

12 August 2021

The Vitec Group plc
2021 Interim Results

Strong half year performance in a faster-growing market

The Vitec Group plc ("Vitec" or "the Group"), the international provider of premium branded hardware products and software solutions to the growing content creation market, announces its results for the half year ended 30 June 2021.

Results ¹	H1 2021	H1 2020	H1 2019
Revenue	£181.4m	£118.9m	£184.2m
Adjusted operating profit/(loss)*	£21.9m	£(4.4)m	£25.8m
<i>Adjusted operating margin*</i>	12.1%	(3.7)%	14.0%
Adjusted profit/(loss) before tax*	£20.0m	£(7.0)m	£23.5m
Adjusted basic earnings/(loss) per share*	32.7p	(9.9)p	39.9p
Dividend per share	11.0p	-	12.3p
Free cash flow*	£15.8m	£(5.8)m	£16.0m
Net debt	£102.0m	£107.4m	£108.4m
Statutory results			
Operating profit/(loss)	£17.0m	£(11.2)m	£18.9m
<i>Operating margin</i>	9.4%	(9.4)%	10.3%
Profit/(loss) before tax	£15.1m	£(13.8)m	£16.6m
Basic earnings/(loss) per share	24.4p	(20.9)p	27.0p

H1 2021 results highlights

- Continued strong trading across the Group driven by a faster-growing market, with underlying² order intake up 12% compared with H1 2019
- Adjusted operating margin improvement, driven by strong operating leverage
- Excellent cash performance with high operating cash conversion* at 118%
- Expanded addressable markets and increased higher technology capabilities through acquisitions of Lightstream and Quasar
- Interim dividend at 11.0p

Outlook and strategic positioning

- H2 2021 trading started well and July/August order intake likely to be c.20% above 2019
- FY 2021 adjusted PBT to be above current market forecasts, despite ongoing uncertainties
- Content creation market expected to grow faster than pre-pandemic with Vitec benefitting from permanent structural market changes
- On track towards mid-teen adjusted operating margin*
- Vitec's investment focused on the fastest growing segments of the market and, increasingly, software-enabled technology

* In addition to statutory reporting, Vitec reports alternative performance measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("IFRS"). The Group uses these APMs to improve the comparability of information between reporting periods and Divisions, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. APMs are used by the Directors and management for performance analysis, planning, reporting and incentive purposes. A summary of APMs used and their closest equivalent statutory measures is given in the Glossary.

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

“The Group’s positive first half performance is a result of strong demand, market growth and a tightly managed cost base. Second half trading has started extremely well, and we expect the combined order intake for July and August to be approximately 20% above 2019. The Board now expects adjusted PBT for FY 2021 to be above current market forecasts⁵, despite ongoing uncertainties.*

“The content creation market is a great place to be. The pandemic has accelerated the democratisation and digitalisation of media, driving a permanent structural change to the market. There has been a dramatic increase in the capture, consumption and sharing of video and scripted TV content, and Vitec is right at the heart of this fast-growing market. We expect to deliver strong margin recovery, as we benefit from strong operating leverage and ongoing operational efficiencies, increase sales of higher margin, higher technology products, in-source production of some JOBY products, and grow online sales, particularly in our Imaging Division. Vitec is now a stronger, higher quality business in a larger and faster-growing market, and the Group is well placed for long-term, sustainable growth and value creation for all of our stakeholders.”

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A video webcast and Q&A for Analysts and Investors will be held today, starting at 9.30am UK time. The presentation slides will be available on our website at 7.00am.

Users can pre-register to access the webcast and slides using the following link:

www.vitecgroup.com/investors/results-reports-and-presentations/

Notes to Editors:

Vitec is a leading global provider of premium branded hardware products and software solutions to the growing content creation market.

Vitec's customers include broadcasters, film studios, production and rental companies, photographers, independent content creators, gamers and enterprises. Our product portfolio includes camera supports, video transmission systems and monitors, live streaming solutions, smartphone accessories, robotic camera systems, prompters, LED lighting, mobile power, bags and motion control, audio capture and noise reduction equipment.

We employ around 1,800 people across the world in 11 different countries and are organised in three Divisions: Imaging Solutions, Production Solutions and Creative Solutions.

The Vitec Group plc is listed on the London Stock Exchange.

More information can be found at: www.vitecgroup.com

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Notes

- ¹ This announcement is based on information sourced from management estimates and includes comparing performance at constant exchange rates to assist in understanding the underlying performance of the Group.
- ² Underlying order intake increase excludes the Olympics order in 2021 and is on an organic, constant currency basis.
- ³ H1 2021 average exchange rates: £1 = \$1.39, £1 = €1.15, €1 = \$1.21, £1 = Yen148.
- ⁴ H1 2020 average exchange rates: £1 = \$1.27, £1 = €1.15, €1 = \$1.11, £1 = Yen138.
- ⁵ Current company compiled consensus for FY2021: Adjusted PBT £39.3m.
- ⁶ This announcement contains inside information. The person responsible for arranging the release of this announcement on behalf of The Vitec Group plc is Jon Bolton, Group Company Secretary.

H1 2021 management and financial overview

Vitec's purpose to "enable the capture and sharing of exceptional content" has never been more relevant than it is today. The pandemic has accelerated the democratisation and digitalisation of media and driven a permanent structural change to the content creation market, which is now larger and growing faster. There has been a dramatic increase in the capture, consumption and sharing of video and scripted TV content, and Vitec is right at the heart of this fast-growing market.

Vitec delivered a positive H1 2021 performance. While the COVID-19 pandemic continued to present challenges, we delivered growth versus H1 2019 in many areas of the business and have benefitted from the mitigating actions we put in place in 2020. We remain focused on tightly managing our cost base and this enabled us to deliver strong operating leverage while continuing to invest in our key priorities in line with our strategy.

Our photographic and most broadcast markets recovered first, and we saw a slower recovery in the cine market as production sets opened up towards the end of the half. We continued to see strong growth in the enterprise market for our wireless products, particularly in the medical segment, and new markets emerged such as lighting supports for sports analytics. More people have become accustomed to communicating via video and more video content is being produced, streamed and watched on subscription channels and social media platforms. We believe that the demand for, and investment in, original content (e.g. films, scripted TV shows, live news, sport, videos, games and photos) will continue to grow rapidly. There has clearly been some bounce back in demand, but the Group's Total Addressable Market ("TAM") is now larger, at £2.6 billion, and is expected to grow faster – high single digit 2022-24 compared to low single digit pre-pandemic.

We continued to launch new products for the fastest growing segments of the market, including the rollout of our 4K/HDR wireless video eco-system in the cine market, and we developed new vlogging accessories, LED lights, mechatronics and audio capture products. We expanded our customer base with the acquisitions of Lightstream and Quasar, and are increasingly focused on developing software-enabled technology, as well as streaming Software-as-a-Service to expand our recurring revenues in gaming and enterprises through subscription services. And we continue to improve the Group's e-commerce capabilities to grow our higher margin online sales.

While there remain some short-term supply chain constraints, we are well-positioned at the heart of the fast-growing content creation market to capitalise on the strong global demand for capturing, consuming and sharing content.

Vitec has emerged from the pandemic a stronger, higher quality business with strong operating leverage. The breadth of the Group's product portfolio in multiple market segments, coupled with our decentralised and entrepreneurial business model and our increasing technological competencies, make us more resilient and enable us to rapidly adapt to market changes.

Finally, the response of our people has been outstanding throughout the pandemic and we would like to thank everyone across the Group for their continued support and commitment.

Financial performance

	Adjusted*			Statutory	
	H1 2021	H1 2020	H1 2019	H1 2021	H1 2020
Revenue	£181.4m	£118.9m	£184.2m	£181.4m	£118.9m
Operating profit/(loss)	£21.9m	£(4.4)m	£25.8m	£17.0m	£(11.2)m
Profit/(loss) before tax	£20.0m	£(7.0)m	£23.5m	£15.1m	£(13.8)m
Earnings per share	32.7p	(9.9)p	39.9p	24.4p	(20.9)p

The closing order book at 30 June 2021 was our highest ever, driven by order intake being higher than H1 2019, even after excluding the Olympics, and reflecting increased demand for Vitec's premium products and leading technologies.

Revenue recovered to £181.4 million, resulting in adjusted operating profit* of £21.9 million. This was 2% ahead of H1 2019 on an organic, constant currency basis.

Group adjusted gross margin* of 44.0% was similar to pre-pandemic levels despite significant headwinds from freight and duty costs. Excluding H1 2019 SmallHD insurance proceeds (£5.8 million), which were included in profit but not revenue, the adjusted gross margin* in H1 2019 was 44.5%.

Adjusted operating expenses* of £57.9 million were, as expected, £9.1 million higher than H1 2020 but £4.0 million lower than H1 2019 due to restructuring savings, and lower spend on travel and expenses given global travel restrictions remaining in place in H1 2021. As announced at the 2020 full year results, we repaid £1.2 million of UK furlough proceeds, which is included in the H1 2021 adjusted operating profit*.

Adjusted operating profit margin* of 12.1% was back to pre-pandemic levels (H1 2019 excluding SmallHD insurance proceeds: 10.9%).

Net finance expense of £1.9 million led to adjusted profit before tax* of £20.0 million; £3.5 million lower than H1 2019, although H1 2019 included insurance proceeds of £5.8 million. On an organic, constant currency basis adjusted operating profit* and adjusted profit before tax* were 9% and 8% down on H1 2019 respectively.

The Group's effective tax rate ("ETR") on adjusted profit before tax* was 25%. Our expectation for the full year ETR on adjusted profit before tax* is c.25%.

Adjusted basic earnings per share* was 32.7 pence. Statutory basic profit per share was 24.4 pence.

Statutory profit before tax of £15.1 million (H1 2020: £11.2 million loss) reflects adjusting items of £4.9 million (H1 2020: £6.8 million).

H1 2021 adjusted profit before tax* included a £0.7 million adverse foreign exchange effect after hedging compared to H1 2020. The impact on H2 2021 adjusted profit before tax* from a one cent stronger/weaker US Dollar/Euro is expected to be an increase/decrease of approximately £0.1 million. At current spot rates there is expected to be a £2.0 million adverse impact versus 2020; primarily due to the weaker dollar.

Cash flow and net debt

Strong operating cash conversion* was 118%, as set out below. Operating cashflow* was £6.1 million higher than in H1 2019, and free cash flow* was broadly in line with H1 2019.

£m	H1 2021	H1 2020	H1 2019
Adjusted operating profit/(loss)*	21.9	(4.4)	25.8
Depreciation ⁽¹⁾	9.3	9.4	9.1
Working capital dec/(inc)*	2.6	5.4	(8.7)
Capital expenditure ⁽²⁾	(10.2)	(8.5)	(7.9)
Other ⁽³⁾	2.2	0.6	1.4
Operating cashflow*	25.8	2.5	19.7
Interest and tax paid	(6.7)	(4.8)	(3.3)
Earnout and retention bonuses	(2.0)	(2.1)	-
Restructuring and integration costs	(1.0)	(1.4)	(0.4)
Transaction costs	(0.3)	-	-
Free cash flow*	15.8	(5.8)	16.0

(1) Includes depreciation, amortisation of software and capitalised development costs

(2) Purchase of Property, Plant & Equipment ("PP&E") and capitalisation of software and development costs

(3) Includes change in provisions, share based payments charge, proceeds from the sale of PP&E, gain on disposal of PP&E, fair value derivatives, impairment losses on PP&E, and foreign exchange movements

Working capital* decreased by £2.6 million in H1 2021. As expected, inventory was £8.4 million higher than December 2020 but was more than offset by an increase in payables.

Capital expenditure included:

- £4.4 million of property, plant and equipment (of which £1.9 million relates to new machinery to enable some JOBY products to be made in Italy, and £0.4 million relates to the Olympics) compared with £2.8 million in H1 2020;
- £5.3 million capitalisation of R&D; and £0.5 million capitalisation of software.

£m	H1 2021	H1 2020	Variance
Gross R&D	11.6	10.0	1.6
Capitalised	(5.3)	(5.5)	0.2
Amortisation	2.7	2.2	0.5
P&L Impact	9.0	6.7	2.3

'Other' cash flow primarily relates to share-based payments.

Interest and tax paid increased by £1.9 million compared to H1 2020 due to higher tax payments (including £3.2 million relating to EU State Aid); partly offset by the non-repeat of the RCF upfront and arrangement fees, and CCFF fees in H1 2020.

Restructuring cash outflow mainly reflects the final restructuring payments in the Imaging Solutions Division.

December 2020 closing net debt (£m)	(90.8)
Free cash flow*	15.8
Net amortisation of loan fees	(0.1)
Dividends paid	(2.1)
Employee incentive shares	(0.7)
Acquisitions	(12.7)
Net lease additions	(11.9)
FX	0.5
June 2021 closing net debt (£m)	(102.0)

Net debt at 30 June 2021 was £11.2 million higher than at 31 December 2020 (£90.8 million) and £5.4 million lower than at 30 June 2020 (£107.4 million).

Excluding acquisitions (£12.7 million) and net lease additions (£11.9 million), net debt decreased by £13.4 million versus 31 December 2020.

On 5 April 2021 the Group acquired Quasar Science ("Quasar") for cash consideration of \$1.7 million (£1.2 million).

On 12 April 2021 the Group acquired Infiniscene, INC ("Lightstream") for cash consideration of \$15.8 million (£11.5 million), net of cash acquired, and \$4.9 million (£3.6 million) through the issue of 309,753 ordinary shares of 20 pence each.

Net lease additions were higher as expected (versus £1.7 million in H1 2020) as they include the renewal of leases for our plants in Feltre, Costa Rica and Irvine.

Liquidity at 30 June 2021 totalled £91.0 million; comprising £70.5 million unutilised RCF, £17.1 million of cash and £3.4 million unused overdraft facility. As previously announced, the Group repaid the CCFF during H1 2021.

ROCE* of 13.1%¹ was higher than the prior year (12 months to June 2020: 7.8%), which reflects the higher adjusted operating profit*.

Charges associated with acquisition of businesses and other adjusting items

Charges associated with acquisition of businesses and other adjusting items in profit before tax were £4.9 million versus £6.8 million in H1 2020.

£m	H1 2021	H1 2020
Amortisation of acquired intangible assets	3.3	4.5
Integration and restructuring costs	0.3	0.6
Earnout charges and retention bonuses	0.8	1.1
Effect of fair valuation of acquired inventory	-	0.6
Transaction costs relating to acquisition of businesses	0.5	-
Charges associated with acquisition of businesses and other adjusting items	4.9	6.8

Notes

- ¹ Return on capital employed ("ROCE") is calculated as adjusted operating profit* for the last twelve months divided by the average total assets, current liabilities excluding the current portion of interest-bearing borrowings, and non-current lease liabilities. 12 months to June 2020 has been restated to include the non-current lease liabilities, which were not included in the June 2020 calculation.

Strategy update

We continue to make good progress delivering our strategic objectives and our strong H1 2021 performance in a larger and faster-growing market is evidence of Vitec's potential for long-term sustainable growth and value creation for all of our stakeholders.

Organic growth: we have focused our resources and investment on developing new products for our fastest growing market segments and, increasingly, software-enabled technology, which provides us with broad and sustainable growth opportunities:

- Vlogging and sharing video and audio content on social media have increased with more people using smartphones and compact system cameras to create and share content using our JOBY vlogging accessories.
- Live streaming of video in multiple verticals, such as enterprises, medical and gaming, continues to grow significantly, driving demand for our streaming solutions.
- More content has been consumed on subscription channels like Netflix, Amazon Prime and Disney, and original content creation is growing dramatically, driving demand for our video transmission and monitoring systems.
- Further automation of TV studios to drive cost efficiencies is benefitting our robotic camera systems, voice-activated prompting solutions, and LED lighting products.

We also continue to invest in our digital capabilities across the Group to benefit from the continued transition to the higher margin e-commerce channel. This is a significant commercial advantage as many of our competitors lack the digital talent, supply chain and global support infrastructure that Vitec can deploy.

Margin improvement: we will continue to improve margins.

With increased volumes and tight control of our operating expenses, we benefitted from strong operating leverage in H1. This is an important focus for the Group as we expect operating leverage to continue to drive better margins.

In addition, we expect to improve operating margins by:

- Optimising our manufacturing and assembly portfolio
- Improving productivity with operational efficiencies
- Increasing sales of higher margin, higher technology products
- Growing our online sales, especially in the Imaging Solutions Division
- Recovering the margin in our Creative Solutions Division, and
- Capturing synergies from acquisitions.

These benefits are expected to more than offset headwinds from increased amortisation and increased freight and duty costs. We expect to recover raw material inflation with pricing increases.

M&A activity: we have a clear and focused M&A strategy, aligned with our purpose, to increase addressable markets served and further increase our higher technology capabilities. Our organisation model is easily scalable and gives us the opportunity to continue to acquire small-to-medium sized businesses.

In April 2021, we acquired Los Angeles-based Quasar. Quasar designs and develops a range of market-leading, innovative linear LED lighting solutions for cine-style applications. Their products are used in professional, large-scale film and scripted TV production as well as small scale new media markets, and are highly sought after for their industry leading colour quality and versatility. Quasar is being integrated into Vitec's Production Solutions Division.

This acquisition was driven by Vitec's strategy to expand our higher technology capabilities in strategic growth markets. Quasar products are highly complementary to Vitec's existing Litepanels LED Lighting brand and the two sales and marketing teams are being integrated. They are focused on selling Quasar products through Vitec's global sales and distribution network and using Quasar's expertise and network to grow the Litepanels brand in the cine market. Two new Quasar products were released in May and the Engineering Teams are working together to develop a joint technological roadmap for future Litepanels and Quasar products.

In the same month, we acquired Lightstream, a US-based technology company that provides a cloud-based video production and editing Software-as-a-Service ("SaaS") platform to enable content creators to enrich their live video streams. Lightstream is a world leader in cloud live streaming technology for the fast-growing gaming market and has strong strategic partnerships and technology integrations with the leading streaming and gaming platforms, including with Microsoft's Xbox and Amazon's Twitch.

Live streaming across all industries has grown exponentially during the pandemic and it has become a significant growth opportunity for the Group with our Teradek brand. The gaming market was a logical extension to our live streaming strategy and, with Lightstream as part of the Group, we are able to address the growing demand for cloud-based content creation as well as increasing our recurring revenue stream.

Lightstream is being integrated into Vitec's Creative Solutions Division. Our marketing, digital and sales teams are now actively promoting Lightstream in the major global gaming markets. We have completed the strategic review which looked at combining Teradek's video encoding and cloud distribution capabilities with the Lightstream cloud editing platform and we are developing a joint software roadmap. We are also planning to apply Lightstream's technology to our enterprise customer base. Our JOBY team has started promoting Lightstream's studio product into its growing JOBY vlogger and social media influencer customer base, bundling Lightstream subscriptions and Vitec hardware accessories. We are also preparing to take a strong lead in the cloud video market offering Teradek hardware with Lightstream cloud solutions.

Creative Solutions has our greatest market opportunity, fastest area of growth and highest margin potential. The Board continues to consider how best, over time, to maximise and clearly demonstrate to shareholders the potential value of the Creative Solutions Division.

Divisional performances

Imaging Solutions

The Imaging Solutions Division designs, manufactures and distributes premium branded equipment for photographic and video cameras and smartphones, and provides dedicated solutions to professional and amateur image makers, independent content creators, vloggers and enterprises. This includes camera supports and heads, camera bags, smartphone and vlogging accessories, lighting supports, LED lights, lighting controls, motion control, audio capture and noise reduction equipment marketed under the most recognised accessories brands in the industry. Imaging Solutions represents 51% of Group revenue.

Imaging Solutions has seen a stronger than expected recovery, its TAM having increased to £1.2 billion (2021), particularly due to the increase in vlogging. We estimate that the market CAGR (2022-24) will be c.2-5% (previous mid-term forecast of c.1%). We are focused on continued growth in the higher margin e-commerce channel, vlogging accessories, and new audio capture and mechatronic products.

Imaging Solutions	Adjusted*			Statutory	
	H1 2021	H1 2020	H1 2019	H1 2021	H1 2020
Revenue	£91.7m	£63.8m	£95.5m	£91.7m	£63.8m
Operating profit/(loss)	£12.8m	£(1.2)m	£13.4m	£12.2m	£(3.0)m
Operating margin	14.0%	(1.9)%	14.0%	13.3%	(4.7)%

* For Imaging Solutions, before charges associated with acquisition of businesses and other adjusting items of £0.6 million (H1 2020: £1.8 million).

Imaging Solutions' revenue recovered to £91.7 million, which on an organic, constant currency basis was only down 1% compared to H1 2019.

In the consumer segment (c.15% of Divisional revenue), there was continued strong growth in JOBY smartphone and compact system camera accessories. JOBY revenue grew double digit compared to H1 2020 and was up c.20% compared to H1 2019. JOBY launched the Beamo Ring Light in March, designed to integrate seamlessly with existing JOBY supports and microphones.

B2B revenue (c.25% of Divisional revenue) increased materially compared to 2019. This was due to demand for lighting supports and backgrounds. Key companies in the sports analysis and streaming market are using Manfrotto Lighting supports to hold their sports cameras at an elevated height; as a result Manfrotto lighting supports saw c.20% revenue growth on H1 2019.

Revenue for professional (c.40% of Divisional revenue) photo and video supports grew significantly compared to H1 2019 due to new motion control products launched last year and strong demand from the professional market. Hobbyist (c.20% of Divisional revenue) photo supports and bags revenue saw a decline compared to H1 2019, whilst markets remained subdued due to travel restrictions; although is significantly ahead of H1 2020. In audio, Rycote performed extremely well with more than 50% revenue growth versus H1 2019 due to increased demand driven by significant growth in sales to external companies integrating Rycote's patented microphone shock mounting for their audio product offerings.

Adjusted operating profit* of £12.8 million represents a return to pre-pandemic margins; higher freight and duty costs being offset by restructuring savings. Adjusted operating margin* was 14.0%. On an organic, constant currency basis, adjusted operating profit* was 1% down on H1 2019.

Statutory operating profit was £12.2 million (H1 2020: £3.0 million loss), reflecting £0.6 million of charges associated with acquisition of businesses and other adjusting items (H1 2020: £1.8 million) of which £0.1 million of charges related to the previously announced restructure. As of June 2021 Imaging Solutions had expensed £7.5 million in total, and by the end of 2021 it expects to have expensed a total of £8.5 million in relation to the restructure. In addition, our operations in China and Hong Kong will be consolidated later in 2021 at a cost of £0.4 million to achieve further efficiencies.

Production Solutions

The Production Solutions Division designs, manufactures and distributes premium branded and technically advanced products and solutions for broadcasters, film and video production companies, independent content creators and enterprises. Products include video heads, tripods, lights, batteries, prompters and speciality camera systems. It also supplies premium services including equipment rental and technical solutions. Production Solutions represents 29% of Group revenue.

Production Solutions has seen a strong recovery, particularly due to the increase in spend on original content creation. We estimate that the market CAGR (2022-24) will be c.0-2% (versus previous mid-term forecast of 0%). We are focused on growth in products for on-location news and sporting events, as well as robotic camera systems and voice-activated prompting to enable cost efficiencies in studios.

Production Solutions	Adjusted*			Statutory	
	H1 2021	H1 2020	H1 2019	H1 2021	H1 2020
Revenue	£52.8m	£33.7m	£54.8m	£52.8m	£33.7m
Operating profit	£11.3m	£1.4m	£8.4m	£10.9m	£1.4m
Operating margin	21.4%	4.2%	15.3%	20.6%	4.2%

* For Production Solutions, before charges associated with acquisition of businesses and other adjusting items of £0.4 million (H1 2020 nil).

Production Solutions' revenue recovered to £52.8 million, which on an organic, constant currency basis was in line with H1 2019. Its markets are not yet fully back to pre-pandemic levels, and revenue was supported by higher royalties received for the Litepanels brand.

The Litepanels Gemini 1x1 Hard launched in April and the new super-bright LED panel is the brightest 1x1 LED light ever made. The new generation Sachtler aktiv fluid heads, launched in October 2020, continued to be extremely popular.

Camera Corps provided a range of bespoke camera solutions for the Euro 2020 tournament across June and July.

The acquisition of Quasar has performed as expected in the first few months of trading; delivering £0.9 million of revenue and an adjusted operating loss* of £0.2 million.

Adjusted operating profit* of £11.3 million was £2.9 million higher than H1 2019, benefitting from royalties and lower operating costs. Adjusted operating margin* was 21.4%. Excluding royalties from the LED patents it was 17.2%. On an organic, constant currency basis, adjusted operating profit* was 40% up on H1 2019.

Statutory operating profit was £10.9 million (H1 2020: £1.4 million), which included £0.4 million of adjusting items (H1 2020: nil).

Creative Solutions

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for independent content creators, enterprises, broadcasters, film and video production companies and gamers. It is made up of a number of brands that Vitec has acquired and includes Teradek, SmallHD, Amimon, Wooden Camera and Lightstream. Products include wired and wireless video transmission and lens control systems, live streaming solutions, monitors, camera accessories and software applications. Creative Solutions represents 20% of Group revenue.

Creative Solutions has seen a strong recovery, its TAM having increased from £0.5 billion to £1.0 billion, particularly due to the increase in streaming, spend on original content creation, and Vitec's Lightstream acquisition enabling us to serve the gaming market. We estimate that the market CAGR (2022-24) will

be c.20-25%. We are focused on delivering the 4K/HDR replacement cycle and growing our medical and cloud-based streaming products for gaming, enterprise and broadcast customers.

	Adjusted*			Statutory	
	H1 2021	H1 2020	H1 2019	H1 2021	H1 2020
Creative Solutions					
Revenue	£36.9m	£21.4m	£33.9m	£36.9m	£21.4m
Operating profit/(loss)	£4.5m	£(0.8)m	£10.2m	£0.6m	£(5.4)m
Operating margin	12.2%	(3.7)%	30.1%	1.6%	(25.2)%

* For Creative Solutions, before charges associated with acquisition of businesses and other adjusting items of £3.9 million (H1 2020: £4.6 million).

Creative Solutions' revenue recovered to £36.9 million. On an organic, constant currency basis this was 15% ahead of H1 2019, despite the cine market not being fully open. Order intake was significantly ahead of H1 2019 on an organic, constant currency basis.

Sales to the cine market grew double digit versus H1 2019. The overwhelming majority of Bolt sales are now 4K/HDR, and there were c.£1.0 million sales of the SmallHD 4K/HDR monitors that were launched last year. Wooden Camera revenue grew significantly compared to H1 2019.

Sales to the enterprise market were up materially versus H1 2020 and H1 2019. Within this, revenue to the medical market tripled compared to H1 2019, with high demand for Amimon products within the operating room ("OR") and moving more medical procedures from the OR to treatment rooms. Recurring revenue excluding Lightstream was up c.50% compared to both H1 2020 and H1 2019.

Component shortages for products that serve both the cine and enterprise markets were largely mitigated in H1, with a greater impact expected in H2 2021.

The acquisition of Lightstream has performed as expected in the first few months of trading; delivering £0.5 million of revenue and an adjusted operating loss* of £0.3 million.

Adjusted operating expenses* grew compared to H1 2019 as Creative Solutions invested in sales and marketing to serve new verticals.

Adjusted operating profit* of £4.5 million represents a return towards pre-pandemic margins; an adjusted operating margin* of 12.2%. Excluding H1 2019 SmallHD insurance proceeds (£5.8 million), which were included in profit but not revenue, the adjusted operating margin* in H1 2019 was 13.0%. On an organic, constant currency basis, adjusted operating profit* was 16% up on H1 2019 (excluding insurance proceeds). We expect Creative Solutions' margins to improve as the cine market opens up fully and we sell more Amimon-enabled 4K/HDR products.

Statutory operating profit was £0.6 million (H1 2020: £5.4 million loss), which included £3.9 million of charges associated with acquisition of businesses and other adjusting items (H1 2020: £4.6 million).

Corporate costs

Corporate costs include payroll and bonus costs for the Directors and head office team, Long Term Incentive Plan and Restricted Share Plan costs for individuals across the Group, professional fees, property costs and travel costs.

	Adjusted*			Statutory	
	H1 2021	H1 2020	H1 2019	H1 2021	H1 2020
Corporate costs					
Operating (loss)	£(6.7)m	£(3.8)m	£(6.2)m	£(6.7)m	£(4.2)m

* For corporate costs, before charges associated with acquisition of businesses and other adjusting items of £nil million (H1 2020: £0.4 million).

Corporate costs increased by £2.9 million reflecting accruals for expected bonuses (H1 2020: nil) and share based payments returned to being issued in H1 as opposed to H2 in 2020. Corporate costs will rise in H2 2021 mainly due to new RSP awards issued in July 2021.

Interim dividend

The Board has declared an interim dividend of 11.0 pence per share (H1 2020: nil, H1 2019: 12.3p). The dividend will be paid on Friday, 29 October 2021 to shareholders on the register at the close of business on Friday, 24 September 2021. The Board's objective is for a progressive and sustainable dividend and believes it is appropriate for the Group to target a total dividend cover of 2.0-2.5 times adjusted EPS*. The Company has sufficient distributable reserves to cover future dividend payments for a number of years.

Responsibility

Vitec has a clear purpose and strategy, and strongly believes in doing business the right way. These behaviours are well embedded within the organisation and are closely monitored by the Board. Over the last six months, the Company has continued to develop its ESG programme, particularly in the area of climate change, and to ensure a focused and coordinated Group-wide approach to ESG. Our ambition and vision are also aligned with the UN Sustainable Development Goals (SDGs), demonstrating our commitment and contribution to wider sustainability trends and objectives.

Specifically, with regards to our assessment of risks relating to climate change, we will further report on all areas outlined by the Task Force on Climate-related Financial Disclosures as part of our 2021 Annual Report, to be published in March 2022.

We have engaged with our stakeholders – including our employees, shareholders, customers, supply chain and ratings agencies – to conduct a thorough materiality assessment. Our ESG strategy is tailored to address our key areas of impact and those of our industry, as well as meeting the priorities of our stakeholders. It is also designed to positively contribute to the success of the Company, to reduce the impact of the business on the environment, to continue to prioritise the health and safety of our employees, and to improve the diversity and inclusivity of our workplaces.

Targets

Our strategy includes clear objectives and targets across all areas, prioritising actions that are going to deliver the greatest impact. We are also collecting detailed data in order to comprehensively, clearly and consistently report our progress and credentials to our stakeholders. We have challenging aspirations and the senior team has a material percentage of the personal objectives element of their bonus scheme clearly tied to delivering an improvement in our ESG performance. We will continue to report progress on our website and in our 2021 Annual Report.

Our key focus areas are:

- Environment
- Our people
- Community
- Business practices

Under these broad categories, we have seven key pillars:

1. Continue to prioritise health and safety

We take our employees' health and safety and wellbeing extremely seriously; this continues to be our single most important priority. We promote a culture of continuous improvement in order to prevent any major incidents, and our goal is to have zero significant lost time accidents. In 2020, there were zero lost time accidents resulting in over three days absence. Year to date in 2021, there are also zero such accidents. By the end of 2021, we will also expand our disclosures to cover accidents under three days and all near misses.

2. Reduce carbon emissions

Vitec's operations have a comparatively low impact on the environment, however we are committed to reducing that impact, and have established targets and action plans to significantly reduce the carbon emissions which are under our control. Over half of the emissions currently measured result from electricity, therefore we have initiated several important initiatives to reduce energy consumption. This includes the planned implementation of solar panels in Bury St Edmunds and Cartago, completing the conversion of all lighting to LED, and investment in more efficient machinery.

Other initiatives to reduce carbon emissions have been, or are in the process of being, implemented. This includes: tracking CO2 emissions resulting from business travel; converting all car fleets to electric or hybrid; and, trialling of carbon offsetting scheme for specific areas of the business. From existing initiatives, we estimate that current direct emissions can be reduced by at least 25% by 2024, from a baseline of 4,700 tonnes of CO2 in 2019. By the end of 2021, we will establish a clear timeframe for achieving carbon neutrality which will also encompass indirect emissions from our supply chain.

We have engaged a third-party specialist to improve the capture of carbon emissions data and further develop carbon reduction plans. In H2 2021, we aim to start measuring indirect carbon emissions relating to our supply chain activity.

3. Reduce packaging and waste

We have identified significant opportunities to reduce the amount of cardboard and plastic used in packaging our products, and have already converted much of the packaging to more sustainable variations, such as using cardboard made from recycled product. Specific reduction targets have been set by each Division, in particular, the cardboard used for product packaging currently exceeds 400 tonnes per annum, and a target has been provisionally set whereby half of this total cardboard consumption will be eliminated by 2024 or replaced with sustainable cardboard made from FSC-grade cardboard (made from recycled product and/or sustainable forests).

Managing manufacturing waste is a huge focus area and our three largest manufacturing sites (Bury St Edmunds, Feltre and Cartago) have achieved ISO environmental accreditation. Our key sites have achieved zero, or close to zero, waste to landfill. Raw material components and waste are carefully measured and disposed of in a sustainable way.

4. Embed sustainability into our product life cycle

Our ambition over the next few years is to ensure that sustainable product life cycle principles are embedded across all of Vitec's brands, covering product development through to retirement, such that the total environmental impact of our brands is measured and reduced. Our consumer-centric Imaging Solutions' brands are well under way in this journey, for example, some of the photographic bags are made using up to 75% recycled fabric and sustainable packaging, and Lowepro's ambition is to only use recycled material in three years' time. Imaging Solutions is rolling out a holistic sustainability development programme in partnership with Bologna Business School. We will expand this to other businesses in due course.

5. Formalise the integrity of our entire supply chain

We are taking steps to further strengthen our supply chain management processes in terms of supplier vetting and inspection, and in-depth review of the origin of all components within the supply chain. We expect to complete this process by the middle of 2022 and have recently formalised our Responsible Sourcing Policy and recommunicated this to suppliers.

6. Improve diversity and inclusion ("D&I")

We strive to employ a diverse workforce and foster an equal opportunities culture. Our approach to diversity follows a strict policy of sourcing the best person for the role irrespective of race, gender, age, religion, sexual preference or disability, and our Code of Conduct sets out an express prohibition on discrimination of any kind.

We have developed a new D&I strategy with targets and action plans tailored to address our industry and our key area of weakness, which is a lack of female employees in many areas of the Group. Over a five-year period, we aim to increase the number of female employees across the Group and improve the Group's overall gender diversity from 70% men, 30% women. At a senior leadership level, we expect the ratio of women to be at least 30%.

7. Positively impact the communities in which we operate

We remain committed to our aim for Vitec to positively impact one disadvantaged young person for every Vitec employee in the communities in which we operate.

Managing a responsible business

We continue to have a robust Governance framework with a Code of Conduct which sets out our values and the behaviour that can be expected from Vitec, our people and our supply chain. This is available on the Group website. This robust Governance framework underpins a sustainable and responsible business for our stakeholders.

We are starting to actively engage the whole business in ESG. Our ESG Committee oversees, delivers and reports on our ESG programme, with input from employees across the Group. The Committee was established to help us meet our growing standards and ambition, leading initiatives across the Group and ensuring compliance with all regulations and emerging practices. And the Vitec Board has oversight and overall responsibility for the Company's ESG strategy and performance.

Outlook

The Group's positive first half performance is a result of strong demand, market growth and a tightly managed cost base. Second half trading has started extremely well, and we expect the combined order intake for July and August to be approximately 20% above 2019. The Board now expects adjusted PBT for FY 2021 to be above current market forecasts, despite ongoing uncertainties.

The content creation market is a great place to be. The pandemic has accelerated the democratisation and digitalisation of media, driving a permanent structural change to the market. There has been a dramatic increase in the capture, consumption and sharing of video and scripted TV content, and Vitec is right at the heart of this fast-growing market. We expect to deliver strong margin recovery, as we benefit from strong operating leverage and ongoing operational efficiencies, increase sales of higher margin, higher technology products, in-source production of some JOBY products, and grow online sales, particularly in our Imaging Division. Vitec is now a stronger, higher quality business in a larger and faster-growing market, and the Group is well placed for long-term, sustainable growth and value creation for all of our stakeholders.

Risks and Uncertainties

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

The principal risks and uncertainties that may affect our performance are set out in the Annual Report and in summary are around:

- Demand for Vitec's products
- New markets and channels of distribution
- Acquisitions
- Pricing pressure
- Dependence on key suppliers
- Dependence on key customers
- People (including health and safety)

- Laws and regulations
- Reputation of the Group
- Exchange rates
- Business continuity including cyber security
- Climate change

We believe that the risks relating to “Demand for Vitec’s products” has reduced due to an overall recovery that is faster than expected, and the strong order book which supports demand. A small number of segments and territories remain strongly affected by the pandemic, for example sales of photographic bags are heavily affected by the decline in air travel; some territories such as Japan are still in a state of emergency, resulting in a subdued demand. At the same time, Vitec’s diversification away from traditional markets is proving to be highly successful; Vitec is experiencing a very strong level of growth in several segments especially lighting supports, vlogging accessories, streaming solutions and services, 4K transmitters, monitors and encoders, and LED lighting. We believe the long-term fundamentals for the content creation industry remain strong.

Pricing pressure has reduced overall due to the strong order backlog. We are largely able to recover increases in component and shipping costs through price increases.

We believe the risk relating to the Group’s reputation continues to increase due to increased stakeholder and regulatory scrutiny, particularly in relation to companies’ impact on the environment and their role in combatting climate change. We fully recognise our corporate responsibilities and in particular we have implemented a structured, cross functional, ESG framework.

The risk related to People (including health and safety) has also increased overall due to a labour market for engineers (including software engineers) that is increasingly competitive in several of Vitec’s key locations for product development. We are reviewing the incentive structure for our engineering workforce. With regards to COVID-19, we continue to implement strict mitigation measures at all sites.

The risk relating to Business continuity, including cyber security, continues to increase. This is due to lack of availability of certain critical components, in particular semi-conductors, which may hinder our production capacity, as well as a continued increase in cyber security risks. With regards to semi-conductors, our most impacted business is Teradek. We are mitigating this issue by actively identifying alternative sources of supply, increasing the number and value of orders placed in advance, using the semiconductors in our inventory to build the most profitable products and passing on cost increases by raising prices.

Climate Change has been added as a principal risk. We recognise the potential long-term severity of the climate change risks, notwithstanding the challenges in quantifying the range of outcomes. Although Vitec has a comparatively low impact on the environment, we are developing strategies to mitigate the potential physical impact of climate change on our operations and people, and our supply chain, as well as the risks and opportunities, and potentially additional costs associated with the transition to a low-carbon economy. We believe that we are relatively well placed to manage this risk due to our environmental initiatives, diversified geographical footprint and supply chain, and the specific attributes of the content creation industry.

Forward-looking statements

This announcement contains forward-looking statements with respect to the financial condition, performance, position, strategy, results and plans of the Group based on Management’s current expectations or beliefs as well as assumptions about future events. These forward-looking statements are not guarantees of future performance. Undue reliance should not be placed on forward-looking statements because, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group’s plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. The Company undertakes no obligation to publicly revise or update any forward-looking statements or adjust them for future events or developments. Nothing in this announcement should be construed as a profit forecast.

The information in this announcement does not constitute an offer to sell or an invitation to buy shares in the Company in any jurisdiction or an invitation or inducement to engage in any other investment activities. The release or publication of this announcement in certain jurisdictions may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and observe, any applicable requirements.

This announcement contains brands and products that are protected in accordance with applicable trademark and patent laws by virtue of their registration.

Responsibility statement of the Directors in respect of the Half Year Results to 30 June 2021

We confirm that, to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Going concern and viability

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have considered the potential risk of continued suppression of demand and, while monitoring developments as the Group implements contingency plans, they currently consider there to be minimal risk of breaching covenants. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements. Further detail on the assessment of going concern can be found within note 1 to the condensed financial statements.

For and on behalf of the Board

Stephen Bird
Group Chief Executive

Martin Green
Group Finance Director

INDEPENDENT REVIEW REPORT TO THE VITEC GROUP PLC

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 2021 which comprises the Income Statement, the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement and related notes 1 to 12. 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.

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 Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

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 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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 formed.

Deloitte LLP

Statutory Auditor
London, United Kingdom
11 August 2021

Condensed Consolidated Income Statement

For the half year ended 30 June 2021

		Half year to 30 June 2021	Half year to 30 June 2020	Year to 31 December 2020
		Unaudited	Unaudited	Audited
	Notes	£m	£m	£m
Revenue	2	181.4	118.9	290.5
Cost of sales		(101.6)	(75.1)	(178.5)
Gross profit		79.8	43.8	112.0
Operating expenses	3	(62.8)	(55.0)	(115.3)
Operating profit/(loss)		17.0	(11.2)	(3.3)
Comprising				
- Adjusted operating profit/(loss)		21.9	(4.4)	9.9
- Charges associated with acquisition of businesses and other adjusting items	4	(4.9)	(6.8)	(13.2)
		17.0	(11.2)	(3.3)
Net finance expense	5	(1.9)	(2.6)	(4.4)
Profit/(loss) before tax		15.1	(13.8)	(7.7)
Comprising				
- Adjusted profit/(loss) before tax		20.0	(7.0)	5.5
- Charges associated with acquisition of businesses and other adjusting items	4	(4.9)	(6.8)	(13.2)
		15.1	(13.8)	(7.7)
Taxation		(3.9)	4.3	2.4
Comprising taxation on				
- Adjusted profit/(loss)	6	(5.0)	2.5	(1.4)
- Charges associated with acquisition of businesses and other adjusting items	6	1.1	1.8	3.8
		(3.9)	4.3	2.4
Profit/(loss) for the period attributable to owners of the parent		11.2	(9.5)	(5.3)
Earnings per share				
Basic earnings per share	7	24.4p	(20.9)p	(11.6)p
Diluted earnings per share	7	23.9p	(20.9)p	(11.6)p

Average exchange rates

Euro	1.15	1.15	1.12
US\$	1.39	1.27	1.29

Consolidated Statement of Comprehensive Income

For the half year ended 30 June 2021

	Half year to 30 June 2021	Half year to 30 June 2020	Year to 31 December 2020
	Unaudited	Unaudited	Audited
	£m	£m	£m
Profit/(loss) for the period	11.2	(9.5)	(5.3)
Other comprehensive income/(expense):			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit obligation	5.6	(4.0)	(7.6)
Related tax	(0.4)	0.9	1.6
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences on foreign currency subsidiaries	(4.7)	15.7	(0.7)
Net investment hedges – net gain/(loss)	0.7	(4.8)	(1.3)
Cash flow hedges – reclassified to the Income Statement, net of tax	(0.2)	0.9	0.7
Cash flow hedges – effective portion of changes in fair value, net of tax	0.1	(1.5)	(0.9)
Other comprehensive income/(expense), net of tax	1.1	7.2	(8.2)
Total comprehensive income/(loss) for the period attributable to owners of the parent	12.3	(2.3)	(13.5)

Condensed Consolidated Balance Sheet

As at 30 June 2021

	30 June 2021	30 June 2020	31 December 2020
	Unaudited	Unaudited	Audited
	£m	£m	£m
Assets			
Non-current assets			
Intangible assets	142.8	133.1	123.5
Property, plant and equipment	51.7	46.5	42.2
Trade and other receivables	1.6	2.1	1.5
Non-current tax assets	3.2	-	-
Deferred tax assets	25.5	23.7	24.6
	224.8	205.4	191.8
Current assets			
Inventories	73.2	80.0	64.8
Trade and other receivables	62.6	46.0	51.7
Derivative financial instruments	-	-	0.1
Current tax assets	4.9	10.8	8.9
Cash and cash equivalents	17.1	16.1	17.3
	157.8	152.9	142.8
Total assets	382.6	358.3	334.6
Liabilities			
Current liabilities			
Bank overdrafts	-	-	0.5
Interest-bearing loans and borrowings	0.4	50.5	50.6
Lease liabilities	4.7	6.6	4.7
Trade and other payables	72.9	48.0	44.8
Derivative financial instruments	-	0.6	-
Current tax liabilities	8.5	8.8	9.7
Provisions	2.6	3.1	3.7
	89.1	117.6	114.0

Non-current liabilities

Interest-bearing loans and borrowings	94.1	54.9	40.8
Lease liabilities	19.9	11.5	11.5
Other payables	0.4	-	-
Post-employment obligations	9.8	12.4	15.9
Provisions	1.1	0.8	1.0
Deferred tax liabilities	7.0	6.9	6.0
	132.3	86.5	75.2
Total liabilities	221.4	204.1	189.2
Net assets	161.2	154.2	145.4

Equity

Share capital	9.3	9.1	9.2
Share premium	22.6	20.8	21.7
Translation reserve	(17.9)	(1.0)	(13.9)
Capital redemption reserve	1.6	1.6	1.6
Merger reserve	3.5	-	-
Cash flow hedging reserve	-	(0.3)	0.1
Retained earnings	142.1	124.0	126.7
Total equity	161.2	154.2	145.4

Balance Sheet exchange rates

Euro	1.16	1.10	1.12
US\$	1.38	1.24	1.37

Consolidated Statement of Changes in Equity

For the half year ended 30 June 2021 (Unaudited)

	Share capital	Share premium	Translation reserve	Capital redemption reserve	Merger reserve	Cash flow hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2021	9.2	21.7	(13.9)	1.6	-	0.1	126.7	145.4
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	11.2	11.2
Other comprehensive (expense)/income for the period	-	-	(4.0)	-	-	(0.1)	5.2	1.1
Contributions by and distributions to owners								
Dividends paid	-	-	-	-	-	-	(2.1)	(2.1)
Own shares purchased	-	-	-	-	-	-	(1.6)	(1.6)
New shares issued	0.1	0.9	-	-	3.5	-	-	4.5
Share-based payment charge	-	-	-	-	-	-	2.6	2.6
Tax on share-based payment charge	-	-	-	-	-	-	0.1	0.1
Balance at 30 June 2021	9.3	22.6	(17.9)	1.6	3.5	-	142.1	161.2

	Share capital	Share premium	Translation reserve	Capital redemption reserve	Merger reserve	Cash flow hedging reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2020	9.1	20.7	(11.9)	1.6	-	0.3	136.9	156.7
Total comprehensive income for the period								
Loss for the period	-	-	-	-	-	-	(9.5)	(9.5)
Other comprehensive income/(expense) for the period	-	-	10.9	-	-	(0.6)	(3.1)	7.2
Contributions by and distributions to owners								
Own shares purchased	-	-	-	-	-	-	(1.6)	(1.6)
New shares issued	-	0.1	-	-	-	-	-	0.1
Share-based payment charge	-	-	-	-	-	-	1.3	1.3
Balance at 30 June 2020	9.1	20.8	(1.0)	1.6	-	(0.3)	124.0	154.2

Condensed Consolidated Statement of Cash Flows

For the half year ended 30 June 2021

	Half year to 30 June 2021 Unaudited £m	Half year to 30 June 2020 Unaudited £m	Year to 31 December 2020 Audited £m
Notes			
Cash flows from operating activities			
Profit for the period	11.2	(9.5)	(5.3)
Adjustments for:			
Taxation	3.9	(4.3)	(2.4)
Depreciation	6.1	6.6	13.1
Impairment losses on property, plant and equipment	-	-	0.6
Amortisation of intangible assets	6.5	7.3	13.5
Net loss on disposal of property, plant and equipment and software	-	(0.1)	(0.1)
Fair value losses/(gains) on derivative financial instruments	-	0.2	(0.1)
Foreign exchange (gains)/losses	(0.2)	0.4	0.3
Share-based payments	2.6	1.3	3.7
Earnout charges and retention bonuses	0.2	1.1	1.9
Net finance expense	1.9	2.6	4.4
Operating profit before changes in working capital and provisions	32.2	5.6	29.6
(Increase)/decrease in inventories	(9.3)	1.1	11.5
(Increase)/decrease in receivables	(12.2)	15.9	8.3
Increase/(decrease) in payables	23.4	(11.0)	(12.6)
Decrease in provisions	(1.4)	(4.2)	(2.8)
Cash generated from operating activities	32.7	7.4	34.0
Interest paid	(1.8)	(3.6)	(5.9)
Tax paid	(4.9)	(1.2)	(3.1)
Net cash from operating activities	26.0	2.6	25.0

Cash flows from investing activities

Proceeds from sale of property, plant and equipment, and software	-	0.1	0.2
Purchase of property, plant and equipment	(4.4)	(2.8)	(5.1)
Capitalisation of software and development costs	(5.8)	(5.7)	(10.6)
Acquisition of businesses, net of cash acquired	(12.7)	-	-
Net cash used in investing activities	(22.9)	(8.4)	(15.5)

Cash flows from financing activities

Proceeds from the issue of shares	0.9	0.1	1.1
Own shares purchased	(1.6)	(1.6)	(2.3)
Principle lease repayments	(3.2)	(2.4)	(5.8)
Repayment of interest-bearing loans and borrowings	(87.8)	(61.4)	(76.9)
Borrowings from interest-bearing loans and borrowings	91.5	67.1	71.7
Dividends paid	(2.1)	-	-
Net cash used in financing activities	(2.3)	1.8	(12.2)

Increase in cash and cash equivalents	9	0.8	(4.0)	(2.7)
Cash and cash equivalents at 1 January		16.8	18.9	18.9
Effect of exchange rate fluctuations on cash held		(0.5)	1.2	0.6
Cash and cash equivalents at the end of period	9	17.1	16.1	16.8

1 Accounting policies

Reporting entity

The Vitec Group plc (the "Company") is a company domiciled and incorporated under the Companies Act in the United Kingdom. These condensed consolidated interim financial statements as at and for the half year ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

Basis of preparation and statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with United Kingdom adopted IAS 34 "Interim Financial Reporting". This report 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 2020, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The annual financial statements of the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards.

The comparative figures for the year ended 31 December 2020 do not constitute statutory accounts for the purpose of section 434 of the Companies Act 2006. The auditors have reported on the 2020 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. The half year amounts as at and for the half years ending 30 June presented in these condensed consolidated interim financial statements have been reviewed in accordance with International Standard on Review Engagements (UK and Ireland) 2410 but have not been audited.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for, or superior to, IFRS measures, provide stakeholders with additional helpful information to better reflect the underlying business and enable a more meaningful comparison over time. A glossary on the last page provides a comprehensive list of APMs that the Group uses, including an explanation of how they are calculated, why they are used and how they can be reconciled to a statutory measure where relevant.

These condensed consolidated interim financial statements were approved by the Board of Directors on 11 August 2021.

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and the corresponding interim period.

Impact of adoption of new accounting standards

There has been no material impact on the financial statements of adopting new standards or amendments.

Going concern

The Group's strategic and financial planning process reflects the Directors' best estimate of the future prospects of the Group, but they have also considered a range of scenarios through to the end of 2022. Modelling is impacted by a number of factors including assumptions around the overall global economic environment, how long it takes for our end markets to fully resume creation of original content, and

continued actions that governments might take in relation to controlling the pandemic such as the closure of retail stores.

The Directors have reviewed the forecast scenarios as set out below:

- The Group's latest forecast, which projects an improvement in trading performance in H2 2021 and 2022, continuing the strong recovery in H1 2021;
- Two downside scenarios with the key changes to estimates being as follows:

1. Reducing the rate at which forecast sales recover across both years; and
2. Considering the possibility of large supply-side component shortages, in both H2 2021 and 2022.

The downside scenarios are considered possible but not probable and included an assumed operating leverage of 55%. They also factor in cost savings from management actions which would be taken to partly offset a decline in trading performance. These are proportionate and do not take into account all discretionary actions which could be taken; nor do they consider renegotiation of the RCF covenants or Government support (both of which occurred in 2020).

Revenue in H1 2021 was broadly in line with H1 2019. Revenue would need to decline by 20% in H2 2021 versus H2 2019 to result in a breach of the covenants. The Directors currently consider this scenario remote given the improvement in trading.

The Directors have also considered the Group's capacity to remain a going concern after consideration of future cash flows, expected debt service requirements, undrawn facilities and access to capital markets. The main element of the Group's committed borrowing facilities at 30 June 2021 is the £165 million five-year RCF. As at 30 June 2021, the Group had utilised £94.5 million (57%) of the RCF.

New standards and interpretations not yet adopted

Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

2 Reportable segments

For the half year ended 30 June 2021

The Group has three reportable segments which are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker on a regular basis to assist in making decisions on capital allocated to each segment and to assess performance.

	For the half year to 30 June									
	Imaging Solutions		Production Solutions		Creative Solutions		Corporate and unallocated		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Analysis of revenue from external customers, by location of customer										
United Kingdom	8.0	3.9	6.4	3.4	3.2	1.2	-	-	17.6	8.5
The rest of Europe	36.2	22.2	14.3	8.6	4.6	1.8	-	-	55.1	32.6
North America	26.1	20.2	23.4	14.7	23.9	15.3	-	-	73.4	50.2
Asia Pacific	19.0	16.1	7.2	5.8	4.6	2.6	-	-	30.8	24.5
The rest of the World	2.4	1.4	1.5	1.2	0.6	0.5	-	-	4.5	3.1
Total revenue from external customers	91.7	63.8	52.8	33.7	36.9	21.4	-	-	181.4	118.9
Inter-segment revenue ⁽¹⁾	0.1	0.1	0.2	0.1	0.1	0.2	(0.4)	(0.4)	-	-
Total revenue	91.8	63.9	53.0	33.8	37.0	21.6	(0.4)	(0.4)	181.4	118.9
Adjusted operating profit/(loss)	12.8	(1.2)	11.3	1.4	4.5	(0.8)	(6.7)	(3.8)	21.9	(4.4)
Amortisation of acquired intangible assets	(0.5)	(1.0)	(0.1)	-	(2.7)	(3.5)	-	-	(3.3)	(4.5)
Integration and restructuring costs	(0.1)	(0.2)	(0.2)	-	-	-	-	(0.4)	(0.3)	(0.6)
Effect of fair valuation of acquired inventory	-	-	-	-	-	(0.6)	-	-	-	(0.6)
Earnout charges and retention bonuses	-	(0.6)	-	-	(0.8)	(0.5)	-	-	(0.8)	(1.1)
Transaction costs relating to acquisition of businesses	-	-	(0.1)	-	(0.4)	-	-	-	(0.5)	-
Operating profit/(loss)	12.2	(3.0)	10.9	1.4	0.6	(5.4)	(6.7)	(4.2)	17.0	(11.2)
Net finance expense									(1.9)	(2.6)
Taxation									(3.9)	4.3
Profit/(loss) for the year									11.2	(9.5)

Segment assets	132.5	132.9	101.0	95.1	97.8	79.1	0.6	0.6	331.9	307.7
Unallocated assets										
Cash and cash equivalents							17.1	16.1	17.1	16.1
Non-current tax assets							3.2	-	3.2	-
Current tax assets							4.9	10.8	4.9	10.8
Deferred tax assets							25.5	23.7	25.5	23.7
Total assets									382.6	358.3
Segment liabilities	45.6	35.1	41.2	33.0	22.3	11.8	2.3	3.1	111.4	83.0
Unallocated liabilities										
Interest-bearing loans and borrowings ⁽²⁾	0.9	0.9	-	-	0.4	0.5	93.2	104.0	94.5	105.4
Current tax liabilities							8.5	8.8	8.5	8.8
Deferred tax liabilities							7.0	6.9	7.0	6.9
Total liabilities									221.4	204.1

⁽¹⁾ Inter-segment pricing is determined on an arm's length basis. These are eliminated in the corporate and unallocated column.

⁽²⁾ Interest-bearing loans and borrowings of £1.4 million previously included in the 2020 Corporate and unallocated amount have been reclassified to the Imaging Solutions Division (£0.9 million) and the Creative Solutions Division (£0.5 million).

The Group's operations are located in several geographic locations, and sell products and services to external customers in all parts of the world.

3 Operating expenses

	Half year to 30 June 2021	Half year to 30 June 2020	Year to 31 December 2020
	£m	£m	£m
Analysis of operating expenses			
Charges associated with acquisition of businesses and other adjusting items ⁽¹⁾	(4.9)	(6.2)	(11.8)
Other administrative expenses	(26.3)	(21.7)	(47.3)
Administrative expenses	(31.2)	(27.9)	(59.1)
Marketing, selling and distribution costs	(22.6)	(20.4)	(41.2)
Research, development and engineering costs	(9.0)	(6.7)	(15.0)
Total operating expenses	(62.8)	(55.0)	(115.3)

⁽¹⁾ Total charges associated with acquisition of businesses and other adjusting items were £4.9 million (2020: £6.8 million of which £6.2 million were recognised in operating expenses and £0.6 million in cost of sales).

4 Charges associated with acquisition of businesses and other adjusting items

The Group's key performance measures, such as adjusted operating profit, exclude charges associated with acquisition of businesses and items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. Non-cash charges associated with acquisition of businesses include amortisation of acquired intangible assets and the effect of fair valuation of acquired inventory. Cash charges include transaction costs, earnout charges and retention bonuses agreed as part of the acquisition, and significant costs relating to the integration of acquired businesses.

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Amortisation of acquired intangible assets	(3.3)	(4.5)	(7.6)
Integration and restructuring costs	(0.3)	(0.6)	(2.8)
Effect of fair valuation of acquired inventory	-	(0.6)	(0.9)
Earnout charges and retention bonuses ⁽²⁾	(0.8)	(1.1)	(1.9)
Transaction costs relating to acquisition of businesses	(0.5)	-	-
Charges associated with acquisition of businesses and other adjusting items	(4.9)	(6.8)	(13.2)

⁽²⁾ Earnout charges and retention bonuses of £0.8 million includes a share based payment charge of £0.6 million.

5 Net finance expense

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
Finance income			
Net currency translation gains	0.1	-	0.6
Finance expense			
Other interest payable	-	-	(0.1)
Unwind of discount on liabilities	-	(0.1)	(0.1)
Interest expense on lease liabilities	(0.4)	(0.4)	(0.8)
Interest expense on interest-bearing loans and borrowings	(1.5)	(2.1)	(3.9)
Interest expense on net defined benefit pension scheme	(0.1)	-	(0.1)
	(2.0)	(2.6)	(5.0)
Net finance expense	(1.9)	(2.6)	(4.4)

6 Taxation

Income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m
The total taxation (charge)/credit in the Income Statement is analysed as follows:			
Summarised in the Income Statement as follows			
Current tax	(4.4)	2.8	(2.1)
Deferred tax	0.5	1.5	4.5
	(3.9)	4.3	2.4
Charges associated with acquisition of businesses and material non-operating events			
Current tax	0.1	0.1	0.1
Deferred tax	1.0	1.7	3.7
	1.1	1.8	3.8
Before charges associated with acquisition of businesses and material non-operating events			
Current tax	(4.5)	2.7	(2.2)
Deferred tax	(0.5)	(0.2)	0.8
	(5.0)	2.5	(1.4)

In October 2017, the European Commission ("EC") opened a State Aid investigation into the Group Financing Exemption in the UK controlled foreign company ("CFC") rules (an exemption introduced into the UK tax legislation in 2013). While the Group has complied with all the requirements of UK tax law, in April 2019 the EC confirmed its view that some (but not all) of the UK exemptions constituted State Aid and that they would therefore require the UK to assess and recover the amount of State Aid that each affected taxpayer had received. In common with other UK-based international companies whose intra-group finance arrangements are in line with current controlled foreign company rules, Vitec is affected by this decision. Vitec calculates its maximum potential liability to be £8.7 million (including interest).

On 9 February 2021, the Group received a charging notice from HMRC under The Taxation (Post Transition Period) Bill for £3.2 million. On 31 March 2021, the Group submitted an appeal to HMRC against this charging notice. As the Group considers that the appeal will be successful, the payment made has been recorded as a non-current asset on the basis this will be repaid in due course.

7 Earnings per ordinary share

Earnings per share ("EPS") is the amount of post-tax profit/(loss) attributable to each outstanding share.

Basic EPS is calculated on the profit/(loss) for the period divided by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated on the profit/(loss) for the period divided by the weighted average number of ordinary shares in issue during the period, but adjusted for the effects of dilutive share options.

The adjusted EPS measure is used by management to assess the underlying performance of the ongoing businesses, and therefore excludes charges associated with acquisition of businesses and other adjusting items, all net of tax.

The calculation of basic, diluted and adjusted EPS is set out below:

	Half year to 30 June 2021	Half year to 30 June 2020
	£m	£m
Profit/(loss) for the financial period	11.2	(9.5)
Add back charges associated with acquisition of businesses and other adjusting items, all net of tax	3.8	5.0
Adjusted profit/(loss) after tax	15.0	(4.5)

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	Half year to 30 June		Half year to 30 June		Half year to 30 June	
	2021	2020	2021	2020	2021	2020
	Number	Number	pence	pence	pence	pence
Basic	45,868	45,444	32.7	(9.9)	24.4	(20.9)
Dilutive potential ordinary shares	947	-	(0.7)	-	(0.5)	-
Diluted	46,815	45,444	32.0	(9.9)	23.9	(20.9)

8 Acquisitions

Acquisitions are accounted for under the acquisition method of accounting. With limited exceptions, identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their fair values at the acquisition date. A detailed exercise is undertaken to assess the fair value of assets acquired and liabilities assumed, with the use of third-party experts where appropriate.

The valuation of intangible assets requires the use of assumptions and estimates, including future growth rates, expected inflation rates, discount rates used and useful economic lives. This process continues as information is finalised, and accordingly the fair values presented in the tables below are provisional amounts. In accordance with IFRS 3 until the assessment is complete the measurement period will remain open for up to a maximum of 12 months from the acquisition date so long as information remains outstanding.

The excess of the consideration transferred, any non-controlling interest recognised and the fair value of any previous equity interest in the acquired entity over the fair value of net identifiable assets acquired is recorded as goodwill. Acquisition-related costs are recognised in the Income Statement as incurred in accordance with IFRS 3.

Acquisitions provide opportunities for further development of the Group's activities and create enhanced returns. Such opportunities and the workforces inherent in each of the acquired businesses represent much of the assessed value of goodwill.

Acquisition of Lightstream

On 12 April 2021 the Group acquired 100% of the issued share capital of Infiniscene Inc. ("Lightstream"), a US company, for consideration of US\$25.9 million (£18.8 million).

Lightstream has been integrated into the Creative Solutions Division and is a US-based technology company that provides a cloud-based video production and editing Software-as-a-Service ("SaaS") platform to enable content creators to enrich their live video streams. The acquisition is driven by the Group's long-standing strategy to increase its higher technology capabilities and expand its addressable markets.

The consideration for the acquisition is set out in the table below. The initial consideration was satisfied in part by cash of £11.6 million, and the issue of 309,753 ordinary shares of the Company worth £3.6 million based on the published price at date of acquisition. Under the terms of the acquisition, there is a deferred payment of US\$5.0 million (£3.6 million) payable in cash. The timing of this payment is contingent on events outside of the Group's control and is subject to ongoing negotiation. The minimum period over which it might be payable is within one year and the maximum period is expected to be three years.

Based on the provisional view, the fair value of the net assets acquired in the business at acquisition date was £8.2 million resulting in goodwill of £10.6 million. The goodwill represents the expected synergies from the acquisition, assembled workforce and Lightstream's ability to develop new technology in the future.

In connection with the acquisition, retention agreements were entered with key employees who were also selling shareholders. The retention agreement is for a total of US\$9.0 million (£6.5 million) and includes a share award and a cash bonus which each vest over a three-year period in equal amounts each year. The awards are conditional on continued employment on the first, second and third anniversaries of the closing date of the acquisition. The cash element of the award is accounted for as an employee expense in accordance with IAS 19 and the share element a share-based payment in accordance IFRS 2. The associated cost set out in the table below is included within operating costs in the Income Statement.

Had the acquisition been made at the beginning of the year (i.e. 1 January 2021), it would have contributed £1.1 million to revenue and £1.1 million loss to the operating profit of the Group. The results of the acquisition included in the Group's consolidated results comprise £0.5 million of revenue and £0.6 million operating loss. The level of profitability is stated after charges associated with acquisition of businesses.

Acquisition of Quasar

On 5 April 2021 the Group acquired the trade and net assets of Quasar Science LLC (“Quasar”), a US company, through a business combination for consideration of US\$1.7 million (£1.2 million).

Quasar has been integrated into the Production Solutions Division and is a motion picture LED lighting manufacturer that was founded in Los Angeles in 2012 by a group of I.A.T.S.E. Local 728 Studio Electrical Lighting Technicians with over 100 years combined expertise in lighting movie sets. Quasar products are highly complementary to the Litepanels brand and this acquisition will help to enhance the Group’s leading position in the growing LED lighting market.

The consideration for the acquisition is set out in the table below. As part of the consideration for the acquisition a contingent consideration agreement was entered into for which there are three potential payments over three years, due in April 2022, April 2023 and April 2024. The payments are determined based on whether predefined performance measures are met in each of the three years. There is no minimum payment, but the maximum cumulative payment is capped at US\$2.75 million. The fair value of contingent consideration at acquisition date was US\$0.1 million (£0.1 million).

Based on the provisional view, the fair value of the net liabilities acquired in the business at acquisition date was £0.1 million resulting in goodwill of £1.3 million. The whole amount of goodwill is tax deductible and represents the expected synergies from the acquisition, assembled workforce and Quasar’s ability to develop new technology in the future.

In connection with the acquisition, retention agreements were entered with key employees who were also the previous owners. The retention agreements are for a total of US\$1.0 million (£0.7 million) which vest over a three-year period. The awards are conditional on continued employment on the first, second and third anniversary of the closing date of the acquisition. The awards are accounted for as an employee expense in accordance with IAS 19 and the associated cost set out in the table below is included within operating costs in the Income Statement.

Had the acquisition been made at the beginning of the year (i.e. 1 January 2021), it would have contributed £1.5 million to revenue and £0.7 million loss to the operating profit of the Group. The results of the acquisition included in the Group’s consolidated results comprise £0.9 million of revenue and £0.3 million operating loss. The level of profitability is stated after charges associated with acquisition of businesses.

A summary of the acquisitions is detailed below:

	Lightstream	Quasar	Total
	£m	£m	£m
Fair value of net assets acquired			
Intangible assets	8.8	0.9	9.7
Property, plant and equipment	-	0.5	0.5
Inventories	-	0.4	0.4
Trade and other receivables	0.1	0.1	0.2
Cash	0.1	-	0.1
Lease liabilities	-	(0.3)	(0.3)
Trade and other payables	(0.7)	(1.6)	(2.3)
Provisions	-	(0.1)	(0.1)
Deferred tax	(0.1)	-	(0.1)
	8.2	(0.1)	8.1
Goodwill	10.6	1.3	11.9
Total purchase consideration	18.8	1.2	20.0
Issue of ordinary shares	(3.6)	-	(3.6)
Deferred/contingent consideration	(3.6)	(0.1)	(3.7)
Purchase price adjustment receivable	-	0.1	0.1
Cash consideration	11.6	1.2	12.8
Cash acquired	(0.1)	-	(0.1)
Total outflow of cash	11.5	1.2	12.7
Charges associated with acquisition of businesses are as follows:			
Transaction costs relating to acquisition of businesses	0.4	0.1	0.5
Earnout charges and retention bonuses	0.8	-	0.8
	1.2	0.1	1.3

The trade receivables acquired had a fair value and a gross contractual value of £0.2 million. All contractual cashflows at acquisition date are expected to be collected.

The carrying amount of goodwill at 30 June 2021 was £86.7 million (1 January 2021: £75.8 million). During the period, additions of £11.9 million were made on acquisitions. The currency translation adjustment was (£1.0) million.

9 Analysis of net debt

The table below analyses the Group's components of net debt and their movements in the period:

	Interest-bearing loans and borrowings £m	Leases £m	Liabilities from financing sub-total £m	Other Cash and cash equivalents £m	Half year to 30 June 2021 £m
Opening at 1 Jan 2021	(91.4)	(16.2)	(107.6)	16.8	(90.8)
On acquisition	-	(0.3)	(0.3)	-	(0.3)
Other cash flows	-	-	-	0.3	0.3
Repayments	87.8	3.2	91.0	(91.0)	-
Borrowings	(91.5)	-	(91.5)	91.5	-
Leases entered into during the year	-	(11.6)	(11.6)	-	(11.6)
Fees paid	0.2	-	0.2	-	0.2
Amortisation of fees	(0.3)	-	(0.3)	-	(0.3)
Foreign currency	0.7	0.3	1.0	(0.5)	0.5
Closing at 30 June 2021	(94.5)	(24.6)	(119.1)	17.1	(102.0)

	Interest-bearing loans and borrowings £m	Leases £m	Liabilities from financing sub-total £m	Other Cash and cash equivalents ⁽¹⁾ £m	Year to 31 December 2020 £m
Opening at 1 Jan 2020	(96.7)	(18.2)	(114.9)	18.9	(96.0)
Other cash flows	-	-	-	8.3	8.3
Repayments	76.9	5.8	82.7	(82.7)	-
Borrowings	(71.7)	-	(71.7)	71.7	-
Leases entered into during the year	-	(3.7)	(3.7)	-	(3.7)
Leases – early termination	-	0.2	0.2	-	0.2
Fees Paid	2.1	-	2.1	-	2.1
Amortisation	(0.7)	-	(0.7)	-	(0.7)
Foreign currency	(1.3)	(0.3)	(1.6)	0.6	(1.0)
Closing at 31 December 2020	(91.4)	(16.2)	(107.6)	16.8	(90.8)

⁽¹⁾ Net cash repayment of £2.7 million has been reclassified to Other cash flows (£8.3 million), Repayments (£82.7 million) and Borrowings (£71.7 million).

	Interest-bearing loans and borrowings £m	Leases £m	Liabilities from financing sub-total £m	Other Cash and cash equivalents ⁽²⁾ £m	Half Year to 30 June 2020 £m
Opening at 1 Jan 2020	(96.7)	(18.2)	(114.9)	18.9	(96.0)
Other cash flows	-	-	-	(7.3)	(7.3)
Repayments	61.4	2.4	63.8	(63.8)	-
Borrowings	(67.1)	-	(67.1)	67.1	-
Leases entered into during the year	-	(1.7)	(1.7)	-	(1.7)
Fees Paid	1.5	-	1.5	-	1.5
Other non cash movements	0.4	-	0.4	-	0.4
Foreign currency	(4.9)	(0.6)	(5.5)	1.2	(4.3)
Closing at 30 June 2020	(105.4)	(18.1)	(123.5)	16.1	(107.4)

⁽²⁾ Net cash repayment of £4.0 million has been reclassified to Other cash flows (£7.3 million), Repayments (£63.8 million) and Borrowings (£67.1 million).

On 14 February 2020, the Group signed a new £165.0 million five-year (with one optional two year extension) Multicurrency Revolving Credit Facility (“RCF”) with a syndicate of five banks. This facility will expire on 14 February 2025 without the utilisation of the extension. The Group was utilising 57% of the RCF as at 30 June 2021.

On 30 April 2020, the Group was confirmed as eligible to issue Commercial Paper under the Bank of England’s Covid Corporate Financing Facility (“CCFF”) scheme. The Group issued a total of £50.0 million in Commercial Paper under the scheme in 2020. The Group fully repaid the CCFF in March 2021, drawing £50.0 million on the RCF to repay the outstanding balance.

Under the terms of the RCF the Group expects to and has the discretion to roll over the obligation for at least 12 months from the balance sheet date, and as a result, these amounts are reported as non-current liabilities in the balance sheet.

10 Forward exchange contracts

The fair value of forward exchange contracts is determined by estimating the market value of that contract at the reporting date. Derivatives with a positive fair value are recorded as assets and negative fair values as liabilities, and presented as current or non-current based on their contracted maturity dates.

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next six months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next six months.

	Currency	As at 30 June 2021 millions	Average exchange rate of contracts	As at 30 June 2020 millions	Average exchange rate of contracts
Cash flow hedging contracts					
USD/GBP forward exchange contracts	USD	-	-	6.5	1.30
USD/EUR forward exchange contracts	USD	1.6	1.21	3.0	1.15
EUR/GBP forward exchange contracts	EUR	-	-	7.1	1.14
JPY/GBP forward exchange contracts	JPY	-	-	255.0	137.4
JPY/EUR forward exchange contracts	JPY	-	-	310.0	121.4

During the period to 30 June 2021 a net profit of £0.2 million (2020: loss of £0.9 million) relating to forward exchange contracts was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cash flows which affects the Income Statement.

Fair value hierarchy

The carrying values of the Group's financial instruments approximate their fair values.

The Group's financial instruments measured at fair value are Level 2.

11 Subsequent events

Other than as described below, there were no events after the Balance Sheet date that require disclosure.

Interim dividend

After the balance sheet date, an interim dividend of 11.0 pence per share has been declared by the Directors, totalling £5.1 million (2020: nil pence per share).

12 Glossary on Alternative Performance Measures (“APMs”)

In reporting financial information, the Group presents Alternative Performance Measures (“APMs”) which are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (“ESMA”). The Group’s key performance measures, such as adjusted operating profit, exclude charges associated with acquisition of businesses and items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This note provides a comprehensive list of APMs that the Group uses, including an explanation of how they are calculated, why they are used and how they can be reconciled to a statutory measure where relevant.

APM	Closest equivalent statutory measure	Definition and Purpose																
Income Statement measures																		
Adjusted gross profit	Gross profit	<p>Calculated as gross profit before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner.</p> <p>The table below shows a reconciliation:</p> <table border="1"> <thead> <tr> <th></th> <th>Half year to 30 June 2021 £m</th> <th>Half year to 30 June 2020 £m</th> <th>Year to 31 December 2020 £m</th> </tr> </thead> <tbody> <tr> <td>Gross profit</td> <td>79.8</td> <td>43.8</td> <td>112.0</td> </tr> <tr> <td>Charges associated with acquisition of businesses and other adjusting items</td> <td>-</td> <td>0.6</td> <td>1.4</td> </tr> <tr> <td>Adjusted gross profit</td> <td>79.8</td> <td>44.4</td> <td>113.4</td> </tr> </tbody> </table>		Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m	Gross profit	79.8	43.8	112.0	Charges associated with acquisition of businesses and other adjusting items	-	0.6	1.4	Adjusted gross profit	79.8	44.4	113.4
	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m															
Gross profit	79.8	43.8	112.0															
Charges associated with acquisition of businesses and other adjusting items	-	0.6	1.4															
Adjusted gross profit	79.8	44.4	113.4															
Adjusted gross profit margin	None	Calculated as adjusted gross profit divided by revenue.																
Adjusted operating profit	Operating profit	<p>Calculated as operating profit before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This is a key management incentive metric.</p> <p>Charges associated with acquisition of businesses include non-cash charges such as amortisation of acquired intangible assets and effect of fair valuation of acquired inventory. Cash charges include items such as transaction costs, earnout and deferred payments and significant costs relating to the integration of acquired businesses.</p> <p>See Condensed Consolidated Income Statement for reconciliation.</p>																

Adjusted operating profit margin	None	Calculated as adjusted operating profit divided by revenue. Progression in adjusted operating margin is an indicator of the Group's operating efficiency.																
Adjusted operating expenses	Operating expenses	<p>Calculated as operating expenses before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner.</p> <p>The table below shows a reconciliation:</p> <table border="1"> <thead> <tr> <th></th> <th>Half year to 30 June 2021 £m</th> <th>Half year to 30 June 2020 £m</th> <th>Year to 31 December 2020 £m</th> </tr> </thead> <tbody> <tr> <td>Operating expenses</td> <td>62.8</td> <td>55.0</td> <td>115.3</td> </tr> <tr> <td>Charges associated with acquisition of businesses and other adjusting items</td> <td>(4.9)</td> <td>(6.2)</td> <td>(11.8)</td> </tr> <tr> <td>Adjusted operating expenses</td> <td>57.9</td> <td>48.8</td> <td>103.5</td> </tr> </tbody> </table>		Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m	Operating expenses	62.8	55.0	115.3	Charges associated with acquisition of businesses and other adjusting items	(4.9)	(6.2)	(11.8)	Adjusted operating expenses	57.9	48.8	103.5
	Half year to 30 June 2021 £m	Half year to 30 June 2020 £m	Year to 31 December 2020 £m															
Operating expenses	62.8	55.0	115.3															
Charges associated with acquisition of businesses and other adjusting items	(4.9)	(6.2)	(11.8)															
Adjusted operating expenses	57.9	48.8	103.5															
Adjusted profit before tax	Profit before tax	<p>Calculated as profit before tax, before charges associated with acquisition of businesses and other adjusting items that the Group deems, by their nature, require adjustment in order to show more accurately the underlying business performance of the Group from period to period in a consistent manner. This is a key management incentive metric.</p> <p>See Condensed Consolidated Income Statement for reconciliation.</p>																
Adjusted profit after tax	Profit after tax	<p>Calculated as profit after tax before charges associated with acquisition of businesses and other adjusting items.</p> <p>See Consolidated Income Statement for reconciliation.</p>																
Adjusted basic earnings per share	Basic earnings per share	<p>Calculated as adjusted profit after tax divided by the weighted average number of ordinary shares in issue during the period. This is a key management incentive metric.</p> <p>See note 7 "Earnings per share".</p>																
Cash flow measures																		
Free cash flow	Net cash from operating activities	Net cash from operating activities after proceeds from property, plant and equipment and software, purchase of property, plant and equipment, and capitalisation of software and development costs. This measure reflects the cash generated in the period that is available to invest in accordance with the Group's capital allocation policy.																

Operating cash flow	Net cash from operating activities	Free cash flow before payment of interest, tax, restructuring costs, transaction costs relating to acquisition of businesses and integration costs. This is a measure of the cash generation and working capital efficiency of the Group's operations. Operating cash flow as a percentage of adjusted operating profit is a key management incentive metric.			
			Half year to 30 June 2021	Half year to 30 June 2020	Year to 31 December 2020
			£m	£m	£m
		Net cash from operating activities	26.0	2.6	25.0
		Proceeds from sale of property, plant and equipment and software	-	0.1	0.2
		Purchase of property, plant and equipment	(4.4)	(2.8)	(5.1)
		Capitalisation of software and development costs	(5.8)	(5.7)	(10.6)
		Free cash flow	15.8	(5.8)	9.5
		Add back:			
		Interest paid	1.8	3.6	5.9
Tax paid	4.9	1.2	3.1		
Payment of transaction costs relating to acquisition of businesses, earnout and retention bonuses, restructuring costs and integration costs	3.3	3.5	6.9		
Operating cash flow	25.8	2.5	25.4		
Cash conversion	None	Calculated as operating cash flow divided by adjusted operating profit.			
Other Measures					
Return on capital employed ("ROCE")	None	Calculated as adjusted operating profit for the last 12 months divided by average total assets, current liabilities excluding the current portion of interest-bearing borrowings, and non-current lease liabilities.			
Adjusted EBITDA	Operating profit	Calculated as adjusted operating profit for the last twelve months before depreciation of tangible fixed assets and amortisation of intangibles (other than those already excluded from adjusted operating profit).			