.1</b>	<b>36.5</b>	<b>11.7</b>	<b>11.3</b>	<b>78.4</b>	<b>86.9</b>	<b>26.3</b>	<b>26.1</b>	<b>152.5</b>	<b>160.8</b>

### 3 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:

	Half year to 30 June 2010 £m	Half year to 30 June 2009 £m	Year to 31 December 2009 £m
<b>(a) Operating expenses</b>			
Profit/(loss) on disposal of business	1.8	(0.7)	(0.7)
Restructuring costs	-	(2.5)	(10.9)
Impairment loss on property	-	-	(1.5)
Amortisation of acquired intangible assets	(3.7)	(4.4)	(8.5)
	(1.9)	(7.6)	(21.6)

On 1st April 2010, the Group sold its Clear-Com business, giving rise to a profit of £1.8 million. On 27 March 2009, the Group sold the IFF Staging business which gave rise to a loss of £0.7 million.

#### **(b) Other financial income/(expense)**

Currency translation gains	0.4	0.2	0.3
Net fair value gains/(losses) on financial instruments	(0.2)	0.3	0.4
	0.2	0.5	0.7

The currency translation differences which arise on certain intra-Group funding balances that do not meet the strict criteria for net investment hedging, but are very similar in nature, are recorded in significant items within other financial income.

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 income or expense.

#### **(c) Taxation**

Current tax credit	5.7	-	3.1
Deferred tax (expense)/credit	(0.3)	2.7	5.5
	5.4	2.7	8.6

The current tax credit of £5.7 million (2009: £nil) comprises of a £2.0 million tax credit relating to the disposal of the US portion of Clear-Com business, and tax refunds of £3.7 million (£1.7 million in Germany and £2.0 million in the US).

The net deferred tax expense of £0.3 million arises from the derecognition of £2.0 million (2009: £nil) of deferred tax asset on the refund of the US tax, and the addition of a deferred tax credit of £1.7 million (2009: £2.7 million) from the timing differences between the amortisation of intangible assets for tax and accounting purposes in the US.

#### 4 Net finance costs

	Half year to 30 June 2010 £m	Half year to 30 June 2009 £m	Year to 31 December 2009 £m
<b>Financial income</b>			
Interest income	-	0.1	-
Expected return on assets in the pension scheme	1.4	1.2	2.2
Net foreign exchange gains <sup>(1)</sup>	0.6	0.5	0.5
	2.0	1.8	2.7
<b>Financial expense</b>			
Interest payable on bank borrowings	(0.7)	(1.0)	(1.6)
Interest charge on pension scheme liabilities	(1.4)	(1.2)	(2.2)
Net fair value (losses)/gains on financial instruments <sup>(2)</sup>	(0.3)	0.1	-
	(2.4)	(2.1)	(3.8)
<b>Net finance costs</b>	<b>(0.4)</b>	<b>(0.3)</b>	<b>(1.1)</b>

<sup>(1)</sup> Within this balance, £0.4 million (2009: £0.2 million) of currency translation gains arose on certain other intra-group funding balances that do not meet the strict criteria for net investment hedging, but are very similar in nature. These are recorded in significant items within other financial expense.

<sup>(2)</sup> Within this balance, is the impact of 'time value' movements on the Group's options. As a result of the time value of 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. This amounts to £0.2 million loss in 2010 (2009: £0.3 million gain).

#### 5 Earnings per ordinary share

The calculation of basic earnings per share is based on profit after tax of £12.0 million (2009: £2.6 million) and on the weighted average number of shares in issue during the period of 42,581,585 (2009: 42,270,375), excluding ordinary shares purchased by the Company and held as Treasury shares.

Adjusted basic earnings per share is presented as the directors consider that this gives a useful additional indication of the ongoing earnings performance of the Group. The calculation is based on profit after tax but before significant items. In 2010 this profit was £8.3 million (2009: £7.0 million).

The calculation of diluted earnings per share of 27.5 pence (period to 30 June 2009: 6.1 pence) is based on profit after tax of £12.0 million (2009: £2.6 million) and on 43,557,765 (2009: 42,440,093) ordinary shares.

##### *Reconciliation of earnings and effect on basic earnings per share*

	Profit		Earnings per share	
	Half year to 30 June 2010 £m	2009 £m	Half year to 30 June 2010 pence	2009 pence
Profit for the financial year	12.0	2.6	28.2	6.1
(Reduce)/add back: significant items	(3.7)	4.4	(8.7)	10.5
Earnings before significant items	8.3	7.0	19.5	16.6

## 6 Interim dividend

After the balance sheet date, an interim dividend of 7.6 pence per share was recommended by the directors. This will cost £3.3 million (2009: 7.4 pence per share costing £3.2 million). The dividend has not been provided for at half year and there are no tax consequences.

The dividend will be paid on Friday 29 October 2010 to shareholders on the register at the close of business on 24 September 2010. The Company has a Dividend Reinvestment Plan that allows shareholders to reinvest dividends to purchase additional shares in the Company. For shareholders to apply the proceeds of this and future dividends to the plan, application forms must be received by the Company's Registrars by no later than 4 October 2010. Existing participants in the Plan will automatically have the interim dividend reinvested. Details on the Plan can be obtained from Capita Registrars on 0871 664 0381 or at [www.capitaregistrars.com](http://www.capitaregistrars.com). Calls cost 10p per minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri.

## 7 Taxation

	Half year to 30 June 2010 £m	Half year to 30 June 2009 £m	Year to 31 December 2009 £m
<b>Current tax credit/(expense)</b>			
Current year before significant items	(2.8)	(2.3)	3.6
Significant items (see Note 3)	5.7	-	(3.1)
	2.9	(2.3)	0.5
<b>Deferred tax credit/(expense)</b>			
Current year before significant items	(1.5)	(0.9)	3.6
Significant items (see Note 3)	(0.3)	2.7	(5.5)
	(1.8)	1.8	(1.9)
<b>Summarised in the Income Statement as follows</b>			
Current tax before significant items	(2.8)	(2.3)	3.6
Deferred tax before significant items	(1.5)	(0.9)	3.6
	(4.3)	(3.2)	7.2
Significant items (see Note 3)	5.4	2.7	(8.6)
Total income tax credit/(expense) in Income Statement	1.1	(0.5)	(1.4)

The tax rate on profits before significant items for the half year is estimated at 34% (2009: 32%) on the basis of the anticipated tax rates which will apply for the full year.

The tax credit on profits after significant items for the half year is estimated at 10% (2009: 16% charge) due to the receipt of the tax refunds from US and Germany, and the disposal of the Clear-Com business in the first half of the year.

## 8 Previous Acquisitions

**Litepanels (Videcom division)** In May 2010, £2.6 million was paid to the former owners of Litepanels as consideration for having achieved its profitability targets in 2009.

**Tomcat (Imaging & Staging division)** In March 2010, £0.1 million was received in 2010 on the finalisation and closure of the escrow account that was created on the acquisition of Tomcat.

## 9 Disposal of business

In March 2009, the Group sold the IFF Staging business which gave rise to a loss of £0.7 million.

In April 2010, the Group sold its Clear-Com business, which was previously included in the Videocom division. This is not a discontinued operation because it does not represent a separate major line of business or geographical area of operations. Management committed to a plan to sell this business early in 2010 following a strategic decision to place greater focus on opportunities in the Group's chosen core markets.

The total consideration was £6.7 million, net of transaction expenses. There is a further potential consideration of up to £0.7 million in 2011 based on the actual turnover achieved in 2010.

### Summary of gain on sale of disposed operation

	Half Year to 30 June 2010 £m
Consideration received, satisfied in cash	8.4
Transaction expenses	(1.7)
Net cash inflow	6.7
Foreign exchange recycled to the income statement on disposal	1.0
Net assets disposed <sup>(1)</sup>	(5.9)
Gain on sale of disposed operation	1.8
Taxation on gain on sale of disposed operation	2.0
<b>Gain on sale of disposed operation, after tax</b>	<b>3.8</b>
<b><sup>(1)</sup> Net assets disposed</b>	
Property, plant and equipment	0.8
Intangible assets	1.1
Inventories	4.5
Trade and other receivables	3.6
Trade and other payables	(3.4)
Provisions	(0.7)
Net assets disposed	5.9

## 10 Reconciliation of Net Debt

	As at 1 January 2010 £m	Cash flow movement £m	Effect of exchange rate fluctuations £m	As at 30 June 2010 £m
Cash and cash equivalents, and bank overdrafts	12.1	(6.6)	(1.0)	4.5
Bank loans & other borrowings	(52.7)	14.9	(2.0)	(39.8)
<b>Net debt as defined by the Group</b>	<b>(40.6)</b>	<b>8.3</b>	<b>(3.0)</b>	<b>(35.3)</b>

	As at 1 July 2009 £m	Cash flow movement £m	Effect of exchange rate fluctuations £m	As at 31 December 2009 £m
Cash and cash equivalents, and bank overdrafts	10.4	1.1	0.6	12.1
Bank loans & other borrowings	(63.0)	11.6	(1.3)	(52.7)
Net debt as defined by the Group	(52.6)	12.7	(0.7)	(40.6)

	As at 1 January 2009 £m	Cash flow movement £m	Effect of exchange rate fluctuations £m	As at 30 June 2009 £m
Cash and cash equivalents, and bank overdrafts	14.9	0.2	(4.7)	10.4
Bank loans & other borrowings	(67.9)	(0.4)	5.3	(63.0)
Net debt as defined by the Group	(53.0)	(0.2)	0.6	(52.6)

## 11 Post balance sheet events

On 31st July 2010, the Group closed its UK defined benefit pension scheme to accruals for future benefits.

12 Copies of this statement are available on application to the Company Secretary.