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26 August 2009

## The Vitec Group plc

### Half Year results to 30 June 2009

#### Robust position in challenging markets

The Vitec Group plc, the international supplier of products, services and solutions to the Broadcast, Photographic, and Entertainment industries, announces its results for the half year ended 30 June 2009.

<b>Results</b>	<b>H1 2009</b>	<b>H1 2008</b>	<b>% Change</b>	<b>% Change At CER**</b>
Revenue	£160.8m	£159.1m	+1	-19
<b>Before significant items*</b>				
Operating profit	£11.0m	£18.8m	-41	-62
Profit before tax	£10.2m	£17.3m	-41	-63
Basic earnings per share	16.6p	27.5p	-40	-63
<b>After significant items*</b>				
Operating profit	£3.4m	£13.8m	-75	-92
Profit before tax	£3.1m	£12.6m	-75	-93
Basic earnings per share	6.1p	24.6p	-75	-91
Operating cashflow***	£9.2m	£(0.9)m		
Net debt	£52.6m	£50.3m		
Interim dividend per share	7.4p	7.4p		

#### Key points

- **Very challenging markets**
- **Decisive management action to restructure business and reduce costs delivering total annualised savings of £22m, while protecting ability to benefit from an economic recovery**
- **Good operating cash flow generation of £9.2m**
- **Balance sheet remains healthy with net debt virtually constant at £52.6m**
- **Debt facility of £125m until 2013, with significant facility and covenant headroom**
- **Interim dividend maintained at 7.4p**

\*H1 2009 significant items total a PBT charge of £7.1 million (2008: £4.7 million) and comprise amortisation of acquired intangibles £(4.4) million (2008: £(3.7) million), charges / provisions for restructuring actions £(2.5) million (2008: £nil), loss on disposal of business £(0.7) million (2008: £nil), a gain of £0.5 million (2008: £0.3 million) relating to volatile financial instruments and a provision against the carrying value of an equity-accounted investment in Media Numerics £nil (2008: £(1.3) million).

\*\*CER: Constant Exchange Rates

\*\*\*Operating cashflow is defined as the cash generated from operations less capital expenditure plus proceeds from the sale of assets.

Commenting on the results, Stephen Bird, Chief Executive, said:

“As expected, global market conditions have remained challenging and our earlier cost reduction measures have enabled us to mitigate considerably the effects of the volume shortfall. Effective working capital management resulted in good operating and free cash flow generation. We have now identified and committed to further efficiency measures which will deliver an improved second half performance and will increase the annualised savings to £22m in total. Based on this, together with Vitec’s outstanding products, brands and strong market position as well as its robust balance sheet, the Board is confident in the Group’s ability to weather the current challenges and take full advantage of conditions when its markets recover.”

## **Enquiries**

The Vitec Group plc	Stephen Bird, Group Chief Executive Richard Cotton, Group Finance Director	020 8939 4650
Financial Dynamics	Sophie Kernon Charlotte Whitley	020 7269 7291

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, recognized, premium brands that professionals rely on. Vitec’s business is organised into three divisions: Broadcast Systems, Imaging & Staging, and Broadcast Services. Further information can be found at: [www.vitecgroup.com](http://www.vitecgroup.com).

## HALF YEAR MANAGEMENT REPORT

### Overview

In the face of extremely difficult market conditions, the Group has acted decisively to restructure the business and reduce costs to mitigate the effect of lower volumes and to improve cash control.

Reported revenue grew 1% to £160.8 million (H1 2008: £159.1 million) while operating profit before significant items\* declined by 41% to £11.0 million (H1 2008: £18.8 million). Before the beneficial effects of foreign exchange, constant currency revenue was down 19%, of which 20% was from existing business, offset by 1% net growth from acquisitions / disposal.

Despite the significant volume impact, gross margin declined by only 2 points to 39.4% (2008: 41.4%), as capacity was flexed promptly and pricing was well managed.

Group operating margin before significant items\* was 6.8% compared to 11.8% last year, reflecting the scale of the volume shortfall, mitigated by cost reduction actions. Reported profit, before tax and significant items\* was down 41% and at organic constant currency rates it was down 64%.

A further reduction in our headline tax rate, from 34% to 32%, helped to mitigate the 40% fall in basic earnings per share before significant items\* to 16.6p (H1 2008: 27.5p).

Broadcast Systems revenue declined by 10%, or 30% in constant currency, before acquisitions. Camera Dynamics, Anton/Bauer and Clear-Com all suffered from weaker demand, whilst RF Extreme and Litepanels continued to perform well.

Imaging & Staging saw revenue increase by 13%, or a decline of 8% in constant currency, before acquisitions and disposals. Imaging Accessories' volumes held up well, helped by continued growth from the Kata bags business, whilst demand in Staging Systems was materially weaker.

Broadcast Services suffered from the effects of reduced programme making in the US broadcast market due to depressed advertising spend. Revenue for the period increased by 8% - a decline of 19% in constant currency.

Significant items\* in the first half amounted to £7.1 million in aggregate, including £4.4 million of intangible asset amortisation (H1 2008: £3.7 million) and £2.5 million related to cost restructuring actions implemented or committed across all divisions in response to the severe downturn in market conditions. The disposal of the non core IFF business realised a loss on disposal of £0.7 million, and there was a £0.5 million gain due to financial instruments.

Cash generation was good with operating cash flow of £9.2 million (H1 2008: outflow of £0.9 million) and £7.2 million of free cash flow (H1 2008: outflow of £4.1 million). This follows a strong focus on both working capital and capital expenditure. Inventory days declined to 119 (H1 2008: 139), and debtor days remained tightly under control at 43 (H1 2008: 54). Creditors declined as expected as advance payments on the BAS contract at RF Extreme continued to unwind, by £5.6 million in the first half and by £10.5 million year on year. We are committed to continued spending on innovation and product development. However, capital expenditure in the first half was lower at £5.1 million (H1 2008: £9.0 million), reflecting prudence in the current environment.

The Group's balance sheet remains strong. Net debt at 30 June 2009 was £52.6 million (31 December 2008: £53.0 million; 30 June 2008: £50.3 million). The Group has significant facility and covenant headroom in its core debt facility of £125 million that runs until August 2013.

Given the Group's strong balance sheet and confidence in the future performance of the Group, the Board has declared an unchanged interim dividend of 7.4p per share (H1 2008: 7.4p). The dividend will be paid on 30 October 2009 to shareholders on the register at the close of business on 25 September 2009.

*\*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.*

## Review of Markets Served

Vitec serves a number of different markets with a broad range of products and applications solutions. These markets are affected differently by the current economic conditions.

Around 40% of our revenue is from the Broadcast market. This market is driven in the main by advertising expenditure, which impacts broadcaster operating and capital expenditure plans. Typically we have seen major projects deferred, and in some cases cancelled. This has impacted our Camera Dynamics business most. It has also significantly affected our Communications and Mobile Power businesses; our RF Extreme business has been less affected partly due to the continuation of the BAS contract in the US. Litepanels grew by 5% in constant currency despite the weaker market reflecting the increased penetration of LEDs in lighting. Broadcast Services, our equipment rental business, has seen a 19% reduction in volumes at constant currency. We expect some deferred projects to be awarded in the second half of 2009, but overall a flat profile, with a modest improvement in 2010.

Photographic markets account for around one third of our sales. This market has proved more resilient than Broadcasting. Within this market, sales in our camera supports business have fallen at constant currency but less than our sales to Broadcasting, whereas our Kata bags business has increased revenues by over 40% as it continues to expand and take market share.

Other markets served include the live events market and Military Aerospace and Government (MAG). We serve the live event market primarily through our Communications and Staging businesses. Our Staging businesses suffered from lower volumes partly reflecting reduced activity levels in corporate events such as exhibitions, whilst music touring Industry demand has been more resilient. The MAG market has remained buoyant with continued funding available, and our RF Extreme business has won new contracts.

## Review of Businesses

### ***Imaging and Staging Division***

Products for the photographic, video and live event markets

	<b>H1 2009</b>	<b>H1 2008</b>	<b>Δ %</b>
Revenue	£74.2m	£65.5m	13.3%
Operating Profit*	£8.1m	£7.7m	5.2%
Operating Margin*	10.9%	11.8%	-0.9pts

*\*Before significant items. Significant items are the amortisation of acquired intangibles of £0.5 million (H1 2008: £0.4 million), charges/provisions for restructuring costs of £0.5 million (H1 2008: £nil) and a loss on disposal of business of £0.7 million (H1 2008: £nil).*

### *Overview*

The Imaging & Staging Division operates in two main markets: products for the professional and keen amateur photographer and videographer, such as camera and lighting supports and bags ("Imaging"), and staging systems for the live entertainment market ("Staging").

### *Trading*

The Division's revenue increased by 13% or a decline of 8% in constant currency, before the IFF disposal and Litepanels' sales through this Division. Management focus has been on the stimulation of sales and protection of profitability through cost containment initiatives.

The Photographic market - the primary market for the Division - proved more resilient than others. Within this our camera supports business saw a marginal reduction in volumes, although our premium Gitzo brand delivered growth, and our bags business grew significantly versus last year as it continues to expand sales and take market share. In other markets - supports for video, lighting and cine/films - volumes were affected more by economic weakness, and performance was in line with the overall trend.

Imaging Supports took advantage of its recently strengthened lightweight compact systems offer, which is particularly suited to compact DSLR and HD video cameras. Renewed attention was focused on reducing the cost base, achieving operational improvements and preserving cash. A further consolidation of manufacturing in Italy is planned and integrated logistics in Europe enabled the reduction of the finished goods inventory and an improvement of service levels.

Imaging Bags delivered strong growth, leveraging the successfully expanded collections of Kata and National Geographic, and an increased market penetration in existing and new regions. The business continued to add new successful models and to leverage the existing product and distribution synergies within the Division. In Imaging Distribution, our six distribution entities' sales held up well considering the tough economic climate, with the latest UK unit being the best performer. New product distribution mandates were added - including Litepanels, acquired by Vitec last year. We saw our sales growing in particular through online retailers and consumer electronic stores. These sales channels now account for a significant share of the total cameras and accessories market.

For Staging, the live event market relating to business expenditure such as trade shows saw a sharp decline, mitigated by the good performance of the music touring industry. The ongoing restructuring activity enabled a significant reduction of the cost base, positioning it optimally for the recovery of the market. This process included the disposal of IFF in March. Brilliant Stages delivered significant contracts in the period, including part of the latest tour stages for U2 and Take That.

### **Broadcast Systems Division**

Products and systems primarily for broadcast applications

	<b>H1 2009</b>	<b>H1 2008</b>	<b>Δ %</b>
Revenue	£73.9m	£81.8m	-9.7%
Operating Profit*	£3.5m	£11.0m	-68.2%
Operating Margin*	4.7%	13.4%	-8.7pts

\*Before significant items. Significant items are the amortisation of acquired intangibles of £3.9 million (H1 2008: £3.3 million) and charges/provisions for restructuring costs of £1.3 million (H1 2008: £nil).

#### *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 Extreme, and Litepanels sell their products worldwide, either direct to the end-customer or through a network of professional dealers. The Division's brands are frequently acknowledged as leaders in their fields.

#### *Trading*

The Division's revenue declined 10%, or 28% in constant currency, of which 30% was from existing business, offset by 2% from the acquisition of Litepanels and The Camera Store.

Camera Dynamics had a difficult first half with customers deferring significant capital expenditure driven purchases. Significant cost reduction actions have been implemented, particularly at the Bury St. Edmunds site in the UK, and the transfer and closure of the Costa Mesa activities in the US. Vinten launched 4 award-winning new pan-tilt heads (Vision AS range) primarily for the smaller on-location camera productions.

At RF Extreme, sales have remained buoyant from Sprint – Nextel for the BAS relocation programme (product shipments are due to complete in the last quarter of 2009). The Group has successfully migrated its Broadcast technology to Sports and Military Aerospace and Government (MAG) sectors, where it has secured good new business, with significant new contracts from MAG sources in the first half. Organisationally, RF Extreme (formerly RF Systems) has been merged together into one organisation, leveraging the strengths of the RF Central, Nucomm and Microwave Service Company brands.

The Communications business has also suffered from weak market demand in the first half as many broadcasters' contracts were deferred. However, the launch of the new digital wireless Tempest

product has been well received by the market. Clear-Com secured and successfully installed the biggest fibre-networked multi-frame intercom system in Europe for the German broadcaster ZDF. Live events - Clear-Com's core market - showed more resilience. The Voice Over IP technology from the acquisition of Talkdynamics is well integrated into Clear-Comm's main product offerings and is driving new sales.

Litepanels has continued to grow despite the weakness in the economy. Other Vitec Group routes to market (Bogen and Camera Dynamics) have been tapped and are contributing significantly to growth. Seven new products received three prestigious innovation awards, and at the end of July Litepanels was awarded the technical Emmy award from the TV Academy.

Sales at Anton / Bauer have been weak in the traditional film and video applications in line with the market, though it has won business serving other mobile power applications in the healthcare industry.

### **Broadcast Services Division**

Rental services and technical support mainly for the broadcast market

	<b>H1 2009</b>	<b>H1 2008</b>	<b>Δ %</b>
Revenue	£12.7m	£11.8m	7.6%
Operating Profit*	£(0.6)m	£0.1m	n/m
Operating Margin*	-4.7%	0.8%	-5.5pts

\*Before significant item. Significant item is a charge/provision for restructuring costs of £0.3 million (H1 2008: £nil).

#### *Overview*

The Broadcast Services Division provides rental equipment and technical support for the most demanding broadcast productions, mostly in the US, from a network of 8 branch offices. 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.

#### *Trading*

Broadcast Services has been negatively impacted by the significant reduction in US advertising spending, and a non Olympic year. This in turn forced broadcasters to reduce or eliminate live sports and entertainment events from their schedules in H1. For the period, this resulted in an overall revenue decline of 19% in constant currency. Cost reduction actions have been implemented to mitigate the impact of revenue reductions, and 2 branch offices have been closed with the service being transferred to other nearby offices in Florida and California.

In order to mitigate this decline, the Division has implemented several new sales and service strategies designed to develop new customers and better leverage in house capabilities. An example of this is a contract with Sony Broadcast to manage the support, logistics and engineering related to the introduction of two new professional camera products. In addition, the Division is using its engineering and logistics capability to provide support services to specialty film and television companies in areas ranging from lighting to sound.

The market for smaller equipment rentals has seen the most noticeable decrease. The large-event, custom solutions business has shown much more resilience, and has recently been awarded contracts for Olympic events, US Open Tennis, Monday Night Football and several new reality TV series. Bexel's position as market leader in this space was recently confirmed by the award of Emmys to several employees for their contribution to the NBC Beijing Olympics telecast. The professional audio sales, fiber optic equipment sales and used equipment portions of the Division all saw decreases that mirrored the general rental trend in H1.

## **Cash Management**

Maintaining a strong balance sheet and continuing strong cash generation is a priority of the Group. To ensure that this strong cash orientation is embedded throughout the organisation, a number of tools and process reviews have been implemented in the first half.

Greater attention is being focused on working capital ratios to ensure that working capital appropriately reflects activity levels. A new weekly cash reporting and forecasting process has been implemented, to enhance the focus of the Group's businesses on cash generation performance and the accurate projection of their future cash generation and needs.

The Group is already seeing the benefit of this approach in the first half cash performance, with a seasonal increase of only £3.1 million in working capital in the first half of 2009 (H1 2008: £18 million increase).

## **Cost Reduction Actions**

Management has acted decisively to restructure the business and reduce costs to mitigate the effect of lower volume. The new management team has identified further opportunities to restructure the business to make it leaner and more efficient. Great care has been taken to protect our product development capabilities, and not to damage our ability to take full advantage of conditions when markets recover.

In the Interim Management Statement of 19 May, we indicated that the Group had committed plans costing £4 million which would save £15 million in 2009. Since then the Group has identified and committed further plans which will save £7 million per annum at a one time cost of £7 million. In aggregate the Group has committed restructuring plans this year which are expected to save approximately £22 million per annum, some of which will benefit the current year, and the balance of which will benefit 2010. The measures will cost a total of £11 million – all of which will be charged as significant items in the current year. The cash outflow to support the measures will spread across the current year and the first half of 2010.

Some of the cost savings are capacity driven, where direct and indirect headcount has been reduced as far as possible in line with volume reductions. Other savings are reductions in discretionary expenditure, for example marketing expenses, related to weaker economic conditions. As market conditions recover, then capacity and discretionary costs will need to be added back to an extent. However, as well as this there are cost savings which have arisen following a fresh look at the cost structure by new management and will allow the business to be run more effectively and efficiently in the future.

In the absence of a further material deterioration in market conditions, the Group has implemented all of the cost reduction programmes expected for the foreseeable future.

## **Outlook**

Our financial position remains strong and we have identified and committed to further efficiency measures which will enhance our performance in the second half. Based on this, and Vitec's outstanding products and brands and strong market position, the Board is confident in the Group's ability to weather the current challenges and take full advantage of conditions when its markets recover.

Michael Harper  
Chairman

Stephen Bird  
Chief Executive

## **Foreign Exchange**

The stronger US Dollar in the first half increased reported Sterling operating profit by £6.8 million, of which £2.0 million due to transaction effects and £4.8 million due to foreign exchange translation. If

current rates of £1=\$1.64, £1=€1.15, €1=\$1.43 continue for the rest of the year, at our current estimates of sales volumes and profit for the rest of the year and at the current level of Group hedging in place, the full year effect will be a total favourable impact of £10.2 million, i.e. a favourable effect of a further £3.4 million in the second half.

### **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.

### **Principal risks and uncertainties**

Details of the principal risks and uncertainties that the Group is exposed to are set out on page 14 of the 2008 Annual Report.

### **Responsibility statement**

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

- (a) 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
- (b) the Half Year management report includes a fair review of the information required by DTR 4.2.7R; and
- (c) the Half Year management report includes a fair review of the information required by DTR 4.2.8R.

For and on behalf of the Board

Richard Cotton  
Finance Director

## **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 2009 which comprises Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, 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 2009 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  
London  
EC4Y 8BB

26<sup>th</sup> August 2009

**Condensed Consolidated Income Statement**  
For the half year ended 30 June 2009 (unaudited)

Notes	Half year to 30 June 2009			Half year to 30 June 2008			Year to 31 December 2008			
	Before significant items	Significant items <sup>(1)</sup>	Total	Before significant items	Significant items <sup>(1)</sup>	Total	Before significant items	Significant items <sup>(1)</sup>	Total	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Revenue</b>	2	<b>160.8</b>		<b>160.8</b>	<b>159.1</b>		<b>159.1</b>	<b>337.7</b>		<b>337.7</b>
Cost of sales		97.4		97.4	(93.3)		(93.3)	(200.6)		(200.6)
<b>Gross profit</b>		<b>63.4</b>		<b>63.4</b>	<b>65.8</b>		<b>65.8</b>	<b>137.1</b>		<b>137.1</b>
Other operating income		-	-	-	-	-	-	0.3		0.3
Provision against equity-accounted investee	3	-	-	-	(1.3)		(1.3)	(1.3)		(1.3)
Operating expenses	3	(52.4)	(7.6)	(60.0)	(47.0)	(3.7)	(50.7)	(98.7)	(9.2)	(107.9)
<b>Operating profit/(loss)</b>	2	<b>11.0</b>	<b>(7.6)</b>	<b>3.4</b>	<b>18.8</b>	<b>(5.0)</b>	<b>13.8</b>	<b>38.4</b>	<b>(10.2)</b>	<b>28.2</b>
<i>Interest payable on bank borrowings</i>		(1.0)		(1.0)	(1.5)		(1.5)	(3.2)		(3.2)
<i>Interest income</i>		0.1		0.1	-		-	0.1		0.1
<i>Pension scheme:</i>										
<i>Interest charge</i>		(1.2)		(1.2)	(1.3)		(1.3)	(2.5)		(2.5)
<i>Expected return on assets</i>		1.2		1.2	1.5		1.5	3.1		3.1
<i>Other financial income/(expense)</i>	3	0.1	0.5	0.6	(0.2)	0.3	0.1	(0.5)	0.3	(0.2)
Net finance costs		(0.8)	0.5	(0.3)	(1.5)	0.3	(1.2)	(3.0)	0.3	(2.7)
<b>Profit/(loss) before tax</b>		<b>10.2</b>	<b>(7.1)</b>	<b>3.1</b>	<b>17.3</b>	<b>(4.7)</b>	<b>12.6</b>	<b>35.4</b>	<b>(9.9)</b>	<b>25.5</b>
Taxation	3/6	(3.2)	2.7	(0.5)	(5.8)	3.5	(2.3)	(12.0)	6.6	(5.4)
<b>Profit/(loss) for the period (attributable to Equity Shareholders)</b>		<b>7.0</b>	<b>(4.4)</b>	<b>2.6</b>	<b>11.5</b>	<b>(1.2)</b>	<b>10.3</b>	<b>23.4</b>	<b>(3.3)</b>	<b>20.1</b>

**Earnings per share**

4

Basic earnings per share			6.1p		24.6p		48.0p
Diluted earnings per share			6.1p		24.4p		47.9p

**Average exchange rates**

Euro			1.11		1.30		1.26
US\$			1.49		1.98		1.85

<sup>(1)</sup> See Note 3

**Condensed Consolidated Statement of Comprehensive Income**

For the half year ended 30 June 2009 (unaudited)

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
<b>Profit for the period</b>	<b>2.6</b>	<b>10.3</b>	<b>20.1</b>
<b>Other comprehensive income</b>			
Actuarial loss on pension obligations	(6.5)	(2.7)	(1.8)
Revaluation reserve on property	-	-	(0.2)
Currency translation differences on foreign net investments	(21.8)	2.9	30.7
Net gain/(loss) on hedge of net investment in foreign subsidiaries	2.5	(1.4)	(2.6)
Cash flow hedging, net of tax:			
Amounts released to income statement	2.4	(0.7)	(0.3)
Effective portion of changes in fair value	2.3	0.8	(3.7)
<b>Other comprehensive income for the period</b>	<b>(21.1)</b>	<b>(1.1)</b>	<b>22.1</b>
<b>Total comprehensive income for the period (attributable to Equity Shareholders)</b>	<b>(18.5)</b>	<b>9.2</b>	<b>42.2</b>

## Condensed Consolidated Statement of Financial Position

As at 30 June 2009 (unaudited)

	As at 30 June 2009 £m	As at 30 June 2008 £m	As at 31 December 2008 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	54.0	49.7	63.6
Intangible assets	59.7	52.4	71.6
Deferred tax assets	17.9	14.4	17.8
	131.6	116.5	153.0
<b>Current assets</b>			
Inventories	63.4	71.6	76.4
Trade and other receivables	49.2	58.8	61.4
Derivative financial instruments	2.1	1.6	0.7
Current tax assets	-	0.2	0.8
Cash and cash equivalents	12.6	10.7	14.9
	127.3	142.9	154.2
<b>Total assets</b>	<b>258.9</b>	<b>259.4</b>	<b>307.2</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Bank overdrafts	2.2	1.4	-
Bank loans and other borrowings	2.6	-	3.0
Trade and other payables	49.4	55.5	62.4
Advanced payments received	3.5	14.0	9.1
Derivative financial instruments	0.9	0.7	7.4
Current tax liabilities	10.2	10.3	9.7
Provisions	5.1	2.8	4.1
	73.9	84.7	95.7
<b>Non-current liabilities</b>			
Bank loans	60.4	59.6	64.9
Other payables	0.1	0.1	0.1
Derivative financial instruments	0.1	-	-
Post-employment obligations	11.2	5.7	5.9
Provisions	1.4	4.8	5.7
Deferred tax liabilities	1.6	2.2	1.5
	74.8	72.4	78.1
<b>Total liabilities</b>	<b>148.7</b>	<b>157.1</b>	<b>173.8</b>
<b>Net assets</b>	<b>110.2</b>	<b>102.3</b>	<b>133.4</b>
<b>Equity</b>			
Share capital	8.6	8.4	8.5
Share premium	8.6	6.6	7.5
Translation reserve	3.0	(4.3)	22.3
Capital redemption reserve	1.6	1.6	1.6
Cash flow hedging reserve	1.0	0.4	(3.7)
Retained earnings	87.4	89.6	97.2
<b>Total equity</b>	<b>110.2</b>	<b>102.3</b>	<b>133.4</b>

**Condensed Consolidated Statement of Changes in Equity**  
As at 30 June 2009 (unaudited)

	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 2008	8.4	7.0	(5.8)	1.6	0.3	85.8	97.3
<b>Total comprehensive income for the period</b>							
Profit for the period	-	-	-	-	-	10.3	10.3
<b>Other comprehensive income</b>							
Actuarial loss on pension obligations	-	-	-	-	-	(2.7)	(2.7)
Currency translation differences on foreign net investments	-	-	2.9	-	-	-	2.9
Net loss on hedge of net investment in foreign subsidiaries	-	-	(1.4)	-	-	-	(1.4)
Cash flow hedging, net of tax:							
Amounts released to income statement	-	-	-	-	(0.7)	-	(0.7)
Effective portion of changes in fair value	-	-	-	-	0.8	-	0.8
Total other comprehensive income	-	-	1.5	-	0.1	(2.7)	(1.1)
Total comprehensive income for the period	-	-	1.5	-	0.1	7.6	9.2
<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	-	(0.7)	-	-	-	-	(0.7)
Equity-settled transactions	-	-	-	-	-	0.8	0.8
New shares issued	-	0.3	-	-	-	-	0.3
Total transactions with owners	-	(0.4)	-	-	-	(3.8)	(4.2)
<b>Balance at 30 June 2008</b>	<b>8.4</b>	<b>6.6</b>	<b>(4.3)</b>	<b>1.6</b>	<b>0.4</b>	<b>89.6</b>	<b>102.3</b>
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 net investments	-	-	(21.8)	-	-	-	(21.8)
Net gain on hedge of net investment in foreign subsidiaries	-	-	2.5	-	-	-	2.5
Cash flow hedging, net of tax:							
Amounts released to income statement	-	-	-	-	2.4	-	2.4
Effective portion of changes in fair value	-	-	-	-	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	-	0.7	-	-	-	(1.3)	(0.6)
Equity-settled transactions	-	-	-	-	-	0.5	0.5
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>

## Condensed Consolidated Statement of Cash Flows

For the half year ended 30 June 2009 (unaudited)

	Notes	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Cash flows from operating activities:				
Profit for the period		2.6	10.3	20.1
Adjustments for :				
Taxation		0.5	2.3	5.4
Depreciation		7.2	5.5	11.6
Loss on disposal of business		0.7	-	-
Provision against equity-accounted investee		-	1.3	1.3
Amortisation of acquired intangible assets		4.4	3.7	7.1
Amortisation of capitalised software costs		0.7	0.6	1.2
Goodwill impairment		-	-	2.1
Net gain on disposal of property, plant and equipment		(0.6)	(0.6)	(1.6)
Fair value losses on derivative financial instruments		-	0.1	0.4
Cost of equity-settled employee share schemes		0.7	0.8	1.7
Financial income		(2.1)	(1.8)	(4.1)
Financial expense		2.4	3.0	6.8
Operating profit before changes in working capital & provisions:		16.5	25.2	52.0
Decrease/(Increase) in inventories		3.2	(4.3)	8.7
Decrease/(Increase) in receivables		5.3	(6.8)	3.8
Decrease in payables		(11.6)	(6.9)	(21.0)
Increase/(decrease) in provisions		0.1	(0.2)	0.8
Adjustments for foreign exchange gains		-	0.1	-
Cash generated from operations:		13.5	7.1	44.3
Interest paid		(1.0)	(1.7)	(3.7)
Tax paid		(1.0)	(1.5)	(6.7)
<b>Net cash flow from operating activities</b>		<b>11.5</b>	<b>3.9</b>	<b>33.9</b>
Cash flows from investing activities:				
Proceeds from sale of property, plant and equipment		0.8	1.0	2.6
Purchase of property, plant and equipment		(4.4)	(8.4)	(16.4)
Software costs capitalised as intangible assets		(0.7)	(0.6)	(0.9)
Purchase of other intangible assets		-	-	(0.3)
Acquisition of subsidiaries, net of cash acquired	9	(2.9)	(1.9)	(11.8)
Disposal of business	7	0.7	-	-
Interest received		-	-	0.1
<b>Net cash flow from investing activities</b>		<b>(6.5)</b>	<b>(9.9)</b>	<b>(26.7)</b>
Cash flows from financing activities:				
Proceeds from the issue of shares		-	0.3	0.5
Purchase of own shares by Employee Benefit Trust		(0.6)	-	-
Purchase of treasury shares		-	(0.7)	(0.7)
Borrowing of bank loans and other borrowings		0.4	12.4	4.1
Dividends paid		(4.6)	(4.6)	(7.7)
<b>Net cash flow from financing activities</b>		<b>(4.8)</b>	<b>7.4</b>	<b>(3.8)</b>
<b>Increase in cash and cash equivalents</b>		<b>0.2</b>	<b>1.4</b>	<b>3.4</b>
Cash and cash equivalents at the beginning of the period		14.9	7.3	7.3
Exchange rate movements <sup>(1)</sup>		(4.7)	0.6	4.2
<b>Cash and cash equivalents at the end of the period</b>	<b>10</b>	<b>10.4</b>	<b>9.3</b>	<b>14.9</b>

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

## **1. 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 2008 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 2008. IFRS 8 Operating Segments, has been adopted from 1st January 2009 and reflected in the comparative figures. The standard introduces a management approach to segment reporting and segment information is consistent with internal management reporting. On the adoption of IFRS 8, no changes were required to the segments nor the measurement of segment revenue or result previously presented in accordance with IAS14 - Segment Reporting.

The comparative figures for the year ended 31 December 2008 do not constitute statutory accounts for the purpose of section 435 of the Companies Act 2006. The auditors have reported on the 2008 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 237(2) or (3) of the Companies Act 1985.

These condensed consolidated interim financial statements were approved by the Board of Directors on 25 August 2009.

## 2. Segment reporting

### Primary format - by business segments

For the half year ended 30 June 2009 (unaudited)

	Imaging & Staging		Broadcast Systems		Broadcast Services		Corporate and unallocated		Consolidated	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Revenue from external customers:										
Sale of goods	74.2	65.5	73.0	81.2	2.5	2.4	-	-	149.7	149.1
Services	-	-	0.9	0.6	10.2	9.4	-	-	11.1	10.0
<b>Total revenue from external customers</b>	<b>74.2</b>	<b>65.5</b>	<b>73.9</b>	<b>81.8</b>	<b>12.7</b>	<b>11.8</b>	<b>-</b>	<b>-</b>	<b>160.8</b>	<b>159.1</b>
Inter-segment revenue <sup>(1)</sup>	0.5	1.4	1.7	1.0	-	-	(2.2)	(2.4)	-	-
Total revenue	74.7	66.9	75.6	82.8	12.7	11.8	(2.2)	(2.4)	160.8	159.1
<b>Operating profit before significant items</b>	<b>8.1</b>	<b>7.7</b>	<b>3.5</b>	<b>11.0</b>	<b>(0.6)</b>	<b>0.1</b>	<b>-</b>	<b>-</b>	<b>11.0</b>	<b>18.8</b>
Loss on disposal of business	(0.7)	-	-	-	-	-	-	-	(0.7)	-
Restructuring costs	(0.5)	-	(1.3)	-	(0.3)	-	(0.4)	-	(2.5)	-
Amortisation of intangible assets	(0.5)	(0.4)	(3.9)	(3.3)	-	-	-	-	(4.4)	(3.7)
Provision against equity-accounted investee	-	-	-	-	-	-	-	(1.3)	-	(1.3)
<b>Segment result</b>	<b>6.4</b>	<b>7.3</b>	<b>(1.7)</b>	<b>7.7</b>	<b>(0.9)</b>	<b>0.1</b>	<b>(0.4)</b>	<b>(1.3)</b>	<b>3.4</b>	<b>13.8</b>
Net finance costs									(0.3)	(1.2)
Taxation									(0.5)	(2.3)
<b>Profit for the period</b>									<b>2.6</b>	<b>10.3</b>

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

### Secondary format – by geographical segments

For the half year ended 30 June 2009 (unaudited)

	United Kingdom		The rest of Europe		The Americas		The rest of the World		Consolidated	
	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m	2009 £m	2008 £m
Revenue from external customers:										
<b>by location of customer</b>	<b>11.3</b>	<b>9.4</b>	<b>36.5</b>	<b>44.6</b>	<b>86.9</b>	<b>80.5</b>	<b>26.1</b>	<b>24.6</b>	<b>160.8</b>	<b>159.1</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.

Significant items comprise the following:

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m
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<b>(a) Provision against investment in equity-accounted investee</b>	-	(1.3)
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In 2008, the Group held a 29% interest in Media Numerics Ltd, which was accounted for as an equity-accounted investee. Full impairment provision of £1.3 million was made against this investment because Media Numerics Ltd was insolvent.

<b>(b) Operating expenses</b>		
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Amortisation of intangible assets	(4.4)	(3.7)
Restructuring costs	(2.5)	-
Loss on disposal of business	(0.7)	-
	(7.6)	(3.7)

On 27 March 2009, the Group divested the IFF Staging business. The disposal gave rise to a loss of £0.7 million. See Note 7.

<b>(c) Other financial income</b>		
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Currency translation gains	0.2	0.3
Gain on currency options	0.3	-
	0.5	0.3

Currency translation differences, which arise on long-term intra-group funding loans that are similar in nature to equity, are charged/credited to reserves. However, £0.2 million (2008: £0.3 million) of currency translation differences arose on certain other intra-group funding balances that do not meet this strict criteria but are very similar in nature and are therefore recorded in significant items within other financial expense.

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 gains and losses can be introduced between periods and such amounts are therefore identified as significant other financial expense. This amounts to £0.3 million gain (2008: £nil).

<b>(d) Taxation</b>		
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Deferred tax credit	2.7	3.5
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The Group is paying no cash taxes in the UK, due to brought forward losses. A UK deferred tax asset of £nil (2008: £2.3 million) has been recognised in the first half in respect of those brought forward losses that are expected to be utilised.

A deferred tax credit of £2.7 million (2008: £3.5 million) has been taken to significant items and relates to the recognition of deferred tax assets in relation to the following: A deferred tax asset of £1.4 million (2008: £1.2 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 Extreme and Litepanels in the US and the amortisation of these assets for tax purposes. Furthermore, a deferred tax asset of £0.9 million (2008: £nil) has been recognised in relation to restructuring costs, and a deferred tax asset of £0.4 million (2008: £nil) has been recognised in relation to previously unrecognised losses, to offset deferred tax liabilities arising on unrecognised gains on cash flow hedges.

#### **4. Earnings per ordinary share**

Basic earnings per share of 6.1 pence (2008: 24.6 pence) is calculated using profit after tax of £2.6 million (2008: £10.3 million) and the weighted average number of shares in issue during the period of 42,270,375 (2008: 41,816,024), excluding ordinary shares purchased by the Company and held as Treasury shares.

Diluted earnings per share of 6.1 pence (2008: 24.4 pence) is calculated using profit after tax of £2.6 million (2008: £10.3 million) and 42,440,093 (2008: 42,184,740) ordinary shares.

Adjusted basic earnings per share of 16.6 pence (2008: 27.5 pence) is calculated using profit after tax but before significant items of £7.0 million (2008: £11.5 million) and the weighted average number of shares in issue during the period of 42,270,375 (2008: 41,816,024), excluding ordinary shares purchased by the Company and held as Treasury shares. The directors consider that this gives a useful additional indication of the ongoing earnings performance of the Group.

#### **5. Interim dividend**

After the balance sheet date, an interim dividend of 7.4 pence per share was recommended by the directors. This will cost £3.2 million (2008: 7.4 pence per share costing £3.1 million). The dividend has not been provided for at half year and there are no tax consequences.

The dividend will be paid on 30 October 2009 to shareholders on the register at the close of business on 25 September 2009. 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 5 October 2009. 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).

#### **6. Income tax**

The tax rate on profits before significant items for the half year is estimated at 32% (2008: 34%) on the basis of the anticipated tax rates which will apply for the full year. The tax charge before significant items comprises current tax of £2.3 million (2008: £3.0 million) and deferred tax of £0.9 million (2008: £2.8 million).

The tax rate on profits after significant items for the full year is estimated at 31% (2008: 21%), due to the recognition of deferred tax credits in significant items.

The tax rate on profits after significant items for the half year is estimated at 16% (2008: 19%) due to the timing of the recognition of these deferred tax credits where more of the tax credits are recognised in the first half of the year than in the second half. The tax charge after significant items comprises current tax of £2.3 million (2008: £3.0 million) and deferred tax credit of £1.8 million (2008: £0.7 million).

## 7. Disposal of business

On 27 March 2009, the Group divested the IFF Staging business, which was previously included in the Imaging & Staging division.

The total consideration was £0.7 million net of transaction expenses. The disposal gave rise to a loss of £0.7 million.

The assets disposed of by the Group are as follows:-

	<b>Half year to 30 June 2009 £m</b>
Consideration received, satisfied in cash	1.2
Transaction expenses	(0.5)
Net cash inflow	0.7
Inventory	1.3
Fixed assets	0.1
Net assets disposed of	1.4
Loss on disposal of business	(0.7)

## 8. RF Extreme

RF Extreme (formerly known as 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 Extreme 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 Extreme 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 Extreme has residual 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 Extreme are as follows:

	Half year to 30 June 2009 £m	Half year to 30 June 2008 £m	Year to 31 December 2008 £m
Revenue	24.2	22.9	49.3
Operating profit <sup>(1)</sup>	3.1	3.7	9.3
Working capital trend:			
Inventory	13.8	16.6	16.2
Advanced payments under BAS contract	(3.5)	(14.0)	(9.1)
Other working capital	(7.4)	(4.4)	(8.2)
Total working capital	2.9	(1.8)	(1.1)

<sup>(1)</sup> Operating profit includes an allocation of Corporate costs

## 9. Consideration paid for previous Acquisitions

The table below provides a breakdown of the consideration paid for previous acquisitions, conditional upon achievement of sales and profitability targets.

	Half year to 30 June 2009 £m
Autoscript	1.0
Litepanels	1.9
	<b>2.9</b>

10. Reconciliation of Decrease in Cash and Cash Equivalents to Movement in Net Debt <sup>(1)</sup>

	As at 30 June 2009 £m	As at 30 June 2008 £m	As at 31 December 2008 £m
Increase in cash and cash equivalents	0.2	1.4	3.4
Net borrowing of loans	(0.4)	(12.4)	(4.1)
Increase in net debt resulting from cash flows	(0.2)	(11.0)	(0.7)
Exchange on cash movements	(4.7)	0.6	4.2
Exchange on loan movements	5.3	(1.5)	(18.1)
Exchange rate movements	0.6	(0.9)	(13.9)
Movements in net debt in the period	0.4	(11.9)	(14.6)
Net debt at beginning of period	(53.0)	(38.4)	(38.4)
<b>Net debt at the end of the period</b>	<b>(52.6)</b>	<b>(50.3)</b>	<b>(53.0)</b>

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

<sup>(1)</sup>The table below provides an analysis of Net Debt at the end of the period.

	As at 30 June 2009 £m	As at 30 June 2008 £m	As at 31 December 2008 £m
Cash and cash equivalents per balance sheet	12.6	10.7	14.9
Bank overdrafts	(2.2)	(1.4)	-
Cash and cash equivalents per cash flow statement	10.4	9.3	14.9
Bank loans and other borrowings	(63.0)	(59.6)	(67.9)
<b>Net debt at the end of the period</b>	<b>(52.6)</b>	<b>(50.3)</b>	<b>(53.0)</b>

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