The Vitec Group plc
Annual Report
and Accounts 2021

Enabling the capture and sharing of exceptional content

Image: Philip Thurston

Capture. Share.

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

Our customers include broadcasters, film studios, production and rental companies, photographers, independent content creators ("ICCs"), vloggers, influencers, gamers, professional sound crews and enterprises.

We design, manufacture and distribute high-performance products and solutions, including camera supports, video transmission systems and monitors, live streaming solutions, smartphone accessories, robotic camera systems, prompters, LED lighting, mobile power, bags, backgrounds and motion control, audio capture and noise reduction equipment.

We employ around 2,000 people in 11 different countries and are organised in three Divisions: Imaging Solutions, Production Solutions and Creative Solutions.

View our reports and presentations online

vitecgroup.com

2021 financial highlights

Revenue

£394.3m

↑ Up 36%

2021	£394.3m
2020	£290.5m
2019	£376.1m

Adjusted operating profit*

£46.2m

↑ Up 367%

2021	£46.2m
2020	£9.9m
2019	£52.4m

Statutory operating profit

£33.5m

↑ Up £36.8m

Recommended final dividend per share

24.0p

↑ Up 433%

Net debt*

£145.2m

2021	£145.2m
2020	£90.8m
2019	£96.0m

Adjusted operating margin*

11.7%

↑ Up 830 bps

Statutory operating margin

8.5%

↑ Up 960 bps

Interim dividend per share

11.0p

Adjusted basic earnings per share*

69.9p

2021	69.9p
2020	9.0p
2019	80.6p

Basic earnings per share

56.4p

↑ Up 68p

Recommended total dividend per share

35.0p

↑ Up 678%

* In addition to statutory reporting this report provides 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 aid 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 on pages 201 to 203.

Key points

2021 financial highlights

- Significant 2021 recovery and growth across all three Divisions
- Underlying[(1)] order intake up c.20% vs 2019 (Creative Solutions up c.45%) and record revenue, despite component shortages and some capacity constraints
- Excellent cash performance with free cash flow* exceeding 2019
- Record year-end order book
- Total final dividend of 24.0p per share resulting in an increased total dividend of 35.0p per share

Strategic positioning and outlook

- Content creation market larger and growing faster post-pandemic
- Vitec executing well on strategy of organic growth, margin improvement and M&A
  - Organic growth driven by technology advancement and the Group's exposure to strong market growth drivers; Vitec expected to grow high single digit vs low single digit pre-pandemic
  - On track towards mid-teen adjusted operating margin* with continued strong cash conversion*, as volumes grow and we deliver operating leverage
  - 2021/2022 YTD acquisitions expanded the Group's customer base, portfolio and technology capabilities to support future growth
- Proposal to change Group name at 2022 AGM to differentiate us from other users of Vitec and to better reflect our purpose. It is also necessary to avoid financial penalties under a now settled dispute with a third party with claimed prior rights to the term "Vitec" in some territories.
- 2022 started very well with record order intake and revenue
- Increasingly confident for FY 2022, despite previously highlighted short-term component shortages and inflation, but current geo-political situation creates some uncertainty

(1) Underlying increases exclude the Olympics in 2021 and is on an organic, constant currency basis.

Business model
Our Divisions, customers and brands

Vitec's purpose is to enable our customers to capture and share exceptional content.

Our portfolio of market-leading brands encompasses a variety of technologies – from traditional mechanically engineered products through to electronics and software – designed and engineered to ensure that, whatever the conditions, the content creator has the best equipment to capture the moment.

We sell our products globally via multiple distribution channels, our own sales teams, and through e-commerce via our own and third-party websites.

Our core customers

Professional or amateur photographer, videographer or professional sound crew

Professional or amateur influencer, vlogger or gamer creating and sharing their video and audio content on social media platforms like TikTok, YouTube, Instagram and Twitch

Film or production company or ICC making content for feature films and scripted TV shows to share in cinemas or on subscription channels like Netflix, Amazon Prime Video, Apple TV+ and Disney+

TV broadcaster, production company or ICC producing video and audio content for TV programmes, news or live sports events

Enterprise, government, healthcare provider, education establishment or church, creating video and audio content to stream live or pre-recorded to their employees, customers and communities

Our product categories and brands

Our brands are leaders in the markets we serve, both in terms of premium products and market share. Our products typically attach to, or support, a camera – primarily for broadcast, cinematic, video, photographic, audio and smartphone applications – and are offered as a cohesive package.

Audio capture
- Audix
- JOBY
- Rycote

Backgrounds
- Colorama
- Savage
- Superior

Bags
- Gitzo
- Lowepro
- Manfrotto
- National Geographic#
- Sachtler

Camera accessories
- Teradek
- Wooden Camera

Distribution, rental & services
- Camera Corps
- The Camera Store

IP video
- Teradek

Lens control systems
- Teradek

Lighting & lighting controls
- JOBY
- Manfrotto
- Litepanels
- Quasar

Live streaming
- Lightstream
- Teradek

Mobile power
- Anton/Bauer

Monitors
- SmallHD

Motion control & stabilisers
- JOBY
- Manfrotto

Prompters
- Autocue
- Autoscript

Robotic camera systems
- Camera Corps
- Vinten

Smartphonography
- JOBY

Supports
- Avenger
- Gitzo
- JOBY
- Manfrotto
- OConnor
- Sachtler
- Vinten

Video transmission systems
- Teradek

Manufactured under licence

Our Divisions

Imaging Solutions

Vitec's Imaging Solutions Division designs, manufactures and distributes premium branded equipment for photographic/video cameras and smartphones, and provides dedicated solutions to professional and amateur photographers/videographers, ICCs, vloggers/influencers, gamers, enterprises and professional sound crews. This includes camera supports and heads, smartphone accessories, lighting supports, LED lighting, lighting controls, motion control, audio capture and noise reduction equipment, camera bags and backgrounds.

Read more **p20**

£194.7m

↑ Revenue: up 24.3%

Production Solutions

Vitec's Production Solutions Division designs, manufactures and distributes premium branded and technically advanced products and solutions for broadcasters, film and video production companies, ICCs and enterprises. Products include video heads, tripods, LED lighting, prompters, robotic camera systems and mobile power solutions. It also supplies premium services including equipment rental and technical solutions.

Read more **p24**

£121.8m

↑ Revenue: up 52.1%

Creative Solutions

Vitec's Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for film and video production companies, ICCs, gamers, enterprises and broadcasters. Products include wireless video transmission and lens control systems, monitors, camera accessories, live streaming solutions and software applications.

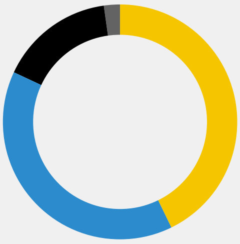
Read more **p28**

£77.8m

↑ Revenue: up 44.9%

Business model/continued
Our global footprint

2021 revenue



- North America: **43%**
- Europe: **39%**
- APAC: **16%**
- Rest of world: **2%**

Where we operate

Sites in 11 countries; Sell into 100+ countries

Sales: UK accounts for only 9% of revenue

Well capitalised, world-class manufacturing facilities in Italy, Costa Rica, the UK and US

Far East Procurement Centre (Shenzen)

R&D centres in China, Israel, Italy, New Zealand, the UK and US

- Vitec manufacturing, R&D and procurement sites
- Distribution sites

"

I have been working in the Italian plant for 11 years where I've seen exceptional evolution. In recent years I've been part of the lean transformation of the plant and have seen the productivity gains that come from lean.

Massimiliano Maccagnan
Plant Director, Vitec Imaging Solutions, Italy

People and culture

Vitec's clear strategy, simple structure and entrepreneurial culture allows us to adapt quickly to change, constantly innovating to make our products the best in the world.

Our people are key to Vitec. Their attitude and abilities, experience and market knowledge, talent and commitment create a culture that supports product excellence, creativity and integrity.

The Group has a decentralised structure with three Divisions, which allows us to react quickly to customer, market and technological changes. This, together with our entrepreneurial culture, enables focused decision-making and minimised bureaucracy.

We work across the Group to ensure that we have consistent policies and processes in place to acquire, engage and retain our best talent. We are a responsible business, focusing on supporting the communities we operate in and further reducing our impact on the environment.

Throughout the pandemic, our priority has been to protect the health and wellbeing of our people and to ensure a safe working environment so our operations can continue. We have comprehensive operating guidelines and internal communication plans to inform, reassure and retain the trust of our employees, and we work with our manufacturing teams to ensure stringent health and safety protocols.

Read more **p63**

Our core values

We have a clear purpose that is founded on a set of core values that form the Vitec Mindset: "Enabling the capture and sharing of exceptional content".

Exceptional product performance
We set the highest standards of technical performance

Customer focus
We are nothing without our customers

Leading a fast-changing market
We apply our creativity and harness our diversity to engineer innovative new products and solutions

Global capability
We share knowledge, pool resources, test ideas and learn from each other

Transparency, integrity, respect
We hold to the highest professional and corporate standards

Core competencies

Designing innovative solutions to make our customers' lives easier is what drives us.

Innovative product development

For a business like Vitec, intelligent and sustained investment in new products, technologies, markets and people enables us to ensure that our brands remain at the forefront of the industry, renowned for their premium offerings and innovative technology.

We continually obtain customer feedback on market trends, competitors and their products, as well as from research.

Our experienced, specialist engineers apply new technologies, products and materials to develop high-quality, high-performance solutions. Vitec takes product quality and customer safety very seriously and our products are manufactured to the highest standards and rigorously tested. We are integrating sustainable product development into our brand strategies using a "cradle-to-grave" life cycle assessment. This includes evaluating raw materials, manufacturing processes, waste, packaging and distribution, and end-of-life.

Our innovative products are protected by patents and trademarks, and marketed under our world-renowned brands.

We manufacture the majority of our products in-house and work with selected, market-leading partners for specialist solutions. We supplement in-house new product development with carefully selected acquisitions or partnerships in new markets and technologies.

Sourcing and manufacturing excellence

Focused on safety, quality, efficiency, sustainability, cost and on-time delivery, sourcing and manufacturing excellence is one of Vitec's core competitive strengths. Our three major manufacturing sites in the UK, Italy and Costa Rica are all certified ISO 9001 for Quality Management, ISO 14001 for Environmental Management and ISO 45001 for Health & Safety.

Our supply chain is efficient and our people highly trained and multi-skilled. We procure materials from reputable suppliers and make our products in efficient and environmentally-friendly operations and, where appropriate, manufacture or source from lower-cost countries such as Costa Rica.

The majority of our operations are relatively low-volume, small-batch processes and our continuous improvement culture enables us to optimise our global operations and implement lean manufacturing and automation to maximise quality, service and efficiency, while reducing costs. Most of our factories are vertically integrated which means we produce many of our components in-house.

Global distribution

We market our products and services through our own sales and marketing teams.

The majority of our sales are conducted via a global network of distributors, dealers, retailers and e-tailers who sell on to customers. The breadth of our product portfolio and our strong brand heritage means that our network of channel partners is unrivalled in the markets we serve.

We continue to expand our growing digital and e-commerce capabilities, working closely with our customers and suppliers to develop our online presence.

We engage with a number of leading logistics partners to ensure responsive and timely delivery of our products to the relevant geography, and remain conscious of the impact of our distribution channels on the environment.

> "Our experienced teams, clear strategy, premium brands, efficient supply chain and global distribution enable us to deliver long-term value to our shareholders, outstanding products and service to our customers, and rewarding careers for our people.

Business model/continued
Section 172(1) Statement and our stakeholders

The Board of The Vitec Group plc confirms that during the year it has acted in good faith to promote the long-term success of the Company for the benefit of its key stakeholders who have been identified as its shareholders, employees, customers, suppliers and the communities and environments in which we operate, all while having due regard to the matters set out under section 172(1)(a) to (f) of the Companies Act 2006.

Further details on stakeholder engagement and Section 172(1) matters can be found throughout our Annual Report as follows:

How the Board considers Section 172(1) matters include:

- Board strategy sessions held where the Board discusses mid- to long-term strategy
- The Board regularly considers the Group's purpose, values and culture when reviewing the Company's policies, particularly relating to business conduct
- The Audit Committee has oversight of the Company's risk assurance and management framework and the actions that are in place, or that will be put in place, to mitigate risk in the short, medium and long term
- The Board considers all ESG matters carefully, as outlined in Responsible business on pages 42 to 72
- Members of the Board engage directly with employees and shareholders and receive open feedback from the Group Chief Executive and Group Finance Director on meetings with investors and analysts, as well as regular updates and reports from the Operations Executive and external advisers on engagement with other stakeholders such as customers, suppliers and the wider communities in which Vitec operates.

Relevant Disclosure(s)

A

The likely consequence of any decision in the long term

	Page
Purpose and values	80
Business model	2
Our strategy and market trends analysis	10
Dividends	34

B

The interests of the Company's employees

	Page
People	8, 63
Employee engagement	64, 87
Employee health and wellbeing	65
Diversity and inclusion	65, 96

C

The need to foster the Company's business relationships with suppliers, customers and others

	Page
Customer engagement	7
Supplier engagement and relationships	7
Anti-bribery and corruption and modern slavery	72

D

The impact of the Company's operations on the community and the environment

	Page
Giving back	9, 68

E

The desirability of the Company maintaining a reputation for high standards of business conduct

	Page
Values and culture at Vitec	80
Whistleblowing	72
Compliance with our policies	72, 88

F

The need to act fairly as between members of the Company

	Page
Shareholder engagement	9, 86
AGM	138
Shareholder rights	136

Major decisions

Examples of major decisions considered by the Board in 2021 and how the Board considered Section 172(1) matters when reviewing them are outlined as follows:

Enhanced ESG reporting

In 2021, as part of the Group's enhanced ESG reporting practices, Vitec set itself clear targets which would have a positive contribution to the Company's long-term success and sustainability. Working closely with a specialist ESG consultancy, we have enhanced our ESG strategy, improved our reporting practices by collecting detailed data and we will be publishing our first standalone ESG report in April 2022.

Our ESG strategy is informed by both mandatory and voluntary ESG disclosures, such as the Streamlined Energy and Carbon Reporting ("SECR"), the Task Force on Climate-Related Financial Disclosures ("TCFD") and by aligning our net zero carbon strategy with the Science-Based Targets Initiative ("SBTi"). The latter demonstrates our commitment to the UK's Nationally Determined Contribution ("NDC") 2020 under the Paris Agreement 2015 to limit global warming to 1.5°C.

As well as the clear benefits to the environment, the Board noted that ESG matters have become increasingly important to all the Group's stakeholders. The Group's customers are also increasingly interested in energy saving and recycling, and ensuring products and packaging are sustainable. Our employees want reassurance that they are working for a responsible business and our shareholders seek better transparency on climate-related risks and any mitigation plans. The Board concluded that the improved ESG programme and initiatives would be a clear benefit to the Group and its stakeholders.

See pages 42 to 72 for more information in the Group's report on Responsible business.

Dividend reinstatement and repayment of government funds

The 2020 dividend was cancelled by the Board due to the pandemic and the uncertainty it brought to the business. However, in 2021, due to a strong recovery from the pandemic across all Divisions, the Board considered it appropriate that payment of dividends be resumed from May 2021. The Board reviewed the affordability of reinstating the dividend, the cost base of the business to ensure it remained aligned with performance and protecting R&D investment to be able to take advantage of growth opportunities as markets reopened.

In 2020, the Group accessed government furlough schemes to protect the long-term capabilities of the business and also took advantage of the UK Government's COVID Corporate Finance Facility ("CCFF") in response to the pandemic. The CCFF and furlough money were both repaid in early 2021 since the Board was satisfied that the recovery of the business from the pandemic in 2021 was sufficient to repay these funds. The Board considered its employees, customers and shareholders in making these key decisions as they all have a vested interest in the financial health of the Company.

The major decisions taken by the Board during the year can be found on pages 90 and 91.

Customers

Our success is dependent on our ability to understand and respond to our customers' needs, which include broadcasters, film studios, photographers, ICCs, vloggers, influencers, gamers, professional sound crews and enterprises.

Material issues for our customers	— Business continuity during COVID-19 — High-quality, high-performance products and services to enable them to capture and share exceptional content — Supply chain management – product availability and on-time delivery — Protecting their brand reputation
How we engage	— Our sales and marketing employees and senior management normally have the opportunity to meet our customers at trade shows such as IBC, NAB, NAMM and BSC – held in cities across the world — During COVID-19, management used video conferencing to maintain contact with all key customers — Our sales teams regularly meet with key customers
2021 outcomes and highlights	— 2021 strong business recovery with several trading updates issued during the year demonstrating a strong recovery in demand from end markets — Expansion into new end markets – notably gaming with the acquisition of Lightstream and pro audio with the acquisition of Audix
Further information	— Group Chief Executive review and Divisional operating reviews on pages 14 to 19 and 20 to 31.

Suppliers

We have a large number of suppliers globally, as the majority of our operations are relatively low-volume, small batch processes. We source materials from suppliers close to our manufacturing facilities where possible.

Material issues for our suppliers	— To have payment terms and invoices met on time — To ensure a long and fair relationship — Supply chain stability
How we engage	— Each Division has key relationships with its specific suppliers for key components, both from the UK and overseas — Promoting our Code of Conduct as the right way to do business and to ensure the integrity of our supply chain and protect the Group's reputation. The Board is kept informed about major third parties, including suppliers, who are screened for reputational risk issues using specialist software
2021 outcomes and highlights	— 2021 has seen increasing pressure on supply chains especially components such as silicon chips. Our businesses have successfully managed this in 2021 through keeping close contact with key suppliers and sourcing alternative suppliers where necessary
Further information	— Responsible practices on page 71.

Business model/continued
Section 172(1) Statement and our stakeholders/continued

Employees

Our employees are the best in the sector, our single greatest asset and critical to our success.

Material issues for our employees	— A safe, inclusive and engaging environment with health and safety and wellbeing at work (especially during COVID-19) — Opportunities for personal development and career progression — Competitive incentives and motivation at work — Security of employment — Innovative company pushing new product development to deliver great products to our customers — Keeping up-to-date with market, technology and business trends
How we engage	— The interests of our employees are considered by the Board and Committees, including remuneration, incentives and benefits — Caroline Thomson is the Non-Executive Director responsible for employee engagement — Employee surveys — Whistleblowing service — Group and Divisional intranets for Group-wide announcements/news — Regular employee updates from the Group Chief Executive and Divisional management — Employee wellness programme and competitive incentives including Sharesave and an established appraisal system
2021 outcomes and highlights	— Employees returning to our facilities as the pandemic subsided and ensured a safe working environment — Employee survey demonstrated high level of engagement and employee satisfaction — Ensuring those working from home had the IT support required; introduced Microsoft Teams as a new communications tool — Company recovered well from the pandemic, creating positive feedback and motivation amongst employees
Further information	— Employee engagement led by Caroline Thomson on page 64 — Whistleblowing service on page 72 — Employee survey overview on page 64 — Diversity information on page 65 — Health and safety in Vitec on page 66.

"I joined Creative Solutions in 2020 during the pandemic. I was immediately impressed by the precautions and resources provided to ensure our wellbeing. I have collaborated with a diverse group of talented individuals to overcome many challenges to deliver innovative products to content creators around the world. I am grateful to work for a company that provides us with the resources that allow us to be successful.

Eric Mays
Buyer & Planner – Wooden Camera,
Vitec Creative Solutions, USA

Communities and environments in which we work

We have a number of manufacturing and office facilities around the world and aim to limit any negative impact on the environment and protect natural resources we rely on, creating long-term sustainability for the business.

Material issues for the communities we operate in	— Minimising local disruption — Positive impact on the local economy and providing engaging employment — Our facilities being as "green" as possible, with the view for further improvements — Effective engagement programmes with the local communities
How we engage	— We engage in our local communities in various ways in each country we operate in and look to continually enhance our existing ESG activities
2021 outcomes and highlights	— Vitec committed to becoming carbon net zero by 2035 for Scope 1 and 2 emissions — Approved science-based targets, aligned to limit global warming to 1.5°C — Established ESG Committee to oversee our Environmental, Social and Governance programme
Further information	— More information on our community and environmental initiatives can be found in the Responsible business report from page 60.

Shareholders

Vitec maintains close, open and regular contact with our shareholders. Shareholders play an important role in helping to shape our strategy and monitoring governance.

Material issues for our shareholders	— Financial impact of COVID-19 and how the Company has recovered — Capital allocation policy — Customer engagement and support — Viability of the strategy and business model in place — Dividend policy — Financial performance — Environmental, Social and Governance reporting — Fair and balanced executive remuneration
How we engage	— The Group Chief Executive and Group Finance Director have regular meetings with existing and potential shareholders — 2020 Annual Report published in March 2021 — Comprehensive website – www.vitecgroup.com – covering our business, ongoing performance, governance and our ESG programme — Regular market updates on performance including at the full year and half year, including video presentations
2021 outcomes and highlights	— All results presentations, investor roadshows and meetings held virtually — Engagement with investors and analysts virtually — Annual General Meeting held as a closed meeting and with all resolutions approved by shareholders — Regular updates given to the market on the recovery of the business and performance
Further information	— Key Performance Indicators on page 35 — Shareholder engagement on page 86.

Business model/continued
Market opportunity

We are at the heart of the growing content creation market.

Vitec's purpose, to "enable the capture and sharing of exceptional content", continues to be highly relevant. 2021 saw strong market recovery and, post-pandemic, our markets are larger and growing faster.

The internet

Growth in retail e-commerce is driving increased demand for digital visual content as new products need to be photographed and filmed frequently to be published online. More and more brands are using digital platforms to reach audiences, and creatives must deliver content to more platforms and devices than ever before to build brand awareness.

This drives demand for Vitec's professional photography and videography equipment, including supports, backgrounds, lighting and bags, mainly benefitting our Imaging Solutions Division.

Subscription TV

Increasing spend on original content creation for subscription TV channels like Netflix, Amazon Prime Video, Disney+ and Apple TV+, while incumbents like Hulu, HBO and traditional broadcasters are all maintaining existing levels of spending on original content, is driving higher demand for our equipment.

Vitec offers a wide range of market-leading products across all three Divisions to meet the high production value needs of both large media companies and smaller independent producers. These include our video transmission and monitoring systems and camera accessories in Creative Solutions, lighting equipment, mobile power and supports in Production Solutions, and supports and audio capture in Imaging Solutions.

The pandemic accelerated the democratisation and digitalisation of media, driving a permanent structural change to the content creation market. There has been recovery in demand and, more importantly, there has also been a dramatic increase in the capture, consumption and sharing of content. Vitec is right at the heart of this exciting and fast-growing market, with market-leading, premium products.

Market growth is being driven by technology advancement and by the significant changes in the way people capture, consume and share content.

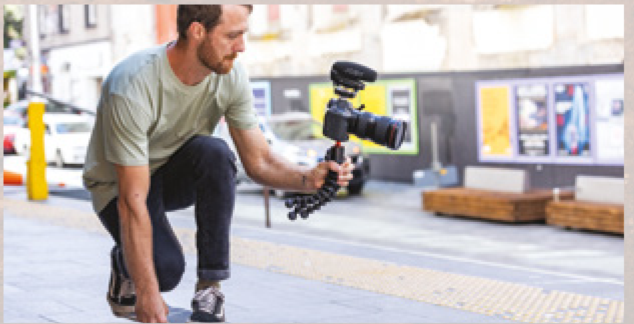
We estimate that c.75% of the Group's business is being exposed to the four different structural market growth drivers below, which are all experiencing double-digit growth. This is driving a sustained demand for new and replacement products. The Group's Total Addressable Market ("TAM") is now larger, at £2.6 billion, and is expected to grow faster post-pandemic, at high single digit 2022-24 compared to low single digit pre-pandemic.

Image: Dennis Schmelz

TikTok and YouTube

There has been significant growth in vloggers and influencers creating and sharing video and audio content on social media platforms like TikTok and YouTube. We estimate that there are more than 40 million vloggers (with a following of over 1,000 people), who share their videos or podcasts, and then monetise that content. Improving the quality of their content is enormously important to their success – and that's what Vitec products help them do.

JOBY is our main brand serving the needs of vloggers and influencers. They use our JOBY supports, lights, audio capture and our backgrounds and graphics to create high-quality content. The JOBY customers of today potentially transition to Vitec's other premium brands, as they become the film-makers, broadcasters and professional photographers of the future. In addition, growth in documentaries and wildlife photography, also typically shared on social media, benefit our supports, windjammers and bags in Imaging Solutions.

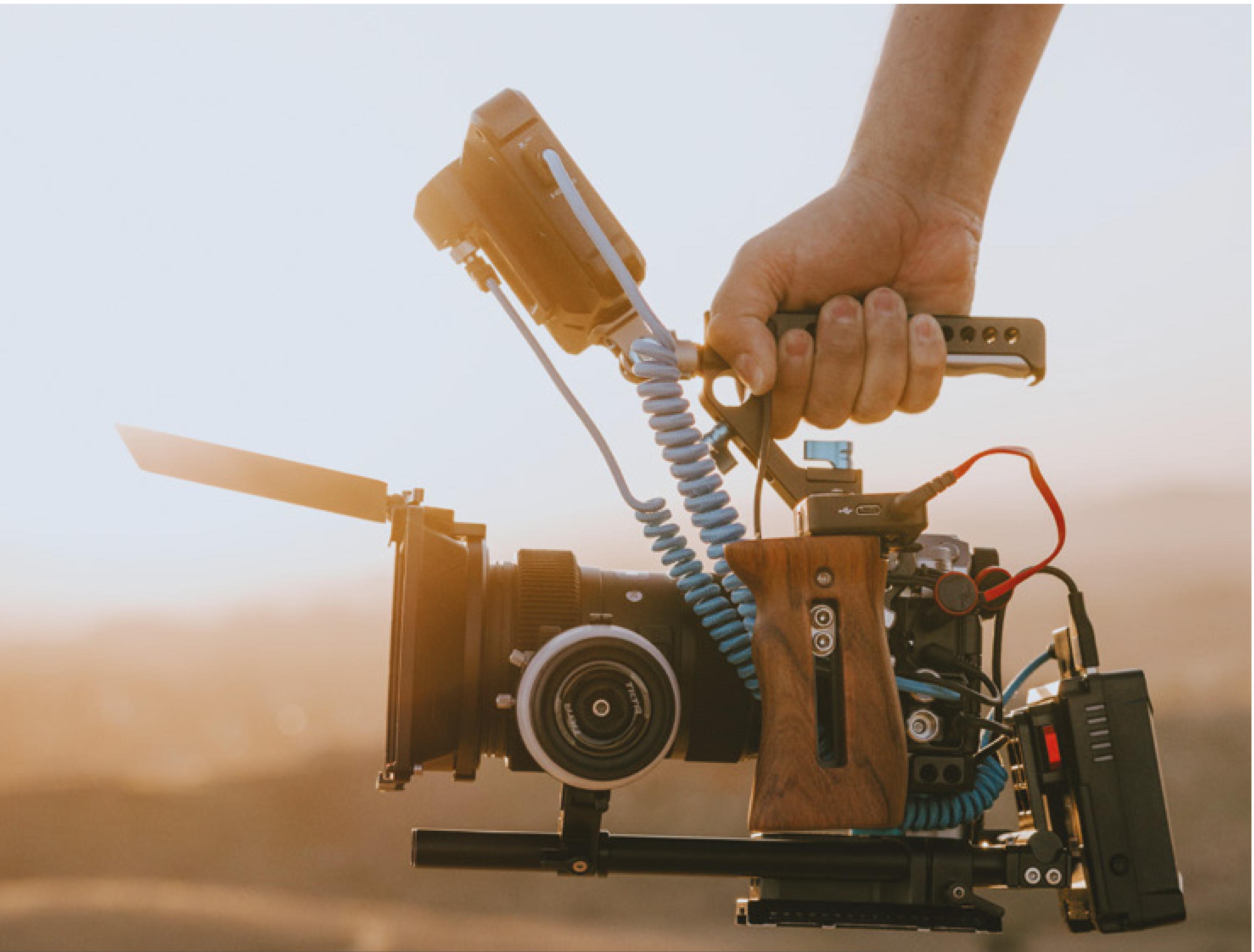


Live streaming

Live streaming of video is growing strongly across multiple verticals, such as enterprise, medical and gaming to maintain communications and facilitate remote working. For example, governments, schools, houses of worship and businesses rely on high quality, secure, zero or low delay video transmission to communicate with their communities, customers and employees. Professional content creators working from home require remote streaming with high image quality, low delay and robust security for post-production. This is driving demand for our Teradek IP-based live streaming software and hardware in Creative Solutions.

There is also a high demand for remote wireless video within hospital operating rooms. Our Creative Solutions Division has developed wireless video transmission and monitoring solutions using Amimon's proprietary zero delay technology for the leading medical equipment providers, and is also supplying the industrial market.

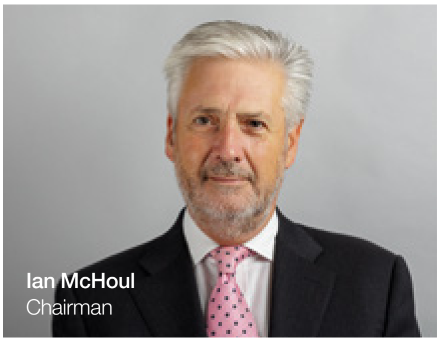
Chairman's welcome



Investment case

- → Vitec is right at the heart of the fast-growing content creation market
- → c.75% of the Group's business exposed to four different structural growth drivers which are growing double-digit
- → Market-leading brands with premium pricing and ongoing technology innovation
- → Margins on track to mid-teen level as volumes grow and we deliver operating leverage
- → M&A to enhance portfolio and unlock the value of Creative Solutions
- → A responsible business with a clear purpose and strategy, committed to sustainability

Vitec is uniquely placed to take advantage of the growing content creation market and deliver long-term sustainable growth and value to our stakeholders.



Ian McHoul
Chairman

"2021 was a year of strong recovery for the Group and the business returned to growth.

Dear Shareholder

2021 was a year of strong recovery for the Group following the significant impact of COVID-19 in 2020. As the year progressed, the majority of our end markets recovered well and the business returned to growth. We are right at the heart of the growing content creation market which gives the Group exciting opportunities for sustainable growth. This, coupled with our premium brands, innovative, high quality products, highly capable workforce and first-rate manufacturing facilities, means that the Board is very confident about the Company's future growth opportunities. The Group does still face some uncertainties tied to the pandemic, including travel and work restrictions, component shortages and stretched supply chains, however Vitec continues to respond extremely well to these challenges.

Our 2021 financial results are strong given the impact of the pandemic. As the year progressed, we were able to repay all borrowings under the COVID Corporate Finance Facility, we repaid all furlough money and reintroduced dividend payments for our shareholders. The Board recommends a final dividend of 24 pence per ordinary share which, subject to shareholder approval at the 2022 AGM, will be paid on Friday, 20 May 2022.

Given our increasing confidence during 2021, we acquired several exciting businesses which bring exceptional new products, technology and talent into the Group. This was in line with our strategy to allocate resources and capital to the faster-growing segments of the content creation market, in particular, content creation and audio capture in our Imaging Solutions Division and video transmission/streaming in our Creative Solutions Division.

— In April 2021, we acquired Lightstream which develops cloud-based live production software to enable content creators, particularly gamers, to enrich their live video streams.
— We also welcomed the team from Quasar, which designs and develops a range of market-leading, innovative linear LED lighting solutions for cine-style applications.
— In November 2021, we acquired Savage, a global market leader in backgrounds for the growing professional studio photographic market.
— Finally, in early January 2022, we acquired Audix, which designs, engineers and manufactures high-performing, innovative microphones for the professional audio industry. Audix significantly enhances the Group's audio R&D and manufacturing capabilities and we have exciting growth plans in this market, particularly for on-camera microphones.

Each of these new businesses is a great addition to the Company and will drive additional growth. The Board and I welcome each new employee to the Group and look forward to developing their businesses further.

A major area of focus for the Group in 2021 was to expand our ESG programme to ensure that the business remains sustainable. We have established a cross-Divisional ESG Committee, led by the Group Chief Executive, to oversee this, set ourselves clear objectives and goals, and have begun a challenging programme to enable the Group to become net carbon zero by 2035 (Scope 1 and 2). I am really pleased with our progress to date and, for the first time, we will publish a standalone and detailed ESG report in April 2022, where our stakeholders will be able to gauge the progress that we have made and our ambitions for the future.

Having the right governance and culture at Vitec is central to the success of the business. In 2021 the Board was evaluated by Lintstock, an independent facilitator. The detail of this evaluation is given in the governance report, but it was very reassuring to see that your Board operates to the highest standards and is totally aligned on the key matters facing the business. Our governance and controls are strong and the external evaluation has given us further reassurance. The Board dynamic is open and constructive, remaining positive despite the challenges posed by COVID-19.

At the end of 2021, we announced the appointment of Erika Schraner as an independent Non-Executive Director who will join the Board on 1 May 2022. Erika brings diverse and impressive skills to the Board. She is highly financially literate, has a strong understanding of manufacturing and supply chain issues, particularly in technology companies, brings software and M&A experience, and has a global outlook with much of her career spent in Silicon Valley, US. I welcome Erika to the Board.

Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM. I would like to thank Duncan for his service since his appointment in 2018.

Our 2022 AGM is scheduled for Tuesday, 17 May 2022 and we hope this year to be able to hold this in person after not being able to do so for two years. Details of the AGM business are included in the accompanying AGM notice. It is important to host the AGM in person and to give shareholders the opportunity to meet with the Board face-to-face.

At the AGM, we will be seeking approval from shareholders to change the Company name to Videndum plc with effect from 23 May 2022. This change is due to the need to differentiate ourselves from other companies around the world who also operate under the Vitec name. It is also necessary to avoid financial penalties under a now settled dispute with a third party with claimed prior rights to the term "Vitec" in some territories. The proposed new name also better reflects our purpose (as it means "that which must be seen") and our presence across multiple segments of the growing content creation market. It will also enable us to refresh our branding and how we present ourselves to our stakeholders.

The performance for 2021 has been exceptional given the challenges faced by the business at the start of the year, principally recovering from the impact of COVID-19. This has been down to the hard work and dedication of all our employees and the Board and I are immensely proud of our people and thank them for their efforts during 2021. With their continuing dedication, your Company is well placed to grow over the coming years.

Ian McHoul
Chairman
28 February 2022

CEO's review

Our strategy

1. Organic growth

Market growth is being driven by technology advancements and by four different structural growth drivers, all growing double-digit; 75% of the Group's business is exposed to these. Vitec is particularly focused on allocating resources and capital for video transmission/streaming in our Creative Solutions Division and for content creation and audio capture in our Imaging Solutions Division. We also continue to invest in our digital capabilities to benefit from the ongoing transition to the higher margin e-commerce channel.

2. Margin improvement

We are focused on improving our operating profit margins towards our mid-teen goal as volumes grow and we deliver strong operating leverage. Our margin improvement drivers include higher pricing to reflect product quality and brand strength, growing online sales, continued operating efficiencies, in-sourcing, recovering the margin in our Creative Solutions Division, and capturing synergies from acquisitions.

3. M&A activity

We have a clear M&A strategy which is focused on investment in video transmission/streaming in Creative Solutions and in content creation and audio capture in Imaging Solutions.

Image: Tim Laman

Stephen Bird
Group Chief Executive

2021 was a year of excellent progress for the Group across all three Divisions, reflecting strong market recovery, a larger and faster-growing market post-pandemic, and the execution of our strategy.

While the pandemic continued to present challenges in H1 2021, the majority of our markets were fully open by the end of H1. The travel segment remains subdued, but we expect it to recover once global travel restrictions have been removed.

We delivered growth versus 2019 across the majority of the business and remained focused on managing our cost base throughout the year while continuing to invest in our key priorities in line with our strategy.

The Group responded to increasing inflationary pressures by raising prices during the year in a targeted and appropriate manner, and in line with our leading market positions, product quality, brand strength, and technological and competitive advantage. These price rises were sufficient to stay ahead of inflationary headwinds.

We made substantial investments during the year, both organically and through acquisitions, to support future growth. We continued to launch new products for the fastest-growing segments of the market and gross R&D expenditure increased to c.£25 million, representing c.6.5% of Group revenue (2019: c.6%). We expanded our customer base, portfolio and technology capabilities with three acquisitions and, since the period end, we have made one further acquisition. We continued to improve the Group's e-commerce capabilities to grow our higher margin online sales and enhanced our approach to sustainability, aligning our strategy to five United Nations Sustainable Development Goals as the focus of our seven key pillars.

Cash conversion* exceeded 100% and we continue to monitor and control cash closely, while mitigating component shortages through managing inventory levels.

Vitec is 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. Key developments over the last decade have laid a strong foundation for Vitec's future and also meant that the Group has emerged from the pandemic a stronger, higher quality business. 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 changing market conditions.

I would like to thank everyone in the Group for what they have achieved last year and for their continued support, commitment and operational excellence.

> “2021 was a year of excellent progress for the Group across all three Divisions, reflecting strong market recovery, a larger and faster-growing market post-pandemic, and the execution of our strategy.

CEO's review/continued

> "Vitec is at the heart of the fast-growing content creation market with market-leading, premium products, and we are executing well on our strategy to deliver organic growth, margin improvement and growth through M&A.

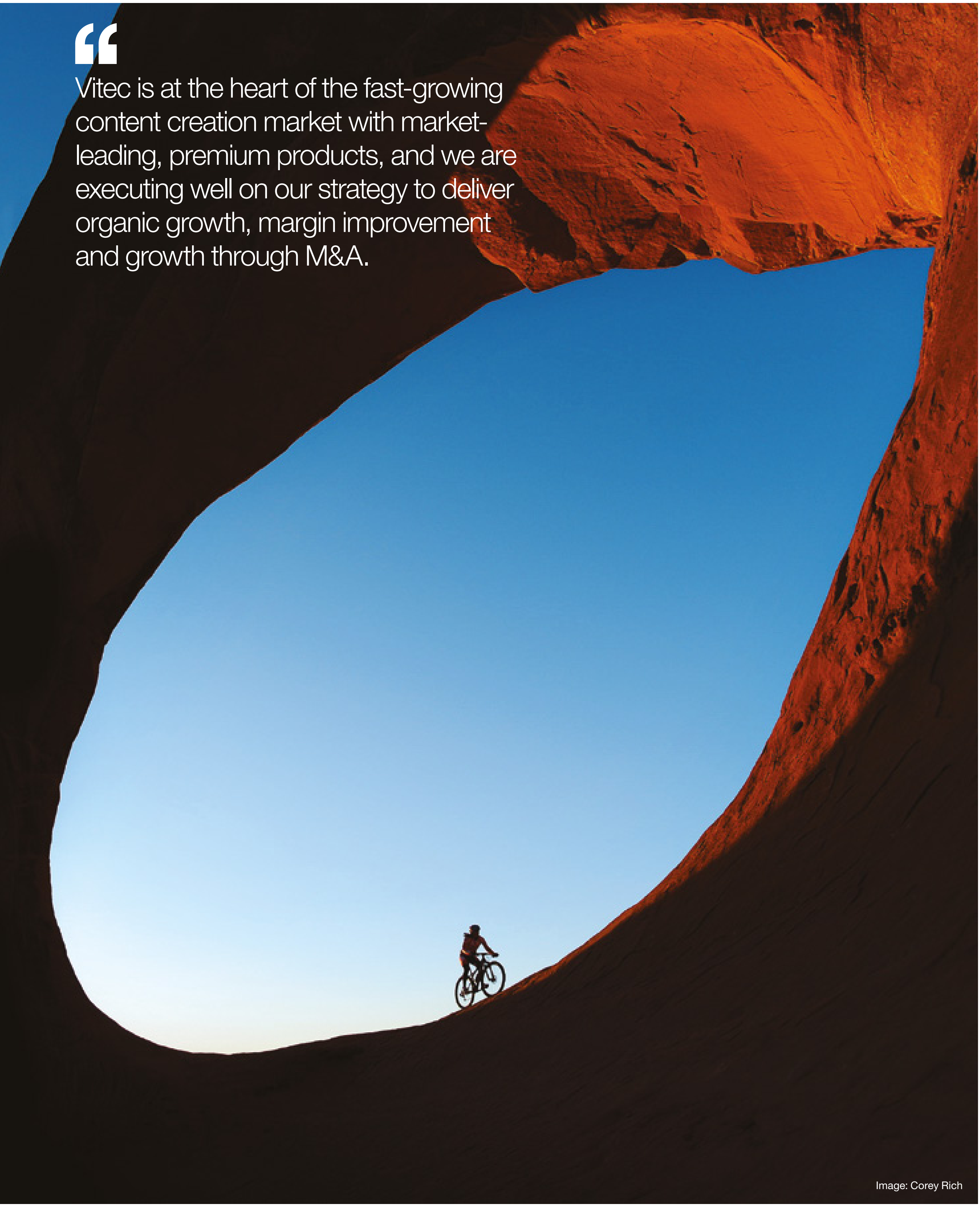


Image: Corey Rich

2021 financial performance

The closing order book at 31 December 2021 was our highest ever, and 2021 order intake was higher than 2019. The higher order intake reflects increased demand for Vitec's premium products and leading technologies, in excess of the demand created from market recovery following the outbreak of the pandemic in 2020.

Revenue of £394.3 million was a record, resulting in adjusted operating profit* of £46.2 million, and 36% ahead of 2020. Revenue was 5% ahead of 2019 on a reported basis, and 8% ahead on an organic, constant currency basis, excluding the Olympics. Revenue and profits were held back to a certain extent given some constraints in fulfilling orders due to component shortages and capacity constraints.

Adjusted operating profit margin* of 11.7% was only modestly below pre-pandemic levels (2019 excluding SmallHD insurance proceeds: 12.2%) and 8.3% points ahead of 2020. The margin in H2 was 11.4%, reflecting the investment in strategic growth and disruption in supply chains.

Adjusted profit before tax* included a £2.8 million adverse foreign exchange effect after hedging compared to 2020, mainly due to FX translation. The impact on 2022 adjusted profit before tax* from a one cent stronger/weaker US Dollar/Euro is expected to be an increase/decrease of approximately £0.4 million and £0.3 million respectively.

Statutory profit before tax of £29.6 million (2020: £7.7 million loss) further reflects adjusting items of £12.8 million (2020: £13.2 million), which primarily relate to the amortisation of acquired intangibles and acquisition related charges.

Free cash flow* was £23.6 million higher than 2020. Cash conversion* was strong at 108%.

Net debt* at 31 December 2021 was £54.4 million higher than at 31 December 2020 (£90.8 million).

Market and strategy update

Vitec's purpose, to "enable the capture and sharing of exceptional content", continues to be highly relevant and we are executing well on our strategy to deliver organic growth, margin improvement and growth through M&A.

1. Organic growth

Market growth is being driven by technology advancement and by the significant changes in the way people capture, consume and share content. We estimate that 75% of the Group's business is exposed to four different structural market growth drivers, which are all experiencing double-digit growth. This is driving a sustained demand for new and replacement products. The Group's Total Addressable Market ("TAM") is now larger post-pandemic, at £2.6 billion, and is expected to grow faster, at high single digit 2022-24 compared to low single digit pre-pandemic.

Due to the strategic transformation of Vitec over the past decade, the Group is uniquely positioned to take advantage of the structural changes and growth in its end markets. Vitec is a product-driven business and technology advancement is also driving growth through shorter product replacement cycles. Sustained R&D investment in innovative new product development is key to enabling our premium brands to maintain their already strong market positions and in places gain share. We have also increased our addressable markets, by expanding our product portfolio, customer base and technology capabilities, through carefully selected acquisitions. Our resources and capital are focused on the fastest-growing market segments of the content creation market, mainly in the two key strategic growth areas of video transmission/streaming in Creative Solutions and content creation in Imaging Solutions, including allocating more attention to audio where we see a sizeable opportunity.

In 2021, about half of our revenue came from products launched in the last three years (excluding 2020 and including acquisitions). 2021 saw the start of the full rollout of our 4K/HDR wireless video eco-system replacing the previous HD technology in the cine and subscription TV markets. We launched a wide range of new products, including on-camera microphones for our JOBY vlogging accessories to enhance the quality of content, LED lighting and voice-activated prompting to enable broadcasters to reduce operating expenses, mechatronics, and bags made from recycled textiles for professional photographers and videographers.

We are also increasingly focusing on developing higher margin software-enabled technology, as well as looking to grow our cloud technology capabilities over the mid-term to expand our recurring revenue through subscription services with Software-as-a-Service and Hardware-as-a-Service.

We continue to invest in our digital capabilities across the Group to benefit from the 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.

2. Margin improvement

We expect continued margin improvement towards our mid-teen goal as volumes grow and we deliver operating leverage. Our margin improvement drivers include:

— Higher pricing to reflect product quality and brand strength; price increases were implemented at the beginning of 2022 with further increases planned during the rest of the first half. These will ensure that we will continue to stay ahead of inflationary pressures
— Insourcing, e.g. JOBY from China to Italy in Imaging Solutions
— Operational efficiencies, e.g. targeting 3% year-on-year productivity improvements by driving lean manufacturing and continuous improvement initiatives across the Group
— Increasing mix of higher margin, higher technology products, e.g. 4K/HDR technology replacement cycle in Creative Solutions
— Recovering the margin in Creative Solutions
— Growing online sales, e.g. currently c.50% of revenue in Imaging Solutions was from online sales, of which 4% was direct e-commerce in 2021 compared to 2% in 2019
— Higher margin acquisitions and capturing synergies, e.g. Savage and Audix in Imaging Solutions

3. 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 which enables us to acquire small-to-medium sized businesses and bolt them on to our existing Divisions, capturing synergies from selling their products through our global distribution network, and using our digital expertise to market and sell new products online. There are also opportunities to gain synergies in procurement, manufacturing and logistics.

The Group has been focused on making acquisitions in two main areas, in video transmission/streaming in Creative Solutions and in content creation and audio capture in Imaging Solutions. During 2021, the Group acquired three strategically attractive, bolt-on businesses (Lightstream, Quasar, and Savage), and a fourth (Audix) in January 2022. These further enhanced our portfolio, expanded our customer base and added specialist R&D capabilities to support our future growth.

Quasar Science acquisition

In April 2021, we acquired US-based Quasar who design and develop 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 has been 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 now 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 and scripted TV market.

CEO's review/continued

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.

Lightstream acquisition

In April 2021, we also acquired Lightstream, a US-based company which develops cloud-based video production and editing Software-as-a-Service platform to enable content creators to enrich their live video streams.

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 has been integrated into Vitec's Creative Solutions Division. Since our last update, Lightstream has made good progress in further developing their cloud platform. They have progressed licensing deals for their API product with major names in the gaming space and successfully demonstrated an improved version of the API platform to customers and are preparing to integrate with Teradek's existing cloud products.

Savage acquisition

In November 2021, we acquired Savage, a US-based global market leader in backgrounds for the professional studio photographic market. Backgrounds are a key aspect of imaging production as they are the quickest and easiest way to achieve the desired look for commercial and product photography, portraits, video interviews and social media posts, and they dramatically reduce post-production time.

This acquisition was driven by Vitec's strategy to acquire bolt-on businesses exposed to the faster-growing segments of the content creation market. Savage operates in the professional studio photography/videography segment, which is driven particularly by the global growth in demand for digital content and in retail e-commerce, where new products must be frequently photographed or videoed to quickly put fresh content online. Vitec knows the market and the Savage business well and is therefore well positioned to drive commercial synergies and growth. We will expand its distribution internationally, especially in APAC, and we will use our digital expertise to market and sell Savage products online. There is also the opportunity to sell Savage products to the fast-growing professional influencer and vlogger segment.

Integration into our Imaging Solutions Division is going very well and we are already starting to see distribution synergies.

Audix acquisition

In January 2022, we acquired US-based Audix, who designs and manufactures high-performing, innovative microphones for the professional audio industry.

This is a strategically significant acquisition as Audix enables Vitec to accelerate the pace of deployment of our audio capture strategy. Audio capture is an essential part of video creation as it enhances the quality of content; we know the market and the channel well as our customers already buy microphones for their smartphones or cameras that we provide under our growing JOBY brand. Vitec lacked a more specialist audio R&D capability to allow us to design and manufacture the microphones ourselves, which is what Audix brings. We intend to use their expertise to enhance the speed of new product development and expand our range of on-camera microphones further.

In addition, Audix brings Vitec a premium microphone brand which is focused on the music, professional vocal and enterprise markets, and is complementary to our growing JOBY and Rycote brands. We expect to significantly grow the Audix brand by selling their products through our global distribution network and we will use our digital expertise to market and sell Audix products online. There are also opportunities to sell other Vitec brands to the Audix customer base.

Audix is being integrated into Vitec's Imaging Solutions Division and the Audix team and the facility in Oregon will become Vitec's Audio R&D Centre of Excellence; we plan to move Rycote's microphone manufacturing and engineering development to Audix's facilities, and we will also bring the development of our JOBY microphones to the US. This will accelerate our new product innovation process and enable us to extend our microphone range, as well as further strengthening our competitive advantage in the largest content creator market. The audio market has reacted very positively to the acquisition and integration is going very well.

The Board believes that Creative Solutions has significant potential, in terms of market opportunity, rate of future growth and margins. The Board continues to review options to maximise and clearly demonstrate to shareholders the potential value of the Division. To this end, we have set up a Supervisory Board, including external members to review those options. A further update will be provided as and when appropriate.

Outlook

Vitec is at the heart of this fast-growing market with market-leading, premium products, and we are executing well on our strategy to deliver organic growth, margin improvement and growth through M&A.

- Organic growth is being driven by four different structural growth drivers, all growing double digit. We estimate that 75% of the Group's business is exposed to these drivers: (1) internet usage/retail e-commerce; (2) vloggers/influencers on social media platforms, for example, TikTok and YouTube; (3) subscription TV, for example, Netflix, Amazon Prime Video and Disney+; and (4) live streaming.
- We expect continued margin improvement towards our mid-teen goal as volumes grow and we deliver operating leverage, combined with increasing online sales and in-sourcing production of JOBY products.
- Our resources and M&A activity are focused on two key strategic growth areas, in particular video transmission/streaming in Creative Solutions and content creation in Imaging Solutions, including audio capture where we see a sizeable opportunity.

2022 has started very well, with a record opening order book followed by a record January and February performance. We will continue to mitigate component shortages in the short term through managing inventory levels, and by increasing prices in a targeted and appropriate manner.

The Board is increasingly confident about the outlook for the Group, despite previously highlighted short-term component shortages and inflation, but obviously the current geo-political situation creates some uncertainty.

Vitec is now a stronger, higher quality business and the Group is well positioned to deliver sustainable growth and value for all of our stakeholders.

Stephen Bird
Group Chief Executive
28 February 2022

* 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 aid 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.

Reframe the future

Videndum

Definition:

videndum

In British English

(vɪ'dɛndʊm,vaɪ-)

Noun

That which must be seen
A "must see"

Word origin

Latin

At the AGM on 17 May 2022, we will seek approval from shareholders to change the Company name to "Videndum plc", with effect from 23 May 2022. This change is due to the need to differentiate ourselves from other companies around the world who also operate under the Vitec name. It is also necessary to avoid financial penalties under a now settled dispute with a third party with claimed prior rights to the term "Vitec" in some territories.

Building on the structural change and growth in our end markets, and our leading market positions, we are using this opportunity to refresh and reframe our brand. "Videndum" better reflects our purpose, presence and opportunity in the multiple market segments of the growing content creation market in which we operate.

A subsequent announcement will be made when the Company's name change becomes effective, which is expected to be on 23 May 2022, with a revised stock ticker ("VID"). Until such an announcement is made, trading will continue under the existing ticker.

The rebranding rollout process for the new name and associated visual identity will begin on 23 May 2022 and progress through 2022 and early 2023 alongside implementation of a full stakeholder communications plan to manage the transition.

At the same time in May, we will change the name of our Imaging Solutions Division to "Media Solutions". As the Division has grown its portfolio to include audio capture under the JOBY, Rycote and Audix brands, the new name better represents its customer base and the exciting opportunities ahead.

Operational review
Imaging Solutions

> We are passionate about helping content creators elevate the quality of their portfolios to stand out in an industry where more audio-visual content is being produced and shared than ever before.

Marco Pezzana
Divisional Chief Executive,
Vitec Imaging Solutions

The Imaging Solutions Division designs, manufactures and distributes premium branded equipment for photographic/video cameras and smartphones, and provides dedicated solutions to professional and amateur photographers/videographers, ICCs, vloggers/influencers, gamers, enterprises and professional sound crews This includes camera supports and heads, smartphone accessories, lighting supports, LED lighting, lighting controls, motion control, audio capture and noise reduction equipment, camera bags and backgrounds.

Addressable market*

Imaging Solutions' TAM has increased to £1.2 billion (2021) and we estimate that the market CAGR (2022-24) will be c.5% (previous mid-term forecast of c.1%). Imaging Solutions is expected to outperform the market growth because of its significant exposure to high-growth areas such as vlogging, live streaming and the internet/retail e-commerce. Vitec is focusing on the opportunity to develop and commercialise innovative, high end accessories for CSCs and smartphones, as well as its more traditional DSLR market. We sell our products globally via multiple distribution channels and increasingly online via our own direct e-commerce capability and third-party platforms.

Strategy

We are focused on continued growth in vlogging accessories, professional equipment for retail e-commerce, new audio capture and mechatronic products, and growing the higher margin e-commerce channel.

Market position

Vitec has leading premium brands in camera supports and heads, camera bags, vlogging accessories, motion control, audio capture, backgrounds and lighting for the professional and enthusiast photographer/videography, influencer/vlogger and professional sound crews.

Our brands

Product category	Brand	Market position*
Supports	Avenger, JOBY, Gitzo, Manfrotto	1
Bags	Gitzo, Lowepro, Manfrotto, National Geographic (manufactured under licence)	1
Lighting & controls	JOBY, Manfrotto	2
Motion control & stabilisers	JOBY, Manfrotto	New entrants
Smartphonography	JOBY	1
Audio capture	Audix, JOBY, Rycote	Audix – US leader** Rycote – 1** JOBY – new entrant
Backgrounds	Colorama, Savage, Superior	1

* Management estimates by sales value in the market segments in which these products are sold.
** In our niche

Target audience

- Photographic market: **60%**
- Cine/scripted TV/ICC market: **40%**

Operational review

Imaging Solutions' revenue recovered to £194.7 million, which on an organic, constant currency basis was up 1% compared to 2019.

Revenue for professional (c.45% of Divisional revenue) photo and video supports was slightly ahead of 2019 due to new motion control products and strong demand from the professional market. Both professional film-makers and independent content creators are demanding ever-more innovative solutions, to help them create dynamic material with ease and at speed. The Manfrotto MOVE Ecosystem, launched in October, enables film-makers to build their desired shooting platform in a modular way that is remotely controlled.

Hobbyist (c.20% of Divisional revenue) photo supports and bags revenue was ahead of 2020 but still lower than 2019, as markets remained subdued due to travel restrictions. In audio, Rycote performed extremely well with revenue almost 50% higher than 2019 due to increased demand driven by strong growth in sales to external companies integrating Rycote's patented microphone shock mounting for their audio product offerings.

B2B revenue (c.25% of Divisional revenue) increased significantly compared to 2019. Demand for lighting supports in the global sports analytics market has grown significantly, and Manfrotto is the chosen supplier for lighting support stands and carrying solutions to all the main providers in this market; as a result Manfrotto lighting supports saw significant revenue growth on 2019.

In the consumer segment (c.10% of Divisional revenue), there was continued strong growth in JOBY smartphone and compact system camera accessories. JOBY revenue was up almost 30% compared to 2019. JOBY launched the Beamo Ring Light in March, and in January 2022 announced the launch of a new range of JOBY products, leading with WAVO microphones, as well as the JOBY Spin and Swing, which were made in partnership with Syrp Lab.

The production of the premium JOBY GorillaPod was successfully relocated from the Far East to Italy, expanding Feltre's highly efficient manufacturing capabilities. From now on, most of the JOBY GorillaPod line-up for compact system cameras, will be produced in Feltre. This will reduce the distance to European and American markets, strengthen the supply chain and lower environmental impact and carbon footprint as well as enabling Imaging to capture the manufacturing margin.

Adjusted operating profit* of £26.6 million represents a return to pre-pandemic margins. Adjusted operating margin* was 13.7%. On an organic, constant currency basis, adjusted operating profit* was only 2% down on 2019.

Statutory operating profit was £23.7 million (2020: £5.8 million), reflecting £2.9 million of charges associated with acquisition of businesses and other adjusting items (2020: £3.9 million) of which £0.4 million of charges related to the previously announced restructure.

Revenue

£194.7m

↑ Up 24.3%

Adjusted operating profit*

£26.6m

↑ Up 174.2%

Revenue

2021	£194.7m
2020	£156.7m
2019	£196.6m

Adjusted operating profit*

2021	£26.6m
2020	£9.7m
2019	£27.1m

Statutory operating profit

2021	£23.7m
2020	£5.8m
2019	£17.8m

Operational review
Imaging Solutions/continued

Case studies

> To record football effectively, you need good, stable tripods and Vitec has been a critical partner, providing high volumes and customisations to suit Veo.
>
> **Kawus Nouri**
> VP Product, Veo Technologies

Social media growth fuels JOBY innovation

In 2021, JOBY launched a range of new products for beginners to professional content creators, for smartphones and cameras. New products include the flexible PodZilla tripod range, the first Apple MagSafe phone mount series and a fun range of changeable feet from GorillaPod.

Production of the premium JOBY GorillaPod was successfully relocated from the Far East to Italy, expanding the highly efficient manufacturing capabilities located in Northern Italy (Feltre). This reduces the distance to European and American markets, strengthens the supply chain and lowers the environmental and carbon footprint.

Growth in Manfrotto and Avenger Lighting and Sports Solutions

Imaging Solutions' Lighting business is seeing significant growth and is now the second largest category in the Division. The increase in demand for original content for scripted TV, cinema and streaming platforms has created an unparalleled demand for film production equipment, including our Manfrotto and Avenger Lighting brands. In addition, the demand for lighting supports in the global sports analytics market – from companies like VEO, Hudl, Pixellot and Movensee – has also grown significantly, benefitting our Manfrotto supports and bags.

Veo is a portable sports camera solution that enables sports teams to record and analyse matches and training sessions without the need for a camera operator. The camera is mounted on the Manfrotto tripod and records the entire sports pitch.

Audix acquisition

Audio capture is an essential part of video creation as it enhances the quality of the content. Vitec's acquisition of Audix in January 2022 accelerated its audio strategy, bringing specialist R&D and manufacturing capabilities to enable the Group to design and build on-camera microphones in-house. Vitec's audio strategy addresses three core market segments:

JOBY is dedicated to on-camera sound, for vloggers and social media influencers. We launched five new models in the WAVO range in January 2022, including the flagship WAVO PRO, a wireless and podcaster microphone.

Rycote serves the growing broadcast and production market. 2021 saw new product innovations including the Nano Shield series and Rycote's first professional broadcast shotgun.

Audix is our premium brand, focused on professional studio and live applications.

Savage acquisition

The growth in production of digital content for the internet is expected to continue as digital commerce advances. This means that high-quality digital content – both video and still images – is more important than ever.

Imaging's leading position in studio accessories was further enhanced during 2021 with the acquisition of Savage Universal. Our range of backgrounds and essential lighting accessories is now the most comprehensive available, and includes Manfrotto Chroma Key backgrounds, perfect for vloggers and film-makers experimenting with green screen techniques.

New Manfrotto Move ecosystem delivers speed and versatility to film-makers

Professional film-makers and ICCs are demanding ever-more innovative solutions to help them quickly and easily create dynamic content.

Manfrotto's new Move ecosystem enables film-makers to build their desired shooting platform in a modular way. It's remotely controlled which makes changes to set-up quick and easy opening-up a whole new world of shooting opportunities.

“

Out of all the gear I've used, this is definitely the quickest to transfer a camera from a gimbal, to a tripod, to a slider! You can move in seconds where it would normally take four to five minutes.

Devin Supertramp
Professional videomaker

Operational review
Production Solutions

> **"**Working closely with our customers, we are advancing production technology for broadcasters, cinematographers and content creators with improved control, reliability and speed, enabling them to focus entirely on their creativity.

Nicola Dal Toso
Divisional Chief Executive,
Vitec 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, ICCs and enterprises. Products include video heads, tripods, LED lighting, prompters, robotic camera systems and mobile power solutions. It also supplies premium services including equipment rental and technical solutions.

Addressable market*

Production Solutions' TAM of £0.4 billion in 2021 is growing at an estimated CAGR (2022-24) of c.3% (versus previous mid-term forecast of 0%). Production Solutions is expected to slightly outperform the market growth because of significant exposure to high-growth areas like subscription TV and automated production. Vitec is well-positioned due to its broad geographical reach and premium products. We have a global sales team that offers a full range of products and services to our customers all over the world, either directly or via distributors, both online and in stores.

Strategy

We are focused on growth in professional equipment for scripted TV series, products for on-location news and sporting events, as well as robotic camera systems and voice-activated prompting to enable cost efficiencies in studios.

Market position

Vitec is the market leader in most of its product categories, providing premium products for broadcasters, scripted TV, film and video production companies, as well as to ICCs.

Our brands

Product category	Brand	Market position*
Supports	OConnor, Sachtler, Vinten	1
Prompters	Autocue, Autoscript	1
Lighting	Litepanels, Quasar	2
Mobile power	Anton/Bauer	1
Robotic camera systems	Camera Corps, Vinten	2
Distribution, rental & services	Camera Corps, The Camera Store	1

* Management estimates by sales value in the market segments in which these products are sold.

Target audience

- Broadcast market: **60%**
- Cine/scripted TV/ICC market: **40%**

Operational review

Production Solutions' revenue was a record £121.8 million, which on an organic, constant currency basis was 10% ahead of 2019, excluding the Olympics. Revenue was supported by higher royalties received for the Litepanels brand of £4.1 million (compared with £1.9 million in 2020).

The new generation Sachtler aktiv fluid heads, launched in October 2020, continued to be extremely popular and have driven material growth in non-studio supports compared to 2019. Voice-activated prompting was fully launched in 2021 and helped to deliver significant growth in Autoscript sales versus 2019. The Litepanels Gemini 1x1 Hard launched in April and contributed to material organic growth in revenue from lighting versus 2019. These growth areas and revenue from increased royalties were partly offset by studio supports and robotics, where there was a slower recovery in the broadcast industry.

Camera Corps provided a range of bespoke camera solutions for the postponed Euro 2020 tournament which was held across June and July 2021, and at the Tokyo Summer Olympics across August and September; together c.£8 million of revenue.

Adjusted operating profit* of £28.0 million was £8.4 million higher than 2019, benefitting from royalties, profit from the Euros and Olympics, and lower operating costs. Adjusted operating margin* was 23.0%. Excluding royalties from the LED patents it was 20.3%. On an organic, constant currency basis, excluding the Olympics, adjusted operating profit* was 43% up on 2019.

Statutory operating profit was £27.1 million (2020: £6.7 million), which included £0.9 million of adjusting items in relation to the acquisition of Quasar (2020: £0.9 million).

Revenue

£121.8m

↑ Up 52.1%

Adjusted operating profit*

£28.0m

↑ Up 268.4%

Revenue

2021	£121.8m
2020	£80.1m
2019	£111.8m

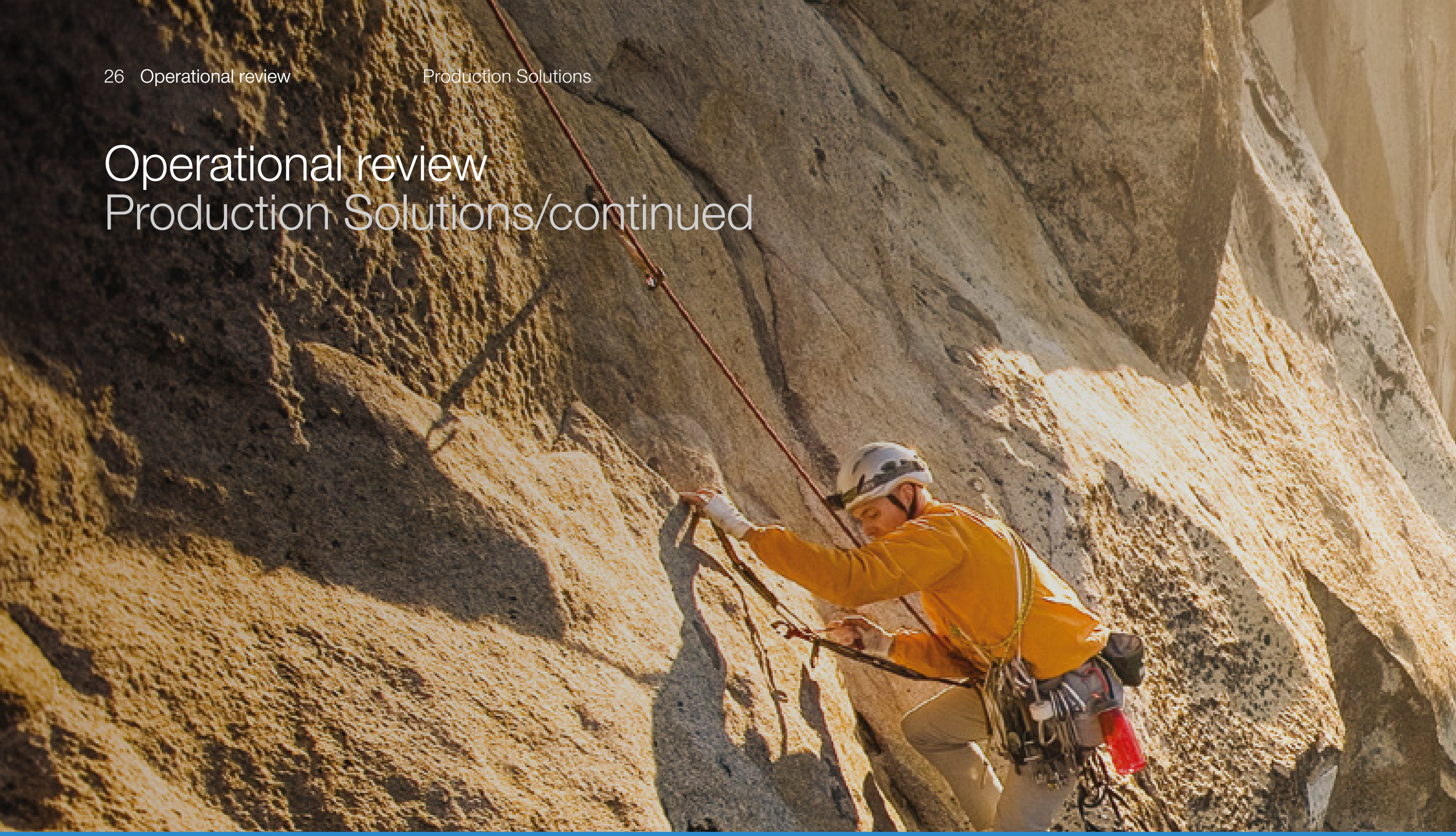
Adjusted operating profit*

2021	£28.0m
2020	£7.6m
2019	£19.6m

Statutory operating profit

2021	£27.1m
2020	£6.7m
2019	£18.9m

Operational review
Production Solutions/continued



Case studies

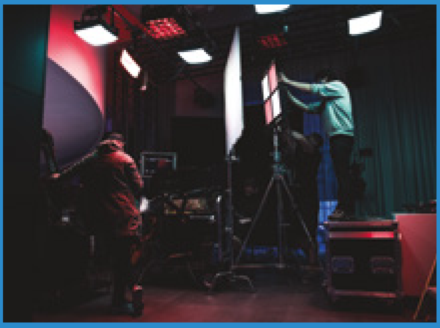
> The outstanding versatility of the Litepanels Gemini panels means we can achieve so many looks accurately and quickly, and save money and time on rigging lights. We were blown away by the Gemini 1x1 Hard. When people see the movie, they will have no idea how we achieved such a big film look with such a small number of lights.

Jeff Ryan
Independent film-maker

Litepanels LED Lighting

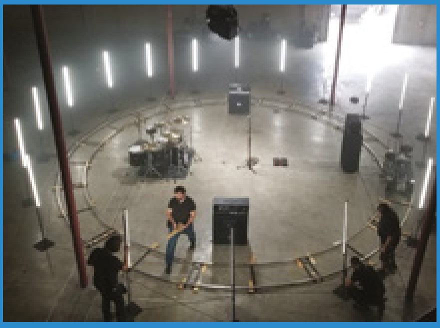
A feature film would normally have a truck full of lights to light a large space such as the independent production, Mean Spirited. Thanks to their extraordinary power and creative control options, independent film-maker, Jeff Ryan was able to use just 15 Litepanels Gemini panels controlled via DMX ("Digital Multiplex") via an iPad to light every scene.

In November 2021, Litepanels was awarded a Technology & Engineering Emmy® for its pioneering development of LED lighting for television production.



Quasar acquisition

LED lighting is a strategic growth area for the Group and in April 2021 we acquired Los Angeles-based Quasar who design and develop 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 products are highly complementary to Vitec's existing Litepanels LED lighting brand.



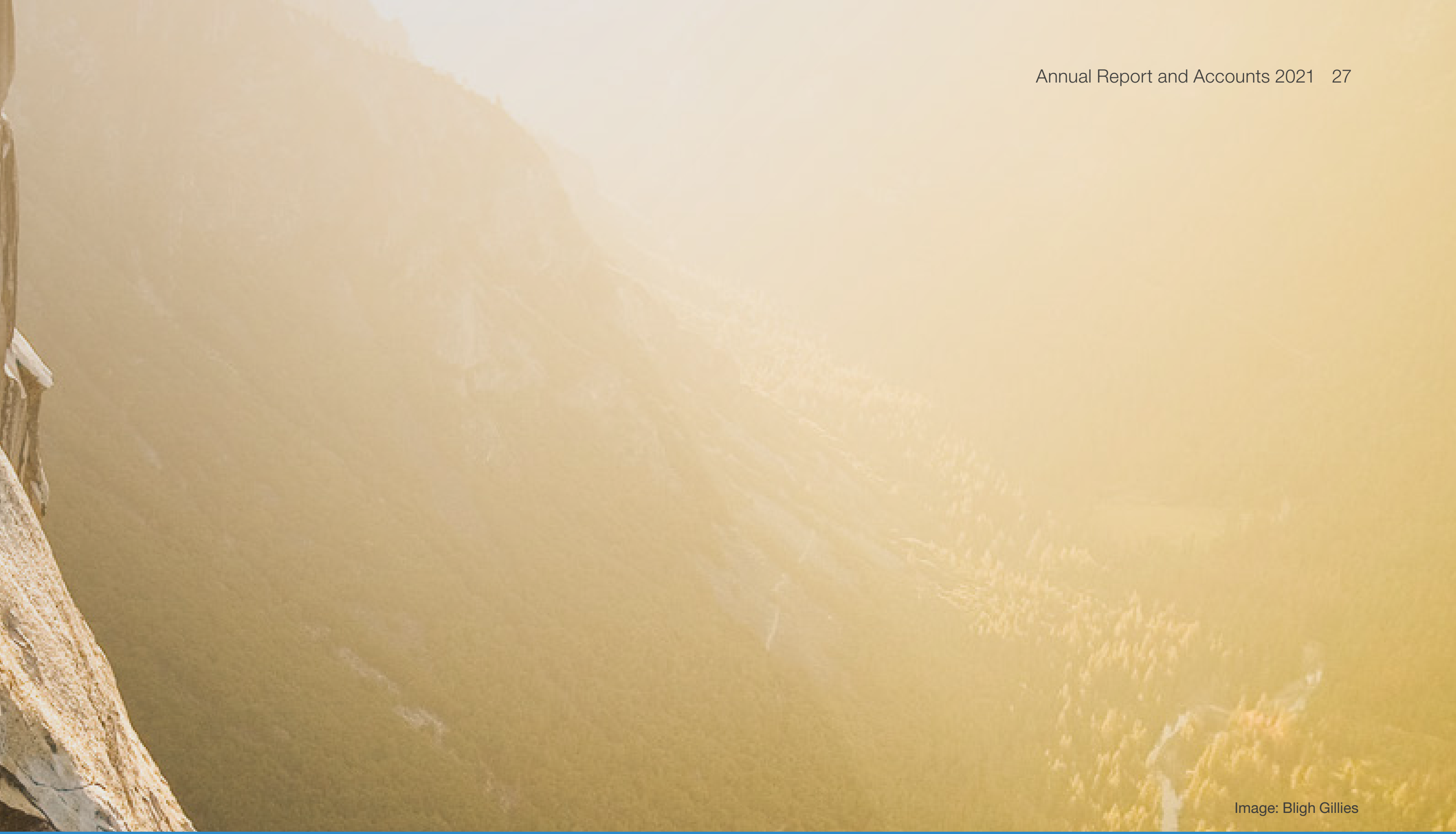


Image: Bligh Gillies

OConnor flowtech system

The new OConnor Ultimate 1040 flowtech100 system, launched in 2021, brings the precision ultra-smooth fluid camera movement that has made OConnor heads the cinematography industry-standard, together with the speed and stability of the award-winning flowtech tripod system.

“Climbing a mountain, you don’t skimp on the rope that will save your life. It’s the same thing with your camera equipment. The OConnor 1040 system becomes an extension of my body; I have complete control and every movement is smooth, so I never miss the shot.

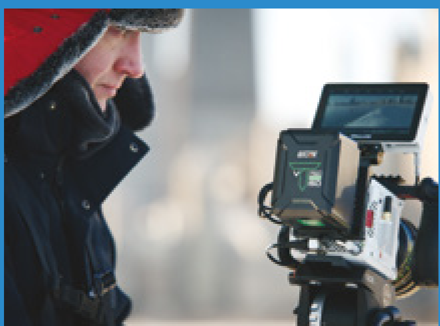
Renan Ozturk
Adventurer, cinematographer

Anton/Bauer mobile power

For demanding cinematographers, Anton/Bauer’s new Dionic XT range represents the gold standard in high-performance battery power. It delivers constantly reliable power to run cameras and accessories at the same time, and sophisticated charging technology to prolong the life of sensitive equipment. Working on Netflix fantasy drama series The Witcher, Steadicam operator James Frater took full advantage of Dionic XT’s enduring power to keep up with leading man Henry Cavill, capturing the action and drama as it happened.

“It’s important that I have strong reliable batteries, so that I can feel confident I won’t run into power issues. Stopping the fast-paced action to change batteries is simply not an option.

James Frater
Steadicam operator

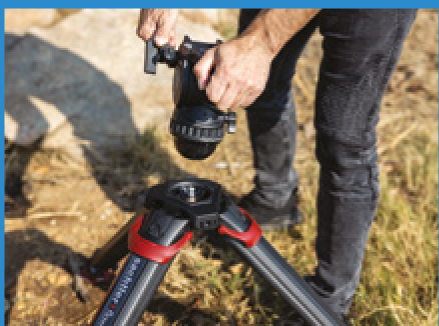


Sachtler aktiv head

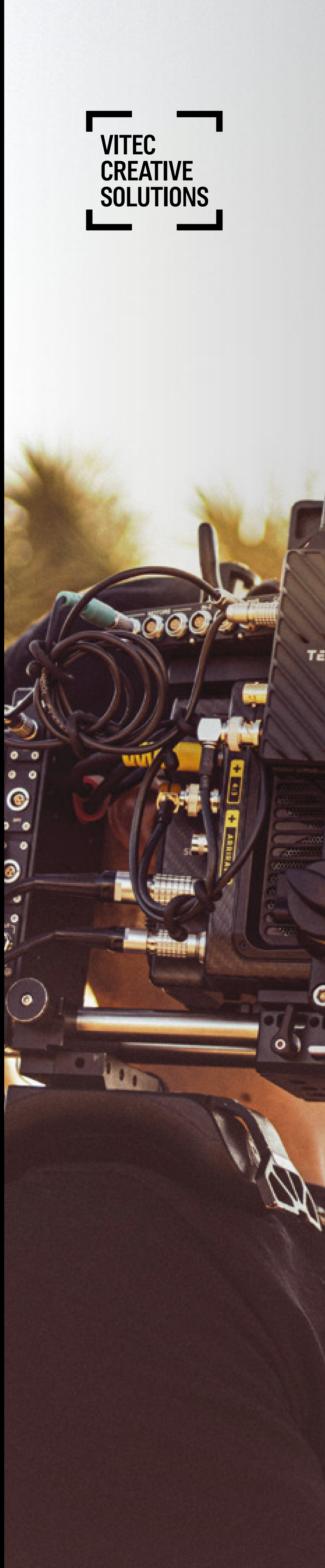
The revolutionary aktiv fluid head range – with SpeedLevel™ and SpeedSwap™ technology – allows camera operators to mount, level and lock the head in seconds and to switch quickly from tripod, slider, or hand-held shots in an instant to capture the widest range of shots in the shortest time. The latest addition to the range, aktiv14T brings Sachtler’s unique technology to the heavy payload, fast-paced world of electronic news gathering.

“Speed is key because if you’re in an environment where you’re picking off B-roll shots that are happening as you see them, you’ve got to be able to quickly get to that next location, level up on your tripod and grab the moment. aktiv makes that speed possible.

Geoff Nelson
Freelance news cameraman



Operational review
Creative Solutions



> The demand for original content continues to grow globally, as daily screen time and video consumption expand across several platforms. We make the tools to help tell the stories, share the news, engage an audience, or spread the word.

Marco Vidali
Divisional Chief Executive,
Vitec Creative Solutions

The Creative Solutions Division develops, manufactures and distributes premium branded products and solutions for film and video production companies, ICCs, gamers, enterprises and broadcasters. Products include wireless video transmission and lens control systems, monitors, camera accessories, live streaming and IP video devices, and software applications.

Addressable market*

Creative Solutions' TAM has 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% (previous mid-term forecast of c.17%). Creative Solutions is expected to grow in line with the market thanks to its exposure to growth areas such as gaming, live streaming, enterprises and scripted TV. Vitec has a strong position due to its premium brands, market-leading technology and dedicated team of innovative product specialists with extensive experience in shooting both professional and amateur video content. We sell our products globally via multiple distribution channels and increasingly online via our own direct e-commerce capability and third-party platforms.

Strategy

We are focused on delivering the 4K/HDR replacement cycle and growing our remote monitoring/streaming capabilities in the cine, enterprise, medical, industrial and gaming markets.

Market position

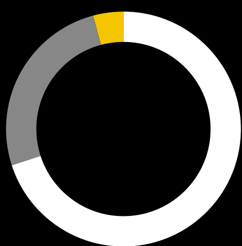
Vitec is the market leader in most of its product categories, providing premium products for film and video production companies, ICCs, enterprises and gamers.

Our brands

Product category	Brand	Market position*
Video transmission systems	Teradek	1
Monitors	SmallHD	1**
Lens control systems	Teradek	3
Live streaming	Teradek, Lightstream	1**
IP video	Teradek	3
Camera accessories	Wooden Camera	3

* Management estimates by sales value in the market segments in which these products are sold.
** In our niche

Target audience



- Cine/scripted TV/ICC market: **70%**
- Enterprise market: **26%**
- Gaming market: **4%**

Operational review

Creative Solutions' revenue was a record £77.8 million. On an organic, constant currency basis this was 22% ahead of 2019, despite the cine/scripted TV market not being fully open until H2, and the impact of component shortages in H2. Order intake was 45% ahead of 2019 on an organic, constant currency basis.

Sales to the cine/scripted TV market grew materially versus 2019. The overwhelming majority of Bolt sales are now 4K/HDR, and there were $4.0 million sales of the SmallHD 4K/HDR monitors that were launched last year. Total 4K/HDR sales were $34.0 million. Wooden Camera revenue grew materially compared to 2019.

Sales to the enterprise market were up double-digit versus 2019. Within this, revenue to the medical market more than doubled compared to 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 more than doubled compared to 2019. Recurring revenue including Lightstream was c.£3.0 million.

Adjusted operating expenses* grew compared to 2019 as Creative Solutions invested in sales and marketing to serve new verticals, R&D to drive future growth, and due to higher amortisation of capitalised R&D.

Adjusted operating profit* of £8.3 million represents an adjusted operating margin* of 10.7%. Excluding 2019 SmallHD insurance proceeds (£6.5 million), which were included in profit but not revenue, the adjusted operating margin* in 2019 was 14.9%. On an organic, constant currency basis, adjusted operating profit* was 12% up on 2019 (excluding insurance proceeds). We expect Creative Solutions' margins to improve as our investment in growth drives further higher revenues, and we sell more Amimon-enabled 4K/HDR products.

Statutory operating loss was £0.5 million (2020: £4.8 million loss), which reflects £8.8 million of charges associated with acquisition of businesses and other adjusting items (2020: £8.1 million).

Revenue

£77.8m

↑ Up 44.9%

Adjusted operating profit*

£8.3m

↑ Up 151.5%

Revenue

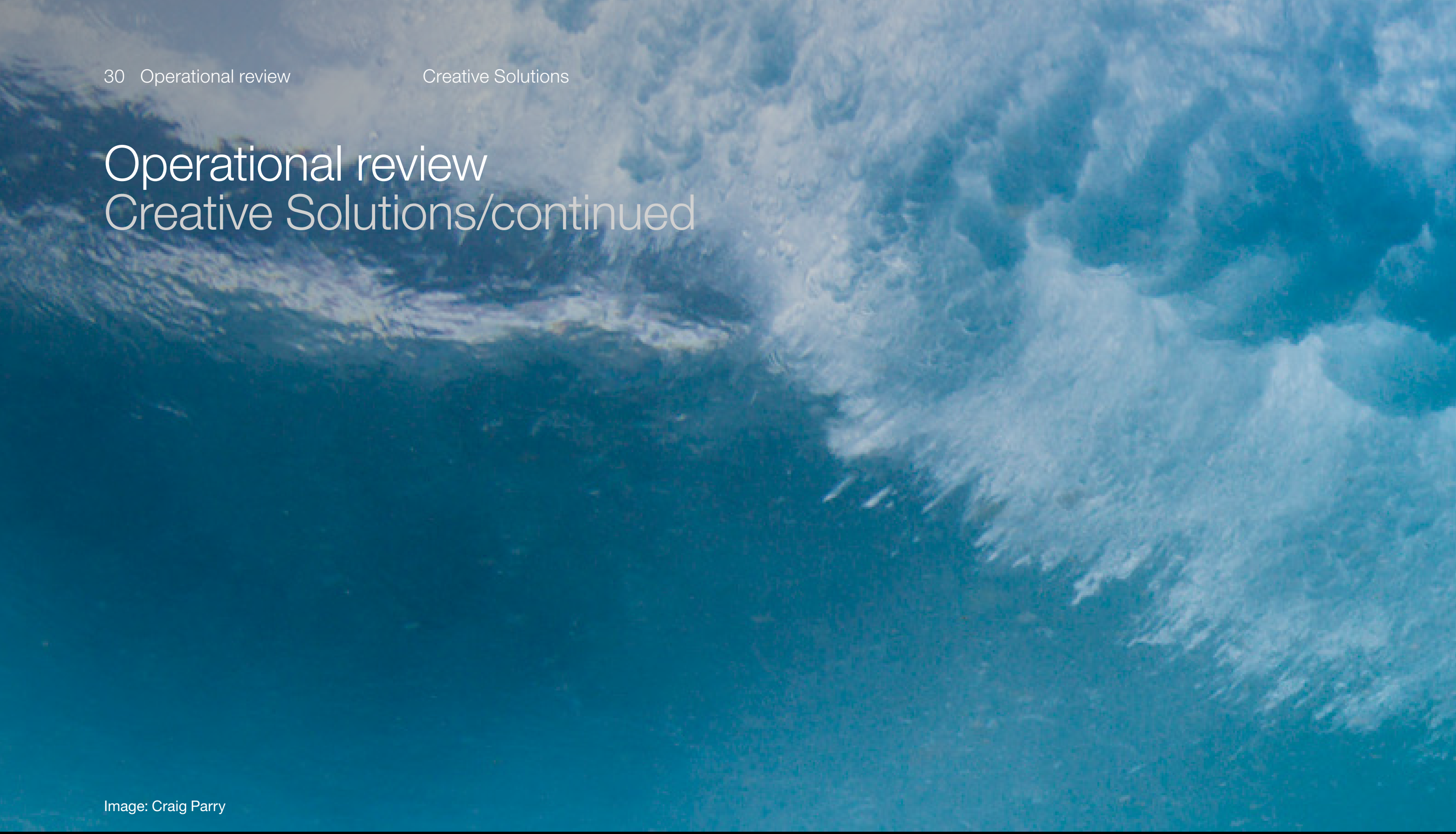
2021	£77.8m
2020	£53.7m
2019	£67.7m

Adjusted operating profit*

2021	£8.3m
2020	£3.3m
2019	£15.6m

Statutory operating profit

2021	-£0.5m
2020	-£4.8m
2019	£5.3m



Operational review
Creative Solutions/continued

Image: Craig Parry

Case studies

> Innovere provides an entertainment solution for MRI scanners to relieve the anxiety of patients. Using Teradek wireless technology, we were able to make this product operate wirelessly so it is easily retrofittable in existing MRI sites.

Garry Liu PhD
CEO, Innovere Medical Inc.

Wireless video transmission in the medical market

Specifically designed for the medical industry, Vitec's Falco wireless video transmission and monitoring solutions deliver high quality 4K video with less than 1ms latency. Evolved from Teradek's Bolt 4K technology, Falco already has a foothold in the minimally invasive surgery space, providing solutions to endoscopy providers. Clinicians depend on medical devices and imaging modalities to provide real-time video during patient treatment, diagnosis and surgical procedures. The need to wirelessly connect video sources to display monitors is becoming standard as it improves clinical workflow efficiency and patient outcomes.

"And the Oscar goes to…."

In February 2021, Teradek received two Technical Academy Awards – "Oscars" – from the Academy of Motion Picture Arts and Sciences for the Teradek Bolt 4K. One award recognised the development of the Teradek Bolt wireless video transmission system for on-set monitoring and the second was for the development of the Amimon wireless chipset.

In October 2021, the Teradek Bolt 4K was again recognised, this time as one of only eight technologies to win a 2021 Engineering Emmy® Award from the Television Academy, for developments in broadcast technology.

> Engineers, scientists and technologists are a vital part of our industry and are key to the continuing evolution of television.

Frank Scherma
Chairman and CEO of the Television Academy

4K/HDR Monitoring

2021 saw 4K/HDR monitoring embraced on sets around the world. This transition is being catalysed by Vitec's pioneering solutions: ultra long-range 4K/HDR video transmitters and multiple 4K and HDR-capable SmallHD field-ready production monitors.

> 4K monitoring increases your overall pixel density while future proofing your investment in gear.

Brian Aichlmayr
1st AC Local 600

Lightstream acquisition

In April 2021, Vitec acquired Lightstream, enhancing its premium live streaming technology for the global content creator community. Lightstream is a world leader in live streaming technology for the fast-growing gaming market.

> In 2022 we will continue building state-of-the-art cloud-based video production and audience activation tools. This will enable Lightstream to expand its impact in its existing markets – individual creator, video application developer and live video audience activation.

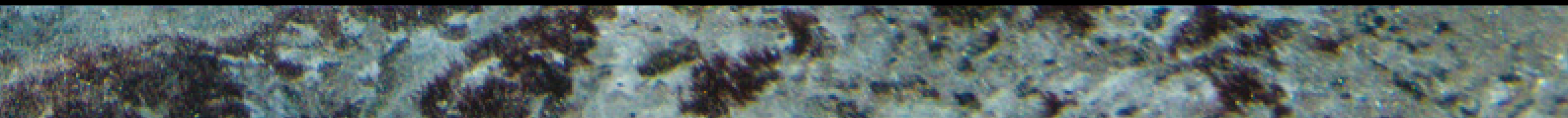
Stu Grubbs
Lightstream founder

Live production

Vitec launched Teradek WAVE, a 5-in-1 smart streaming monitor for encoding, smart event creation, network bonding, multi-streaming and recording – all on a 7" daylight-viewable touchscreen display. It is designed to prep multiple events ahead of time, bond several internet connections together and send live streams to multiple destinations at once via Sharelink, Teradek's cloud platform that is available as a paid subscription through sharelink.tv.

> Wave is truly an innovative product. Combining on-camera monitoring with Live Streaming, less the extra wires, is a great solution!

Darren Sager
DMS Video Productions



Financial review

Martin Green
Group Finance Director

Given the disruption to 2020 results caused by COVID-19, commentary below refers to performance in comparison with 2019 where that provides a greater insight into how the business has performed. However, it should be noted that 2019 gross margin benefitted from insurance payments of £6.5 million relating to the fire at the SmallHD facility.

The closing order book at 31 December 2021 was our highest ever, and 2021 order intake was higher than 2019. The higher order intake reflects increased demand for Vitec's premium products and leading technologies, in excess of the demand created from market recovery following the outbreak of the pandemic in 2020.

Revenue of £394.3 million was a record, resulting in adjusted operating profit* of £46.2 million, and 36% ahead of 2020. Revenue was 5% ahead of 2019 on a reported basis, and 8% ahead on an organic, constant currency basis, excluding the Olympics. Revenue and profits were held back to a certain extent given some constraints in fulfilling orders due to component shortages and capacity constraints.

Adjusted gross profit margin* of 43.9% was similar to 2019 pre-pandemic levels with price increases more than offsetting significant headwinds from freight, duty and raw materials cost increases. Excluding 2019 SmallHD insurance proceeds which were included in profit but not revenue, the adjusted gross profit margin* in 2019 was 43.5%.

Adjusted operating expenses* of £127.0 million were, as expected, £23.5 million higher than 2020 but only £9.3 million higher than 2019; £4.1 million of which relates to costs at the acquisitions made in 2021, and £1.2 million to the repayment of UK furlough proceeds. The savings from the previously announced restructuring at Imaging Solutions, were offset by inflation in employee costs, sales and marketing to drive new verticals, and targeted investment in R&D. The large increase in comparison to 2020 is driven by the non-repeat of the short-term actions taken to manage through the pandemic (such as shortened hours and reduced pay).

Adjusted operating profit margin* of 11.7% was only modestly below pre-pandemic levels (2019 excluding SmallHD insurance proceeds: 12.2%) and 8.3% points ahead of 2020. The margin in H2 was 11.4%, reflecting the investment in strategic growth and disruption in supply chains.

Adjusted profit before tax* included a £2.8 million adverse foreign exchange effect after hedging compared to 2020 mainly due to FX translation. The impact on 2022 adjusted profit before tax* from a one cent stronger/weaker US Dollar/Euro is expected to be an increase/decrease of approximately £0.4 million and £0.3 million respectively.

Adjusted profit before tax* was £42.4 million; £36.9 million higher than 2020. On an organic, constant currency basis adjusted operating profit* and adjusted profit before tax* were only 2% and 1% down respectively on 2019 (up 12% and 15% excluding SmallHD insurance proceeds).

Statutory profit before tax of £29.6 million (2020: £7.7 million loss) further reflects adjusting items of £12.8 million (2020: £13.2 million), which primarily relate to the amortisation of acquired intangibles and acquisition related charges.

The Group's effective tax rate ("ETR") on adjusted profit before tax* was 24.3%. Statutory ETR was 12.5%.

Adjusted basic earnings per share* was 69.9 pence. Statutory basic earnings per share was 56.4 pence.

Cash flow and net debt

Cash generated from operating activities was £65.7 million (2020: £34.0 million) and net cash from operating activities was £54.7 million (2020: £25.0 million).

Free cash flow* was £23.6 million higher than 2020. Cash conversion* was strong at 108%, as set out on the next page.

Adjusted working capital* decreased by £1.1 million in 2021. Inventory was £23.7 million higher than December 2020, which was expected following capacity constraints and component shortages; though this was more than offset by an increase in payables. Trade payables were higher due to increased activity, and other payables were higher due to larger bonus accruals compared to December 2020.

Capital expenditure included:

— £10.8 million of property, plant and equipment (of which £2.8 million related to new machinery to enable some JOBY products to be made in Italy, and £0.8 million related to the Summer and Winter Olympics) compared with £5.1 million in 2020;
— £10.1 million capitalisation of R&D; and £0.8 million capitalisation of software. Gross R&D was higher than 2020, as expected, due to investment in growth areas including mechatronics at Imaging Solutions, ART at Creative Solutions, and Lightstream at Creative Solutions.

£m	2021	2020	Variance
Gross R&D	**25.2**	20.3	4.9
Capitalised	**(10.1)**	(10.1)	–
Amortisation	**4.8**	4.8	–
P&L impact	**19.9**	15.0	4.9

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

Interest and tax paid increased by £2.0 million compared to 2020 due to higher tax payments (including £3.0 million relating to EU State Aid) and upfront fees in relation to the acquisition loan facility; partly offset by the non-repeat of the RCF upfront and arrangement fees, and CCFF fees in 2020.

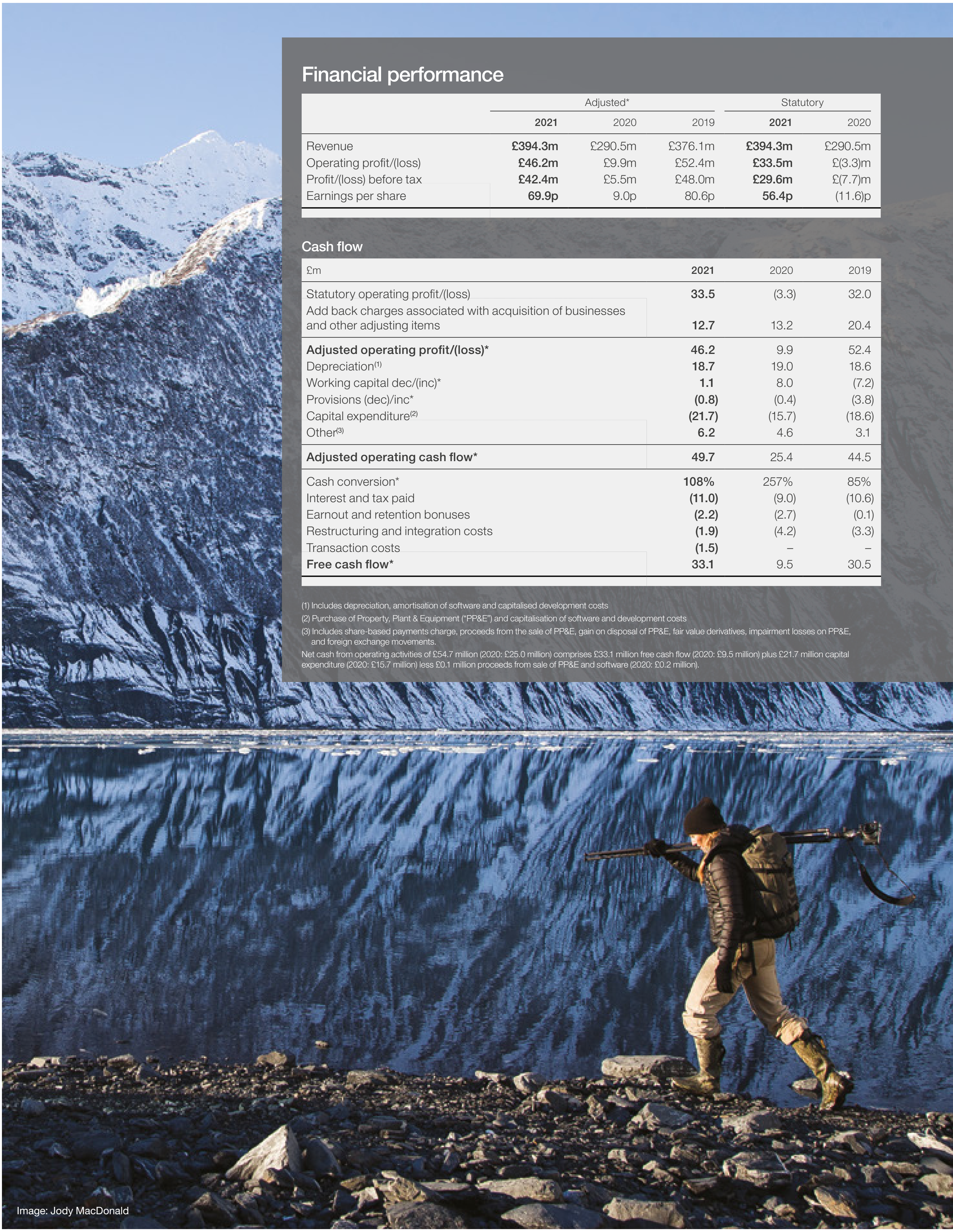
Restructuring cash outflow mainly reflects the final restructuring payments in Imaging Solutions in respect of its project to benefit from the move to the higher margin e-commerce channel.

December 2020 closing net debt* (£m)	**(90.8)**
Free cash flow*	33.1
Upfront loan fees, net of amortisation	0.6
Dividends paid	(7.1)
Employee incentive shares	(4.3)
Acquisitions	(56.1)
Net lease additions	(20.1)
FX	(0.5)
December 2021 closing net debt* (£m)	**(145.2)**

Net debt* at 31 December 2021 was £54.4 million higher than at 31 December 2020 (£90.8 million).

The ratio of net debt* to adjusted EBITDA* was 2.2x at 31 December 2021. This is c.0.3x higher than on a pre-IFRS 16 basis, and c.0.2x higher than on the basis used for our loan covenants.

Acquisitions cash outflow comprises £40.0 million for Savage, £15.1 million for Lightstream and £1.0 million for Quasar.



Financial performance

	Adjusted*			Statutory	
	2021	2020	2019	**2021**	2020
Revenue	**£394.3m**	£290.5m	£376.1m	**£394.3m**	£290.5m
Operating profit/(loss)	**£46.2m**	£9.9m	£52.4m	**£33.5m**	£(3.3)m
Profit/(loss) before tax	**£42.4m**	£5.5m	£48.0m	**£29.6m**	£(7.7)m
Earnings per share	**69.9p**	9.0p	80.6p	**56.4p**	(11.6)p

Cash flow

£m	2021	2020	2019
Statutory operating profit/(loss)	**33.5**	(3.3)	32.0
Add back charges associated with acquisition of businesses and other adjusting items	**12.7**	13.2	20.4
Adjusted operating profit/(loss)*	**46.2**	9.9	52.4
Depreciation[1]	**18.7**	19.0	18.6
Working capital dec/(inc)*	**1.1**	8.0	(7.2)
Provisions (dec)/inc*	**(0.8)**	(0.4)	(3.8)
Capital expenditure[2]	**(21.7)**	(15.7)	(18.6)
Other[3]	**6.2**	4.6	3.1
Adjusted operating cash flow*	**49.7**	25.4	44.5
Cash conversion*	**108%**	257%	85%
Interest and tax paid	**(11.0)**	(9.0)	(10.6)
Earnout and retention bonuses	**(2.2)**	(2.7)	(0.1)
Restructuring and integration costs	**(1.9)**	(4.2)	(3.3)
Transaction costs	**(1.5)**	–	–
Free cash flow*	**33.1**	9.5	30.5

(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 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.

Net cash from operating activities of £54.7 million (2020: £25.0 million) comprises £33.1 million free cash flow (2020: £9.5 million) plus £21.7 million capital expenditure (2020: £15.7 million) less £0.1 million proceeds from sale of PP&E and software (2020: £0.2 million).

Image: Jody MacDonald

Financial review/continued

Net lease additions were higher as previously announced (versus £3.5 million in 2020). They include the renewal of leases for our plants in Feltre, Costa Rica and Irvine, and also include a lease as part of the acquisition of Savage.

Liquidity at 31 December 2021 totalled £91.5 million; comprising £77.1 million unutilised RCF, £11.0 million of cash and £3.4 million unused overdraft facility. As previously announced, the Group repaid the CCFF during H1 2021.

ROCE[1] of 16.1% was higher than the prior year (2020: 3.7%), 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 £12.8 million versus £13.2 million in 2020.

£m	2021	2020
Amortisation of acquired intangible assets	7.2	7.6
Integration and restructuring costs	0.9	2.8
Acquisition related charges[2]	4.6	2.8
Finance expense – amortisation of loan fees on borrowings for acquisitions	0.1	–
Charges associated with acquisition of businesses and other adjusting items	**12.8**	13.2

Notes
(1) Return on capital employed ("ROCE") is calculated as adjusted operating profit* for the last 12 months divided by the average total assets, current liabilities excluding the current portion of interest-bearing borrowings, and non-current lease liabilities.
(2) Includes earnout charges, retention bonuses, transaction costs relating to the acquisition of businesses, and the effect of fair valuation of acquired inventory.

Viability Statement

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking account of the Group's current financial and trading position as summarised in this Annual Report, the principal risks and uncertainties set out on pages 36 to 41, and the latest management forecasts.

The Directors believe that a three-year period is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated and is aligned with the Group's business and strategic planning time horizon. It reflects the nature of the Group's key markets, its businesses and products and its limited order visibility. While the Directors have no reason to believe that the Group will not be viable over a longer period, they believe that the three-year period presents readers of the Annual Report with a reasonable degree of confidence.

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 2024. Modelling is impacted by a number of factors including assumptions around the overall global economic environment, the growth of our end markets and the creation of original content, and continued actions that governments might take in relation to controlling the pandemic.

The Directors have reviewed the forecast scenarios set out below:

- The Group's latest forecast, which projects an improvement in trading performance in 2022 and beyond, following the strong recovery from COVID-19 in 2021
- Two severe downside scenarios which primarily vary the velocity and length of recovery with the key changes to estimates being as follows:
  - Extending the time period and reducing the rate at which forecast sales would recover;
  - Considering supply chain shortages significantly restricting revenue in all markets over an extended period.

The severe downside scenarios are considered possible but not probable and factor-in mitigating cost-savings activities 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 covenants of the Multicurrency Revolving Credit Facility ("RCF"), which for example, occurred during 2020.

The Group has also modelled a reverse stress test scenario. This models the decline in sales that the Group would be able to absorb before breaching any financial covenants. Such a scenario, and the sequence of events that could lead to it, is considered to be remote, and is calculated before reflecting any mitigating actions or renegotiation of covenants. Revenue in 2021 increased by 36% versus 2020. Under the reverse stress scenario, revenue would need to decline by 16% in 2022 against the latest forecast to result in a breach of the covenants, and the lowest point of cash headroom in the next 12 months would be at February 2023, when cash headroom under the RCF would be £46 million.

The Directors have also considered the Group's capacity to remain viable after consideration of future cash flows, expected debt service requirements, undrawn facilities and access to capital markets.

The Group's main committed borrowing facilities at 31 December 2021 was the £165 million RCF, where the Group had utilised £87.9 million (53%); in January 2022, under the terms of the RCF, four of the five banks agreed to extend the maturity of £130 million to 14 February 2026, with the residual £35 million expiring at original date of 14 February 2025.

The Group's committed borrowing facilities also include a three-year $53.0 million (£39.1 million) amortising Term Loan signed on 15 November 2021 to finance the acquisition of Savage, and a three-year $47.0 million (£34.7 million) amortising Term Loan signed on 7 January 2022 to finance the acquisition of Audix.

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period from the date of this Annual Report to 31 December 2024.

Dividend

The Board has recommended a final dividend of 24.0 pence per share amounting to £11.1 million (2020: 4.5 pence per share amounting to £2.1 million). The final dividend, subject to shareholder approval at the 2022 Annual General Meeting, will be paid on Friday, 20 May 2022 to shareholders on the register at the close of business on Friday, 22 April 2022. This will bring the total dividend for the year to 35.0 pence per share. A dividend reinvestment alternative is available with details available from our registrars, Equiniti Limited. 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 basic earnings per share*.

Martin Green
Group Finance Director
28 February 2022

* 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 aid 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.

Key Performance Indicators

KPI	2021	Performance	Progress	Link to strategy
Health and safety: accident record Number of accidents resulting in greater than three days' absence	Nil	2021 0 2020 0 2019 2	In 2021 we met our target of zero accidents resulting in greater than three days' absence	n/a
Constant currency revenue (decline)/growth Change in revenue on operations at constant exchange rates	43.5%	2021 43.5% 2020 -22.9% 2019 -3.9%	Increase driven by recovery from suppressed demand in 2020 due to the pandemic	1, 3
Adjusted operating profit margin* Adjusted operating profit* divided by revenue	11.7%	2021 11.7% 2020 3.4% 2019 13.9%	Increase driven by higher volumes	2, 3
Adjusted profit before tax* Adjusted profit before tax*	£42.4m	2021 42.4m 2020 5.5m 2019 48.0m	Increase driven by higher volumes	1, 2, 3
Adjusted basic EPS* Adjusted profit after tax* divided by weighted average number of shares outstanding during the period	69.9p	2021 69.9p 2020 9.0p 2019 80.6p	Increase driven by higher adjusted profit after tax*	1, 2, 3
Return on Capital Employed* Adjusted operating profit* divided by the average total assets, current liabilities excluding the current portion of interest-bearing borrowings, and non-current lease liabilities	16.1%	2021 16.1% 2020 3.7% 2019 19.0%	Increase driven by higher adjusted operating profit*	1, 2, 3
Cash conversion* Adjusted operating cash flow* divided by adjusted operating profit*	108%	2021 108% 2020 257% 2019 85%	Tight control of cash despite higher inventory due to component shortages	1, 2
Revenue in APAC Revenue from selling to countries in the Asia Pacific region as a percentage of total revenue	15.6%	2021 15.6% 2020 18.9% 2019 20.2%	Slightly lower than 2020 due to high growth areas outside of APAC	1, 3

* A summary of APMs is given in the Glossary on pages 201 to 203.
2019 has been restated to include the non-current lease liabilities, which were not included in the 2019 calculation.

Principal risks and uncertainties

The Group has a well-established and effective framework for reviewing and assessing risks and has appropriate processes and procedures to mitigate against them.

Overview

To achieve its strategic objectives, Vitec recognises that it will take on certain business risks.

The Company aims to take business risks in an informed and proactive manner, such that the level of risk after mitigating action is aligned with the potential business rewards. Management regularly reviews risk exposures against current business risk level tolerances. Vitec aims to be a sustainable business, minimising its impact upon the environment, supporting and working to improve the societies in which it operates and with a rigorous governance framework ensuring the longevity of the business and minimising risks around its operations.

The risk management framework includes formal risk reviews and risk registers maintained at Group, Divisional and business unit level.

Our approach is underpinned by a commitment to fairness and honesty in our relationship with customers, suppliers, our people and all our stakeholders. The Group is risk averse with respect to risks that could negatively affect the safety of our employees and products, our brands or reputation, or risks that could lead to breaches of laws and regulations or endanger the future existence of the Group.

We have a disciplined financial management approach and in particular we seek to minimise the impact of short-term currency fluctuations on our business. The Group is committed to full compliance with all statutory obligations and full disclosure to tax authorities.

To support our strategic priorities, we have several business objectives which drive the way in which we proactively manage risks. These include: being a strong innovator and investing in research and development; identification of acquisition opportunities; optimising supply chain efficiency and operational excellence; and robust HR processes for resourcing and talent development.

Update since 2020

→ We believe that the risks relating to Demand for Vitec's products has reduced overall due to the market recovering faster than expected in 2021, and a very strong order book going into 2022. A small number of segments and territories remain affected by the pandemic, for example sales of photographic bags have been heavily affected by the decline in air travel. Some markets continue to face strict COVID-19 restrictions. At the same time, Vitec's diversification away from traditional markets has proven 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 monitors and encoders, and LED lighting. We believe the long-term fundamentals for the content creation industry remain strong.

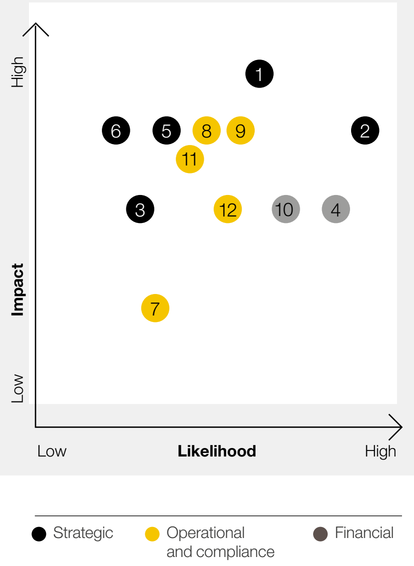
→ Cost pressure has increased due to strong inflationary pressures affecting certain categories, most notably freight, logistics, labour cost and energy. Due to strong demand conditions for our products, we have been able to increase pricing to offset the additional cost.

→ The risk related to People (including health and safety) has increased in likelihood due to a labour market for engineers (including software engineers) that is increasingly competitive in several of Vitec's key locations for product development.

→ Climate change has been added as a principal risk. We recognise the potential long-term severity of climate change risks, notwithstanding the challenges in quantifying the range of outcomes. 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.

Principal risks	Movement
1. Demand for Vitec's products	Reduced
2. New markets and channels of distribution	Stable
3. Acquisitions	Stable
4. Cost pressure	Increased
5. Dependence on key suppliers	Stable
6. Dependence on key customers	Stable
7. People	Increased
8. Laws and regulations	Stable
9. Reputation of the Group	Stable
10. Foreign exchange and interest rates	Stable
11. Business continuity including cyber security	Stable
12. Climate change	New

Principal risks and uncertainties – movement in 2021



Principal risk	Specific priority	Movement	Strategic priority	Mitigation
1	**Demand for Vitec's products** Demand for our products may be adversely affected by many factors, including changes in customer and consumer preferences and our ability to deliver appropriate products or to support changes in technology. Demand may be impacted by changes in distribution channels. The Group increasingly produces and sells products that are more technologically advanced, including encoders, transmitters and on-camera monitors. These products have a shorter life cycle than our historical products and continuous investment in new product development is needed to keep up with changing demand. Demand for our consumer brands may also be impacted by competitor activity, particularly from low-cost countries. Overall, this risk is reduced compared with the prior year. This is due to a faster than planned recovery and a strong order book going into 2022. Several segments are performing extremely well, such as streaming solutions and lighting. Some specific segments remain affected by the pandemic, for example sales of bags are impacted by the huge decline in air travel.	↓	1 Organic growth 2 Margin improvement 3 M&A activity	We value our relationships with our customers and to mitigate this risk we closely monitor our target markets and user requirements. We maintain good relationships with our key customers and make significant investments in product development and marketing activities to ensure that we remain competitive. We complete appropriate market analyses before developing new products to ensure that they are appropriately designed for our target markets. We closely monitor the demand for new products and phase out old product lines. We are actively pursuing growth in selected emerging markets. We are increasingly focused on developing more sustainable products in order to meet changing consumer needs. For example, the majority of bag product ranges are made with recycled fabric. We actively pursue a strategy to reduce reliance on traditional market segments through the development of e-commerce platforms and products for adjacent niche markets.
2	**New markets and channels of distribution** As we enter new markets and channels of distribution we may achieve lower than anticipated trading volumes and pricing levels, or higher costs and resource requirements. This may impact the levels of profitability and cash flows delivered. We expect that the proportion of our business conducted through online channels will continue to increase, and we will continue our investment in new, innovative products which address the needs of independent content creators. Our ability to serve end consumers through enhanced digital experiences and channels is a competitive differentiator for Vitec. The Group is planning to further invest in developing its streaming capabilities. Some of the Group's proprietary wireless communication modules have applications in other vertical segments, such as medical, which we wish to leverage further. As a result, the risk relating to new markets and channels of distribution is stable overall.	→	1 Organic growth 2 Margin improvement 3 M&A activity	To mitigate these risks, we have a thorough process for assessing and planning the entry into new markets and related opportunities. This includes marketing and advertising strategies for our products and services. We continuously assess our performance and the related opportunities and risks in these markets. We adapt our approach taking into account our actual and anticipated performance. We review our channels of distribution to make sure that they remain appropriate. Our increased online presence creates IT security and compliance challenges which the Group is continually addressing. We continue to develop our online presence leveraging a combination of owned and third-party platforms. The acquisitions made in 2021 and early 2022 will enable the Group to increase its exposure and capabilities in complementary segments (audio capture, gaming, specialist lighting).
3	**Acquisitions** In pursuing our business strategy, we continuously explore opportunities to expand our business through development activities such as strategic acquisitions. This involves a number of calculated risks including: acquiring desired businesses on economically acceptable terms; integrating new businesses, employees, business systems and technology; and realising satisfactory post-acquisition performance. Several acquisitions were completed in the last 12 months: Lightstream, Quasar, Savage and Audix. These allow Vitec to develop capabilities and presence in segments that are complementary to existing businesses.	→	3 M&A activity	We mitigate these risks by having a clear acquisition strategy with a robust valuation model. Thorough due diligence processes are completed including the use of external advisors where appropriate. The post-acquisition performance of each business is closely monitored and, before completion of any acquisition, a plan is developed to integrate the acquired businesses in an effective way. Good progress has been made in integrating recently acquired entities.

Principal risks and uncertainties/continued

Principal risk	Specific priority	Movement	Strategic priority	Mitigation
4	**Cost pressure** We have seen significant increases in several categories of spend, notably freight, logistics and energy cost. However, demand conditions have remained strong which, combined with the premium differentiation of our products, has helped to reduce the pressure on price.	↑	2 Margin improvement	We ensure that our product and service offering remains competitive by investing in new product development and in appropriate marketing and product support, and by improving the management of supply chain costs. This, and working closely with our suppliers and managing expenses and cost base appropriately, allows us to support price increases when required. We have rationalised our product range to reduce complexity which will also allow us to achieve some cost saving on production. We continually review our production and sourcing activities for cost-saving opportunities. We review opportunities to improve productivity through deployment of practices such as lean manufacturing and robotics. Most of our products and services have a premium or niche differentiation. Vitec has in the past exited markets where the margins and sales volumes were too unattractive. We continue to monitor our pricing across the main currencies to reflect ongoing fluctuations.
5	**Dependence on key suppliers** We source materials and components from many suppliers in various locations and in some instances are more dependent on a limited number of suppliers for particular items. If any of these suppliers or subcontractors fail to meet the Group's requirements, we may not have readily available alternatives, thereby impacting our ability to provide an appropriate level of customer service. Our overall dependence on key suppliers has increased over the last few years as a result of the Group's decision to reduce its costs by outsourcing some manufacturing and assembly activities. For several of our products we are heavily dependent on a specific supplier for the provision of core elements of the products. This trend has reversed somewhat in the last few months with the in-sourcing of critical manufacturing processes related to JOBY. Global supply chain shortages of certain raw materials and components, in particular semiconductors, have presented a major challenge to Vitec during 2021. Due to shortages of key components, the launch of certain products has been delayed, and the order fulfilment lead times have increased. We expect this to continue to be challenging in 2022.	→	1 Organic growth 2 Margin improvement	To address this risk, we aim to secure multiple sources of supply for all materials and components, and develop strong relationships with our major suppliers. We review the performance of strategically important suppliers and outsourced providers globally on an ongoing basis. Where economical we look to source materials closer to the manufacturing facilities to reduce lead times and improve control over the supply chain. For example, some of the Group's metal firmware requirements are now sourced from Vitec's Costa Rican plant. We look to in-source manufacturing capability for strategic products where possible, in order to reduce reliance on third parties. This is the case for JOBY. The Group's business interruption insurance (within deductible limits) provides coverage for named key suppliers. The Group has responded to the issue of component shortages in several ways, by directing the utilisation of critical components in favour of higher margin products, and identifying alternative sources. Where necessary, the Group is re-engineering the design of products to reduce reliance on the most scarce components. Purchase planning activities have increased, for example, by placing orders earlier in advance, and where possible increasing buffer stock.
6	**Dependence on key customers** While the Group has a wide customer base, the loss of a key customer, or a significant worsening in their success or financial performance, could result in a material impact on the Group's results. Vitec's largest customer accounted for marginally more than 10% of the Group's total turnover in 2021. The Company also works with a variety of customers on large sporting events, and the extent of these activities varies year-on-year.	→	1 Organic growth 2 Margin improvement	We mitigate this risk by closely monitoring our performance with customers through developing strong relationships and dedicated account management teams, and we monitor the financial performance of our key customers and the receivable balances outstanding from them. We continue to expand our customer base including entering into new channels of distribution and acquiring business in adjacent market segments. The increased investment in digital platforms will enable the Group to better serve end consumers and reduce reliance on third-party distributors. The Group has various credit insurance schemes in place (covering approximately 50% of the total trade debtor balance).

Principal risk	Specific priority	Movement	Strategic priority	Mitigation
7	**People** We employ around 2,000 people and are exposed to a risk of being unable to retain or recruit suitable diverse talent to support the business. We manufacture and supply products from a number of locations and it is important that our people operate in a professional and safe environment. The health and safety compliance requirements resulting from COVID-19 still present a number of challenges. There may also be a risk that the morale of our employees becomes eroded by the impact of the crisis and initiatives such as furlough and other cost reduction programmes. As the global economy recovers, we are seeing greater competition for engineering talent and there is an increased risk that some key engineers may leave Vitec thereby adversely affecting the development of new products.	↑	1 Organic growth 3 M&A activity	We recognise that it is important to motivate and retain capable people across our businesses to ensure we are not exposed to risk of unplanned employee turnover. We reward our people fairly and have appropriate recruitment, appraisal, talent management and succession planning strategies to ensure we recruit and retain diverse, good quality people and leadership across the business. We take our employees' health and safety very seriously and have appropriate processes in place to allow us to monitor and address any issues appropriately. During the pandemic, our primary concern was the health and safety of our employees and their relatives. The Group complies fully with all regulatory requirements. We have engaged extensively with employees throughout the pandemic and we mitigate the risk around our people by normalising pay in line with recovery and adopting mitigating measures such as restricted shares for senior employees. We continually review and adapt the employee retention plans for key employees in particular engineers.
8	**Laws and regulations** We are subject to a comprehensive range of legal obligations in all countries in which we operate. As a result, we are exposed to many forms of legal risk. These include, without limitation, regulations relating to government contracting rules, sanctions regimes, environment and climate change, taxation, data protection regimes, anti-bribery provisions, competition, and health and safety laws in numerous jurisdictions around the world. Failure to comply with such laws could significantly impact the Group's reputation and could expose the Group to fines and penalties. We may also incur additional cost from any legal action that is required to protect our intellectual property. The EU State Aid investigation is still ongoing and may result in a maximum exposure of £3.0 million. The current tensions affecting the Ukraine region increase the possibility of economic sanctions applied by the US and Europe which may restrict Vitec's ability to trade with certain entities. The increases in tariffs on imports from China to the US, which were implemented during the previous US administration, have had an adverse effect on the purchase cost for some of our raw materials. The Group has not experienced any significant adverse impact from Brexit following the end of the transition period in December 2020.	→	1 Organic growth 2 Margin improvement	We address this risk by having resources dedicated to legal and regulatory compliance supported by external advice where necessary. We monitor and respond to developments in the regulatory environment in which our companies operate, including the effect of tax changes. We enhance our controls, processes and employee knowledge to maintain good governance and to comply with laws and regulations. The Group has processes in place, including senior management training, to ensure that its worldwide business units understand and apply the Group's culture and processes to their own operations. We actively protect our intellectual property, and will legally pursue parties that infringe our intellectual property rights. We continue to monitor the longer-term effects of Brexit. We use a compliance search engine to monitor and vet third parties, including for possible issues relating to sanctions regimes. With regard to the China/US tariffs affecting imports from China into the US, we continually evaluate our pricing and sourcing strategy to mitigate the impact of additional tariff costs. We are sourcing products in alternative locations if possible (e.g. LED lights now sourced from Thailand and some of the production of bags moved out of China).

Principal risks and uncertainties/continued

Principal risk	Specific priority	Movement	Strategic priority	Mitigation
9	**Reputation of the Group** Damage to our reputation and our brand names can arise from a range of events such as poor product performance, unsatisfactory customer service, and other events either within or outside our control. We are mindful of the increasing levels of regulatory and stakeholder scrutiny of companies' affairs, coupled with the widespread impact of social media. The societal impact of our brands and the sustainability of our operations are increasingly important to consumers of Vitec products and our investor community. There is increased scrutiny of Vitec's ESG credentials, and a need to comply with increasing ESG regulations (ESOS, TCFD).	→	1 Organic growth	We manage this risk by recognising the importance of our reputation and attempting to identify any potential issues quickly and address them appropriately. We recognise the importance of providing high quality products, good customer service and managing our business in a safe and professional manner. This requires all employees to commit to, and comply with, the Vitec Code of Conduct. Our IT Policy covers social media matters and is communicated to all employees and contractors. A whistleblowing facility is in place to allow employees to confidentially report any compliance issues. We have implemented a compliance programme with key vendors which includes site inspections and compliance database checks, and we require all vendors to sign up to the Vitec Code of Conduct or equivalent standards. For many years, we have implemented corporate citizenship initiatives and programmes to reduce Vitec's environmental impact. In 2021, we launched a structured, Group-wide, ESG programme and have implemented several key initiatives such as investments to reduce energy consumption, and initiatives to increase the sustainability of our products, for example through reduced packaging or use of recycled materials.
10	**Foreign exchange and interest rates** The global nature of the Group's business means it is exposed to volatility in currency exchange rates in respect of foreign currency denominated transactions, and the translation of net assets and income statements of foreign subsidiaries and equity accounted investments. The Group is exposed to a number of foreign currencies, the most significant being the US Dollar, Euro and Japanese Yen. Due to its debt, some of which is floating, the Group is also exposed to the risk of increase in the base rates of Bank of England and US Federal Reserve. There is the possibility that these will increase rapidly in the short term, as central banks move to contain inflation.	→	1 Organic growth 2 Margin improvement	We regularly review and assess our exposure to changes in exchange rates. We reduce the impact of sudden movements in exchange rates with the use of appropriate hedging activities on forecast foreign exchange net exposures. We do not hedge the translation effect of exchange rate movements on the Income Statement or Balance Sheet of overseas subsidiaries. However, the Group does finance overseas investments partly through the use of foreign currency borrowings in order to provide a net investment hedge over the foreign currency risk that arises on translation of its foreign currency subsidiaries. With regard to the exposure to rising interest rates, we have addressed this exposure by fixing approximately half of the interest charge for the remainder of the loan terms, through the use of swap instruments. In 2022, we will prioritise cash generation in order to repay debt.
11	**Business continuity including cyber security** There are risks relating to business continuity resulting from specific events such as natural disasters including earthquakes, floods, fires, or pandemic flu. These may impact our manufacturing plants or supply chain, particularly where these account for a significant amount of our trading activity. We are also dependent on our IT platforms continuing to work effectively to support our business and therefore there is a cyber security risk for the Group. The latter continues to be a major focus for the Group.	→	1 Organic growth	We address this risk with business continuity plans and disaster recovery plans at our key sites, and by carrying out regular IT and cyber security vulnerability assessments. There are standard procedures in place to escalate breaches and remediate IT security incidents. We have global insurances in place which provide cover for certain business interruption events. We review coverage annually to determine whether adjustments are needed. We continue to closely monitor our supply chain, and identify back-up suppliers. For components with availability concerns, we increase advanced purchases of those components, seek alternative suppliers, and also ration the use/direct the use of those components to the most profitable product lines.

Principal risk	Specific priority	Movement	Strategic priority	Mitigation
12	**Climate Change** We understand the serious nature of the challenges relating to climate change and the implications this may have on our operations and business model. We consider the physical risks to people and assets based on a projected increase in the frequency of natural disasters caused by climate change, and the impact of gradual changes such as increasing temperature. Shifting to a low-carbon model may necessitate expensive investment in new machinery and other costs may be adversely impacted such as insurance. We expect additional costs to arise to meet regulatory and reporting requirements, and costs to offset emissions.	NEW	1 Organic growth	We are developing strategies to monitor and 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. We have established a Group-wide ESG Committee to oversee the Group's response to climate change and expanded the Group's ESG programme with a key pillar being a reduction in carbon emissions. Several initiatives are underway, or have been completed, to reduce energy consumption. Further details are included in the TCFD section on page 52.

Responsibility
A snapshot of ESG

> “Vitec has a clear purpose and strategy, and a strong belief in doing business the right way. Throughout 2021, we have continued developing our ESG agenda to ensure a focused and coordinated Group-wide approach.

Stephen Bird
Group Chief Executive

Responsibility

Read more online
vitecgroup.com/responsibility

Stephen Bird
Group Chief Executive

Our ESG strategy and commitment

We are a small company with a global footprint and are committed to working responsibly. We have a coordinated Group-wide approach to ESG, focusing on the material issues that affect our business and our stakeholders. We engage with our stakeholders – including our employees, shareholders, customers, supply chain and rating agencies – to develop, deliver and evolve the Group's ESG strategy according to their needs.

Our strategy includes clear objectives and targets, prioritising actions that can deliver the greatest impact. It is designed to positively contribute to the success of the Company, to reduce the impact of the business on the environment, to prioritise the health and safety of our employees, and to improve the diversity and inclusivity of our workplaces.

We have worked closely with an independent, specialist ESG consultancy to develop our strategy, and to improve our disclosure by collecting detailed data and comprehensively, clearly and consistently reporting our progress and credentials. To reflect Vitec's commitment to ESG, we will publish our first standalone ESG Report which will cover Vitec's ESG programme and performance in detail. The Report will be published on our website in April 2022. This Annual Report contains an overview of our ESG activities.

ESG frameworks that inform our strategy

Both mandatory and voluntary ESG disclosures have been considered in the creation of Vitec's ESG strategy, as follows.

- The **Streamlined Energy and Carbon Reporting ("SECR")** requires Vitec to disclose its energy usage, associated emissions, energy efficiency actions and energy performance implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The details of this report can be found on page 58.
- The **Energy Savings Opportunity Scheme ("ESOS")** is a mandatory UK energy audit that Vitec must carry out every four years to assess the energy used by our UK buildings. The energy efficiency measures suggested in the most recent UK site surveys inform our carbon reduction milestones discussed on page 50.
- The **Task Force on Climate-Related Financial Disclosures ("TCFD")**, mandated by the Financial Conduct Authority ("FCA"), requires UK premium-listed companies to report on a "comply or explain" basis for periods beginning on or after 1 January 2021. A summary of Vitec's climate-related financial disclosures from the Group's standalone TCFD Report 2021 can be found on page 52.
- The **Carbon Disclosure Project ("CDP")** is an international voluntary disclosure focusing on environmental impact management, and we will submit our annual CDP Climate Response in summer 2022.
- The **Global Reporting Initiative ("GRI")** is an international voluntary ESG reporting standards framework enabling organisations to report on their economic, environmental, social and governance performance. This Responsibility section of the Annual Report summarises Vitec's ESG progress which we will report on in accordance with the GRI guidance in our 2021 ESG Report that will be published in April 2022.
- We intend to align our net zero carbon strategy with the **Science-Based Targets Initiative ("SBTi")**, demonstrating our commitment to the UK's Nationally Determined Contribution ("NDC") 2020 under the Paris Agreement 2015 to limit global warming to 1.5°C. The NDC commits the UK to reducing economy-wide greenhouse gas emissions ("GHG") by at least 68% by 2030, compared to 1990 levels. Vitec's carbon reduction targets are detailed throughout this Responsibility section, and the Group's net zero pathway is laid out on page 50.

United Nations Sustainable Development Goals ("SDGs")

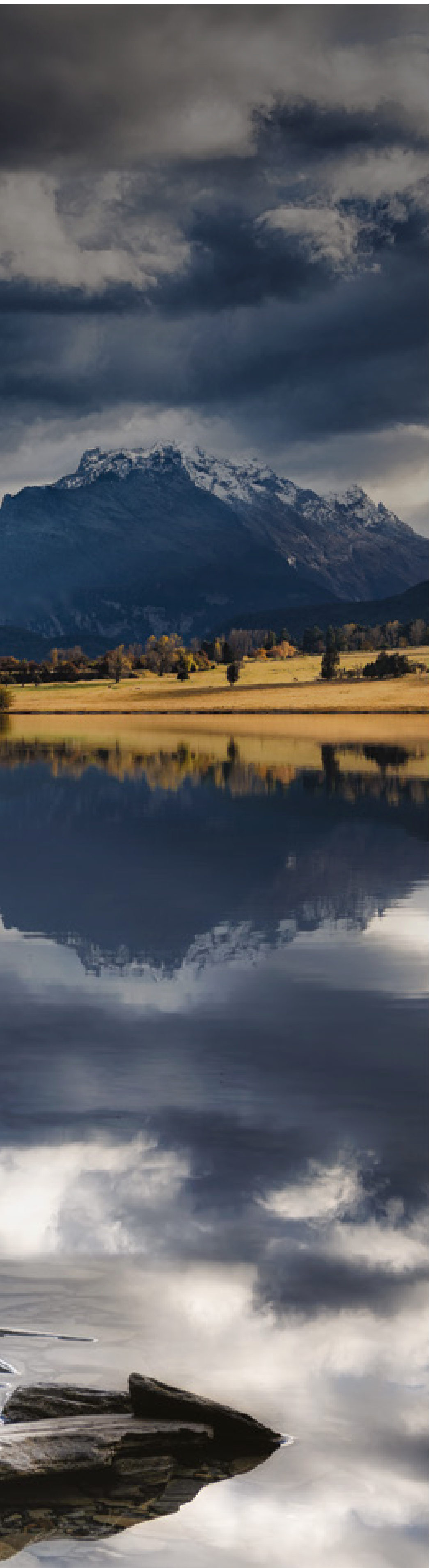
We have aligned our ESG strategy and performance to the **United Nations Sustainable Development Goals**, specifically, SGD12 Responsible Consumption and Production and SDG13 Climate Action. Our Diversity and Inclusion strategy discussed on page 65 looks to contribute towards SDG5 Gender Equality. Our community efforts detailed on page 68 intend to contribute towards SDG4 Quality Education and SDG8 Decent Work.

ESG governance

We have a robust governance framework and a Code of Conduct that sets out our values and the behaviour expected from Vitec, our people, and our supply chain. ESG governance has been integrated into our existing processes, and this framework underpins a sustainable and responsible business for our stakeholders.

Our key focus areas

Image: Chris McLennan

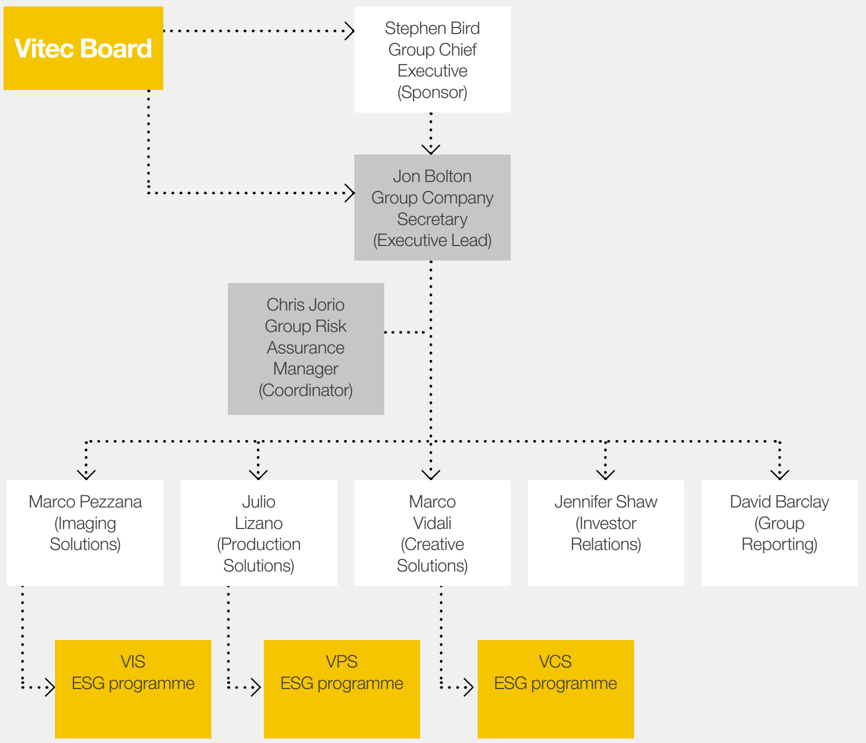


The Vitec Board provides oversight and has overall responsibility for the Group's ESG performance. In response to the growing importance and increasing stakeholder interest in ESG, the Board established an ESG Committee to coordinate Vitec's ESG performance. The ESG Committee is chaired by the Group Chief Executive Stephen Bird and comprises senior executives representing the Group and each Division. The Committee is mandated to meet the Board's growing ESG standards and ambitions, lead initiatives across the Group and ensure compliance with emerging regulations. The Committee meets at least once a quarter, reporting Divisional ESG progress and updates the Board on Vitec's ESG performance. A percentage of the Group Chief Executive's remuneration has been tied to the Group's ESG performance; more details can be found in the Directors' Remuneration report from page 106.

In 2021, the Board, ESG Committee and broader management identified and addressed material issues affecting business operations and Vitec's stakeholders. Clear objectives and targets were set across all critical areas following stakeholder feedback, and data collection measures were introduced to monitor and report progress.

How Vitec manages its ESG performance

ESG Committee led by



ESG targets

Target	Progress 2021	KPIs 2022
1. Prioritise health and safety		
No major lost time accidents.	Provided continued assurance on the number of accidents in 2021. Completed external compliance verification in 2021 and plan to repeat every three years.	Expand the way we externally report accidents (including those resulting in under three days absence) and all near misses. Continue to identify and monitor any H&S limitations. Zero accidents resulting in over three days or more absence.
2. Reduce carbon emissions		
Ensure that 100% of Group operations capture and report on CO_2e emissions. Reduce our Scope 1 and 2 emissions by 25% by 2024: 50% by 2030: 90% by 2035 based on our 2019 baseline of 4,580 tCO_2e.[1] Reach net zero by 2035 in Scope 1 and 2.	In 2021 the Group started to measure its Scope 3 emissions.	Develop approach to include Category 9 Downstream Transportation and Distribution and Category 12 End-of-Life Treatment of Sold Products (focusing on packaging), to cover all emissions by 100%. Improve data collection to move away from a spend-based methodology.
	Scope 1 emissions	
Scope 1 emissions are direct greenhouse ("GHG") emissions that occur from sources that are controlled or owned by Vitec (i.e. gas usage and transportation fuel). Reduce Scope 1 emissions by 35% by 2027.	In 2021, we conducted site surveys to establish energy savings options to reduce demand and use of gas.	Decide which options to implement and confirm budget requirements.
	We are gradually converting the Company motor fleet to electric/ hybrid vehicles.	25% of our fleet will be electric/hybrid by 2024.
	Our Company motor fleet accounts for 23.29% of the Group's Scope 1 emissions and 0.26% of the Group's total carbon emissions.	Carry out a feasibility study into charging capacity at sites.
	In 2021, the Group started to measure its refrigerants which account for 1% of the Group's Scope 1 emissions and 0.01% of the Group's total carbon emissions.	Improve data collection for sites where refrigerant data was not recorded. We aim to transition to low global warming potential F-gases over time.

(1) Using the location-based approach.

Target	Progress 2021	KPIs 2022
2. Reduce carbon emissions/continued		
	Scope 2 emissions	
Scope 2 emissions are indirect GHG emissions associated with Vitec's purchase of steam, heat or cooling.	Measures were initiated to optimise consumption, including solar energy systems implemented in Bury St Edmunds, UK and Cartago, Costa Rica. Currently assessing the feasibility at other Group sites.	On-site generation solar panels will reduce global emissions.
Reduce Scope 2 emissions by 50% by 2030 and 90% by 2035.	Full conversion to LED lighting at Feltre in progress.	Convert to LED lights across the Group to reduce emissions.
	Secured renewable energy contracts in Italy, the UK and Costa Rica.	Switch to renewable energy contracts across the whole Group by 2024.
Scope 3 emissions are indirect GHG emissions of Vitec's value chain.	**Scope 3 emissions**	
Reduce business air travel by 50% by 2024 (from a baseline of c.1,000 tCO_2e in 2019).	Limited flights where appropriate by moving to virtual meetings instead.	Continue to limit flights where appropriate by moving to virtual meetings instead.
Strategically reduce our Scope 3 emissions to meet our 2045 Net Zero target.	Most Scope 3 categories calculated and revised our target to be more achievable and aligned with wider society.	Implement data recommendations for each category in the carbon balance sheet.
Scope 3 emissions account for 97% of the Group's carbon emissions.	Category 7 Employee Commuting example: hybrid approach to working implemented and re-promoted cycle to work scheme. Employee commuting accounts for 1% of the Group's total carbon emissions.	Develop our Net Zero Strategy to understand and engage our supply chain and staff to influence carbon reductions.
		Develop an understanding of how to decarbonise employee commuting across the Group, i.e. understand transport infrastructure per country.
	Category 5 Waste Generated in Operations, where possible we collected and presented activity-based data on waste (i.e. waste type, mass and disposal method).	For sites with only spend data available, begin collecting activity-based data (i.e. waste type, mass and disposal method).

ESG targets/continued

Target	Progress 2021	KPIs 2022
3. Reduce packaging and waste		
50% of current cardboard packaging consumption will be replaced by sustainable, FSC grade cardboard or eliminated.	Initial measurement complete and several initiatives underway.	Continue monitoring and measuring progress.
50% reduction in annual consumption of single-use plastics by 2024.	Our largest manufacturing sites are already close to 0% waste to landfill, supported by ISO environmental programmes. We continue to drive initiatives for improved recyclability of all inputs and commodities/raw materials used in the manufacturing process.	Continue monitoring and measuring progress.
Continue to reduce waste in landfill.	We continue to segregate our waste across our sites and update manufacturing technology to more efficient models.	Continue monitoring and measuring progress.
Start recording water consumption and set a target.	We set a goal to start recording water consumption.	To collect data on water consumption and develop a metric for year-on-year measurement.
4. Embed sustainability into our product life cycle		
By 2025 have implemented a product life cycle (cradle to grave) for five of the Group's top-selling products.	Imaging Solutions leads the way through a detailed cross-functional exercise with Bologna Business School. Product life cycle is already in place for some products (Gitzo and Manfrotto) with a roadmap for completion in 2022.	Identify the five products and design and implement a consumer questionnaire to ask how they dispose of their products.
	Started to target the most significant areas of concern in other Divisions, such as lithium batteries and recycling around electrical components.	Target the most significant areas of concern such as lithium batteries and recycling around electrical components.
	Gitzo Légende bag launched in June comprising 65% of recycled fabric, non-animal tested and non-toxic synthetic eco-leather. Lowepro launched PhotoSport bag in 2021 with 75% recycled fabric and aspiration for Lowepro Bags full product range to be 100% recycled fabric by 2024.	

Target	Progress 2021	KPIs 2022
5. Formalise the integrity of our supply chain		
Request supplier-specific data on products from top five largest suppliers across the Group by 2025. This is key to understanding the impacts of procured products on the environment and society, e.g. virgin materials vs recycled materials.	Vetted all direct suppliers to encompass ESG dimensions. Reputational risk around supply chain already actioned through RiskRate vetting. Recommunicated responsible sourcing policy to internal and external stakeholders. Centralised APAC procurement which will enable greater consistency and transparency.	Engage the Group's top five suppliers by revenue with a products questionnaire.
6. Improve diversity, equality and inclusion		
Over the next five years, aim to improve the Group's overall gender diversity from 70% men and 30% women. At a senior leadership level, we expect the ratio of women to be at least 30%.	We developed a new D&I strategy with targets and action plans tailored to address our industry and our key area for improvement: to actively recruit more female employees. Our Code of Conduct sets out an express prohibition on discrimination of any kind.	Continue to monitor and manage progress. Engage employees on this topic. Recommunicate our Code of Conduct to all employees in 2022.
7. Positively impact the communities in which we operate		
Over a four-year period, positively impact one disadvantaged person for every Vitec employee in the communities we operate.	Many programmes were put on hold during 2021 due to the pandemic. Divisional programmes have restarted and are being reinvigorated, for example, the "Picture of Life" in our Imaging Division. In 2021, the Group positively impacted 394 disadvantaged people.	Continue monitoring and measuring progress. We will continue to develop a structured and coherent approach and leverage external communications.

Vitec's pathways to net zero

Targets

Scope 1 & 2	Scope 1 gaseous & other fuels	Scope 1 transport (Company cars)	Scope 2 electricity	Scope 3 business air travel	Scope 3 value chain
Baseline 2019 4,580 tonnes of CO_2				**Baseline 2019** c.1,000 tonnes of CO_2	
2024 25% reduction		**2024** Convert 24% fleet to electric/hybrid		**2024** 50% reduction	
2025 Carbon Neutral	**2027** 35% reduction				
2030 50% reduction			**2030** 50% reduction		
2035 90% reduction			**2035** 90% reduction		
2035 Net zero					**2045** Net zero

We have worked on the net zero strategy throughout 2021 and have analysed the data for Scopes 1, 2 and 3 in accordance with the Greenhouse Gas ("GHG") Protocol. In the SECR report on page 58, we have set our energy efficiency measures for the next five years to begin decarbonising our Scope 1 and 2 emissions.

We have set near-term targets as we journey to be net zero for Scope 1 and 2 by 2035 and Scope 3 by 2045. Over the coming months, the Board will review the various strategic options to achieve our near and long-term targets.

Image: Rachid Dahnoun

Task Force on Climate-related Financial Disclosures Report ("TCFD")

The Vitec Group plc has complied with the requirements of Listing Rules 9.8.6R by including climate-related financial disclosures consistent with TCFD recommendations and recommended disclosures. We will continue to develop our TCFD reporting in the 2022 Annual Report as we further embed the recommendations and latest guidance.

We recognise that climate change is a complex issue and, although our assessment that the risk to the Group's operations is minimal, we have worked closely with an independent, specialist ESG consultancy to rigorously assess the impact of climate change on the business. In our first year of reporting, we have focused on three key areas.

- First, we have worked to understand our Scope 3 carbon emissions to develop our 2045 net zero roadmap: net zero for Scope 1 and 2 by 2035, and 2045 for Scope 3.
- Second, we have created a climate risk management framework incorporating climate-related scenarios to assess climate change's potential risks and opportunities on our business, strategy and financial planning.
- Third, we have introduced robust governance processes to mitigate the risks and capitalise on the opportunities climate change presents.

Governance – Ensuring accountability and responsibility for climate-related risks and opportunities

The Board provides oversight to climate-related risks and opportunities which have been integrated into the business strategy and business targets. The Audit Committee reviews financial and non-financial risks outlined in the Group Risk Register, including the Climate Change Principal Risk. The Group Risk Assurance Manager, Group Company Secretary and Deputy Group Finance Director work with third-party experts to assess the potential climate-related risks for the short, medium and long term to annually review the Climate Change Principal Risk criteria. The responsibility for managing Vitec's climate-related risks and opportunities is assigned between Divisional CEOs, Operations Directors, Group Risk Assurance Manager and the Group Company Secretary. The Group Risk Assurance Manager coordinates the work between the ESG Committee and Divisional management across the business to ensure that climate risks and opportunities are identified, the potential impacts are accurately reported, and risk mitigation measures are adopted. The Group Risk Assurance Manager regularly reviews mitigation plans on behalf of the ESG Committee and provides annual updates on climate-related issues to Group operations. Further details on how TCFD is managed at Group and in key markets is available in our standalone TCFD Report that will be published in April 2022.

Several sessions were facilitated by the aforementioned third-party expert, to explain and raise awareness of the concepts of climate change. These sessions have involved the Board and senior management. In addition, the external auditors have provided an overview of climate change regulatory requirements to the Audit Committee.

Strategy – Building climate resilience into our business strategy

Vitec has an established strategy and purpose. To ensure business longevity, we have worked to understand the impact of climate change on the Group's operations, strategy and financial planning. Adopting the TCFD recommendations within our existing risk management processes has enabled Vitec to develop a climate-risk impact framework. In 2021, a detailed climate scenario analysis was carried out across all 33 operational sites of the Group. A more comprehensive analysis was conducted for the Group's 12 largest sites – based on revenue and employee numbers. In 2022, we aim to extend the analysis to our key supply chain routes. The findings of the climate scenario analysis were presented to the Group Risk Assurance Manager, ESG Committee members and site managers to assess and appropriately classify the potential climate-related risks and opportunities across Vitec's operations. The Group Risk Assurance Manager, together with the Group Finance Director, assess if the potential climate-related risks and opportunities will significantly increase the Climate Change principal risk criteria in the short, medium and long term.

To assess the impact of climate change on our organisation we consider a range of scenarios. A climate scenario is a plausible representation of future climate that has been constructed for explicit use in investigating our future exposure to the impacts of climate change. We modelled our climate scenarios across three time-horizons using several established models: Climada natural catastrophe damage model, CORDEX regional climate projections, and IAMs (Integrated Assessment Models).

Scenarios Warming Pathways	Time horizons
Below 2°C Scenario – Organisations begin to align more closely with the Paris Agreement and Science Based Targets initiative (1.5°C) for an orderly and coordinated transition to a low-carbon economy.	Short-term 2020-2025
Between 2-3°C Scenario – Businesses respond to patchwork policies with intermittent action, aligning with current forecasts.	Medium-term 2025-2035
Above 3°C Scenario – Bank of England models a recession; minimal climate action and global emissions rise unchecked.	Long-term 2035-2050

Initial risk levels were considered before determining a final risk level based on mitigating measures. The following tables summarise the risks and opportunities that were identified as material and which cumulatively results in Climate Change being reported as a principal risk. While we have identified Climate Change as a principal risk, this process has determined that Climate Change and its impact is low for the Group in the medium term, and the risk is therefore categorised as moderate overall. There is no material impact in relation to 2021.

In accordance with the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period, taking account of the principal risks and uncertainties set out on pages 36 to 41 which include the climate-related risk. The Directors believe that a three-year period is an appropriate period over which a reasonable expectation of the Group's longer-term viability can be evaluated and is aligned with the Group's business and strategic planning time horizon. The climate-related risk does not materially impact the Group's longer-term viability assessment. The maximum annuity impact of climate change, based on the impact ranges below, was factored into the long-term financial modelling for the Group's cash generating units ("CGUs"). There is no material impact on the available headroom.

Description	Timeline	Impact range	Explanation
Transitional risks			
Increased reporting requirements pertaining to climate change and increased resourcing for environmental initiatives. Risk is highest in the <2°C Scenario.	Short/Medium/Long-term (2020-2050)	Additional cost of £0.3 – £0.7m per annum.	This reflects the incremental headcount required to deliver initiatives related to climate change and reporting thereof, increased management effort, steering Group activities and third-party consulting costs. We expect additional resourcing to work with the supply chain to reduce Scope 3 (indirect) emissions.
Carbon costs associated with carbon taxes and offsetting to hit our emissions goals; costs are highest in 2-3°C Scenario, as governments may bring in carbon taxation quickly and in an unplanned way.	Medium/Long-term (2025-2050)	Additional cost of up to £0.3m per annum.	The additional cost is derived by reference to available carbon cost benchmarks, applied to Vitec's projections for Scope 1 and 2 emissions over the next 15 years. The annual charge may reach £0.3m in 2026, under the "2-3°C Scenario" assumption model as defined above, when carbon cost is projected to peak.
Mandates on, and regulation of, existing products and services such as UK plastic tax. Increased likelihood in <2°C Scenario.	Short/Medium/Long-term (2020-2050)	–	The impact is currently negligible based on new/imminent legislation but may increase in the future as countries introduce new forms of environmental taxes.

TCFD/continued

Description	Timeline	Impact range	Explanation
Transitional risks/continued			
Changing consumer preferences and increased sensitivity to ESG concerns across all scenarios.	Medium/Long-term (2025-2050)	–	This is a significant concern; however, we believe that Vitec is well-positioned, given the initiatives already underway to improve the sustainability of Vitec's products. No financial impact is assigned at this point. We will develop metrics to measure the relative environmental impact of different product lines.
Costs of energy and raw materials rising. Risk is variable across each Scenario.	Short/Medium-term (2020-2035)	–	Climate change may result in increased energy and raw material cost. The impact will be offset by Vitec's ability to pass incremental input costs onto customers and efforts to increase the use of sustainable components, improved efficiency and renewable energy. Hence no financial impact is assigned at this point.
Increased stakeholder concern damaging our reputation, risk in >3°C Scenario.	Short/Medium/Long-term (2020-2025)	–	We do not believe there is any significant risk in respect of this. Vitec's comprehensive ESG programme and commitment to a sustainable model mitigates this risk.

Description	Timeline	Impact range	Explanation
Physical risks			
Increased frequency of natural disasters at critical sites, for example, California wildfires. These risks are most significant in >3°C Scenario. This risk may also disrupt the supply chain.	Short/Medium/Long-term (2020-2050)	£0.1m – £0.2m per annum (additional property and business continuity insurance cost).	Most Vitec sites are currently rated as low-risk from a climate change perspective (this will be outlined in the standalone TCFD report). This follows a rigorous assessment of the sites. The key sites are built to robust standards, often to withstand seismic pressure and climate threats. Nonetheless, the risk of damage to property and surrounding infrastructure increases with time under the different scenarios. We mitigate this through additional site mitigation measures (e.g. improved drainage systems), business continuity plans, and global insurance for property damage and business interruption, covering loss of earnings. We will monitor the risk rating of each site on an annual basis, where necessary, considering the options to relocate operations if necessary. Where possible, we diversify our supplier base and source away from countries with higher risk from a climate change perspective. For example, we have in-sourced some of the production relating to JOBY. Our business is less reliant on the camera industry which has been severely impacted by natural disasters in the Far East.

TCFD/continued

Description	Timeline	Impact range	Explanation
Physical risks/continued			
			Climate change is expected to result in an overall increase in insurance premiums due to increased frequency of natural disasters.
Insidious changes relating to climate change, rising as time progresses this risk is most significant in our 2-3°C and >3°C Scenario.	Medium/Long-term (2025-2050)	–	Increased heatwaves may have health and safety implications and require more energy for cooling our facilities. Additional costs will be offset by increased energy efficiency and self-sufficiency.
Opportunity			
Substituting existing products to lower-emission alternatives. Sustainable products have a competitive edge.	Short/Medium-term (2020-2035)	–	The opportunity is not fully quantified at this point. We have already implemented some initiatives to make some of our products more sustainable which may also make these products more competitive. We will develop metrics to measure the relative environmental impact of different product lines.
Reducing cost base through initiatives to increase energy efficiency, and relocating aspects of the supply chain.	Short/Medium/Long-term (2020-2050)	–	This opportunity is not fully quantified at this point, but some projects are already expected to generate a financial return. For example, the ongoing installation of solar panels in Bury St Edmunds has an associated payback period of less than five years. In-sourcing of JOBY is environmentally beneficial but also improves cost base.

Risk management – embedding climate into our risk management framework

As Climate Change is classified as a principal risk, the Board has ultimate responsibility for climate-related risks and opportunities. We have a well-established framework for assessing our risks and assigning mitigation actions from years of development in a competitive business landscape. Our climate risk management process is to identify, evaluate and address potential risks and opportunities associated with climate change to our operations. Four interconnected steps were undertaken:

Step 1 – We identified risks through stakeholder engagement and risk workshops, involving stakeholders from the beginning to utilise their knowledge of Vitec. In total, eight climate-related risks and two opportunities were identified.

Step 2 – We assessed each risk and opportunity using our scenario analysis, accounting for the full range of each one's potential impact. This allowed us to determine the material impact and rank each risk and opportunity.

Step 3 – Our risk management options were appraised. We recognise that all good decisions rely on the effective analysis of alternate options. A risk management response was agreed on depending on how it helped build our resilience to the climate-related issue.

Step 4 – Finally, we addressed each risk and opportunity, and controls were implemented to prevent, reduce or mitigate downside risks, or increase the likelihood of opportunities. We recognise that residual risks will remain and communicate this across the business at this stage. At a minimum, our management teams review risk exposures against business risk level tolerances annually.

Metrics and targets – measuring and managing our climate impact

We use a wide variety of metrics to measure climate-related impacts. These metrics consist of Vitec's greenhouse gas inventory, including the Group's Scope 1, 2 and 3 carbon emissions and the emissions reduction pathway shown on page 50 aligned with the Paris Agreement 1.5°C warming scenario. We have set several ambitious targets to manage climate-related risks described above (pages 53 to 56), and reduce our impact on the environment, such as becoming carbon neutral for Scope 1 and 2 by 2025, net zero for Scope 1 and 2 by 2035, and net zero for Scope 3 by 2045. Vitec's other environmental indicators (pages 47-48) on energy efficiency measures, waste reduction, water consumption, product sustainability, and supply chain integrity contribute towards mitigating some transitional and physical risks and capitalise on the potential opportunities in substituting products to lower-emission alternatives. We will annually measure and monitor severe weather events across our sites. A percentage of the Group Chief Executive's remuneration has been tied to the Group's ESG performance, which includes climate change-related matters. Other senior employees are also assigned specific individual performance objectives related to ESG.

Reducing our greenhouse gas emissions

Reducing the Group's carbon footprint is a priority for Vitec. In 2021, we began calculating our entire Scope 3 emissions for the first time following the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard using 2020 data to set our baseline. Under the GHG protocol, there are 15 reporting categories, of which 11 apply to the Group. However, Category 9 Downstream Transportation and Distribution was omitted for 2020 because there is no feasible system to capture this data. In 2022, we will introduce measures to begin to capture this data. Further, given the magnitude of assessing the carbon emissions of our value chain, we have set yearly milestones to extend the reporting boundaries of complex categories. We will begin to calculate our 2021 Scope 3 data in Q2 of 2022 and intend to align our Scope 3 with our annual SECR reporting period. By widening our emissions data collection, we better understand our operations and value chain high emitting areas, which will help us develop our roadmap to achieve net zero in 2035 for Scope 1 and 2, and net zero in 2045 for Scope 3. Our Scope 1 and 2 emissions represent 3% of our total Group emissions, with our Scope 3 emissions representing the remaining 97%. Our detailed Scope 3 inventory can be found in our TCFD and ESG Reports, published on our website in April 2022.

Scope 1, 2 and 3 emissions

Emissions Scope	2019 tCO_2e (Scope 1 and 2 baseline)	2020 tCO_2e (Scope 3 baseline)	**2021 tCO_2e**	Net Zero target year
Scope 1	1,479	833*	**1,357**	2035
Scope 2	3,101	2,072*	**2,524**	2035
Scope 3	not fully captured	119,435	**to be calculated Q2 2022**	2045
Total Scope 1 and 2	4,580	2,905	**3,881**	2035
Total Scope 1, 2 and 3	–	119,435	**–**	2045

* Scope 1 and 2 emissions impacted by COVID-19.

TCFD/continued

Streamlined Energy and Carbon Reporting

This report summarises the energy usage, associated emissions, energy efficiency action and energy performance for the Group, under the government policy Streamlined Energy and Carbon Reporting ("SECR"), as implemented by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Total Consumption (kWh) figures for energy supplies reportable by the Group are as follows:

Utility and Scope	UK (kWh) (2020)	**UK (kWh) (2021)**	Global (excluding UK) (kWh) (2020)	**Global (excluding UK) (kWh) (2021)**	Total kWh (2020)	**Total kWh (2021)**
Scope 1 – gaseous & other fuels	–	945,124	–	4,639,214	–	5,584,338
Scope 1 – transport (company fleet)	–	243,081	–	1,104,929	–	1,348,010
Scope 2 – electricity	–	1,716,613	–	8,784,640	–	10,501,253
Scope 2 – purchased heat, steam & cooling	–	9,148	–	–	–	9,148
Scope 3 – grey fleet	–	51,642	–	53,895	–	105,537
Total energy use – all Scopes	2,900,826	2,965,608	10,860,347	14,582,678	13,761,173	17,548,286

The total emission (tCO_2e) figures for energy supplies reportable by The Vitec Group plc are as follows:

Location-based

Utility and Scope	UK (tCO_2e) 2020	**UK (tCO_2e) 2021**	Global (excluding UK) (tCO_2e) 2020	**Global (excluding UK) (tCO_2e) 2021**	Total (tCO_2e) 2020	**Total (tCO_2e) 2021**
Scope 1 total						1,357.08
Scope 1 – gaseous & other fuels	–	173.14	–	853.91	–	1,027.05
Scope 1 – transport (company fleet)	–	56.77	–	259.03	–	315.80
Scope 1 – refrigerants	–	–	–	14.23	–	14.23
Scope 2 total						2,524.15
Scope 2 – electricity	–	364.49	–	2,158.10	–	2,522.59
Scope 2 – purchased heat, steam & cooling	–	1.56	–	–	–	1.56
Scope 3 total						23.67
Scope 3 – grey fleet		11.92		11.74		23.67
Total emissions – all scopes	630	607.88	2,905	3,297.01	3,535	3,904.89

An intensity metric of kWh/tCO_2e per £m turnover has been applied for the annual total consumption.

Intensity Metric	UK Intensity Metric (2020)	**UK Intensity Metric (2021)**	Global (excluding UK) Intensity Metric (2020)	**Global (excluding UK) Intensity Metric 2021**	Total Global Intensity Metric 2020	**Total Global Intensity Metric 2021**
kWh / tCO_2e / £m T/O	–	1.54	–	8.32	10	9.86

Energy efficiency improvements

The Group is committed to year-on-year improvements in our operational energy efficiency. A register of energy efficiency measures has been compiled and will be implemented within five years.

Measures undertaken in 2020:

- The pandemic reduced Group carbon emissions in 2020 – it was anticipated that as the pandemic subsides and regular work practices resume, carbon emissions will increase in 2021.
- Many buildings within the Group have timer and motion sensors for lighting to save on electricity usage.
- The majority of the Group's sites were working towards installing LED lighting throughout.
- In Feltre, Italy, 220-240W neon lights were replaced with LED bulbs resulting in a 58,000kWh reduction and a cost saving of £11,000 per annum.
- The Feltre facility installed new air compressors with an energy saving inverter system. Other buildings have programmable thermostats that are centrally managed to optimise heating and cooling needs.
- Electricity at Bury St Edmunds, UK, and Cartago, Costa Rica, facilities are supplied from renewable energy sources.
- The electricity contracts with Green Certificates at our two main sites in Italy were renewed in 2017 until 2021.
- Sites in Italy, Bury St Edmunds and Costa Rica maintained their ISO 14001 compliance which were renewed in 2020.

Measures ongoing and undertaken through 2021:

- Solar PV installation to the roof of the Cartago site in Costa Rica, has been implemented and commissioned in Q1 2022.
- The installation of 11, high-efficiency air compressors at the Feltre site, Italy, resulted in a 20% energy reduction and cost-saving of €15,000 per annum.
- Power supply contracts at the Feltre, Ashby and Byfleet sites have been moved to REGO backed supplies guaranteeing energy from renewable sources.
- The Byfleet site has installed insulation in the roof void to reduce the gas usage requirements associated with space heating.
- Across the Imaging Solutions Division, the reduction of business travel by 25% since 2019 has resulted in a €500,000 per annum saving.

Measures prioritised for implementation in 2022:

- Solar PV installation to the roof at the Bury St Edmunds site has commenced and is due for commissioning in Q1 2022.
- Other Vitec sites will be assessed for the feasibility of insulating Solar PV.
- The transition to LED lighting in the Feltre, and Ashby-de-la-Zouch sites by 2023 will result in an estimated 80% energy reduction and cost savings of €70,000 per annum.
- Car fleets across the organisation are converting to full hybrid or electric with 40% of vehicles now converted and 100% planned by 2024.

Reducing the Group's carbon footprint is a priority for Vitec. In 2021, we began calculating our entire Scope 3 emissions for the first time following the GHG Protocol using 2020 data to set our baseline. Under the GHG protocol, there are 15 reporting categories, of which 11 apply to the Group. Given the magnitude of assessing the carbon emissions of our value chain, we have set annual milestones to extend the reporting boundaries of complex categories. For this first year of implementation, we here excluded downstream transportation (Category 9). We will begin to calculate our 2021 Scope 3 data in Q2 of 2022 and intend to align our Scope 3 with our annual SECR reporting period. By widening our emissions data collection, we better understand our operations' high emitting areas, which will help us develop our roadmap to achieve net zero in 2035 for Scope 1 and 2, and net zero in 2045 for Scope 3. Our Scope 1 and 2 emissions represent 3% of our total Group emissions, with our Scope 3 emissions representing the remaining 97%.

Scope 1, 2 and 3 Emissions

Emissions Scope	Gross emissions (tCO_2e)	Percentage of total emissions
Scope 1	1,357	1%
Scope 2	2524	2%
Scope 3 (2020)	119,435	97%
Total	**123,316**	**100%**

Details of our full carbon balance sheet can be found in our TCFD and ESG Reports which will be published on our website in April 2022.

SECR methodology

Greenhouse gas emissions have been calculated according to the 2019 UK Government environmental reporting guidance. Consistent with the guidance, the following emissions factors – using the kWh gross calorific value (CV) where applicable, and CO_2 equivalent conversion factors – were applied:

- To convert natural gas consumption in the UK, US, and Australia, to tCO_2e (Scope 1 emissions) the UK Department for Business, Energy & Industrial Strategy's ("BEIS") 'Greenhouse gas reporting: conversion factors 2021' database was used.
- Emissions associated with the use of purchased electricity (Scope 2 emissions) were calculated using country-specific electricity emissions factors as per the sources in the table below:

Country	Source used	Country	Source used
Australia	Australia National GHG Accounts 2021	Italy	European Environmental Agency 2021
China	IGES 2021	Japan	Bureau of Environment – Tokyo Met Government
Costa Rica	IRENA 2019	New Zealand	Default to BEIS 2021
France	European Environmental Agency 2021	Singapore	IGES 2021
Germany	European Environmental Agency 2021	UK	BEIS 2021
Hong Kong	Hong Kong Electric	Ukraine	Default to BEIS 2021
India	IGES 2021	USA	EPA 2021
Israel	Default to BEIS 2021	–	–

- Transport related emissions from fuel combustion in Company cars (Scope 1 emissions) and grey fleet vehicles (Scope 3 emissions) in the UK, US, Australia and New Zealand were calculated using the BEIS 'Greenhouse gas reporting: conversion factors 2021' database.

Where billing data was missing for properties directly invoiced to the Group, usage was estimated at the meter level by pro-rating the kWh/day known consumption. The estimations equate to 1% of reported consumption. For properties where the Group is indirectly responsible for utilities (i.e. via a landlord or service charge), average kWh/m^2 consumption for properties with similar operations was calculated at meter level and applied to the properties with no available data.

Reported total turnover (£m) was used to calculate a tCO_2e/£m emissions intensity. This intensity was calculated for each emissions source respectively (natural gas, electricity, and transport fuels), as well as for the Company's total emissions.

Total turnover (£m)	394.3

Environment

Image: Paul Zizka

Our vision

Ensuring we limit any negative impact on the environment and protect the natural resources we rely on, creating long-term sustainability for the business.

Our approach

We aim to adopt technologies, materials and processes that minimise our impact on the environment and maximise our use of sustainable resources.

Our efforts and environmental awareness continue to evolve to comply with regulations and make our business better and more sustainable. We have initiatives aimed at sustaining and protecting the environment, improving energy efficiency, reducing carbon emissions, water use and waste, using sustainable materials and packaging, and waste disposal.

We also encourage environmentally sustainable behaviour at work and ensure that our employees understand how they can contribute.

Relevant SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — Responsible consumption and production

13 CLIMATE ACTION — Climate action

Energy resource management

We monitor energy usage across our sites and energy reduction initiatives have begun across the Group. We have begun installing LED lighting across the Group. This transition in the Feltre, Bassano and Ashby-de-la-Zouch sites by 2023 will result in an estimated 80% energy reduction and cost savings of £60,000 per annum.

Many buildings have been fitted with timers and motion sensors for lighting, and programmable thermostats to optimise heating and cooling. The Feltre facility has installed 11 new air compressors with an energy-saving inverter system. We have installed Solar Photovoltaic Systems to our Production Solutions manufacturing sites at Cartago, Costa Rica and Bury St Edmunds, UK. Other solar panel projects are under consideration at other Group sites.

Power supply contracts at the Feltre, Ashby-de-la-Zouch and Byfleet sites have been moved to REGO backed supplies, guaranteeing energy from renewable sources.

Packaging and product sustainability

Our products and services have a comparatively low impact on the environment. We use low hazard materials, minimise the use of resources during the manufacturing process, and search for sustainable materials that can be recycled or reused across production and packaging. In 2021, product sustainability was identified as a key focus area, and best practice initiatives and processes have been shared throughout the Group.

Our Imaging Solutions Division has made sustainability a pivotal part of future product development, partnering with the Bologna Business School to develop detailed product life cycles and extensively use recycled packaging and textiles.

Current packaging was reviewed, and product boxes will be replaced by recycled and FSC compliant paper, while polybags will be replaced with recycled polybags or non-plastic bags. Upcycling packaging, reducing the volume of products, utilising reusable shipping packaging, and reducing additional e-commerce packaging have also been explored.

Biodegradable packaging such as polylactic acid was tested at Production Solutions to replace plastic bags and the Division is exploring changes to products and shipping routes.

We share our learning across the Group, for example, Teradek in the Creative Solutions Division is in the process of testing and trialing different packaging materials to find the best-suited material.

Waste management

Various initiatives around the Group have built on our work to reduce the amount of waste created in our operations. We encourage recycling of waste products, materials, paper and other recyclable items at all our sites.

In 2021, we started collecting and internally reporting data pertaining to waste and packaging consumption at each site.

Tradebe in the US recycles electronic waste from our Shelton site, partnering with a certified downstream vendor. None of our industrial scraps go to landfill, and waste metals at our Bury St Edmunds site are sorted and recycled with a return on revenue. Industrial scraps from our aluminium and magnesium stages of production are targeted for waste reduction, both in the design of our products and the end life of scraps. Waste to energy projects are being explored at our Feltre site.

If a product is returned from a customer or distributor, we evaluate the condition of parts to resell or reuse them within the manufacturing processes. Core components such as circuit boards are often repurposed and put up for resale on our website.

Solar panels in Costa Rica

As part of our ESG target to reduce carbon emissions, this year we installed a Solar Photovoltaic System at our Production Solutions manufacturing site in Cartago, Costa Rica.

The system will provide more than a third (37%) of the power the site needs, saving around 13 tonnes of CO_2 per year for its expected lifetime of 25 years. The initial outlay for the project has come from the building's owner, who will recoup the cost over seven years. At that point, Vitec will own the system and get the full cost benefit of saving on electricity.

Saving around

13

tonnes of CO_2 per year for its expected lifetime of 25 years

"A very exciting project, highly valued by our employees and deeply related to the well-known culture of protection and conservation of the environment in Costa Rica.

Julio Lizano
VP Global Operations, Vitec Production Solutions

Read more at vitecgroup.com/responsibility

Environment/continued

Recycled textiles in Imaging Solutions

Imaging Solutions' Lowepro brand is championing sustainability with their PhotoSport backpacks.

The PhotoSport and PhotoSport Pro are made with 75% and 85% recycled fabric respectively (measured by area). This is the first step in Lowepro's journey to sustainability with the aspiration for Lowepro Bags full product range to be 100% recycled fabric by 2024. Further progress towards this goal will be reflected by the Lowepro green line progress bar featured on the back of the new backpacks.

Using approximately

85%

recycled fabrics

"In order to reduce our impact on the climate, we are challenging everything from materials production to how our products are shipped and used."

Luis Quehl
Design Director Lowepro and Manfrotto, Vitec Imaging Solutions

Read more at vitecgroup.com/responsibility

Water stewardship

Water is not considered by Vitec businesses to be a critical input factor within our production or assembly environment, and water stewardship is not a material issue. However, in 2022 we will partner with third-party experts to ensure that accurate and timely data collection processes are embedded throughout the Group. We aim to report our water consumption publicly and set reasonable targets for reduction.

Water usage across the Group is mainly from human consumption. All Divisions have implemented a water-saving initiative to reduce their consumption, including installing waterless urinals, limiting flushing options on toilets and installing motion-controlled taps.

Production Solutions has explored rainwater collection at their Cartago site to be stored for industrial use, irrigation of green areas, sanitary services and more. The rainwater project has not yet been fully developed and we see it as a promising initiative for 2023 or 2024.

Biodiversity

Although the Group has little direct contact with biodiversity, we recognise its importance for the planet. We ensure our sites emit little pollution and are not disruptive to any nearby wildlife.

Our Teradek site's impact on biodiversity was assessed in 2021, and the site was found to have little pollution and impact. At Imaging Solutions, sustainability partnerships have been nominated to establish a greater relationship with biodiversity. Lowepro is a founding member of SeaLegacy's Good Ocean community and we have committed to making decisions across our operations to support their goal of rebuilding ocean life for people and nature.

Our Costa Rica site has also received the Blue Flag Ecology Award, a recognition of the comprehensive environmental management to improve environmental conditions. Vitec wishes to utilise the compliance principles of the award to establish deep-rooted, biodiversity conscious, good practice across the organisation. Production Solutions employees participated in litter-picking sessions, recycling workshops and tree planting through their Action4Good programme.

Actions we will take in 2022/23

1. Continue to track our environmental performance
2. Work with our suppliers to reduce their environmental impact
3. Continue to improve the methodology for indirect emissions reporting

Tree planting at our Bury St Edmunds site

People

Our vision

To be the preferred employer for the very best people in our sector by providing an entrepreneurial environment that offers opportunities for our people to develop and thrive.

Our approach

To attract, retain and grow a talented and diverse workforce, providing equal opportunities for all while nurturing a sense of pride in being part of Vitec.

Our employees are the best in the sector, our greatest single asset and critical to our success. Their attitude and abilities, experience and market knowledge, talent and commitment create a culture that supports product excellence, creativity and integrity.

We monitor and improve important areas to our people, ensuring that we have consistent policies and processes to acquire, engage and retain our best talent. Initiatives focus on wellbeing, working environment, sustainability, diversity, employee benefits and training.

We have comprehensive benefits packages to support employees and remain competitive globally.

We also aim to provide our employees with an engaging and stimulating entrepreneurial environment where they are encouraged to learn and develop.

Relevant SDGs

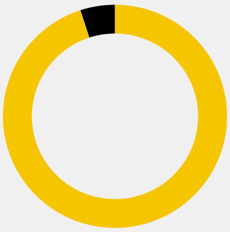
Gender equality

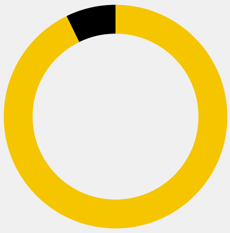
Decent work and economic growth

Image: Rachid Dahnoun

People/continued

2021 all-employee survey





95%
of employees feel that their safety, health and wellbeing are a high priority for the Company

93%
of employees believe that Vitec is behaving in the right way and doing the right thing

Key Vitec Production Solutions statistics

- 78% male
- 22% female
- 62% professional
- 38% direct employees

Employees in 14 countries 525

Average length of service 9.6yrs

Average age of employees 43

Caroline Thomson

Employee engagement

Understanding how our employees feel about working for Vitec and whether they have any issues of concern is immensely important to us. The Board has designated Caroline Thomson as the independent Non-Executive Director responsible for employee engagement for the past four years.

In 2021 we continued with our proactive approach. Firstly, in May we carried out our second all-employee survey, focusing on five questions covering health & safety and wellbeing, culture and values, communications and satisfaction of working for Vitec. 83% of employees responded to the survey, which showed:

- Our people are highly engaged
- Our people feel that health & safety and employee wellbeing are a priority for the Company, that the Company behaves in the right way and is communicating appropriately
- All questions received over 89% positive feedback
- Concerns raised focused on when and how people returned to the office during the pandemic, increased workload, and employee wellbeing

Feedback on the survey was reported to the Board at its June Board meeting and shared with Divisional management to take steps to improve the employee experience. We plan to repeat further all-employee surveys in future years since they provide an invaluable insight into how our people view working for Vitec.

Secondly, in October 2021, Caroline Thomson held our fourth employee engagement session, this time with employees in our Production Solutions Division. The session involved a detailed overview provided by Nicola Dal Toso (Divisional CEO) and Penny Wisdom (Divisional HR Director), covering progress within the Division since the last review in 2019 and the impact of the pandemic upon employees. The review covered:

- Working practices in response to the pandemic, including flexible working practices
- Talent management
- Communication
- Gender diversity including a target to achieve 40% females in the workforce within ten years and measures to achieve this
- The integration of Quasar following its acquisition in April 2021
- Our Human Resources team
- Priorities around employee engagement (leadership, people management, meaningful work, work environment, growth opportunities and Action4Good initiatives focused on ActionAid and Rainforest Trust)

Caroline Thomson followed up with individual sessions involving up to 12 employees from each site of Bury St Edmunds, Shelton and Cartago to hear first-hand from employees how they felt working for Vitec Production Solutions and to hear any issues of concern. Feedback was very positive and was subsequently shared with Divisional management and the Group Board.

We plan to repeat the employee engagement session in 2022 with our Imaging Solutions Division and our European Services business.

Sharesave

We offer the Sharesave Scheme to all our employees in the UK, US, Italy, Costa Rica, France, Germany, Singapore, Hong Kong, Japan, Australia, New Zealand and Israel. Sharesave allows employees to save a fixed monthly amount up to £350 with the option to purchase a fixed number of shares in the Company at a discount of up to 20% on the share price at the time.

Sharesave is extremely popular with over 70% of the Group's employees participating in the scheme and is recognised as a valuable benefit, demonstrating the close alignment between our employees and shareholders. As popularity increases, we have specifically enhanced communication across the Group to ensure it is well understood and to encourage as many employees as possible to participate in the scheme. Face-to-face presentations have been held at sites, and communications have been translated into local languages.

Employees have been specifically excited about the Company's recent share price growth. They were happy to see the extension on the Sharesave scheme following the approval of a ten-year renewal at the 2020 AGM, and we would like to continue to extend this opportunity to as many of our valued employees as possible.

Level of Sharesave participation as at 31 December 2021

Country	Outstanding options at 31-Dec-2021	Active participants at 31-Dec-2021
Australia	21,548	21
Costa Rica	29,730	75
France	8,206	4
Germany	27,132	18
Hong Kong	7,657	5
Israel	89,794	46
Italy	594,377	404
Japan	73,006	42
New Zealand	33,478	23
Singapore	12,938	7
The Netherlands	2,483	2
UK	356,491	332
USA	307,751	471
Total	**1,564,591**	**1,450**

Employee wellbeing

Employee wellbeing remains a top priority for the Board. We continuously review and improve processes across the Group to look after staff and improve employee wellbeing.

Our assistance programme provides free and confidential support to all employees and their families on a range of matters, including counselling for emotional and psychological support, practical guidance and support on legal, financial, family and work matters, and online health and wellbeing resources such as videos, podcasts and downloads. The service is confidential and freely delivered by a third-party company; it remains accessible 24 hours a day, 365 days a year. We continue to roll this programme out, translating it into the local languages commonly used throughout the Group.

95% of employees feel that their safety, health and wellbeing are a high priority for the Company

Imaging Solutions employees are given access to local gyms at a subsidised cost to improve employees' physical and mental health. The Division promotes a healthy work-life balance and has invested in reducing the prices of after-school clubs and summer camps to assist employees with young children.

Family picnics, parties and wellness activities have been organised throughout the year at all Creative Solutions sites to increase collaboration and mixing across the Division. Where necessary, employee engagement activities were planned through Zoom to ensure staff working from home were not isolated and could maintain relationships and contact.

Production Solutions supported charities as part of the Action4Good programme to impact communities while engaging employees and improving their wellbeing. In September, employees raised £12,500 for two charitable organisations, Rainforest Trust and Action Aid. Participation from employees was excellent, and the initiative was a huge success with 270 people involved, completing 3,000+ hours of exercise. The money raised for the Rainforest Trust protected 3,250 acres of rainforest, which will store over 552,000 tonnes of CO_2e.

Learning and development

Vitec aims to offer a comprehensive training and development programme linked to performance reviews. The Board reviews leadership and succession plans across each of the Group's Divisions to ensure a structured approach to growing and developing the Company's future leaders. All employees receive training on health and safety procedures appropriate to their line of work and environment. We continually review and expand training options for staff. 2021 initiatives included:

Training and development

In 2021, Imaging Solutions invested c.£125,000 on employee training programmes. The focus was to capture both technical and soft skills, for example, health and safety, communication, leadership and problem solving. Imaging Solutions also ran a dedicated a leadership training programme for 50 female colleagues.

Upskilling employees is an important focus, and Italian language courses are offered to non-Italian employees across the Division. There are currently nine employees on our English Language Programme in Production Solutions at our Costa Rican site, and we intend to increase this number over time.

In 2021, Production Solutions invested £50,000 into improving training for employees across the Division. Health and Safety training was enhanced, and a robust individual development plan ("IDP") was developed. Development and training requirements specific to each employee can now be captured and implemented. The IDP has been very successful across the Division and will be reviewed half-yearly to assess progress and introduce continuous improvements based on specific employee feedback.

People management training was scheduled for 20 managers across our Production Solutions US sites in early February 2022. We partnered with the American Management Association to offer our employees the best training resources.

Creative Solutions employees have been working with Growth Space, the world's leading employee development platform, providing access to 1-to-1 coaching, mentoring and personalised Group programmes. This programme is being piloted at our Irvine site, and we intend to roll this out to all sites.

All US employees across the Creative Solutions Division are enrolled in general training, including health and safety, GDPR and sexual harassment. Relevant employees also have role-specific training such as product management, sales and strategic management. Leadership and management development training is in place at the Israel site and we plan to roll this out to other sites alongside diversity training for managers.

We aim to enhance how we capture and report all employee training across the Group in 2022.

Appraisal system

The Imaging Solutions Division has introduced a new appraisal system to improve personal career reviews.

Responsible hiring (Hire2Develop)

Production Solutions invest in junior colleagues by offering training in additional areas as part of its Hire2Develop strategy. This programme has been incredibly successful, and 69 career expansions have been awarded between 2019 and 2021.

Diversity and inclusion

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. Our Code of Conduct sets out an express prohibition on discrimination of any kind.

People/continued

We have developed a new D&I strategy with targets and action plans tailored to address our industry and actively recruit more female employees. Over the next five years, we aim to increase the number of female employees across the Group to 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%. However, post-pandemic the labour market is increasingly competitive in several of our key locations and our focus is on recruiting the right person for each role.

Flexible working policies are in place across our three Divisions and are open to all employees.

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. If employees become disabled, all reasonable effort is made to ensure that their employment within the Group continues. The training, career development and promotion of disabled persons should be, as far as possible, identical to that of all other employees.

Employee turnover by Division

The table shows employee turnover in 2021, with 2020 as a comparison, reflecting employees who had resigned from their employment within the Group.

	2021	2020
Creative Solutions	15%	9%
Production Solutions	3.9%	2.1%
Imaging Solutions	6.2%	2.9%
European Services	6.5%	4.0%
Group/Head office	18%	0.0%
Average across the whole Group	**9.9%**	**3.6%**

Gender diversity#

The Board continues to monitor progress on equality and the Group's gender breakdown at the end of 2021, with 2020 as a comparison below.

	2021			
	M	%	F	%
Group Board of Directors(1)	6	86%	1	14%
Operations Executive(2)	11	92%	1	8%
Senior management(3)	28	85%	5	15%
Rest of organisation	**1,259**	71%	**513**	29%

	2020			
	M	%	F	%
Group Board of Directors(1)	6	86%	1	14%
Operations Executive(2)	11	92%	1	8%
Senior management(3)	28	88%	4	12%
Rest of organisation	**1,041**	70%	**446**	30%

We employ around 2,000 employees in 11 countries who work according to local employment legislation, policies, and our organisational values.

Contractors are excluded.

(1) Group Board of Directors is listed on pages 78 to 79 of the Annual Report.

(2) The Operations Executive is listed on page 83 of the Annual Report and includes the Group CEO and Group Finance Director.

(3) The senior management team are the senior-most employees or teams within each Division and Group head office.

Health and safety

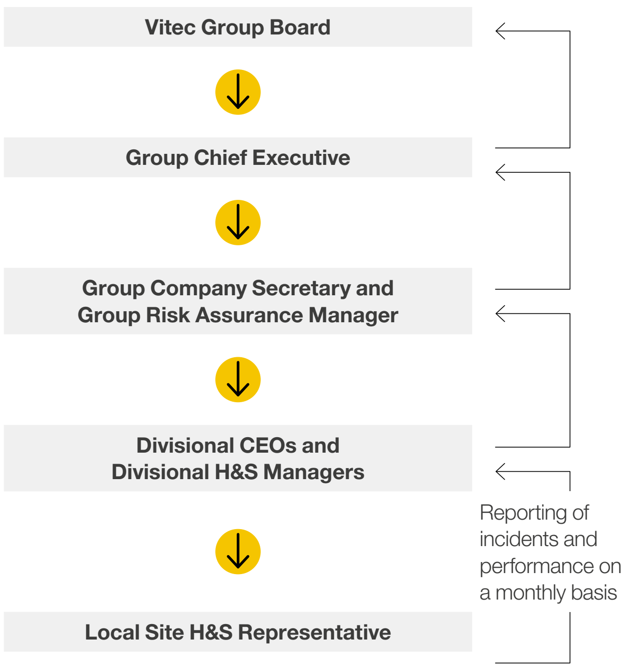
The health and safety of our people is of utmost importance, and we operate to stringent standards at all of our sites. We have a Health and Safety Policy, setting out guidelines for preventing accidents and work-related ill-health. The policy is regularly reviewed and updated to address emerging risks such as COVID-19.

When faced with COVID-19, the Group implemented appropriate measures to follow local government advice and ensure a minimum Group-wide standard. Appropriate risk assessments for those working on-site and remotely were prepared, communicated and adhered to. We have continued to track and record instances where our employees have been infected or self-isolated. Aside from COVID-19 measures, we have continued to operate to a high health and safety standard, ensuring the safety of our people and have continued to share best practices across the Group.

We provide clear guidance for the control of health and safety risks arising from work-related accidents. Our objective is to eliminate all accidents on site. To further strengthen our health and safety protocols and practices, each site undergoes a third-party independent audit of our standards every three years.

All accidents and near misses are reported whether they result in absence from work or not. Remedial actions are identified and implemented to prevent repeat occurrences. Reporting is prompt, and any accident resulting in over three days absence is reported to senior management and the Group Chief Executive within 24 hours. Every month the health and safety performance of each Division is reviewed with Divisional Health and Safety representatives, the Group Risk Assurance Manager and the Group Company Secretary. We ensure that corrective measures are implemented and that best practices and lessons learned are shared. Health and safety performance is regularly reviewed with the Operations Executive and covered at every Board meeting.

All major sites have health and safety committees that hold regular meetings to review health and safety performance. Our structure for health and safety management across the Group is as follows:



In 2021, the new acquisitions of Quasar, Lightstream, Savage and in early 2022, Audix, were fully integrated into the Group's Health and Safety Policy and procedures to ensure that new acquisitions are operating to high Group-wide health and safety standards.

Our five-year accident record details the number of accidents resulting in over three days' absence from work across the Group. There were no such accidents in 2021, consistent with 2020 and compared to two in 2019. We also detail accidents resulting in less than three days absence and near misses. Each event is thoroughly investigated and remedial action is taken where necessary. There have been no work-related fatalities since the Group began collating health and safety statistics in 2002.

Five-year accident history

2021	
0 accidents resulting in over three days absence	No accidents resulting in over three days absence for the second year in succession. This represents 0 accidents per 100,000 employees. Average number of employees in 2021 was 1,784.
43 accidents resulting in three or less days absence	
128 near misses	Near misses include events or circumstances that could have resulted in an accident.
2020	
0 accidents resulting in over three days absence	This represents 0 accidents per 100,000 employees. Average number of employees in 2020 was 1,569.
42 accidents resulting in three or less days absence	
110 near misses	Near misses include events or circumstances that could have resulted in an accident.
2019	
2 accidents resulting in over three days absence	This represents 117 accidents per 100,000 employees. Average number of employees in 2019 was 1,714.
54 accidents resulting in three or less days absence	
112 near misses	Near misses include events or circumstances that could have resulted in an accident.
2018	
2 accidents resulting in over three days absence	This represents 116 accidents per 100,000 employees. Average number of employees in 2018 was 1,723.
58 accidents resulting in three or less days absence	
99 near misses	Near misses include events or circumstances that could have resulted in an accident.
2017	
7 accidents resulting in over three days absence	This represents 418 accidents per 100,000 employees. Average number of employees in 2017 was 1,675.
46 accidents resulting in three or less days absence	
93 near misses	Near misses include events or circumstances that could have resulted in an accident.

The Production Solutions' sites in Cartago, Costa Rica and Bury St Edmunds, UK, and the Imaging Solutions sites in Bassano and Feltre, Italy, were certificated with the standard UNI EN ISO 45001. Therefore, over 700 employees of the Group are covered by accreditation on health and safety. This management system audit helps build a framework to manage health and safety impacts and meet legal compliance.

In 2021, we continued to train all staff members on safety-relevant to their roles (including safety protocols around COVID-19).

"Keeping our teams safe during the pandemic has been our top priority. We have used strong working relationships, consistent communication and compassion throughout these challenging times to achieve Vitec's global goals and to prepare our people for the future.

Anika Scholz
HR Manager Australia and New Zealand, Imaging Solutions, New Zealand

Giving back

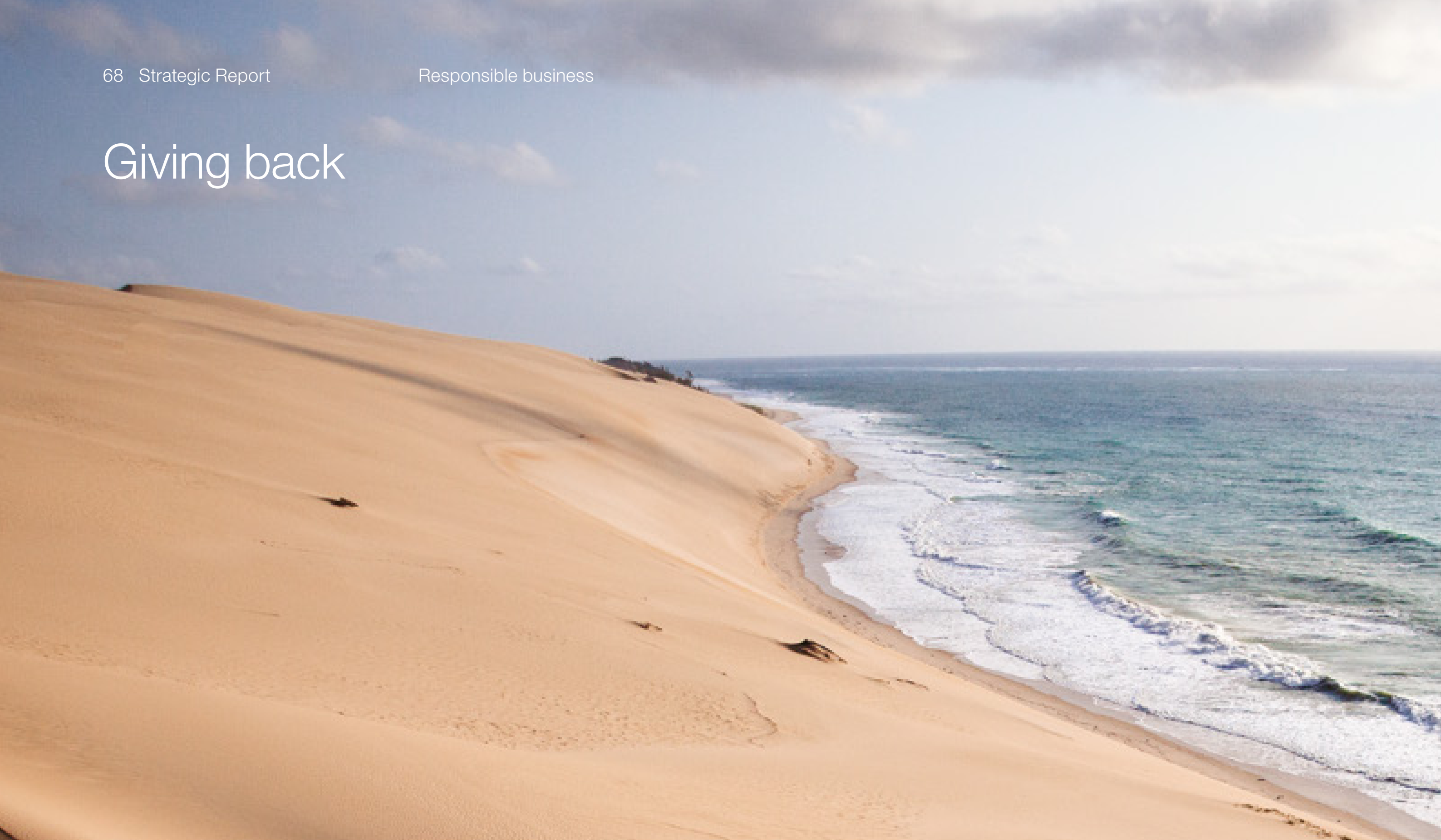


Image: Jody MacDonald

Our vision

To support and integrate with the local communities and economies where we operate.

Our approach

We invest in projects that align with our core values and look for opportunities to positively impact one disadvantaged person for every Vitec employee in the communities in which we operate.

We believe in the positive power of images to convey ideas and create wealth and positive social and environmental value. As a leader in our markets, our employees are experts in photography, videography, engineering and technology, and we aim to share this knowledge to enable positive social and environmental outcomes.

The pandemic affected our ability to interact with our local communities during 2021 but our teams were still able to have an impact in certain areas. We plan to resume our community activities throughout 2022.

Relevant SDGs

- 4 Quality education
- 8 Decent work and economic growth

Investing in future industry talent

Vitec donates and lends professional photographic, TV, and cinematic equipment to educational institutions worldwide to upskill future image capture and sharing talent.

In Italy, the Imaging Solutions team collaborates with universities to share employee know-how with students and future industry professionals throughout the year via webinars and online lectures. A mentoring partnership was set up with the Universities of Venice and Padua, including virtual meetings and online HR lectures.

Our Production Solutions Costa Rican employees work with different technical schools in the community, onboarding eight to ten students each year to complete their professional practice of Precision Mechanics. Some of the schools we work with include COVAO, Ciudad de Los Niños and CTP. Once with us, we train the students in specialised machinery and often offer jobs following their training.

We have an ongoing apprenticeship programme for employees at the Production Solutions UK site, offering roles in various fields, including Engineering, Business Analysis and HR. This programme is fully funded through our Apprenticeship Levy Fund, with 11 employees currently enrolled.

Production Solutions employees at the US and Costa Rica sites are offered other development opportunities through partnerships with local universities, including potential funding opportunities for master's degrees. We provide funding opportunities for courses at degree and master's degree levels.

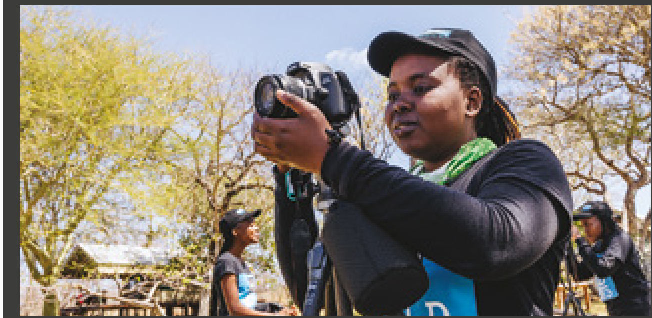
Images from the partnership with the Theodore D. Young Community Center

A participant from the Theodore D. Young Community Center

Lowepro and Gitzo champion sustainability and social responsibility

As part of our commitment to our long-term ESG strategy, our Lowepro and Gitzo brands have made great strides in sustainability and social projects in 2021. Lowepro launched Photosport, made from 75% recycled fabric and Gitzo launched the Légende Tripod, which has a lifetime guarantee.

Both products were launched on a crowdfunding platform to help engage their community in the brands' social impact initiatives. Backers each contributed $1 to Indiegogo, raising $50,000 for Wild Shoot Outreach (WSO). This South African NGO empowers young people from challenging backgrounds through photography and education. The funds enabled WSO to deliver more educational programmes and issue two new bursaries, offering one student a job in the organisation.



"The funds will support vital aspects of our programme delivery for disadvantaged young people and our Bursary Fund for the further study and training of some of our most talented graduates.

Mike Kendrick
WSO Founder

Giving back/continued

Picture of Life

Imaging Solutions' Picture of Life project is a social and environmental education initiative which has been running since 2014.

This year we expanded the Picture of Life programme. Employees supported a range of social and environmental activities in Australia, New Zealand, China and Japan as part of a global ESG commitment. The Imaging Solutions Auckland team participated in a tree planting day alongside the stream draining Orewa Estuary. The newly planted trees have improved the water flow to the river estuary.

Charity/Employee Volunteering/Giving Back

In 2021, Imaging Solutions ambassadors worked directly with young participants from the Jonathan Community to run a plastic-free campaign in Procida, the Italian capital of culture. The programme consisted of workshops and practical activities to build positive values and professional skills and educate them on minimising their impact on the environment. Imaging Solutions' employees also joined the wider Jonathan Community in a beach clean-up activity in Castel Volturno.

Donating to charitable causes and active participation in local communities is an essential focus across the Group. Our employees give generously with their time and money, and in 2021, we estimate that the Group as a whole donated approximately £69,000 across the globe.

Production Solutions held a range of fundraisers throughout the year. Employees participated in Breast Cancer Awareness Month, Christmas Jumper Day for Save the Children, and the Bus Shelter's sock and gift donation. The Division also raised money for the Rainforest Trust and Action Aid through the Action4Good programme, donating over £13,000.

We also partnered with the Offshoot Foundation to empower, enthuse and inspire disadvantaged people. Our Production Solutions' employees helped develop life skills and raise aspirations by running professional film workshops.

This year, our Creative Solutions Division worked with Made in Her Image, an organisation dedicated to advancing young women, girls and non-binary youth of colour within film, media and technology. In October, we donated $15,000 to fully sponsor a four-week virtual Cinematography course called "Their Point of View" for 40 students.

Accompanying the donation, our team organised an in-person Mentorship Lab at the Creative Solutions Los Angeles store following the course completion. This gave students and local LA youth a chance to participate in hands-on cinematography lessons taught by five LA-based female cinematographers. After the students took turns at each learning station, they could participate in a Q&A featuring the instructors and other mentors.

Imaging Solutions employees volunteered their time while partnering with Theodore D. Young Community Center during 2021, an after-school haven that provides a safe place for disadvantaged students. We built and delivered a curriculum based on storytelling and photography.

Participants at the Mentorship Lab at CSLA as part of the "Their Point of View" course

Participants from the Picture of Life programme

Responsible practices

Image: Corey Rich

Our vision

To ensure that our employees clearly understand what is expected of them in conducting business ethically, with a common set of values. We expect our business partners to act in a manner that aligns with our approach, values and behaviours, as set out in our Code of Conduct.

Our approach

We are committed to acting responsibly and conducting our business operations with integrity. Our core values and purpose drive our business decisions and Code of Conduct, and all our decisions are made with a focus on the impact they may have on our five main stakeholder groups. The Board considers that our people and operations meet the highest standards of business conduct.

We constantly improve our practices and processes to ensure safe and responsible operations and an ethical supply chain.

Responsible practices/continued

Code of Conduct

Our Code forms the backbone of our culture. It provides clear guidance to our employees on how they are expected to behave towards colleagues, suppliers, customers, shareholders and our wider responsibility to the communities in which we operate.

Our Code defines our approach to business integrity, including an absolute prohibition on bribery, kickbacks and political donations, along with guidance on gifts and hospitality, conflicts of interest, books and records, competition, shared dealing, respect for the UN Universal Declaration of Human Rights, compliance with anti-slavery legislation, respect for the individual and privacy, diversity, health and safety, environmental sustainability, business partners and charitable donations.

Our Code is communicated to all employees and is available on the Company website translated into local languages. We require all senior management to undertake an online training module covering the Code of Conduct, including share dealing, conflicts of interest, legal duties and other reputational issues.

Breach of the Code of Conduct, upon investigation, may lead to disciplinary action being taken against an individual and, in the worst case, dismissal. The Group's HR functions would conduct any investigation around the Code of Conduct. In 2021, six employees were dismissed from the business due to a breach of the Code of Conduct. These breaches consisted of HR issues and inappropriate behaviours in the workplace.

Anti-bribery and corruption

We have a policy on anti-bribery and corruption measures available on our website. It sets out a zero-tolerance approach and a clear commitment to doing business the right way, covering gifts and hospitality, prohibition on facilitation payments and kickbacks,and how employees raise issues of concern.

We regularly train our employees on anti-bribery and corruption measures using web-based training modules and face-to-face training on our Code of Conduct. To mitigate the risk around bribery and corruption, we actively screen all major third parties we do business with. We use third-party software that screens business partners for reputational risk issues, including bribery and corruption, sanctions, politically exposed persons and adverse media reports. The software covers over 900 entities and continues to be expanded. We train our people to ensure that they are screened through this service as part of doing business with a new partner.

The Board and the Audit Committee are regularly updated on the Group's anti-bribery and corruption measures, including training initiatives and screening status of third parties.

Our agents and distributors are party to agreements that prohibit bribery and set our expectations on behaviour and values.

Whistleblowing service

We operate an independent whistleblowing service in conjunction with NAVEX, which enables any employee or third party to confidentially report on any issues around alleged wrongdoing or other Code contraventions. The process is supported by a policy on how whistleblowing reports will be investigated. The Board is expressly clear that all reports made in good faith will not result in an employee or third party being subject to recriminations or disciplinary action.

All reports are notified to the Group Chief Executive, the Group Company Secretary and the Audit Committee Chairman and are investigated independently by senior management who are not connected to the report. The outcome of investigations is reported to the Chairman of the Audit Committee and remedial action is taken where necessary. The Board is notified of all whistleblowing reports and the outcome of all investigations.

This service is communicated to all employees with posters prominently visible at all sites and a letter explaining the service to ensure it remains visible and is understood. The documents are also available on the Group intranets, with all communications translated into local languages. In 2021, there were two whistleblowing reports that were HR-related in the US and Costa Rica. Each matter was thoroughly investigated, and corrective actions taken where necessary.

Supply chain

We expect our business partners to have similar values to our own to ensure that slavery and human trafficking is not something they are associated with.

Through screening our supply chain using third-party software and physically inspecting our supply chain, we are confident that this is not an issue within our operations. Our internal audit function also checks the integrity of the supply chain as part of its internal audit programme. We train our employees on this issue through web-based training modules and our Code of Conduct.

We are currently upgrading our supply chain analysis to reduce our impact and risk by conducting a Group-wide standard review. This will ensure our suppliers operate in terms broadly similar to our policies and procedures and verify that all raw materials are sourced ethically and sustainably. We expect to complete this process by the middle of 2022 and have recently formalised our Responsible Sourcing Policy and recommunicated this to suppliers.

Labour and human rights

We fully support the principles set out in the UN Universal Declaration of Human Rights. Our policies and procedures reflect the principles contained within the Declaration.

We support the Modern Slavery Act 2015 and have adopted slavery and human trafficking statement, setting out our processes to ensure that this issue is not in our operations or supply chain.

No instances of discrimination occurred throughout the Group during the reporting period.

Information systems and technology

Given the ever-increasing importance of information technology to the Company's operations and performance, we have an IT policy available on our website. Responsibility for IT ultimately rests with the Group Finance Director. The IT policy sets out standards to be followed across the Group for its employees, contractors and third parties to use the Group's IT systems. The policy has been implemented to ensure that the Company's IT fits proper business purpose and is a safe environment for all our users. Breach of the IT policy may lead to disciplinary action being taken. Notably, the IT policy covers the confidentiality of data, GDPR requirements, inappropriate content, security of data, including cyber security and reporting processes. The Group Finance Director and Group Risk Assurance Manager oversee the IT functions from a governance standpoint. With the use of specialist providers, they conduct regular vulnerability assessment and pen tests, and review the application of IT controls across the Group. This includes key control activities such as patching, multi-factor authentication and user access controls. Cyber security is a major risk on which regular updates are provided to the Board and Audit Committee.

The Group has moved to standard certification and accreditation using the government-backed Cyber Essentials framework, and will be working towards the IASME certification.

We work with a leading cyber security provider to deliver a programme of awareness training and communication to all employees, which is a vital component of our IT security framework. This includes training relating to GDPR.

Non-Financial Information Statement

Vitec complies with the requirements of sections 414CA and 414CB of the Companies Act 2006, the 2018 Non-Financial Reporting Directive and other key compliance areas by including certain non-financial information within the Strategic report. The table below, and the information it refers to, is intended to help stakeholders understand our position on key non-financial matters:

Reporting requirement	Further information	Related Principal Risk	Page(s)
Environmental matters	— The Responsible business section outlines our detailed commitment to operating responsibly in all our dealings with our stakeholders — Our ESG targets sets out a roadmap towards becoming a sustainable business — Vitec discloses its climate-related risks in line with TCFD requirements	12	60 to 62
Employees	— Vitec has a Code of Conduct which outlines the Group's expectation and commitment to maintaining the highest standards of ethical conduct and behaviour in business practice. The Code is reviewed annually and 2022 will see the Code of Conduct be recommunicated to employees — We are committed to diversity and inclusion at all levels of our business and we do not discriminate on any basis — Vitec has a well-established employee engagement and feedback programme with Caroline Thomson, the Non-Executive Director charged with employee engagement	7	63 to 67
Social matters	— The Responsible business section and our stakeholders sets Vitec's approach to supporting our employees, customers and suppliers — Divisional programmes are being reinvigorated following the pandemic	9, 11, 12	9 and 68 to 70
Anti-bribery and corruption	— Vitec's Code of Conduct sets out the Group's expectations towards the highest standards of ethical conduct and behaviour in business practice — Vitec also has an anti-bribery and corruption policy which is reviewed by the Board annually and further sets out the responsibilities and expectations of our employees for the prevention, detection and reporting of bribery and other forms of corruption — Employees receive training on the anti-bribery and corruption policy, including gifts and hospitality as part of their induction and contract — Suppliers are made aware of our zero-tolerance approach to bribery and we undertake due diligence on all suppliers using the NAVEX Risk Rate system	5, 8, 9	72
Human rights and modern slavery	— Vitec's Code of Conduct outlines our stance on human rights and modern slavery — A separate Slavery and Human Trafficking statement is published on our website annually and underlines our commitment to ensuring that slavery and human trafficking does not exist in our business operations or our supply chain	7, 8, 9	72
Business model	— Our Business model sets out how we do what we do, why, where and for whom		2 to 11
Principal risks	— Vitec's principal risks set out the Group's carefully considered business risks and sets out the mitigating actions that are taken to help reduce the impact of any of these risks		36 to 41

Chairman's statement

Image: Corey Rich

> Vitec has developed a strong corporate governance framework and the Board, senior management and employees operate to the highest standards of corporate governance.

Ian McHoul
Chairman

2021 has continued to present challenges to how Vitec manages its corporate governance in response to COVID-19 as well as the increasing demands around corporate governance in general. Remote working and the inability to travel and to see our people and facilities are a couple of examples that have necessitated the Board and Operations Executive to evolve new ways of working to ensure a robust governance framework that protects and grows shareholder value. Despite these challenges, Vitec continues to have the right culture and strong controls in place to enable the business to succeed.

My report on Vitec's corporate governance sets out in detail how the Board, its Committees, individual Directors and senior management have continued to operate with a strong corporate governance framework that remains appropriate and measured.

During 2021, we carried out an external Board evaluation facilitated by Lintstock. Full details are set out later in this report but it was pleasing to see that despite the most challenging couple of years that the Board and its individual Directors are performing to a high standard and that the Board is fully aligned with the strategy, priorities and corporate governance framework.

We have continued to engage extensively with our key stakeholders including shareholders, banks, employees, customers and suppliers to ensure that Vitec remains focused on the key issues impacting our business. In 2021 we expanded our ESG programme with an ESG Committee and set ambitious targets around areas such as environmental impact and diversity and we will publish a detailed ESG report in April 2022.

I am confident that Vitec has the right governance framework in place and the Board, senior management and employees operate to the highest standards of corporate governance to ensure the continuing and sustainable success of the business.

Ian McHoul
Chairman
28 February 2022

A snapshot of governance

Compliance statement

During the year ended 31 December 2021, we have reported against the UK Corporate Governance Code 2018 ("the Code") issued by the Financial Reporting Council. The Code can be found at www.frc.org.uk.

We applied each principle and complied with provisions throughout 2021 as required by the Listing Rules, except for Provision 38. Provision 38 provides that Executive Director pension contribution rates (or payments in lieu) should be in line with those available to the wider workforce. As reported in 2020's Annual Report, we reached an agreement with Stephen Bird that his pension contribution of 20% that was put in place when he became a Director and Chief Executive in April 2009 will contractually change to 8% and be aligned with the UK workforce with effect from 1 January 2023.

Given the length of service and that the original level of contribution was agreed in 2009, the Board considered it reasonable to give a period of transition to adjust this pension contribution.

The Board agrees that the Annual Report taken as a whole is fair, balanced and understandable and gives all stakeholders the information necessary to assess the Group's business model, strategy and performance. The full report provides the information required for shareholders to assess the Group's overall performance against its strategy.

Image: Patrick Cheung

Major Board decisions

The major decisions taken by the Board and its Committees during 2021 included:

1. Acquisition of Quasar
2. Acquisition of Lightstream
3. Acquisition of Savage
4. Reinstatement of dividends
5. Enhanced ESG programme
6. External Board evaluation

Read more on p98

The following table outlines where shareholders can find and evaluate how the Company has applied the principles of the Code and where key content can be found in this report:

Board leadership and Company purpose

	Page
Code principle A	
Section 172(1) statement	06
Board of Directors	78 to 79
Code principle B	
Business model	02 to 11
Section 172(1) statement	06
Purpose, values and culture	80 to 81
Code principle C	
Strategic Report	02 to 73
Audit Committee report	100 to 105
Code principle D	
Section 172(1) statement	06
Our stakeholders	07 to 09
Code principle E	
Employee engagement	64 and 87
Workforce policies	88
Whistleblowing	72 and 88

Division of responsibilities

	Page
Code principle F	
Board governance	82
Division of responsibilities	92
Code principle G	
Board governance	82
Board of Directors	78 to 79
Division of responsibilities	92
Code principle H	
Section 172(1) statement	06
Time commitments	98
Code principle I	
Effective resources and controls	82
Board governance	82

Composition, succession and evaluation

	Page
Code principle J	
Nominations Committee report	96 to 99
Code principle K	
Nominations Committee report	96 to 99
Board of Directors	78 to 79
Code principle L	
Nominations Committee report	96 to 99

Audit, risk and internal control

	Page
Code principle M	
Audit Committee report	100 to 105
Code principle N	
Fair, balanced and understandable	104
Code principle O	
Principal risks	36 to 41
Audit Committee report	100 to 105

Remuneration

	Page
Code principle P	
Remuneration report	106 to 135
Code principle Q	
Remuneration report	106 to 135
Code principle R	
Remuneration report	106 to 135

Leadership and Company purpose
Board of Directors

			
	Ian McHoul BSc, ACA	**Stephen Bird** MA	**Martin Green** MA, MBA, ACCA
Role	Chairman	Group Chief Executive	Group Finance Director
Appointed to Board	25 February 2019 – tenure of 3 years (Chairman from 21 May 2019)	14 April 2009 – tenure of 12 years and 10 months	4 January 2017 – tenure of 5 years and 1 month
Nationality	British	British	British
Age	62	61	53
Committee membership	Nominations (Chairman)	Nominations	–
Skills and experience	Ian is currently a non-executive director and the Chairman of the Audit Committee of Bellway plc, Young & Co's Brewery PLC and Britvic plc. Ian will be standing down from the Britvic plc Board in May 2022. He was formerly a Non-Executive Director of Wood Group PLC (2017 to 2018) and Premier Foods plc (from 2004 to 2013). He held several roles in his executive career including Chief Financial Officer at Amec Foster Wheeler plc between 2008 and 2017, Group Finance Director at Scottish & Newcastle plc from 2001 to 2008 (Ian was with the business from 1998 in the role of Finance Director for Scottish Courage Ltd), and Finance & Strategy Director, The Inntrepreneur Pub Company from 1995 to 1998. Prior to this he held several roles with Foster's Brewing Group and qualified as a Member of the Institute of Chartered Accountants in England and Wales when with KPMG.	Stephen is currently a non-executive director of Headlam plc, having been appointed to that role in September 2021. He was formerly a non-executive director and Senior Independent Director of Dialight plc, standing down from that role in September 2021 and was formerly a non-executive director of Umeco plc. He was responsible for setting up Weir's Oil & Gas Division, part of Weir Group plc, and was its Managing Director until he left to join Vitec in 2009. Prior to this he worked in senior roles at Danaher Corporation, Black & Decker, Unipart Group, Hepworth PLC and Technicolor Group. Stephen has an MA from St John's College, Cambridge.	Martin was appointed to the Board on 4 January 2017 as Group Business Development Director. Martin has been with the Group since April 2003 in a variety of roles and on 10 February 2020 was appointed Group Finance Director. Martin is an ACCA-qualified accountant and began his Vitec career in financial reporting. He has an MA in Law from Trinity Hall, Cambridge, and an MBA from Cranfield School of Management. He trained and qualified as a solicitor with Linklaters & Alliance in the UK. Previously he held corporate development positions at Bunzl plc, at Telecast Communications and worked in investment banking at N M Rothschild.

Christopher Humphrey
BA, MBA, FCMA

Senior Independent Director

1 December 2013
– tenure of 8 years
and 2 months

British

64

Audit (Chairman), Nominations, Remuneration

Chris is Senior Independent Director and Chairman of the Audit Committee of AVEVA Group plc and Non-Executive Chairman of Eckoh plc. He was a non-executive director of SDL PLC from June 2016 to November 2020 and formerly Group Chief Executive Officer of Anite plc, holding that position from 2008 until August 2015. Previously, he was their Group Finance Director between 2003 and 2008. He has held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. He was previously a non-executive director of Alterian plc between 2011 and 2012. He is a Chartered Management Accountant and a Fellow of CIMA.

Duncan Penny
MA

Independent
Non-Executive Director

1 September 2018
– tenure of 3 years
and 5 months

British

59

Audit, Nominations, Remuneration

Duncan was formerly an Executive Director at XP Power having been its Chief Executive from February 2003 to January 2021 and was previously its Finance Director from April 2000 to 2003. Prior to XP Power, Duncan held senior roles with Dell Computer Corporation and LSI Logic Corporation and was an audit manager at Coopers & Lybrand. Duncan has an MA in Chemistry from Oxford University.

Duncan Penny will not be seeking reappointment as Director at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

Caroline Thomson
BA, D.Univ

Independent
Non-Executive Director and responsible for Employee Engagement

1 November 2015
– tenure of 6 years
and 3 months

British

67

Audit, Nominations, Remuneration (Chairman)

Caroline is currently Chair of Digital UK, a non-executive director of UKGI and Chair of its Remuneration Committee, and a trustee of Tullie House Gallery in Cumbria. She was formerly Executive Director of English National Ballet where she is now a trustee. Until September 2012 Caroline was Chief Operating Officer at the BBC, serving 12 years as a member of the Executive Board. Caroline received an honorary doctorate from York University in 2013 and was made an honorary Fellow of the University of Cumbria in 2015. From 2016–2019 she was Chair of Oxfam. She is a Fellow of the Royal Television Society, a trustee of The Conversation and of the National Gallery Trust. Caroline is a Deputy Lieutenant for Cumbria.

Richard Tyson
BSc (Hons), DipM, FRAes

Independent
Non-Executive Director

2 April 2018
– tenure of 3 years
and 10 months

British

51

Audit, Nominations, Remuneration

Richard is currently Chief Executive Officer of TT Electronics plc, holding that position since 2014. He was formerly President of the Aerospace & Security Division of Cobham plc from 2008 to 2014 and a member of their Executive Committee. He was previously responsible for TRW Aeronautical Systems' (formerly part of Lucas Industries) European aftermarket business before joining Cobham plc in 2003 to run its Flight Refuelling Division. Richard is a fellow of the Royal Aeronautical Society and a Governor of St Swithun's Independent School for Girls in Hampshire.

Leadership and Company purpose/continued
Purpose, values and culture

Vitec's purpose is to support our customers by providing premium branded hardware products and software solutions to the growing content creation market. We have a clearly defined strategy to execute this purpose and our values and culture underpin the sustainable delivery of this purpose.

1 Purpose

Why we do what we do

Our purpose is to enable our customers to capture and share exceptional content by being the leading provider of premium hardware and software solutions to the growing content creation market.

2 Strategy

How we do what we do

Manufacturing and selling our products and solutions globally via multiple distribution channels, our own sales teams and via e-commerce, through both our own and third-party websites.

Our core customers include: broadcasters, film studios, production and rental companies, photographers/videographers, independent content creators, vloggers/influencers, gamers, professional sound crews 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 backgrounds, and motion control, audio capture and noise reduction equipment.

3 Values

The qualities that define us and what we try to achieve

Vitec specialises in exceptional product performance with a keen eye for being customer focused. We lead in a fast changing market, and have global reach and capability. We strive to do business the right way, with transparency, integrity and respect.

4 Culture

Who we are as an organisation

Vitec's employees are hard-working, entrepreneurial and adaptable with a passion for our products. We foster an environment for employees to be forward-thinking, collaborative and supportive with an inclusive approach.

Vitec's culture

Our culture has developed from our values and forms the foundation of our organisation. The key benefits of a strong culture are reflected in our employees' engagement, retention and productivity. The Board reinforces our culture and values through its decisions – including those decisions made on strategy and conduct. It regularly monitors and assesses the culture of the Group via:

- Regular meetings with management and inviting key employees to present at Board and Committee meetings
- Discussing the outcomes of regular employee surveys
- Employee engagement sessions and feedback and insights from these sessions
- Taking on board feedback from key investors and wider stakeholders when shaping policies, procedures and practices throughout the Group
- Reviewing feedback via the Company's whistleblowing service
- Promptness of payment to suppliers
- Training records
- Internal and external auditor findings
- Regular risk and compliance reports from the Group Risk Assurance Manager
- Assessing cultural indicators such as:
  - Management's attitude to risk
  - Compliance with the Group's policies
  - Key performance indicators including health and safety performance, employee retention, engagement and feedback

Our values translate from our qualities and the way in which we, as a Group, think and act and underpin the way we do business – an entrepreneurial approach, acting with integrity at all times and working responsibly with sustainability in mind. Our values are consistently embedded in our operational practices with the guidance of the policies which have been approved by the Board and through oversight from our Operations Executive.

Further information on how the Board factors stakeholders into its decisions can be found on pages 6 to 9.

Alignment of culture with purpose, values and strategy

Having a clear purpose which aligns with our values and with a strategy to back it up, helps to instil confidence in our stakeholders. It helps to explain why we exist, why we do what we do and how we intend to meet our objectives. All employees are encouraged to embrace the Company's culture to ensure our long-term success.

In response to COVID-19, the Group refocused its efforts onto business recovery planning and ensuring its employees were fit, healthy and able to safely return to our facilities. Even as the pandemic began, the Group immediately flexed its working practices to allow those who could work from home, to do so, assisting in any way possible. As outlined on pages 14 to 18, the Group's recovery in 2021 was better than expected and the Group returned to paying dividends in May 2021 as well as announcing three new and highly-complementary acquisitions in the year to 31 December 2021 and the acquisition of Audix in early 2022. The pandemic presented new and exciting opportunities for the Group as more content was consumed than ever, opening the door to new technologies alongside our traditional business model. This was all made possible by our adaptable workforce, guided by our strong management team and Board.

During 2021, the Board received regular feedback on culture including output from employee surveys and also employee engagement sessions with Caroline Thomson as the Non-Executive Director charged with responsibility for employee engagement. This feedback helps to shape the Board and its Committees' thinking and decision-making to ensure that the views of employees are factored into Board decisions.

Guiding and promoting healthy culture

Vitec's management feel strongly about doing business the right way. The Group has a well-established Code of Conduct that sets out expectations surrounding behaviours in all aspects of how all at Vitec conduct themselves. This is communicated to all employees and is also available to all stakeholders including customers and suppliers. The Code of Conduct is published in all languages commonly spoken in the Group and is available on our website. All senior management are focused on encouraging our employees to behave in line with our values and on promoting the Group's purpose and strategy.

More information on Vitec's culture can be found at:

Vitec's governance framework and corporate governance practices on pages 82 to 88

Board decision-making on pages 84 to 85 and 90 to 91

The Group's approach to people, leadership and succession in the Nominations Committee report on pages 95 to 99

Vitec's risk controls in the Audit Committee report on pages 100 to 105

The focus on health and safety, the environment and sustainability across the Group in the Responsible business report on pages 42 to 72 as well as workforce policies to help guide and assist employees on page 88

Vitec's approach to executive remuneration in the Remuneration report on pages 106 to 135.

Leadership and Company purpose/continued
The role of the Board

The Board, as detailed on pages 78 to 79, remained unchanged throughout 2021. Our Board comprises experienced professionals who bring a range of skills, perspectives and industry knowledge to our boardroom. In accordance with the Code, the role of the Board is to promote the long-term sustainable success of the Company, generate value for shareholders and make a meaningful contribution to wider society. Collectively, the Board has high quality experience in the areas of finance, technology, strategy, people management and global commerce which assists us in the implementation of our strategy.

In December 2021, we announced that with effect from 1 May 2022, Erika Schraner will join the Board as an independent Non-Executive Director who will also be a member of the Audit, Remuneration and Nominations Committees. Erika's appointment will strengthen the Board in terms of strong financial, technological and international experience. Erika's qualifications and experience are set out in the 2022 AGM Notice. The Board looks forward to Erika joining in May 2022.

We also announced that Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

To fulfil its duties, the Board has separate roles and a clear division of responsibilities. This is outlined in more detail on page 92. It is the role of the Chairman to manage the Board and to ensure its effectiveness. In conjunction with the Group Chief Executive and the Group Company Secretary, the Chairman ensures all Directors:

— Receive accurate, timely and clear information;
— Actively participate in the decision-making process; and
— That they are kept well informed of all key business developments.

Board agendas are reviewed and agreed in advance by the Chairman and Group Chief Executive facilitated by the Group Company Secretary to ensure each Board meeting is as efficient as possible. All Board members are encouraged to constructively challenge any proposals made by executive management. Apart from the remuneration of Directors there were no instances when a Director had to abstain from voting on a matter due to a conflict of interest during 2021. The Board has a clear policy for dealing with conflicts or potential conflicts of interest. All Directors are reminded at the start of every Board meeting about their duties under section 172 of the Companies Act 2006 including the need to disclose any conflicts of interest. The Group Company Secretary maintains a record of all declared conflicts of interest.

Effective resources and controls

Vitec's Board satisfied itself that the Company purpose is aligned with business practices through a variety of resources, including regular updates from the senior management team via video conference. These key operational updates are discussed by the Board in scheduled Board meetings and ad hoc Board calls as required, such as those surrounding an upcoming acquisition and the important decisions taken leading up to closing a deal.

The Board governance arrangements further support the development and delivery of strategy by ensuring accountability and responsibility for decisions from within the organisation and also by leveraging the skills, knowledge and experience from the Non-Executive Directors. Further information on the skills and experience of all Board members can be found on pages 78 to 79. At all times, the Board are encouraged to express views and opinions, particularly surrounding the operation of the Group or a proposed course of action. No concerns were raised during 2021.

The Board maintains a formal schedule of matters reserved solely for its approval. Such matters relate to decisions on strategy, financing, M&A activity, the risk appetite of the Group and the authorisation of any special capital expenditure above previously set delegated authority limits. The Board is formally required to authorise capital expenditure above the prescribed limits, however the open and flat nature of our organisation means that the Board are always aware of significant projects in the Group.

The Board sets itself clear annual objectives and measures its performance against those objectives on a regular basis. More information on Board performance and effectiveness can be found on page 98.

Board governance

Our governance framework supports strong governance practices across the Group. The Board has overall responsibility for governance in the Group.

The Board has delegated certain responsibilities to its Nominations, Audit and Remuneration Committees. Further details of the work, composition, role and responsibilities of these Committees are provided in separate reports on pages 96, 100 and 106 respectively. Each of the Committees has clear Terms of Reference which were reviewed by the Committees and the Board during the year. These are available on the Group's website: https://vitecgroup.com/investors/corporate-governance/governance-framework/. The performance of each Committee is assessed annually as part of the evaluation process and the results of the external Board and Committee evaluation carried out in late 2021 are explained on page 98.

The governance framework at Vitec is structured as follows:

The Board has a clear schedule of matters reserved to it which is reviewed annually and can be viewed on the Group's website: https://vitecgroup.com/investors/corporate-governance/governance-framework/. The schedule of matters reserved to the Board includes matters such as acquisitions and divestment of businesses, declaration of dividends, appointments of new Directors and approval of financial results including budgets and capital expenditure. Further information on the matters reserved for the Board, can be found on page 94. The Board has in turn delegated to the Group Chief Executive certain of its powers to run the operations and business of Vitec. To support this, the Group Chief Executive has established the Operations Executive comprising the Group Chief Executive, Group Finance Director, Group Company Secretary, Group Communications Director and Divisional management. The Operations Executive meets monthly and covers current performance and operational matters including health and safety and other matters. Minutes of all Board and Committee meetings, including the Operations Executive, are prepared by the Group Company Secretary following each meeting.

For the majority of 2021, all Board, Committee and Operations Executive meetings were held by way of video conference to ensure that safety was adhered to given COVID-19. A few meetings were held face-to-face during 2021 where possible and we were able to resume face-to-face meetings from February 2022. Where scheduled Board meetings were held in person in 2021, we resumed our usual pre-Board meeting dinners. These dinners enable Directors to informally discuss current business matters. The Board appreciates this informal environment which creates an opportunity for members of the Operations Executive, other senior management or external advisors to attend to give updates on the business. The Non-Executive Directors continued to hold meetings between themselves following each scheduled Board meeting, either virtually or in person, to raise any issues without senior management present. As Chairman, I feed back to the Group Chief Executive on these discussions and take any actions necessary to address matters raised.

The Directors make use of electronic Board packs which provide fast and secure access to all Board and Committee papers, alongside any other key and confidential updates to enable the running of the business. The Chairman of the Board and the Chairs of each of the Committees set the agendas for all Board and Committee meetings with support from the Group Company Secretary. The information on the business shared with our Board is sufficient to allow effective debate and challenge to management.

The Vitec Group plc
Board

Nominations Committee

Chaired by
Ian McHoul

Membership:

Chairman, Group Chief Executive and the independent Non-Executive Directors

Oversees and reviews the overall composition of the Board

Oversees succession planning of the Board

Oversees the leadership skills requirements and succession planning of key senior management for the Group

Read more p96

Audit Committee

Chaired by
Christopher Humphrey

Membership:

The independent Non-Executive Directors

Responsible for financial control and integrity of financial statements

Oversees risk management and control systems including internal audit progress and effectiveness

Reviews external auditor effectiveness and leads audit tender process

Read more p100

Remuneration Committee

Chaired by
Caroline Thomson

Membership:

The independent Non-Executive Directors

Reviews framework and policy on Executive Director and senior management remuneration and benefits to ensure alignment with strategy and performance

Reviews and benchmarks incentive arrangements and ensures they fit with the Group's strategy and culture

Ensures Executive Director remuneration takes into account remuneration across the wider employee population

Read more p106

Operations Executive

The Operations Executive, led by Stephen Bird, comprises the Executive Directors, Divisional CEO's, Group Communications Director, Group General Counsel, Deputy Group Finance Director, Chief Marketing Officer for Imaging Solutions, VP of Global Sales for Production Solutions, SVP of Sales for Creative Solutions and the VP of EMEA. It has overall responsibility for the daily management of the business and the implementation of the Group's strategy.

ESG Committee

Comprises the Group Chief Executive, Group Company Secretary, Group Communications Director, Group Risk Assurance Manager and senior representatives from each Division. The ESG Committee oversees the Group's ESG programme including external ESG reporting.

The information contained within the Board and Committee packs includes detailed budgets, forecasts, strategy papers, reviews of the Group's financial position, corporate development opportunities and operating performance, and annual and half yearly reports. Each Director receives a detailed monthly report from the Group Chief Executive, Group Finance Director, Group Company Secretary and Group General Counsel, plus a Health and Safety Report. The Board receives further information from time to time as and when necessary. During 2021, the Group Chief Executive, given the recovery of the business from COVID-19, maintained a more regular level of updates to the Board, providing information on the safety of employees, site operations, financial performance and the Company's recovery from the pandemic.

Group Company Secretary

All Directors have access to the advice and services of the Group Company Secretary and any Director may initiate an agreed procedure to seek independent professional advice sought at the Company's expense. Clearance to such advice being sought must be given by the Chairman. No such advice was sought by any Director during the year. The Group Company Secretary's role is to support the Chairman, the Board, its Committees and individual Directors in discharging their duties effectively including governance matters. The Group Company Secretary's appointment and removal is a matter to be considered by the Board.

Leadership and Company purpose/continued
Key Board activities in 2021

The Board during 2021 had six scheduled Board meetings and seven short notice meetings to deal with specific business matters. At each scheduled Board meeting several standard items of business are covered including minutes of previous meetings, matters arising, progress against agreed Board objectives, Group Chief Executive's report (including health and safety performance), Group Finance Director's report and Group Company Secretary's report. Other specific business covered at meetings in 2021 included the following:

2021 Board meetings	
January	**Short notice meeting – 25 January 2021** **Financial and Risk Management** Update on the financial outturn for 2020 **Operational** Update on Production Solutions Potential acquisition of Quasar
February	**Scheduled meeting – 23 February 2021** **ESG** Review and approve the 2020 Annual Report & Accounts, 2021 AGM Notice, Going Concern and Viability Statement and an update on the Company's ESG programme **Strategy** Update on Group's overall strategy and potential new product development and acquisitions **Financial and Risk Management** 2020 year-end financial results Recommend final dividend for shareholder approval Capital expenditure for Production Solutions aktiv Fluid Head; Litepanels Gemini light and Anton/Bauer battery Capital expenditure for Imaging Solutions for low loading Long John Silver lighting stand and Junior Crank stand Repayment of £50 million borrowing under the COVID Corporate Finance Facility and £1.2 million of UK Government furlough funds **Operational** Creative Solutions update including the proposed acquisition of Lightstream Further details on the proposed acquisition of Quasar Lease extension for Imaging Solutions Ashby-de-la-Zouch site
March	**Short notice meeting – 18 March 2021** **Strategy** Update on Group strategy **Financial and Risk Management** Trading update **Operational** Update on the proposed acquisition of Lightstream Lease to buy agreement for Feltre site in Italy
April	**Short notice meeting – 1 April 2021** **Financial and Risk Management** Trading update **People** Employee Benefit Trust funding to purchase and hold shares for long-term incentive plans **Operational** Approval of the acquisitions of Quasar and Lightstream

2021 Board meetings	
May	**Scheduled meeting – 5/6 May 2021** **ESG** 2021 AGM and voting results ESG programme update **Strategy** Blue Sky strategy session **Financial and Risk Management** Trading update **Operational** Progress on Quasar and Lightstream acquisitions Lease extensions for Group head office site and Teradek's Irvine site in US Production Solutions business update
June	**Scheduled meeting – 22/23 June 2021** **Strategy** Review of Group and Divisional strategy **Financial and Risk Management** Trading update **People** Employee survey results Creative Solutions retention award Employee Benefit Trust funding approved to purchase and hold shares for long-term incentive plans **Operational** Renewal of 2021/2022 insurance programme
August	**Scheduled meeting – 10 August 2021** **ESG** Update on Group renaming project ESG programme update 2021 external Board evaluation process and timing **Financial and Risk Management** H1 2021 financial results and interim dividend review and approval Capital expenditure proposals for Productions Solutions for flowtech fibre cell and robotics platform Investec corporate broker presentation and update **People** Approval of 2021 Sharesave Scheme invitation **Operational** Update on the proposed acquisition of Savage Patent enforcement action and associated legal spend
September	**Short notice meeting – 15 September 2021** **Financial and Risk Management** Renewal of HSBC overdraft facility

2021 Board meetings	
October	**Short notice meeting – 7 October 2021** **ESG** Consideration of response to FCA consultation on diversity **Financial and Risk Management** Trading update **Operational** Updates on proposed acquisitions of Savage and Audix and associated funding **Scheduled meeting – 13 October 2021** **ESG** Cyber security update Update on Group renaming project **Strategy** Update on potential M&A opportunities **Financial and Risk Management** Intercompany debt restructuring proposal **Operational** Updates from Production Solutions and Creative Solutions Update on proposed acquisitions of Savage and Audix and associated funding

2021 Board meetings	
November	**Short notice meeting – 8 November 2021** **Financial and Risk Management** Trading update **Operational** Acquisition of Savage and approval of associated funding **Short notice meeting – 25 November 2021** **Strategy/Operational** Creative Solutions update Update on proposed acquisition of Audix
December	**Scheduled meeting – 13-14 December 2021** **ESG** External Board evaluation output Update on Group renaming project Chairman and Non-Executive Directors' fee approval Board objectives review for 2021 and setting objectives for 2022 **Strategy** Update on potential M&A opportunities **Financial and Risk Management** Trading update and intercompany debt restructuring update Approval of 2022 budget **Operational** Updates from Imaging Solutions and Creative Solutions Progress on integration of Lightstream Update on proposed acquisition of Audix

Attendance at 2021 Board and Committee meetings

	Board		Audit		Remuneration		Nominations	
	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice
Number of meetings	6	7	4	0	3	2	4	0
Directors:								
Ian McHoul	6	7	–	–	–	–	4	0
Christopher Humphrey	6	7	4	0	3	2	4	0
Duncan Penny	6	7	4	0	3	2	4	0
Caroline Thomson	6	7	4	0	3	2	4	0
Richard Tyson	6	7	4	0	3	2	4	0
Stephen Bird	6	7	–	–	–	–	4	0
Martin Green	6	7	–	–	–	–	–	–

Leadership and Company purpose/continued

Shareholder engagement

Meeting with shareholders

Vitec has an active and open dialogue with our shareholders and their views are regularly sought on key issues such as strategy, governance, and financial performance. They are an important source of capital, without whom Vitec could not grow and invest in future success. The Board receives a monthly shareholder analysis report from our corporate broker which records movements in the shareholder register and also notes when investor engagement has occurred and any notable views expressed.

There is a comprehensive investor relations programme in place to provide all shareholders with regular updates on operational and financial performance, including regular market announcements, presentations, face-to-face meetings with investors, roadshows, the AGM and the upkeep of a detailed investor relations section on the Group website.

During 2021, with progress on recovery of the business from the impact of COVID-19, the Board increased communication with investors to ensure they remained informed and supportive of all key business decisions as to how the business continued its recovery.

Investor meetings and roadshows

During 2021, the Board engaged with numerous institutional investors both virtually and face-to-face. These were often centred around major events such as the 2020 Full Year results or 2021 Half Year results and were attended by the Group Chief Executive, Group Finance Director and Group Communications Director.

The Chairman additionally met with several shareholders during 2021 to hear their views first-hand.

Annual General Meeting ("AGM")

The 2021 AGM was held as a closed meeting at our Richmond head office, due to the government's stay at home measures and following the ICSA guidance. Shareholders were not permitted to attend in person but could choose to be represented by the Chairman of the meeting to act as their proxy. Shareholders were invited to submit any questions they had in writing so that written responses could be given. All resolutions at the 2021 AGM were passed with a majority of votes in favour. The detailed outcome of resolutions at the 2021 AGM is available on our website under "Corporate Governance". We are planning for our 2022 AGM to be held in person at 11:00am on Tuesday, 17 May 2022 at The Academy of Medical Sciences, 41 Portland Place, London W1B 1QH. Any changes to these arrangements will be announced via the Regulatory News Service ("RNS"). We will ensure that all necessary measures are taken to enable the AGM to proceed safely. We value the opportunity to meet with our shareholders at the AGM and hope that we will be able to do so on 17 May 2022. Voting at the AGM is carried out by way of a poll. We encourage shareholders, however, to submit their votes by proxy ahead of the AGM to ensure their views are received in advance.

The Board, in the event of a 20% or more vote against a resolution at a General Meeting of shareholders, would consider that a material level and would seek to engage with shareholders to understand the nature of concerns raised by the against votes and what actions, if any, should be taken to address such concerns.

At the 2021 AGM, an against vote just below 20% was given to the Remuneration report resolution. Despite this falling below the 20% threshold for engagement, the Board and Remuneration Committee have taken concerns raised by some shareholders into account in relation to Directors' remuneration in 2021 and 2022.

Annual Report

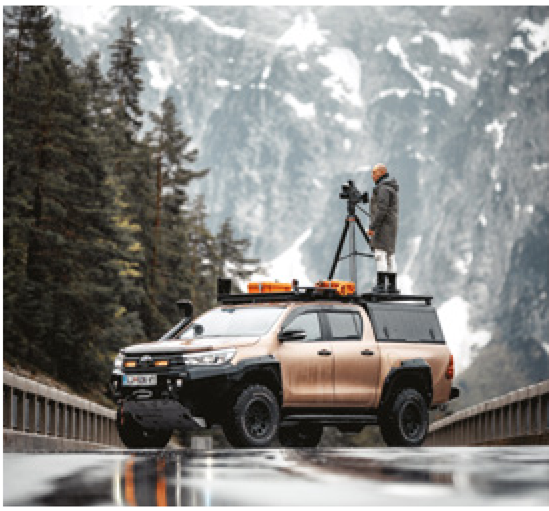
The Annual Report is available to all shareholders. It is published in March each year. Through electronic communication initiatives, we aim to make our Annual Report as accessible as possible. Shareholders can opt to receive a hard copy in the post or can download PDF copies via email or from our website. Additionally, if a shareholder holds their shares via a nominee account and encounters difficulty receiving the Annual Report via their nominee provider, they are welcome to contact the Group Company Secretary to request a copy.

Corporate website

The Vitec website, www.vitecgroup.com, has a dedicated investor section which includes all of our Annual Reports, results presentations, and our financial and dividend calendar for the upcoming year. The website also outlines our business strategy and model, product portfolio, Company announcements and has a detailed section covering our ESG activities.

Senior Independent Director

If shareholders have any concerns, which the normal channels of communication to the Group Chief Executive, or Chairman have failed to resolve, or for which contact is inappropriate, then our Senior Independent Director, Christopher Humphrey, is available to address them. He can be contacted via email at info@vitecgroup.com.



Employee engagement

We have an experienced, diverse and dedicated employee base. They are Vitec's greatest asset and are critical to our success. Our highly-skilled employees are incentivised and motivated to help contribute to successfully delivering our strategy, performance and strong reputation. In order to reach all employees, the Board utilises a combination of formal and informal engagement methods as set out below, the principal method as defined by the Code being engagement with a Non-Executive Director:

How we engage with employees

Dedicated Non-Executive Director

Caroline Thomson is the independent Non-Executive Director charged with gathering the views of our employees.

Read more p64

Employee surveys

We gather feedback from employees to assess their levels of engagement. We conduct an annual employee survey, covering a range of issues including health and safety and wellbeing, the right culture for the organisation, communications and satisfaction with working at Vitec.

Read more p64

Whistleblowing

Our whistleblowing service offers an anonymous reporting line for employees to raise any concerns directly with the Board. The service allows concerns to be raised via telephone or online reporting.

Read more p72

Intranet

The Group's intranet is used as a platform for employees to access our policies and be kept informed of the latest Group news.

In October 2021, Caroline Thomson, the independent Non-Executive Director tasked with employee engagement, carried out a series of meetings with over 30 employees from the Production Solutions Division based at our Bury St Edmunds, Shelton and Cartago sites. This entailed employees being able to raise questions and comment on a range of issues arising from working at Vitec. The session covered topics such as:

- The main risks arising from, and following, COVID-19
- Employees' views on how the Company handled the pandemic
- Working from home and the Company's flexibility
- Working conditions and equipment
- Remuneration and employee benefits (which is then fed back to the Board which then uses this information when deciding upon executive remuneration and benefits)
- Employees' opinions on the business and any new ideas.

Feedback on these sessions was then given by Caroline Thomson to the Board, Divisional CEO and Divisional HR Director to ensure that the views of employees are known and are being taken into account. This feedback helps to shape and develop the Board's decision-making and to address any issues. An example of this was the feedback received on how quickly the Company adapted to allowing employees to work from home and continuing to listen to its employees by adapting its working practices to allow a greater degree of flexible working. This is the fourth year of holding such dedicated sessions and we consider it an important feature in ensuring that employees are able to raise issues that are important to them. We will plan on holding similar such sessions in future years. Further information on Caroline Thomson's employee engagement process can be found on pages 64.

A combination of our high level of employee satisfaction as shown through annual employee surveys and interaction with Caroline Thomson illustrates that our employee engagement programme is strong. The programme is valued by employees and the Board and Caroline Thomson is exceptional at engaging with employees across the Group from all levels in the organisation and across multiple countries.

Leadership and Company purpose/continued

Workforce policies

Policies, procedures and training

The Board and Operations Executive review and approve all key policies and practices which could impact Vitec's workforce and influence their behaviours. All policies are carefully drafted to ensure they reflect and support the Group's purpose, values and strategy. This includes the Group's Code of Conduct and its additional policies relating to health and safety, anti-bribery and corruption, modern slavery, data protection and whistleblowing. Furthermore, training sessions are arranged on these topics on a regular basis for employees to attend. Further information on Vitec's key compliance policies can be found on page 72. The policies are published on the Group's intranet, with some included in the employee handbook. The Group's Code of Conduct will be relaunched to all employees in June 2022 and will also be provided to all third parties such as suppliers and customers over a certain financial value.

As part of Vitec's ESG programme, we review the integrity surrounding our supply chain, including all suppliers, agents and distributors, including a review of agreements and contractual terms prohibiting bribery and expressly requiring parties to comply with the Group's Code of Conduct. We also vet our supply chain for reputational risk issues using the NAVEX Risk Rate software package that screens for adverse media, sanctions and politically connected persons. Further detail is given on the Company's website and in Responsible business on page 72.

Conflicts of interest

Vitec has a clear Conflicts of Interest Policy that sets out how any conflicts of interest are to be reported and to be managed, including a conflicts of interest register documenting all declared conflicts of interest. Each Director is required to declare any conflict of interest arising on any matter. The Articles of the Company dictate how any such conflicts are to be managed, including that in the event of a conflict of interest and it having been declared, the Board may authorise the conflicted Director to participate in discussions and the decisions relating to that matter. It is confirmed that no such conflicts arose in 2021.

Workforce remuneration policies

The Board operates the Remuneration Policy approved by shareholders for Executive Directors remuneration via the Remuneration Committee. The Remuneration Committee while carrying out its duties has overall oversight of the wider workforce remuneration practices. Vitec's competitive remuneration policies and practices are designed to attract, retain and motivate employees at all levels. They are intended to be clear and simple and to align with our strategy and our corporate culture.

Whistleblowing

It is part of our culture that all employees are encouraged to identify and speak up against any malpractices and wrongdoings occurring within the organisation which fall short of our high standards of operating and in conflict with our Code of Conduct.

Vitec's whistleblowing procedures are operated in conjunction with NAVEX which enables any employee or third party who feels the normal reporting channels are not appropriate or trustworthy, to report on any issues around alleged wrongdoing or other Code contraventions confidentially and anonymously.

Details of the whistleblowing service are included in our employee handbook, on our website and on posters around all our sites. All communication is translated into local languages where necessary.

All reports are notified to the Group Chief Executive, the Group Company Secretary and the Chairman of the Audit Committee and are investigated independently by senior management who are not connected to the report. The outcome of an investigation is reported to the Chairman of the Audit Committee and remedial action taken where necessary. The Board is notified of all whistleblowing reports and the outcome of investigations. During 2021, there were two whistleblowing reports that were related to HR matters. Each matter underwent a thorough investigation and corrective actions were taken with oversight of the Audit Committee Chairman and involving Divisional management as appropriate.

The whistleblowing service will be re-communicated to all employees in mid-2022.

Image: Daisy Gilardini

Leadership and Company purpose/continued

Major decisions:

The following major decisions were taken by the Board and its Committees during 2021:

1.

Acquisition of Quasar

In April 2021 we acquired Quasar for up to $6.1 million. Quasar designs and develops a range of market-leading innovative linear LED lighting solutions for cine-style applications.

Read more p17

2.

Acquisition of Lightstream

In April 2021, we acquired Lightstream for an expected total cost of $35.9 million. Lightstream develops cloud-based live production software to enable content creators, particularly gamers, to enrich their live video streams.

Read more p18

3.

Acquisition of Savage

In November 2021, we acquired Savage for up to $57.3 million. Savage is a global market leader in backgrounds for the growing professional studio photographic market.

Read more p18

4.

Reinstatement Of Dividends

Following The Suspension Of Dividends In 2020 Due To The Impact Of Covid-19, The Board Reinstated The Payment Of Dividends With The Payment Of A Final Dividend In May 2021.

Read More p13 and 34

5.

ESG programme

In 2021 we enhanced our ESG programme establishing a cross-Divisional ESG Committee with an increased focus on ESG reporting, setting clear objectives and targets and will publish a detailed ESG report in April 2022.

Read more p42 to 72

6.

External Board evaluation

The Board underwent an external evaluation in 2021 led by Lintstock – an independent advisory firm with extensive experience in listed company Board evaluations. This was the first external evaluation since 2017.

Read more p98

Division of responsibilities
Board roles and the division of responsibilities

There is clear division of responsibilities for the Board between Executive and Non-Executive Director roles, providing a framework for accountability and oversight. The roles of Group Chief Executive and Chairman are separately held and their responsibilities are well-defined, set out in writing and regularly reviewed by the Board. The Chairman is responsible for the leadership of the Board and the Group Chief Executive manages and leads the business and its operations.

Non-Executive

Ian McHoul
Chairman of the Board and Chairman of the Nominations Committee

- Responsible for the effective operation of the Board and ensuring it is well-balanced to deliver the Group's strategic objectives
- Foster an ethical culture that promotes transparency, open debate and challenge
- Ensures that the Board constructively plays a part in the development of strategy
- Ensures effective engagement between the Board and all stakeholders.

Christopher Humphrey
Senior Independent Director and Chairman of the Audit Committee

- Acts as a "sounding board" for the Chairman in all matters of governance
- Acts as an independent point of contact in the Group's whistleblowing procedures
- Acts as the Chairman if the Chairman's position is in any way conflicted
- Available to shareholders if they have concerns that have not been resolved through normal channels of communication with the Company
- As Chairman of the Audit Committee, leads the work of the Committee in connection with the integrity of financial reporting and risk management.

Caroline Thomson
Designated Non-Executive Director for Employee Engagement and Chair of the Remuneration Committee

- Attends key employee and business events
- Monitors the effectiveness of employee engagement programmes and surveys
- Provides regular updates to the Board on employee engagement matters and any issues
- As Chair of the Remuneration Committee, leads the work of the Committee in connection with Directors' remuneration.

Independent Non-Executive Directors

- Give constructive challenge and advice to the Executive Directors, assisting in development of strategy and monitoring performance
- Act with the highest levels of integrity and governance and help to ensure this culture is promoted within the Group
- Oversee and set levels of remuneration for key senior management
- Oversee development of succession planning for key management and executive roles
- Review integrity of financial reporting
- Ensure that financial and risk appetite and mitigating controls are appropriate and robust.

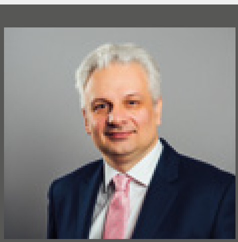
> All Non-Executive Directors bring independent character and judgement to Vitec's strategy, the performance of the Group, the adequacy of resources and standards of conduct.

Ian McHoul
Chairman

Executive

Stephen Bird
Group Chief Executive

- Provides clear and visible leadership across the Group
- Informs the Chairman and Board of strategic and operational issues facing the organisation
- Executes the Group's strategy and commercial objectives and implements decisions of the Board and its Committees
- Ensures that the corporate culture is set from the top
- Manages the Group risk profile and ensures actions are compliant with the Board's risk appetite
- Leads Investor Relations activities – engaging with shareholders
- Leads the Group's ESG programme.



Martin Green
Group Finance Director

- Supports the Group Chief Executive in developing and implementing strategy
- Provides financial and risk control leadership to the Group and guides the Group's business and financial strategy
- Responsible for financial planning and analysis, financial reporting and tax and treasury functions
- Oversees the capital structure of the Group
- Engages with key stakeholders alongside the Group Chief Executive.

Jon Bolton
Group Company Secretary and HR Director

- Secretary to the Board and its Committees
- Ensures compliance with Board procedures
- Provides advice on regulatory and governance matters to the Board and senior management
- Oversees the Company's governance framework and programme
- Responsible for Group HR, employee share schemes, Group insurance programme and pensions.

Senior management/Divisional CEOs

- Help support the Group Chief Executive in developing and executing strategy
- Manage, motivate and develop employees
- Develop business plans in collaboration with the Board
- Oversee the daily activities throughout the Group
- Ensure that the policies and procedures developed and set by the Board are communicated and adopted across the Group
- Help to foster the Group's culture throughout the organisation.

Division of responsibilities/continued
Board roles and the division of responsibilities/continued

Role and independence of Non-Executive Directors

All Non-Executive Directors bring independent character and judgement to Vitec's strategy, the performance of the Group, the adequacy of resources and standards of conduct. The Board as a whole considers that Ian McHoul, Christopher Humphrey, Duncan Penny, Caroline Thomson and Richard Tyson are independent in accordance with the recommendations of the 2018 UK Corporate Governance Code. Except for Christopher Humphrey and Caroline Thomson, each of these Non-Executive Directors' tenure on the Board is less than six years and as outlined on page 95 and 97. The process is being led by the Chairman each year of ensuring that the performance of each Director is objectively appraised. The 2021 external Board evaluation as detailed on page 98 covers the performance assessment of each Director.

The Board announced on 20 December 2021 that Erika Schraner will be appointed as an independent Non-Executive Director of the Company with effect from 1 May 2022.

We also announced that Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

Relationship between the Board and Operations Executive

The following diagram illustrates the dynamic between the Board and Operations Executive and the responsibilities they are each tasked with:

The Board

The Board has overall responsibility for setting the Group's strategy, taking risk appetite into consideration and setting objectives for the business. It delegates overall delivery of the strategy to the Group Chief Executive who is supported by the Operations Executive.

Board and the Operations Executive

The Board considers there to be an appropriate balance between Executive and Non-Executive Directors required to lead the business and safeguard the interests of shareholders.

As at 31 December 2021, the Board was comprised of the Chairman, four independent Non-Executive Directors and two Executive Directors. This meets the requirement of the 2018 UK Corporate Governance Code for at least half the Board, excluding the Chairman, to be independent Non-Executive Directors.

The Operations Executive, led by the Group Chief Executive, is responsible for running the business of the Group. The Operations Executive meets on a monthly basis and individual members of the Operations Executive attend Board meetings on a regular basis to provide updates on their businesses. The Board delegates all operational matters to the Group Chief Executive except for those matters reserved for the Board. The Group Chief Executive in turn uses the Operations Executive to help deliver on operational matters.

Operations Executive

The Operations Executive has responsibility for day-to-day management of the business, including employees and delivery of the strategy set by the Board.

Matters reserved for the Board

The Board has a formal schedule of matters reserved for its approval which includes:

- Setting of the Group's strategy, objectives and review and approval of annual budgets
- Review of progress against strategy and budgets
- Approval of financial results and dividends declared
- Changes in Board composition including any key roles on advice from the Nominations Committee
- Consideration of mergers, acquisitions and disposals
- Approval of material litigation
- On advice of the Audit Committee, the operation and maintenance of the Group's risk appetite and profile
- Setting the Group's purpose, values and culture

Operations Executive activities during 2021

- Collectively responsible for the daily operation of the Group's Divisions
- Developed the Group's strategy and budget for approval by the Board
- Reviewed the financing positions of all key areas of the business
- Monitored operational and financial results against plans and budgets
- Reviewed regulatory and legal developments
- Reviewed and approved capital expenditure within the delegated authorities framework
- Developed leadership skills and future talent of the business, ensuring strong succession planning
- Monitored and measured the effectiveness of risk management and various control procedures
- Rigorous oversight of the Group's health and safety performance

Composition, succession and evaluation

Overview

The Nominations Committee is responsible for monitoring the Board, its Committees and Vitec's senior management to ensure that they have the right balance of skills, knowledge and experience to lead the Group effectively, both now and in the longer term.

Nominations Committee

The Nominations Committee comprises the following members:

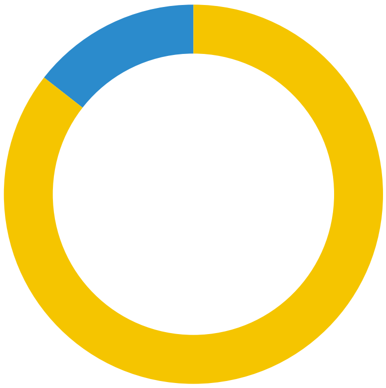
Ian McHoul (Chairman)

Stephen Bird, Christopher Humphrey, Caroline Thomson, Richard Tyson and Duncan Penny

Role of the Nominations Committee:

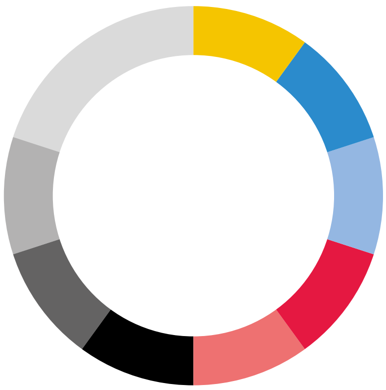
- Oversee the composition of the Board (including size, skills, knowledge, experience and diversity), ensuring that it remains appropriate and making any recommendations to the Board regarding any changes
- Lead the process regarding appointments to the Board, including the role of the Chairman
- Succession planning for the Board (including Committee Chairs) and senior management including recruitment, talent development and identification of potential candidates internally or externally and making such recommendations to the Board.

Board gender diversity



Board tenure

Board skills and experience



Composition, succession and evaluation/continued
Nominations Committee Chairman's letter

Dear Shareholder

The purpose of this report is to highlight the role that the Nominations Committee plays in monitoring the Board's balance of skills, knowledge and experience and to provide the diversity of thinking and perspective required to provide effective leadership.

Succession planning

An important area of work for the Nominations Committee is succession planning around the Board and senior management of the Group. We aim to have a talented management team with the right skills, diversity and experience to sustainably grow the business. In 2021, the Board received an update on talent and succession plans across the senior management teams in the Group's three Divisions. The Board and its Committees get regular exposure to the senior management team to see and hear first-hand from our executive talent.

The Nominations Committee further oversaw the recruitment of Erika Schraner who will join the Board as an independent Non-Executive Director on 1 May 2022 following a thorough induction process. Erika is highly financially literate, has a strong understanding of manufacturing and supply chain issues, particularly in technology companies, brings software and M&A experience and has a global outlook with much of her career spent in Silicon Valley, US. Her appointment strengthens the skills and diversity on the Board.

Diversity and inclusion

The Board considers the issue of diversity for every appointment. The objective is to ensure that the Board appoints the best person for every role and to optimise the collective Board strength. As part of this, the Board has adopted the following policy on diversity and inclusion.

Vitec recognises the importance of a fully diverse and inclusive workforce in the successful delivery of its strategy. The effective use of all the skills and talents of our employees is encouraged and this extends to potential new employees. It is essential that the best person for the job is selected regardless of race, gender, religion, age, sexual orientation, physical ability or nationality. Vitec is fully committed to equal opportunity where talent is recognised. The Board will keep under regular review the issue of diversity including at Board and senior management level and throughout the entire workforce, taking into account, among other things, Lord Davies' review, Women on Boards, the Hampton-Alexander review, FTSE Women Leaders and the Parker and McGregor-Smith reviews on ethnic diversity. We will report upon this issue annually in our Annual Report. Our Diversity & Inclusion Policy is available on our website: https://vitecgroup.com/responsibility/our-people.

The Responsible business section on page 66 contains further information on diversity, including the disclosure of gender diversity statistics at all levels across the business in accordance with the requirements of the Companies Act 2006.

Engagement with key stakeholders

We engaged over the year, with shareholders on our ESG (Environment, Social and Governance) programme, including on diversity at Board level. We used the feedback received to help shape our meeting agendas and discussion points in the Committee meetings.

Committee performance

The performance of the Committee was considered through the annual Board evaluation process, which in 2021 was the subject of an external review. From the responses provided, it was concluded that the Nominations Committee was operating effectively.

Ian McHoul
Chairman of the Board and Nominations Committee Chairman
28 February 2022

Key activities of the Nominations Committee

Board skills, knowledge and experience

Each Director brings a complementary set of skills and diversity to the Board, having served in companies of varying size, complexity and market sector. When combined, these skills give the Board the comprehensive skillset required to deliver the strategic objectives of the Group and to ensure its continued success. More insight into the Board's overall composition, skills, knowledge and performance was drawn from the 2021 external Board evaluation. Further detail can be found on page 98. The Nominations Committee continues to monitor Board structure and succession plans, including internal talent development and succession plans of senior management below Board level. During 2021, Nicola Dal Toso succeeded as CEO of our Production Solutions Division. Nicola previously ran the operations for the Imaging Solutions Division for several years and was a clear successor to lead the Production Solutions Division.

During 2021, the Nominations Committee, led by Ian McHoul, continued to review plans around Board succession for both Executive and Non-Executive Directors. This culminated with the announcement that Erika Schraner will join the Board as an independent Non-Executive Director on 1 May 2022 following an induction period. More information about Erika can be found in the 2022 AGM Notice. The Nominations Committee continues to assess succession around the Board, Operations Executive and other senior management with regular updates on talent and also meeting with key talent.

Appointments

Under the Company's Articles, the Board has the power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Board, subject to a maximum number of 15 Directors. Any Director so appointed holds office only until the next AGM and shall then put themselves forward to be reappointed by shareholders . Notwithstanding the appointment of Erika Schraner to the Board with effect from 1 May 2022, the current Board comprises a Chairman, Group Chief Executive, Group Finance Director and four independent Non-Executive Directors. Details of their appointment are set out below:

Chairman or Non-Executive Director	Appointment date	First renewal of term	Second renewal of term	Subsequent renewal of term
Ian McHoul (Chairman)	25 February 2019	25 February 2022	25 February 2025	Annually from 25 February 2026 onwards
Christopher Humphrey	1 December 2013	1 December 2016	1 December 2019	Renewed tenure to 1 December 2022
Duncan Penny	1 September 2018	1 September 2021	1 September 2024	Annually from 1 September 2025 onwards
Caroline Thomson	1 November 2015	1 November 2018	1 November 2021	Annually from 1 November 2022 onwards
Richard Tyson	2 April 2018	2 April 2021	2 April 2024	Annually from 2 April 2025 onwards
Executive Director	**Appointment date**			**Term**
Stephen Bird (Group Chief Executive)	14 April 2009			Appointed under a service contract
Martin Green (Group Finance Director)	4 January 2017			Appointed under a service contract

The Chairman and the other Non-Executive Directors are appointed for an initial period of three years which, with the approval of the Nominations Committee and the Board, would normally be extended for a further three years. If it is in the interests of the Company to do so, appointments of the Chairman and Non-Executive Directors may be extended beyond six years, with the approval of the Nominations Committee, the Board and the individual Director concerned, subject to annual election by shareholders.

Under the Company's Articles, each Director is required to stand for annual reappointment at every AGM. The annual renewal of terms for a Non-Executive Director will take into account ongoing performance, continuing independence and the needs and balance of the Board as a whole. The explanatory notes in the Notice of Meeting of the AGM state the reasons why the Board believes that the Directors proposed for re-election should be reappointed.

The Company announced that Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

Composition, succession and evaluation/continued

Director induction

Upon appointment, each Director is provided with an extensive, tailored induction to the Group. This includes meeting with all senior head office and Divisional management, meeting the Company's main external advisors including Deloitte and Investec and visits to the key operational facilities in the Group. The Group Company Secretary coordinates this induction process. Erika Schraner will have such an induction to the Group ahead of joining the Board on 1 May 2022.

Board training

Ongoing training for new and existing Directors is available on request. Directors receive details of relevant training and development courses from both the Group Company Secretary and from the Company's advisors. Any requests for training are discussed at Board or Committee meetings and we ensure that each Director has the required skills and knowledge to enable them to operate efficiently on the Board. The Group Company Secretary maintains a register of training undertaken by Directors to facilitate this discussion. During 2021 the Board collectively received training sessions on product technology, cyber security, investor relations, ESG matters and the broadcast and photographic markets as well as accounting and legal updates from the Company's external auditor and legal advisor. The Board also receives regular written updates on governance, regulatory and financial matters as they are published.

Time commitments

All Directors demonstrated strong time commitment to their roles on our Board and Committees and attended all scheduled and short notice meetings during 2021. The Directors have also given careful consideration to their external time commitments to confirm they are able to devote an appropriate amount of time to their roles on our Board and Committees. The Nominations Committee reviews on an ongoing basis Directors' time commitments and confirms that they are fully satisfied with the amount of time each Director devoted to the business.

Board and Committee evaluation 2021

An external Board evaluation was facilitated in 2021 by Lintstock. Lintstock are an independent third party organisation which specialises in Board evaluations and holds no connection with the Company or any individual Director. The external evaluation was postponed from 2020 due to COVID-19 and the need for the Board to focus on recovery of the business from the pandemic. The 2021 external Board evaluation involved a series of questionnaires prepared by Lintstock and completed by each member of the Board covering the Board, its Committees (Audit, Remuneration and Nominations), the Chairman and individual Directors. Once completed, Lintstock followed up with interviews with each Director to review questionnaire responses and to delve deeper into responses given. All Directors participated in the process over several weeks and the output was reported on at the December 2021 Board meeting.

The 2021 external Board evaluation found the following:

- The Directors have sustained strong relationships throughout the period of remote working due to COVID-19. Board processes, information and support are to a high standard and there is a clear understanding of the priorities for the business which are being addressed.
- Critical strategic issues are being considered and the Board has a strong foundation to devote full attention to these issues.
- The Board benefits from a strong range of skillsets, although further consideration on diversity should be given.
- There is a strong understanding of shareholder views.
- The Board monitors employee sentiment and culture – which is positively rated.
- Meetings are well structured, very constructive, open and well managed by the respective Chairs of the Board and Committees. Focus of meetings on key topics is good and Board packs are of a good standard and governance is strong.
- Risk management is strong, and the Board is responding well to emerging issues such as ESG and cyber security.
- Priorities for change are clearly identified and form the cornerstone of agreed Board objectives for 2022.

Areas to focus on:

- Reflect on opportunities for improving oversight of the Group's developing ESG programme.
- Consider further refinements to the overall Board and Committee meeting process.
- The feedback on diversity was taken into consideration and the Board took action with the recent recruitment of a new Non-Executive Director, Erika Schraner.
- Board succession.

The Board will carry out an internal evaluation in 2022 and report on that in the 2022 Annual Report and Accounts.

Board performance against 2021 Board objectives

The Board annually sets itself objectives against which to measure its own performance and effectiveness and to remain focused on the key issues facing the Group. These objectives are tracked during the year and progress reported on at each scheduled Board meeting. The following table sets out the agreed Board objectives for 2021 and progress made throughout the year.

2021 Board objective	Progress during 2021
Financial Recovery of the business in 2021 post COVID-19 – achieving 2021 budget and ensuring the business was on target to recover to pre-COVID levels by 2022.	— The Board considered the 2020 full year results including outlook for 2021 and kept under review the Group's financial performance and recovery plans during 2021 — Based on the strong recovery throughout the year, repaid the UK Government's furlough scheme funds and COVID Corporate Finance Facility — In May 2021, resumed the payment of dividends to shareholders — Reviewed the Group's 2022 budget — Delivered a strong financial outturn for 2021 with several upgrades issued during 2021
Strategy Review overall portfolio of businesses and strategic direction for the Group with a focus on Creative Solutions.	— Received high-level updates on strategy throughout the year for the Group and individual Divisions — Blue Sky strategy session resumed in May 2021 covering the overall Group strategy including Creative Solutions deep dive — Strategy update session held at the December 2021 meeting — Successful acquisitions of Quasar, Lightstream and Savage in 2021, and Audix in early 2022
Board and senior management succession planning Review succession plans for Board and senior management including development plans and ensuring that potential successors are exposed to the Board.	— Received updates on Board and senior management succession along with talent and succession plans throughout the Group — Nicola Dal Toso appointed as CEO Production Solutions, succeeding Alan Hollis — Following a detailed review of the Board, Erika Schraner was recruited as an independent Non-Executive Director with effect from 1 May 2022
Creative Solutions Creative Solutions – subject to COVID-19, the Board to visit Creative Solutions (Irvine, US) in 2021 to see the business, meet its people and review the risks and opportunities around the business.	— A physical visit to the Creative Solutions business in the US did not progress due to COVID-19 restrictions, however Nicol Verheem updated the Board on the Creative Solutions Division
ESG (Environmental, Social and Governance) Develop the Group's ESG programme with increased disclosure and clarity. Ensure that the Company responds in a timely manner to wider changes to corporate governance including, but not limited to, TCFD.	— Received regular updates on the development of the Group's revised ESG programme and initiatives — Established an ESG Committee which met regularly throughout the year and reported to the Board. The ESG Committee is comprised of the Group Chief Executive, Group Company Secretary, Group Communications Director, Group Risk Assurance Manager and senior representatives of each Division — Oversaw the work of Inspired ESG who helped develop the ESG and TCFD disclosures for year end reporting and the 2021 Annual Report and Accounts — Expanded ESG reporting for 2021 that will culminate in a standalone ESG report to be published in April 2022

The Board has set itself several objectives for 2022, mainly driven from the output of the external Board evaluation in 2021. These will be reported on in the 2022 Annual Report.

Audit, risk and internal control

Overview

The Audit Committee fulfils a vital role in the Group's governance framework, providing valuable independent oversight of the Group's financial reporting, system of internal controls to safeguard shareholders' investments and the Company's assets and employees. Furthermore, it oversees the relationship with the external auditor to assess their effectiveness and to annually assess their independence and objectivity.

Audit Committee

The Audit Committee comprises solely of independent Non-Executive Directors of the Company namely:

Christopher Humphrey (Chairman),

Duncan Penny, Richard Tyson and Caroline Thomson

Other members of the Board, Operations Executive and other senior management, Group Risk Assurance Manager and the Company's external auditor, Deloitte, attend meetings of the Audit Committee by invitation only.

Role of the Audit Committee

Financial reporting

- Ensures the financial integrity of the Group through the regular review of its financial processes and performance
- Reviews and approves the financial statements in the Annual Report and Accounts, and that the Annual Report, taken as a whole, is fair, balanced and understandable and complies with all applicable UK legislation and regulation as necessary
- Advises the Board on the Group's viability and going concern status
- Reviews the appropriateness of accounting policies and practices
- Ensures that the Group has appropriate risk management and internal controls, through the oversight of the internal audit function
- Oversees the preparation of TCFD disclosures

External audit

- Manages the relationship with the external auditor, reviewing the scope and terms of its engagement and monitors its performance through regular effectiveness reviews
- Reviews and monitors the objectivity and independence of the external auditor, including provision of non-audit services

Financial risks

- Oversees and reviews controls relating to financial risks and risks relating to finance IT systems (including cyber security)
- Reviews the operational effectiveness of key controls in place to manage financial risks

Governance and best practice

- Keeps up to date with developments regarding control environments through updates from the external auditor
- Keeps in touch with investor and shareholder sentiments through updates and advice from the Company's brokers
- Ensures that an appropriate whistleblowing service is in place for employees and third parties
- Oversees third-party reputational risks and anti-bribery procedures

Audit Committee Chairman's Letter

Dear Shareholder

The role that the Audit Committee plays in monitoring the Company's financial integrity, control framework and governance is imperative. The following report is intended to provide shareholders with an insight into how key topics are considered during the year and how the Committee discharged its responsibilities.

During 2021, the Audit Committee has focused on several key issues as the business has continued its recovery from the impact of COVID-19. In early 2021, the Committee was focused on the financial reporting and disclosures tied to the 2020 Annual Report to ensure that they were fair, balanced and understandable. This was additionally challenging given the need for remote working in early 2021, however the Committee, Operations Executive and the Company's external auditor, Deloitte, reached the conclusion that the 2020 financial statements were true and fair of the state of the Group and had been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards.

The Committee further oversaw the risk management of the Group in 2021. Apart from the normal operational risks subject to the annual risk management review process, the business was exposed to increasing risks from stretched supply chains, component shortages and increasing risk around cyber security. The Committee has reviewed the Operations Executive's response to these emerging risks and is satisfied that appropriate mitigation is being taken.

The Financial Reporting Council carried out a thematic review of our Alternative Performance Measures disclosures tied to the 2020 Annual Report in mid-2021. That review found that:

— Our APM disclosures were highlighted as examples of good practice in three specific instances in the FRC's public report
— A small number of APM disclosures have been brought to our attention so that changes can be made to the Company's 2021 Annual Report and Accounts if the matters are material and of relevance to the Company's financial reporting
— The FRC does not intend to take any further action and so no substantive response from Vitec is required

Review of material issues and managing the relationship with the external auditor

Under my remit, the Audit Committee has a key role in checking that the Group's narrative reporting provides a fair, balanced, and understandable assessment of the Group's position and prospects and establishing that the financial statements offer a fair and true view of the Group's financial affairs. As part of this process, we considered the significant financial judgements made during the year, along with other key financial reporting issues.

We also considered, on a regular basis, the potential for fraud in revenue recognition, scope for management override of controls and compliance with legislation and regulations. No concerns arose out of this review.

Further details of the main activities and information on the other significant issues that the Committee considered during the year can be found on page 102.

Engagement with key stakeholders

While I did not need to meet with shareholders or other stakeholders during the year, I remain available to do so should the need arise and will be present at the Company's AGM on Tuesday, 17 May 2022 to answer any questions from our shareholders.

Climate change

The Group has set up an ESG Committee to review our effectiveness and controls in matters relating to Environment, Social and Governance across the business. This Committee reports to the Board on a regular basis and the Audit Committee has oversight of reporting on TCFD (Task Force on Climate Related Financial Disclosures) and management of risks tied into climate change. You can read more on our ESG programme on pages 42 to 72.

2021 Annual Report

After reviewing the reports from management and following discussions with the external auditor, the Committee is satisfied that:

— The external auditor remains independent and objective in their work
— The financial statements have appropriately addressed any key estimates and judgements and
— That the correct and appropriate accounting policies for all Divisions had been adopted.

Committee performance and effectiveness

The performance of the Committee was considered through the annual Board evaluation process, which in 2021 was the subject of an external review. From the responses provided, I am pleased to report that the Audit Committee was found to be operating effectively. Additionally, the quality of the papers and presentations by management, the level of challenge by the Audit Committee and Deloitte and the quality of discussions held, gives the Committee further comfort and assurance that it is performing its role effectively. A number of suggestions for areas to focus on have been incorporated into the Committee's 2022 objectives. These objectives are set annually, the progress of which is reviewed at every Committee meeting and will be reported on in the 2022 Annual Report and Accounts.

Christopher Humphrey
Audit Committee Chairman
28 February 2022

Audit, risk and internal control/continued

How the Committee operates

The Audit Committee is composed solely of independent Non-Executive Directors who collectively have a wide range of skills and experience including finance and accounting, leadership, and technology. Christopher Humphrey, as a Chartered Management Accountant and Fellow of CIMA, satisfies the requirement of having appropriate and relevant financial experience. Page 79 sets out his full biographical details.

The schedule of Audit Committee meetings is built around the key dates in the financial reporting and audit cycle. During the year, the Committee met on four scheduled occasions, in February, June, August and December. The Committee met in February 2021 to review the 31 December 2020 year end results and Annual Report and Accounts.

Forward planning of agenda items guides the business to be considered at each meeting and is regularly reviewed and developed. This assists and facilitates the work of the Committee, enabling it to give thorough consideration to matters of particular importance to the Company.

The Committee received information in advance of its meetings from management and from the external auditor including the main audit report. The Committee meets privately with the external auditor at least annually and received feedback from management when considering areas for review.

Christopher Humphrey also maintains close contact with the Group Finance Director, Group Chief Executive and members of the senior Audit team at Deloitte. These meetings inform the work of the Committee by identifying key areas of focus and emerging issues.

The Committee regularly invites the external audit lead partner, David Halstead, the Chairman of the Board, the Group Chief Executive, the Group Finance Director and the Deputy Group Finance Director to its meetings.

Meetings of the Committee are held in advance of the main Board meetings to allow the Committee Chairman to provide a report on the key matters discussed to the Board, and for the Board to consider any recommendations made. All of this, along with ongoing challenge debate and engagement, allows the Committee to discharge its responsibilities effectively.

Key activities of the Audit Committee and review of the year

Audit Committee meetings held in 2021

23 February 2021	23 June 2021	9 August 2021	13 December 2021
Financial and narrative reporting			
— Received the accounting presentation and judgemental issues report, and the report on going concern for the full year ended 31 December 2020 — Recommended the approval of the 2020 Annual Report and Accounts, agreeing when taken as a whole is fair, balanced and understandable — Reviewed the letters of representation issued to the external auditor for the full year results prior to being agreed by the Board	— Tax and interest rate hedging update	— Received the accounting presentation and judgemental issues report, and the report on going concern for the half year ended 30 June 2021 — Reviewed the letters of representation issued to the external auditor for the half year results prior to being agreed by the Board — Tax and interest rate hedging update	— Tax and Treasury updates
External audit			
— Received a full year report from the external auditor on the 2020 financial statements and accounting disclosures	— Presented the 2021 half year audit plan — Presented update on Task Force for Climate related Financial Disclosures to be reported on in the 2021 Annual Report and Accounts — Considered an update on potential audit fees for 2021	— Received half year report from the external auditor on the 2021 half year financial statements and accounting disclosures — Approved the audit fees for 2021	— Received the final planning report on the 2021 external audit — Considered the 2021 year end process to date by the external auditor
Governance			
— Agreed the disclosure of the 2020 Audit Committee report		— Draft response to BEIS consultation paper relating to restoring trust in audit and corporate governance	— Update on whistleblowing, third-party reputational risk management and anti-bribery and corruption programme — ESG programme update including preparation of TCFD disclosures — Approved Committee objectives for 2022
Risk management and internal control			
— Reviewed the principal and operational risks identified across the Group — Update on cyber security — Approved the 2021 internal audit programme	— Risk assurance update against the 2021 risk assurance programme — Update on cyber security	— Half year review and progress against agreed 2021 risk assurance programme — Update on cyber security	— Risk assurance update against 2021 risk assurance programme and agreed the risk assurance and internal audit programme for 2022 — Received full year report of internal audit activity in 2021, internal audit plans for 2022 and status of Vitec's key controls — Update on cyber security

Risk management and control

The Board delegates responsibility to the Audit Committee for oversight of the Group's system of internal controls to safeguard shareholders' investments and the Company's assets. As part of its responsibility, the Audit Committee formally reviews the effectiveness of the Group's internal controls twice a year. There are systems and procedures in place for internal controls that are designed to provide reasonable control over the activities of the Group and to enable the Board and Audit Committee to fulfil their legal responsibility for the keeping of proper accounting records, safeguarding the assets of the Group and detecting fraud and other irregularities.

This approach provides reasonable assurance against material misstatement or loss, although it is recognised that as with any successful company, business and commercial risks must be taken and enterprise, initiative and the motivation of employees must not be unduly stifled. It is not our intention to avoid all commercial risks and judgements in the course of the management of the business.

The Board has completed a robust assessment of the Company's emerging and principal risks and has adopted a risk-based approach to establishing the system of internal controls. The application and process followed by the Board in reviewing the effectiveness of the system of internal controls during the year were as follows:

- Each business unit is charged with the ongoing responsibility for identifying the existing and emerging risks it faces and for putting in place procedures to monitor and manage those risks. This includes climate change risks identified at a site level.
- The responsibilities of senior management in each business unit to manage existing and emerging risks within their businesses are periodically reinforced by the Operations Executive.
- Major strategic, operational, financial, regulatory, compliance and reputational risks are formally assessed during the annual long-term business planning process around mid-year. These plans and the attendant risks to the Group are reviewed and considered by the Board.
- Large financial capital projects, property leases, product development projects and all acquisitions and disposals require advance Board approval.
- The process by which the Board reviews the effectiveness of internal controls has been agreed by the Board and is documented. This involves regular reviews by the Board of the major business risks of the Group, including emerging risks, together with the controls in place to mitigate those risks. In addition, every business unit conducts a self-assessment of its internal controls. Every year, the results of these assessments are reviewed by the Group Risk Assurance Manager who provides a report on the status of internal controls and internal controls self-assessment to the Group Finance Director and the Chairman of the Audit Committee. The Board is made aware of any significant matters arising from the self-assessments. The risk and control identification and certification process is monitored and periodically reviewed by Group financial management.
- A register of risks facing the Group, as well as each individual business, and an evaluation of the impact and likelihood of those risks is maintained and updated regularly by the Group Risk Assurance Manager. The Group's principal risks and uncertainties and mitigation for them are set out on pages 36 to 41 of this Annual Report and this includes consideration of risks relating to climate change.

The Board has established a control framework within which the Group operates. This contains the following key elements:

- Strategic planning process identifying key actions, initiatives and risks to deliver the Group's long-term strategy.
- Organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements.
- Defined expenditure authorisation levels.
- Operational review process covering all aspects of each business conducted by the Operations Executive on a regular basis throughout the year.
- Comprehensive system of financial reporting including weekly flash reports, monthly reporting, quarterly forecasting and an annual budget process. The Board approves the Group budget, forecasts and strategic plans. Monthly actual results are reported against prior year, budget and latest forecasts, and are circulated to the Board. These forecasts are revised where necessary but formally at least once every quarter. Any significant changes and adverse variances are reviewed by the Group Chief Executive and Operations Executive and remedial action is taken where appropriate. Group tax and treasury functions are coordinated centrally. There is regular cash and treasury reporting to Group financial management and monthly reporting to the Board on the Group's tax and treasury position.

This system has been in place for the year under review and up to the date of approval of the Annual Report.

The Board carries out a periodic assessment of the Group's risk appetite, which includes the identification of the risk thresholds against each organisational objective. Key elements of the risk appetite (for example, our commitment to innovation, compliance and sustainability practices) are summarised in the overview section of the Principal risks and uncertainties.

External audit

Deloitte were appointed in May 2018, following a formal tender process. At the 2021 AGM, shareholders reappointed Deloitte as the external auditor of the Group for the year ended 31 December 2021 and authorised the Audit Committee to fix the external auditor's remuneration. The current lead audit partner, David Halstead, is in the fourth year of his term.

Audit independence and fees

The Committee reviews reports on the audit firm's own internal quality control procedures together with the policies and processes for maintaining independence and monitoring compliance with relevant requirements Deloitte has confirmed its independence as external auditor of the Company in a letter addressed to the Directors. The fees payable for 2021 and previous years are as follows:

	2021	2020	2019	2018
Fees payable to Deloitte for the audit of the Company's financial statements	£0.6m	£0.2m	£0.1m	£0.1m
Fees payable to Deloitte for audit of subsidiaries	£0.7m	£0.5m	£0.5m	£0.4m
Fees related to corporate finance transactions	£nil	£nil	£nil	£0.2m

Review by the FRC's Audit Quality Review Team

The FRC's Audit Quality Review Team ("AQRT") monitors the quality of audit work of certain UK audit firms through annual inspections of a sample of audits and related procedures at individual audit firms. During 2021, the AQRT reviewed Deloitte's audit of the Group's financial statements for the year ended 31 December 2020 as part of its annual inspection of audit firms. Deloitte discussed with the Audit Committee the findings from the AQRT which indicated that there were no significant areas of concern.

Audit, risk and internal control/continued

External auditor effectiveness

The effectiveness of the external auditor and the audit process is assessed by the Committee, meeting the audit partner and senior audit managers regularly through the year. Annually, the Committee assesses the qualifications, expertise, resources and independence of the Group's external auditor, as well as the effectiveness of the audit process through discussion with the Group Finance Director and Deputy Group Finance Director. The Chairman of the Committee also meets with the Deloitte lead partner.

Every couple of years, a detailed survey is performed of all employees who have interacted with the external auditors; the main purpose being to identify opportunities to improve the audit process. We review the output of the audit process, as presented to the Audit Committee, to ensure that there is a clear logical planning and scoping process. This allows the Audit Committee to ascertain that all areas of audit risk are being addressed.

The Audit Committee will continue to review the effectiveness and independence of the external auditor each year. Vitec complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services, and it is the Group's intention to put the audit out to tender at least every ten years. The external audit was last tendered in 2017-2018 following which the external auditor changed from KPMG to Deloitte and there are no current plans to retender the services of the external auditor.

Internal audit

The Group Risk Assurance Manager conducted several internal audits and additional assurance reviews during 2021, the details of which were presented to the Audit Committee. The internal audits included reviews of the appropriateness and effectiveness of controls within the Group including, but not limited to: purchasing and payments; sales and cash collection; inventory management; accounting and reporting; human resources and IT processes. An internal audit plan for 2021 was prepared and agreed with the Audit Committee at its February 2021 meeting and progress against the internal audit plan was tracked throughout the year.

Non-audit services

As required by the Code, the Audit Committee has a formal policy governing the engagement of our external auditor, Deloitte, to supply non-audit services and to assess the threats of self-review, self-interest, advocacy, familiarity and management. Written permission must be obtained from the Chair of the Audit Committee before the external auditor is engaged for any non-audit work. The policy ensures that any non-audit work provided by Deloitte does not impair their independence or objectivity and is divided into two parts:

Excluded Services	Appropriate Services
Include: — Internal accounting or other financial services — Design, development or implementation of financial information or internal control systems — Internal audit services or their outsourcing — Forensic accounting services — Executive or management roles and functions — IT consultancy — Litigation support services and other financial services such as broker, financial advisor or investment banking services.	With approval from the Group Finance Director and Chair of the Audit Committee, these include: — Accounting advice in relation to acquisitions and divestments — Corporate governance advice — Defined audit related work and regulatory reporting — Reporting accountant services — Compliance services — Transaction work (M&A and divestments) — Fairness opinions and contribution reports

During 2021, the non-audit services policy was followed with no exceptions. During 2021, £0.1 million (2020: £0.1 million) was paid to Deloitte in respect of non-audit work compared to an audit fee of £1.3 million (2020: £0.9 million). This non-audit work mainly comprised the review of the half yearly financial statements.

2021 Annual Report and Accounts – fair, balanced and understandable

The Committee provides assurance to the Board that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position performance, business model and strategy. The Committee concentrated its review of the full year results on the financial statements only and the process which underpinned the drafting of the Viability Statement. The content of the financial statements and the Viability Statement were reviewed by the Committee at the February 2022 meeting. The Board as a whole are responsible for preparing the Annual Report and Accounts. The Committee reported to the Board that based on its review of the evidence, it was satisfied that the Annual Report and Accounts, taken as whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

Significant accounting issues

Significant accounting issues and judgements are identified by the finance team, or through the external audit process and are reviewed by the Audit Committee. The significant issues considered by the Committee in respect of the year ended 31 December 2021 are set out below:

Significant accounting issues	How was it addressed
Going concern	The Committee considered whether it was appropriate to prepare the financial statements on the going concern basis. It was noted that there was significant covenant headroom at 31 December 2021, and, on the basis of stress testing performed on the Group's financial forecasts, covenants were not expected to be breached through to the end of 2024 which is the time period over which the viability review is completed. It was further noted that there was sufficient headroom over committed lending facilities, with undrawn amounts left on the RCF under each scenario each month through to at least February 2023 (12 months from the date of signing the financial statements). Management therefore concluded it was appropriate to prepare the financial statements on the going concern basis. The external auditor also presented their assessment. The Committee concurred with management's assessment.
Working capital valuation	The Committee critically reviewed the carrying value of the Group's working capital. This took into account management's assessment of the appropriate level of provisioning including collectability of receivables and inventory obsolescence throughout the year and with special emphasis on the 2021 year-end process. Management presented to the Committee the experience of bad debts during 2021, and the debtor concentration and days outstanding. With regard to inventory, the gross levels held by inventory type, the provisions recorded against obsolescence, and inventory days analysis were also presented to the Committee. In addition, the external auditor presented their findings with regard to the key audit testing over working capital covering all the major locations. The Committee concurred with management's assessment of the Group's working capital position.
Provisions and liabilities	The Committee considered the judgemental issues relating to the level of provisions and other liabilities. The more significant items include pensions and taxation. For each area management presented to the Committee the key underlying assumptions and key judgements and, where relevant, the range of possible outcomes. The external auditor also presented on each of these areas and their assessment of these judgements. The Committee has used this information to review the position adopted in terms of the amounts charged and recorded as provisions, acknowledging the level of subjectivity that needs to be applied.
Restructuring costs	The Committee considered the validity of restructuring costs that were included in adjusting items in 2021. In total, integration and restructuring costs of £0.9 million were incurred in 2021, which mainly related to a strategic project in Imaging Solutions and Production Solutions to rebalance the allocation of resources from offline to online to enable growth, reduce operating costs and improve margins. The external auditor presented their findings with regard to key audit testing over restructuring costs. The Committee agreed with management's accounting and disclosures.
Capitalisation of development costs	The Committee considered whether the development costs capitalised during the year complied with IAS 38. Management presented a list of the key projects that had been capitalised, along with an assessment of future profitability to support the value on the Balance Sheet. The external auditor also presented their findings. The Committee agreed with management's accounting treatment and related disclosures.
Acquired intangibles	The Committee critically reviewed management's assessment of acquired intangible assets tested for impairment and the recognition of acquired intangible assets from acquisitions completed in 2021. The external auditor also presented their assessment. The Committee concurred with management's assessment.

Audit Committee objectives

The following table sets out the agreed Audit Committee objectives for 2021 and an assessment of progress against each.

2021 Audit Committee objective	Progress during 2021
Track progress on the Group's cyber security initiatives	The Committee received regular updates on key cyber security initiatives during 2021 from the Group Risk Assurance Manager and Group Head of IT and Security. Examples of progress included the rollout of two factor authentication, implementation of patching solutions, cyber essential plus accreditation, external assessment of security, dark web monitoring and user awareness training.
Business continuity – evolve learnings from events such as COVID-19 and Brexit to ensure and improve the robustness of the organisation	Key learnings from the pandemic have been taken and reflected in updated business continuity plans and the transition of the UK under Brexit out of the European Union has been mitigated with no material impact upon the business or operations.
Treasury strategy with focus on interest rate hedging	Regular updates provided to the Committee throughout 2021 by the Group Treasury Manager. Implemented an interest rate and FX hedging policy.
Tax strategy with focus on Group financing and impact on the Group's tax rate	Regular updates provided to the Committee throughout 2021 by the Group Head of Tax. The Group's Effective Rate of Tax (ETR) has been appropriately managed in 2021.
Oversight of Group R&D programme	Updates given on major R&D projects including associated spend, timescales and progress against key milestones. The Committee is satisfied that resources for R&D are adequately monitored.

Remuneration report

Annual statement by Caroline Thomson, Chairman of the Remuneration Committee

"Our senior leadership team has worked tirelessly throughout 2021 to drive recovery and to deliver an exceptional financial performance for our shareholders and wider stakeholders. This has resulted in the Committee being able to award bonus payments to the Executive Directors and senior leadership team that are entirely merited.

Dear Shareholder

Vitec's Remuneration report for 2021 comprises three separate sections:

— Section 1 – my annual statement setting out the work of the Remuneration Committee in 2021 and priorities for 2022
— Section 2 – a summary of the Directors' Remuneration Policy ("the Policy") that was approved by shareholders at the May 2020 AGM and sets out the Company's Policy on Directors' remuneration covering the period through to May 2023. A new Policy will need to be put to shareholders for approval in 2023
— Section 3 – the 2021 Annual Report on Remuneration sets out the remuneration paid to Directors in 2021 as well as details of how the Committee intends to implement our Policy for 2022. Shareholders will have the opportunity for an advisory vote on the Directors' Remuneration report (excluding the Directors' Policy) at the 2022 AGM.

The Committee in 2021 focused on ensuring that the implementation of the Remuneration Policy supported the recovery of the business from the full impact of COVID-19. Notably this included setting an appropriate bonus plan targets for 2021 and for long-term incentives that drove management to recover and grow the business as quickly as possible. There was an increased level of concern expressed by fewer than 20% of votes cast at the 2021 AGM on the 2020 Remuneration report. The Committee is, however, confident that it has got the issue of executive remuneration right, with the business recovering faster than expected and real growth being delivered with exciting acquisitions including Quasar, Lightstream, Savage and Audix. Shareholders have seen in 2021 a material growth in shareholder value with the Company's market capitalisation growing from £420 million at the start of 2021 to £658.6 million at the end of 2021 as well as the reintroduction of dividends that were suspended in 2020. At the same time, we have acted on shareholders' feedback in respect of the level of 2022 LTIP awards and performance measures.

The Remuneration Committee has taken the UK Corporate Governance Code provisions into account with the Remuneration Policy and the operation of that Policy for executive remuneration. Notably the Committee has operated the Policy with simplicity of structure in mind and continues to ensure that remuneration outcomes are predictable, aligned with the experience of stakeholders in the Company and also drive the right behaviours and culture in the Company.

2021 performance – business context

2021 saw a continuing acceleration in the recovery of the business from the impact of COVID-19 with increasing confidence as the year progressed. Despite some challenges including travel restrictions and component shortages, the Group's financial performance has significantly improved in 2021, with several upgrades issued during the year, a strong recovery in the Company's share price – rising from £9.17 at the start of 2021 to £14.20 at 31 December 2021 and the reintroduction of dividends for our shareholders. We have achieved an excellent outcome for 2021 with Group profit before tax of £42.4 million and revenue of £394.3 million.

In the first half of 2021, the recovery in the business enabled the Company to repay all of its borrowings under the Bank of England's COVID Corporate Finance Facility as well as to repay all money taken from the UK furlough scheme. We have remained very mindful of the safety and wellbeing of all our employees throughout 2021 and an all-employee survey in mid-2021 showed that our people are well engaged, feel safe at work and are motivated to work for Vitec.

Our increasing confidence in the recovery of the business and growth opportunities have further been shown by several exciting acquisitions – Lightstream and Quasar in April 2021, Savage in November 2021 and Audix in January 2022. These acquisitions fit excellently into our growth strategy and bring great new talent and exciting products into the Group.

Our senior leadership team has worked tirelessly throughout 2021 to drive this recovery and to deliver an exceptional financial performance for our shareholders and wider stakeholders. This has resulted in the Committee being able to award bonus payments to the Executive Directors and senior leadership team that are entirely merited. Our Remuneration Policy and its operation in 2021 has delivered an outcome that is fully aligned with our stakeholders' interests and their experience of investing in the Company.

Remuneration outcomes for 2021 performance

At the start of 2021, given continuing uncertainty and risk around the recovery of the business, the Committee did not give any salary or fee increases to the Directors. This was against the context of general salary increases across the wider workforce of 2.2%. For 2022, all the Directors will receive an increase in salaries and fees of 3% which is in line with the general increase given to the wider workforce and reflects our increasing confidence around the recovery of the business. It is also reflective of the need to offer a competitive remuneration package that attracts, retains and motivates our talent.

We also set financial targets for the 2021 Annual Bonus Plan that we believed set the right balance between being challenging and realistic given the context and impact of COVID-19. The senior leadership team has driven recovery and growth in the financial performance of the Group that has resulted in bonus pay-outs for 2021 at near maximum levels. The 2021 Annual Bonus Plan was tied to the 2021 budget and focused on delivery of profit, cash conversion and stretching personal objectives. Details on the Annual Bonus Plan and assessment of personal objectives are on page 120 to 121 of this report. To ensure that bonus payments are aligned with shareholders' interests, the Executive Directors will be required to defer 50% of their 2021 bonus into shares held for three years in the Deferred Bonus Plan.

Long Term Incentive Plan ("LTIP") awards made in 2019 to Executive Directors did not achieve threshold performance conditions based on EPS growth and TSR performance. Accordingly, the 2019 LTIP award will lapse on the third anniversary of the award on 8 March 2022. This is the second consecutive year where the LTIP has not vested and reflects the experience of our shareholders during the respective performance periods.

A key decision of the Remuneration Committee in 2021 related to the award of LTIPs and setting of associated performance conditions. Due to the continuing challenges faced by the Operations Executive team in recovering the business as well as the need to set stretching targets for the EPS performance condition, the Committee felt that an award representing 200% of base salary was merited. The Committee considered that an award at this level, given the uncertainties of the pandemic, would drive Executive Directors to focus on value-creating activities and reward and retain them over the next few years when the Committee expect the scale of the commercial challenges and demands on the executive team to be great. The 2021 LTIP award was structured so that 33% was tied to TSR performance over a three-year period commencing 1 January 2021 compared to a comparator group comprising the constituents of the FTSE 250 Index (excluding financial services companies and investment trusts). 67% of the 2021 LTIP award is tied to a challenging adjusted basic EPS* performance corridor over the same three-year period with threshold set at 60 pence and stretch set at 100 pence for the financial year 2023 and with a straight-line progression between each point. Given the uncertainties around the pandemic and recovery of the business, the Committee considered that this was an appropriately challenging hurdle. Any shares vesting under the 2021 LTIP to the Executive Directors will be subject to a further two-year holding period aligning with shareholders' long-term interests. When determining the vesting level of this award, the Remuneration Committee will also take into account ROCE performance for the Company. The Committee retains full discretion to reduce the vesting outcome taking into account underlying business performance.

Some shareholders expressed concern about the structure of the 2021 LTIP award and just under 20% of votes cast were against the 2020 Annual Remuneration report. The Committee has listened to this feedback and will therefore ensure that LTIP awards for 2022 will revert to a pre-COVID-19 level representing 125% of salary.

The performance conditions tied to the 2022 LTIP have been set at a level to only reward strong performance that is aligned with shareholders' interests.

The Committee approved Restricted Share Plan ("RSP") awards in 2021 for key talent in the Group, excluding the Executive Directors and Operations Executive members. The RSP delivers shares over a three-year period to retain and incentivise talent to deliver on strategic growth initiatives.

As outlined in last year's Remuneration report, we agreed with Stephen Bird in 2021 to amend his pension contribution and to align it with the wider UK workforce. Stephen currently receives a pension contribution representing 20% of annual salary and this was contractually put in place when he was recruited in 2009 and was aligned with the market at that time. In light of changing sentiment to Directors' pension contributions, the Remuneration Committee and Stephen have agreed that this will reduce to 8% with effect from 1 January 2023. We felt that this period of transition was appropriate given the period of service and was right in the circumstances. The Committee is clear that any new Director will have a pension contribution that is aligned with the wider UK workforce which is currently 8%.

The Remuneration Committee and I are entirely satisfied that the Company's Remuneration Policy has continued to operate as intended, in terms of the Company's performance and the quantum of remuneration paid to the Directors in 2021. The exercise of discretion has not been required.

Governance and performance of the Remuneration Committee in 2021

The Remuneration Committee comprises the following membership:

— Caroline Thomson – Chairman
— Richard Tyson, Christopher Humphrey and Duncan Penny

All members of the Remuneration Committee are independent Non-Executive Directors of the Company.

The Remuneration Committee has been delegated by the Board responsibility to set the remuneration framework for the Group Chief Executive, other Executive Directors and members of the Operations Executive. As Chairman of the Committee, I lead this process with the support of the other Committee members. During 2021, we invited the Chairman of the Board, Ian McHoul, Group Chief Executive, Stephen Bird, Group Finance Director, Martin Green and Group Company Secretary, Jon Bolton to attend meetings and to give input unless they were conflicted in a particular matter. To further support the Committee in its duties, the Committee uses the support and services of FIT Remuneration Consultants, who provide independent advisory services on executive remuneration and wider market remuneration issues.

In my role as Chairman of the Remuneration Committee, I am available to shareholders to discuss matters relating to Directors and senior executive remuneration. During 2021 I engaged with several shareholders in the run-up to the 2021 AGM and vote on the 2020 Annual Remuneration report.

Remuneration report/continued

The Remuneration Committee held three scheduled meetings in 2021 and two meetings at short notice at which all members of the Committee attended. Apart from normal business such as Directors' duties and conflicts of interest, minutes of previous meetings, matters arising and tracking progress against agreed Committee objectives for 2021 the following specific business was covered at each meeting:

January 2021 – short-notice meeting – covered a review of 2020 personal objectives performance for Executive Directors and Operations Executive members; 2021 Annual Bonus Plan structure update; and 2021 pay rises – the meeting agreed that due to the impact of COVID-19 and the recovery of the business that none of the Directors would receive any increase in salary or fees for 2021 in contrast to the wider workforce receiving increases at a general level of 2.2%.

February 2021 – approved the 2020 Annual Remuneration report submitted to the 2021 AGM; approved the outcome of the 2020 Annual Bonus Plan; determined the outcome of 2018 LTIP awards against performance measures; considered the outline structure of 2021 LTIP awards and associated performance conditions; approved the final structure of the 2021 Annual Bonus Plan; and approved personal objectives for the Executive Directors for 2021.

March 2021 – short-notice meeting – approved the final detail of 2021 LTIP awards.

October 2021 – update on executive remuneration trends provided by FIT Remuneration Consultants; update on 2021 Annual Bonus Plan; and TSR performance report update.

December 2021 – 2021 Annual Bonus Plan update; proposed pay rises for 2022 for Executive Directors and Operations Executive members; outline 2022 LTIP awards and proposed structure; and 2022 Annual Bonus Plan – proposed structure.

Minutes of each meeting are prepared by the Group Company Secretary and circulated to Committee members following each meeting.

The Remuneration Committee annually sets itself objectives and in 2021 it set the following ones and has measured progress against each:

2021 Remuneration Committee objectives	Progress during 2021
1. 2021 Incentives – ensure that suitably stretching performance conditions for the LTIP and Annual Bonus Plan are adopted which drive performance and the right behaviours.	2021 LTIP awards and Annual Bonus Plan adopted for 2021 have driven performance and recovery of the business and are incentivising and retaining senior leadership to grow the business.
2. Ensure that the 2020 Annual Remuneration report submitted to the 2021 AGM complies with best practice in terms of clear disclosures on Directors' remuneration and is approved by shareholders at the 2021 AGM.	The 2020 Annual Remuneration report was approved by just over 80% of shareholders voting at the 2021 AGM. Disclosures in the 2020 Remuneration report were compliant with regulations and covered all elements of remuneration including the 2020 annual bonus.
3. Ensure that 2021 personal objectives for Executive Directors are suitably stretching, SMART and that performance against them is clearly reported with appropriate detail.	Personal objectives for 2021 were set focusing on delivering the recovery of the business from the impact of COVID-19 and securing long-term growth for the business. Detail of the personal objectives is set out on page 121 of this Report and assessment around each is given.
4. Continue to assess the performance of FIT Remuneration Consultants following the 2021 AGM and considering support given to the Annual Remuneration report submitted to shareholders at that meeting.	FIT Remuneration Consultants continued to give support to the Remuneration Committee throughout 2021 with input and guidance on the 2020 Remuneration report and associated disclosures, setting of awards including the Annual Bonus Plan and Long Term Incentive Plan including associated performance conditions, giving updates on market practice and emerging governance around Directors' remuneration.
5. Ensure that key employees are retained through the setting of appropriate remuneration packages tied to the delivery of key strategic objectives.	The setting of the 2021 Annual Bonus Plan and the 2021 LTIP award with associated performance conditions have incentivised management to drive the recovery and growth of the business. The combination of the Annual Bonus Plan and LTIP provide the right balance of short- and long-term incentives to incentivise and retain key talent. This is demonstrated by the fact that the senior team is stable and focused on growing the business.
6. Monitor employee engagement throughout the Group by visiting sites (either in person or virtually), ensuring that the Committee has a thorough understanding of employee issues including remuneration.	As part of a regular pattern of consultations across the business, Caroline Thomson held several employee engagement sessions covering employees in the Production Solutions Division in 2021 enabling the first-hand views of employees to be given. These sessions covered a range of issues including employee remuneration and benefits. The all-employee survey conducted in mid-2021 also enabled all employees to give feedback on employee issues and gave further confidence that employees across the Group feel valued, well engaged and motivated working for the Company. The output of employee engagement sessions and the all-employee survey were shared with the Board and Divisional senior leadership teams and have helped to shape the Remuneration Committees' application of the Company's Remuneration Policy for executive remuneration.

Apart from the process of setting itself objectives and measuring progress against each, the Remuneration Committee was also subject in 2021 to an externally facilitated evaluation conducted by Lintstock. Lintstock is an independent external consultant who specialise in Board evaluations. They have no other connection with the Company or any Vitec Board member. The evaluation involved a questionnaire to each Committee member followed up with an interview to discuss the detail of the questionnaire. The output from the 2021 Remuneration Committee evaluation included:

— The performance of the Remuneration Committee and its members was rated highly.
— Remuneration Committee meetings are well run with a rigorous cycle of business followed and the Committee coped well with the disruption caused by COVID-19.
— Information provided to the Remuneration Committee was to a high standard.
— The Remuneration Committee is mindful of the need to keep informed of changes in market sentiment and to keep informed around the expectations of shareholders.
— The Remuneration Committee believes the existing Remuneration Policy is well aligned with the Group's strategic priorities and strikes the right balance between short-term and long-term performance.
— The performance of the Remuneration Committee's advisor was rated highly.
— Priorities for 2022 were clearly identified and would form the basis of Committee objectives for 2022.

Implementation of Policy for 2022

Given the strength of recovery during 2021 and also to reflect the need to retain, motivate and incentivise Executive Directors, and general market inflation, the Committee has agreed that base salaries for the Executive Directors will increase in line with the general increase for the wider workforce by 3%.

Fees paid to the Chairman and Non-Executive Directors have also been increased by 3% in 2022 to reflect time commitments, market practice and that no increase was given in 2021 (no increase has been given for the Chairman since his appointment in 2019).

The 2022 Annual Bonus Plan has been designed to ensure that it motivates Executive Directors to deliver against challenging targets for 2022 based on the continued recovery of the business following the pandemic. Its structure retains the same combination of financial targets (Group adjusted profit before tax* and adjusted operating cash flow* generation) and personal objectives as used in 2021 and is tied to delivery of the 2022 budget. Given the continuing risks around 2022 and the importance of cash generation, the 2022 Annual Bonus Plan is structured so that Profit and Cash Conversion measures are independently assessed. Financial targets and personal objectives for the 2022 Annual Bonus Plan, against which actual performance will be measured, will be disclosed in the 2022 Remuneration report.

The Committee intends that the LTIP awards for 2022 will continue to be based on the Company's EPS and TSR performance ranked against a comparator group. The EPS performance condition, representing 67% of the award, will be set with a threshold adjusted basic EPS* compound annual growth target of 100 pence and a stretch of 130 pence measured over a three-year performance period commencing 1 January 2022 and using the adjusted basic EPS* of 69.9 pence for 2021 as the base for growth. 33% of the award will be measured using the Company's TSR performance compared to the constituents of the FTSE 250 index (excluding financial services companies and investment trusts). As before we will also operate a ROCE underpin on the 2022 LTIP award. The Committee believes that this combination of performance measures will challenge and incentivise management to deliver sustainable growth for shareholders and only deliver value should that growth be achieved. The 2022 LTIP award will revert to its pre-pandemic level for the Executive Directors representing 125% of base salary.

Committee priorities for 2022

The Committee in 2022 will focus on the following matters:

— Securing shareholder approval at the 2022 AGM for the 2021 Annual Remuneration report.
— Ensuring that the 2022 Annual Bonus Plan drives performance and rewards sustainable growth in the Company and is set against appropriate financial targets.
— Granting LTIP awards in 2022 with stretching EPS and TSR performance conditions.
— Preparation of a new Policy Report ahead of submission to shareholders for approval at the 2023 AGM. As part of this, the Committee will consult with major shareholders on the proposed structure of a new Policy Report in the second half of 2022.
— Tied into the new Directors' Remuneration Policy, preparing new rules and the framework for a new Long Term Incentive Plan that will also be submitted to shareholders for approval at the 2023 AGM.

Annual General Meeting

We will be putting the Remuneration report covering Directors' remuneration paid in 2021 to the Company's shareholders for an advisory vote at the 2022 AGM. I encourage all shareholders to vote in favour of this resolution. I will attend the AGM and be open to answering questions on the Annual Remuneration report either at the meeting itself or ahead of the AGM should any shareholder wish to contact me at info@vitecgroup.com.

Caroline Thomson
Chairman, Remuneration Committee
28 February 2022

* This report provides 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 aid 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 on pages 201 to 203.

Remuneration Policy report

2020 Remuneration Policy report

The following is a summary of the Policy that covers remuneration for Directors of the Company for a three-year period from the Company's AGM on 27 May 2020 until the 2023 AGM. The full Policy, as approved by shareholders, is available on the Company's website and is contained in the 2019 Annual Report. Should there be any need to change the Company's Policy ahead of the 2023 AGM, shareholders will be asked to approve a revised Policy.

This report contains further information required under the Listing Rules and the 2018 UK Corporate Governance Code.

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary	Base salary is set at a level to secure the services of talented Executive Directors with the ability to develop and deliver a growth strategy.	Fixed contractual cash amount usually paid monthly in arrears. Normally reviewed annually, with any increases taking effect from 1 January each year, although the Committee may award increases at other times of the year if it considers it appropriate. This review is dependent on continued satisfactory performance in the role of an Executive Director. It also includes a number of other factors, including experience, development and delivery of Group strategy and Group profitability, as well as external market conditions and pay awards across the Company.	The Committee has not set a maximum level of salary and the Committee will usually award salary increases in line with average increases awarded across the Company. Larger increases may, in certain circumstances, be awarded where the Committee considers that there is a genuine commercial reason to do so, for example: — where there is a significant increase in the Executive Director's role and duties — where an Executive Director's salary falls significantly below market positioning — where there is significant change in the profitability and/or size of the Company or material change in market conditions; and — where an Executive Director was recruited on a lower than market salary and is being transitioned to a more market standard package as he or she gains experience.	Not applicable
Benefits	To provide Executive Directors with ancillary benefits to assist them in carrying out their duties effectively.	Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance. Other ancillary benefits may also be provided where relevant, such as income protection, expatriate travel or accommodation allowances. Executive Directors are entitled to participate on the same terms as all employees in the Sharesave Plan or any other relevant all-employee share plan.	There is no maximum level of benefits set, given that the cost of certain benefits will depend on the individual's particular circumstances. However, benefits are set at an amount which the Committee considers to be appropriate, based on individual circumstances and local market practice. Executive Directors' participation in the UK all-employee Sharesave Plan is capped by the rules of the Sharesave Plan (currently £350 per month maximum). An International Sharesave Plan also operates for non-UK employees.	Not applicable

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Annual bonus	To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable shareholder value. Half of any earned annual bonus (after tax) is deferred into the Deferred Bonus Plan held in the form of shares and focuses the Executive Director on long-term value delivery and growth.	Paid annually based on performance in the relevant financial year. The amount is determined based on published full year results after the financial year end. Award levels and performance measures are reviewed annually. The Committee ensures that performance measures remain aligned to the Company's business objectives and strategic priorities for the year. Up to half of the annual bonus paid (after tax) is deferred into awards under the Deferred Bonus Plan for a period of three years on a mandatory basis unless the Committee determines an alternative deferral period is appropriate. Awards may be granted in the form of conditional awards, nil-cost options, forfeitable shares or similar rights. After a period of three years, the awards vest in the form of shares in the Company. The Committee retains full discretion to amend the bonus payout (upwards or downwards), if in its opinion any calculation of payout does not produce a fair result for either the individual or the Company, taking into account the overall business performance of the Company. Any such use of discretion will be clearly reported in the next published Remuneration report. Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. Such dividends are paid out in the form of additional shares in the Company. In the event of any material misstatement of the Company's financial results, serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise, a miscalculation or an assessment of any performance conditions that was based on incorrect information, the occurrence of an insolvency or administration event, malus and clawback provisions may apply for three years from the date of payment of any bonus or the grant of any deferred bonus share award permitting the Committee to reduce, cancel or impose further conditions on awards.	An absolute maximum of 125% of base salary to be paid in each year.	Measures and targets for the annual bonus are set annually by the Committee. Currently, half of the annual bonus is based on the achievement of annual targets set against the Group's adjusted profit before tax*, with the remainder based on the achievement of annual personal objectives and achievement of annual targets set against the Group's adjusted operating cash flow* generated as a percentage of adjusted operating profit* (25%). The Committee reserves the right to vary these proportions and also the measures annually to ensure the annual bonus remains appropriate and challenging. Targets are measured over a one-year period. Payments range between 0% and 125% of base salary for threshold and maximum performance. Awards granted under the Deferred Bonus Plan are not subject to any performance conditions.

Remuneration Policy report/continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ("LTIP")	To provide a long-term performance and retention incentive for the Executive Directors involving the Company's shares. To link long-term rewards to the creation of long-term sustainable shareholder value by way of delivering on the Group's agreed strategic objectives.	Under the LTIP, awards are made over a fixed number of shares, which will vest based on the achievement of performance conditions over a performance period of, unless the Committee determines otherwise, at least three years. The performance conditions are set by the Committee at the start of the performance period. Awards can take the form of a conditional award of shares, a nil-cost option or similar rights. Awards may be settled in cash (for participants in territories that prohibit settlement in shares). Participants may also receive the value of any dividends which would have been paid on shares in respect of which the award vests, which may be calculated assuming reinvestment of the dividends in the Company's shares on a cumulative basis. The Committee retains full discretion to amend the vesting outcome upwards or downwards if, in its opinion, any calculation or payout does not produce a fair result for either the individual or the Company, taking into account the overall business performance of the Company. Any such use of discretion will be clearly reported in the next published Remuneration report. For Executive Directors, awards are normally subject to a mandatory two-year holding period for any shares that vest. In the event of any material misstatement of the Company's financial results or serious reputational damage to the Company caused by a breach of the Company's Code of Conduct or otherwise, a miscalculation of an assessment of any performance conditions that was based on incorrect information, the occurrence of an insolvency or administration event, malus and clawback provisions may apply for up to three years from the vesting of an award permitting the Committee to reduce or impose further conditions on awards.	The maximum value of shares over which awards may be granted in respect of each year is 150% of base salary (although 200% is permitted in exceptional circumstances determined by the Committee).	LTIP awards may be based on financial and/or share price-based performance conditions as determined from time to time by the Committee. The Committee will determine the choice of measures and their weighting prior to each grant and reserves the right to change the balance of the measures as it deems appropriate, such that no measure accounts for less than 25% of the total award. Currently, 33% of the award is subject to the Company's Total Shareholder Return compared to a comparator group measured over a three-year performance period. 67% of the award is subject to targets set against growth (adjusted by the Committee as it considers appropriate) in the Company's adjusted basic earnings per share* over the same three-year performance period. The Remuneration Committee additionally adopts a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular, the Committee will assess the Group's ROCE performance when approving outcomes under the EPS element of awards. At threshold, 25% of the award will vest, increasing on a straight-line basis up to 100% for performance in line with maximum. Below threshold none of the award will vest. There is no retesting of any performance measure.
Pension contribution	To provide a benefit comparable with market rates, helping with the recruitment and retention of talented Executive Directors able to deliver a long-term growth strategy.	Usually paid monthly in arrears. Executive Directors may receive a contribution into the Company's Defined Contribution Plan, a personal pension arrangement and/or a payment as a cash allowance.	Stephen Bird currently receives a pension contribution of 20% of base salary. Martin Green and any subsequently appointed Executive Director, receive a pension contribution of 8% of base salary which is in line with pension contributions provided to the wider UK employee workforce. The Committee has agreed that Stephen Bird's pension contribution will change to 8% of base salary from 1 January 2023, so that it is aligned with the wider UK employee workforce. Salary is the only pensionable element of Executive Director remuneration.	Not applicable.

Notes to the Remuneration Policy table for Executive Directors

Under the Company's share plans the Committee may: (1) in the event of any variation of the Company's share capital, demerger, delisting, special dividend or other event which may affect the price of shares, adjust or amend awards in accordance with the terms of the plan; and (2) amend a performance condition if an event occurs which causes it to consider an amended condition would be more appropriate and not materially less difficult to satisfy. Any such amendment would be reported in a subsequent Remuneration report.

Legacy plans

The Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed: (1) before the Policy came into effect; or (2) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes payments include the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are agreed at the time the award is granted.

Shareholding requirements (including post-employment)

Executive Directors during their tenure are expected to build a shareholding in the Company representing 200% or more of their base salary. All net of tax vested LTIP awards, DBP awards and exercised Sharesave options should be retained by the Executive Director until this requirement has been met. This level of shareholding aligns Executive Directors with the interests of shareholders and ensures that Executive Directors are focused on long-term shareholder value.

Post-employment, Executive Directors are expected to maintain a material level of shareholding in the Company for at least two years from the date of departure made up of the following elements:

- Awards held under the DBP will only vest on their normal vesting dates and will not be accelerated to the date of departure. Upon vesting, such shares are to be retained until at least the second anniversary of the departure date.
- For an Executive Director who is a good leaver, LTIP awards will vest on their normal vesting date and be subject to performance testing, pro rata treatment to the date of leaving and be subject to a two-year holding period (subject to that two-year holding period not being beyond two years from when the individual ceased to be an Executive Director).
- Awards that have already vested under the LTIP are normally subject to a two-year holding period following vesting (but not longer than two years from the date of departure).
- For the avoidance of doubt, any shares purchased by an Executive Director using their own personal funds will not be subject to this post-employment shareholding policy.

The Chairman and Non-Executive Directors are not subject to any such shareholding requirement. However, they are encouraged to hold shares in the Company. Details of shares held by the Directors are set out on page 126.

Performance measures

The Annual Bonus Plan is based on both personal and financial measures. Typically, the majority of the bonus will be based on financial measures such as Group adjusted profit before tax*. The measures have been chosen to provide a balance between incentivising the delivery of the Group's key financial priorities in any particular year and important individual strategic objectives. The Committee may vary the specific measures and targets year-on-year to ensure that they reflect the key financial and strategic priorities for the Company in any given year. The selection of measures and the setting of targets takes into account the Company's business priorities and risk appetite.

LTIP awards traditionally are based 67% on adjusted basic Earnings Per Share* growth and 33% on TSR performance against a specific comparator group. The Committee considers these to be important measures of performance for the Company over the longer term. While TSR links a portion of the LTIP to the creation of value for shareholders, adjusted basic Earnings Per Share* growth is a Key Performance Indicator for the Group with the combination providing an appropriate balance between growth and returns. The Committee has also adopted a discretionary underpin on vesting of the LTIP, whereby the Committee will assess the Group's underlying performance in finalising vesting outcomes. In particular, the Committee will assess the Group's ROCE performance when approving outcomes under the EPS element of awards. While the Committee does not disclose a formulaic target in advance, the Committee will ensure that it provides full retrospective disclosure around its decision-making process, including a summary of the ROCE trajectory over the performance period. The Committee will measure ROCE using a standard definition of adjusted operating profit* divided by average total assets, current liabilities excluding the current portion of interest-bearing borrowings and non-current lease liabilities. Any changes to these measures will be aligned with the long-term strategy of the Group. In 2020, given the impact of COVID-19 on the business, the Committee, after consulting with major shareholders, adjusted the performance conditions tied to the 2020 LTIP award only. In summary, this was based on share price growth and the Company's TSR performance. Full details of this are set out on page 123 of this report.

Provisions for the withholding and recovery of sums from the Directors (malus and clawback) are as set out on page 134.

Remuneration Policy table for the Chairman and Non-Executive Directors

The table on page 114 sets out a description of the Chairman and Non-Executive Directors' remuneration.

Neither the Chairman nor the Non-Executive Directors participate in any Annual Bonus Plan or the Company's share plans.

Remuneration Policy report/continued

Role	Purpose	Operation
Chairman	To recruit and retain an independent Non-Executive Chairman reflecting the responsibilities and time commitment for the role. To lead an effective Board enabling delivery on the Group's growth strategy and creation of long-term sustainable shareholder value.	While the Board has not set a maximum level of fee payable to the Chairman, the Board will review the level of fee paid usually on an annual basis and determine whether that is sufficient in terms of market conditions and also the time commitment for the role. The Chairman's fee is an all-inclusive consolidated amount. It is paid in cash, not shares, usually on a monthly basis in arrears. Fees are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. Any future increases will take into account the need to ensure that the fee remains competitive and reflects the time commitment for the role. The Chairman's remuneration also covers his chairmanship of the Nominations Committee.
Non-Executive Director	To recruit and retain independent Non-Executive Directors reflecting the responsibilities and time commitment for the role to contribute to an effective Board and to deliver on the Group's growth strategy and creation of long-term sustainable shareholder value.	Fees paid to Non-Executive Directors of the Company consist of the following: — A base fee. — An additional fee for the role of the Senior Independent Director. — An additional fee for chairing Board Committees or for the designated Non-Executive Director tasked with oversight of employee engagement. Fees are usually reviewed annually and are benchmarked against FTSE-listed companies of a similar size and complexity to Vitec. All fees are paid in cash, not shares, usually on a monthly basis in arrears.
Benefits	To reimburse Non-Executive Directors for reasonable expenses incurred and bear any costs associated with tax, where relevant.	Expenses are reimbursed as and when incurred relating to the Company's business (including travel and hotel accommodation).

Illustrative remuneration performance scenarios

The following charts set out scenarios for the remuneration of Stephen Bird and Martin Green for 2022 in line with the Policy. This includes scenarios for full vesting of LTIP awards based on an award at 125% of salary, with one chart showing no share price appreciation and one chart showing a 50% appreciation in share price:

Stephen Bird

Basic remuneration

Minimum base salary	£488,868 (79%)
Benefits	£30,053 (5%)
Pension (20% of salary)	£97,773 (16%)
Total fixed pay (minimum)	**£616,694**

On-target performance (no share price appreciation):

Fixed pay	£616,694 (57%)
Annual bonus	£305,542 (29%)
LTIP	£152,771 (14%)
Total on target pay	**£1,075,007**

Maximum pay (no share price appreciation):

Fixed pay	£616,694 (34%)
Annual bonus	£611,085 (33%)
LTIP	£611,085 (33%)
Total maximum pay	**£1,838,864**

Maximum pay (including 50% share price appreciation for LTIP award):

Fixed pay	£616,694 (29%)
Annual bonus	£611,085 (29%)
LTIP	£916,627 (42%)
Total maximum pay	**£2,144,406**

Martin Green

Basic remuneration

Minimum base salary	£365,650 (87%)
Benefits	£23,487 (6%)
Pension (8% of salary)	£29,252 (7%)
Total fixed pay (minimum)	**£418,389**

On-target performance (no share price appreciation):

Fixed pay	£418,389 (55%)
Annual bonus	£228,531 (30%)
LTIP	£114,266 (15%)
Total on target pay	**£761,186**

Maximum pay (no share price appreciation):

Fixed pay	£418,389 (32%)
Annual bonus	£457,063 (34%)
LTIP	£457,063 (34%)
Total maximum pay	**£1,332,515**

Maximum pay (including 50% share price appreciation for LTIP award):

Fixed pay	£418,389 (27%)
Annual bonus	£457,063 (29%)
LTIP	£685,595 (44%)
Total maximum pay	**£1,561,047**

- Fixed pay – base salary as at 1 January 2022
- The total value of benefits received in the year ended 31 December 2021 which include car allowance, private healthcare, income protection and any Sharesave options granted during 2021
- Pension contribution of 20% for Stephen Bird and 8% for Martin Green. Stephen Bird's pension contribution will change to 8% with effect from 1 January 2023 and be aligned with the wider UK workforce
- Annual bonus
  - At minimum – nil
  - On target – 50% of maximum payout (i.e. 62.5% of base salary)
  - At maximum – 100% of the maximum payout (i.e. 125% of base salary)
- LTIP
  - At minimum – nil
  - On target – 25% vesting under the LTIP (i.e. 31.25% of base salary) and set out at face value, with no share price growth or dividend assumptions
  - At maximum – 100% of the maximum payout (i.e. 125% of base salary) and set out at face value, with no share price growth or dividend assumptions
  - At maximum with share price appreciation – 100% of the maximum payout (i.e. 125% of base salary) and showing a 50% appreciation in the share price over the vesting period.

Remuneration Policy report/continued

Consideration of employment conditions elsewhere in the Company

The Committee, when determining Executive Directors' remuneration, takes into account remuneration and employment terms and conditions, including levels of pay for all employees of the Company. The Committee is kept informed of:

— Salary increases for the general employee population
— Company-wide benefits including pensions, share incentives, bonus arrangements and other ancillary benefits
— Overall spend on annual bonus
— Participation levels and outcomes in the Annual Bonus Plan and the LTIP.

When setting the remuneration of the Executive Directors, the Committee has regard to general employment terms and conditions within the Company as set out above. However, it is recognised that the roles and responsibilities of Executive Directors are such that different levels of remuneration apply, with a greater proportion of remuneration tied to the financial performance of the Company. The Committee did not consult with the Company's employees when drawing up the Directors' Remuneration Policy set out in this report. Caroline Thomson is the Non-Executive Director with responsibility for employee engagement and as part of that role is informed on remuneration issues for the wider Group workforce and keeps the Board fully updated. The detail of this role is given on pages 64 and 87 of this Annual Report.

Policy on outside appointments

The Committee believes it is beneficial both for the individual and the Company for an Executive Director to take up one external non-executive appointment. Remuneration received by an Executive Director in respect of such an external appointment would be retained by the Director. Stephen Bird was an independent non-executive director and senior independent director of Dialight plc until 10 September 2021. In this role he received a basic fee of £42,000 per annum and an additional £5,100 per annum in the role of senior independent director. For the period of service with Dialight in 2021 he received £29,292 basic fee and £3,557 for the senior independent director role. With effect from 13 September 2021, Stephen Bird was appointed as an independent non-executive director of Headlam plc and in this role he receives an annual fee of £45,000 and for the period of service in 2021 he received a fee of £13,673. Under the terms of his service contract, Martin Green, with the agreement of the Chairman and Group Chief Executive, may take up one external non-executive appointment of a listed company. As of the date of this report Martin Green had not taken up any such external non-executive appointment.

Remuneration policy for senior managers and other employees of the Company

The remuneration policy for senior managers in the Company is similar to that of the Executive Directors although the quantums are lower. They participate in the Annual Bonus Plan with the same structure as the Executive Directors, as well as the LTIP or participation in a Restricted Share Plan, and therefore a significant element of their remuneration is dependent upon the financial performance of the Company and the Company's share price in addition to individual performance.

Remuneration for all other employees is set taking into account local market conditions to ensure that pay and benefits attract and retain employees in those local markets and help deliver the Group's agreed strategy. A large proportion of employees are able to participate in bonus plans that are tied to Company, Divisional and business unit financial performance as well as individual performance against personal objectives. The structure of bonus plans varies across the employee workforce to achieve different objectives.

Full-time employees of the Company in all of the territories of the UK, US, Italy, France, Germany, Israel, Australia, New Zealand, Japan, Hong Kong, Singapore and Costa Rica are able to participate in an all-employee Sharesave plan granting employees an option to save and purchase a limited number of shares in the Company at a discount to the market price at the time an offer of the plan is made. Further information on this plan is given on pages 64 and 65 of this Annual Report. In 2021, approximately 100 senior managers participated in a Restricted Share Plan ("RSP") (excluding Executive Directors). The RSP awards shares to key employees over a vesting period of up to three years and helps retain and motivate key talent to deliver on the Group's strategic growth objectives.

All full-time employees are also offered membership of a pension scheme upon joining the Company which is compliant with local legal requirements. In the UK, employees are able to join a defined contribution pension plan with the employer making an 8% fixed contribution and the employee required to make a minimum contribution of 4%. The pension contribution is based on base salary only.

The Remuneration Committee is kept informed on remuneration policy and arrangements for the wider employee population with regular updates to enable it to stay informed and to assist in setting Executive Directors' remuneration.

Approach to recruitment remuneration

The Committee's Policy is to seek to recruit Directors with the requisite skill and experience to lead the business and grow the value of the Company over the long term. Generally, pay on recruitment will be consistent with the Policy for Executive Directors as set out in the Policy table and set at a level to reflect overall responsibilities.

The Committee has the flexibility to set the salary of a new Executive Director at a lower level initially, with a series of planned increases implemented over the following years to bring the salary to the desired level. Consistent with the regulations, any cap on base salary does not apply. Benefits will be consistent with the Remuneration Policy. Certain additional benefits may be provided such as relocation expenses or allowances. The pension contribution for a new Executive Director will be in line with the UK workforce contribution rate (currently 8% of base salary).

However, the Committee may, in its absolute discretion, include remuneration components or awards which are not specified in the Policy table, subject to the maximum level of variable pay set out in the following paragraph, where this facilitates the hiring of candidates of an appropriate calibre and skillset to deliver on the Group's strategy. The Committee will ensure this is only done where there is a genuine commercial need, and where this is in the best interests of the Company and its shareholders. The Committee does not intend to use this discretion to make a non-performance related payment (for example a "golden hello" payment).

The absolute maximum level of variable pay will be 325% of base salary (excluding any buy-out awards) which is in line with the Remuneration Policy set out on the previous page. This comprises up to 125% of base salary under the Annual Bonus Plan and up to 200% of base salary under the Company's LTIP.

In certain circumstances, the Committee may need to make payments or awards to an executive in respect of buying-out remuneration arrangements relinquished on leaving a previous employer. When doing so, the Committee will aim to do so broadly on a like-for-like basis with a fair value no higher than the awards foregone. It will take a number of relevant factors into account which may include any performance conditions attached to these awards and the time at which they would have normally vested. These payments or awards are excluded from the maximum level of variable remuneration referred to above.

In the event of any such treatment, the Committee will explain in the next Annual Remuneration report the rationale for the relevant arrangements.

Executive Directors' service contracts

The Executive Directors' service contracts are as follows:

	Date of contract	Notice period from the Company to the Executive	Notice period from the Executive to the Company
Stephen Bird, Group Chief Executive – appointed on 14 April 2009	28 January 2009	12 months	6 months
Martin Green, Group Finance Director – appointed on 4 January 2017	10 February 2020	12 months	6 months

The terms of the service contracts for Executive Directors do not provide for predetermined amounts of compensation in the event of early termination by the Company. The Remuneration Committee's policy in the event of early termination of employment is set out below.

Policy on payment for loss of office

Executive Directors' notice periods under service contracts are summarised in the table above. The Committee believes that the Company's policy on payment for loss of office and the structure of notice periods is sufficient to ensure that the Executive Director has security of tenure and also that the Company has sufficient retention and notice periods to enable an orderly process for succession planning. In the Committee's opinion, any shorter notice period would not be in the Company's best interests and would risk the stable running of its operations. The Committee, however, will not give any Executive Director a service contract of greater than 12 months' notice.

In the event of termination of office, the Committee will consider the circumstances including notice period contained within the service contract, the circumstances surrounding the termination notably including the individual's performance and what is considered to be in the Company's best interests. The terms of service contracts do not provide for predetermined amounts of compensation in the event of early termination of employment. The Committee maintains full discretion at how to treat each such termination upon its merits when trying to mitigate the cost of termination but ultimately honouring contracted terms. Dealing with each specific element of remuneration for an Executive Director this would mean the following:

— **Base salary, pension and other benefits (including legal fees and outplacement costs)** – These will be paid for the notice period, subject to being mitigated if the Executive Director finds other suitable employment. This means that each element will continue to be paid on a monthly basis in arrears during the notice period either to the end of the notice period or if earlier to the point at which the Executive Director finds other suitable employment or a mutually agreed date within the notice period. Although not covered by the service contract, the Company will pay reasonable legal expenses and any recruitment outplacement costs to assist the Executive Director in their exit. The Committee will determine the reasonableness of such costs keeping in mind shareholders' best interests.

— **Annual Bonus Plan** – As a general rule, Executive Directors have no entitlement to a bonus payment in the event that they cease to be employed. However, they may be considered for a bonus payment in certain good leaver circumstances. In such cases the Committee will generally pro rate an annual bonus to the date of termination and the payment of the annual bonus will usually be dependent upon the satisfaction of financial performance conditions and an assessment of the achievement of personal objectives up to the point of leaving the Company. The Committee reserves an absolute discretion in circumstances which it considers appropriate to enable a full year's annual bonus to be paid in full to an Executive Director in accordance with the limits and rules of the Annual Bonus Plan applying to the Executive Director.

— **Long Term Incentive Plan** – Awards granted under the Company's LTIP are generally treated as follows: if a participant ceases office or employment with the Group his/her award will lapse unless he/she is deemed to be a good leaver or dies in service. An individual is a good leaver if he/she ceases employment because of ill-health, injury, disability, the sale of the employing company or business out of the Group or for any other reason at the Committee's discretion, for example early retirement, but expressly not for where a participant is summarily dismissed. Except in the case of death (where awards vest following death, unless the Committee determines otherwise), awards will normally vest on the normal vesting date, unless the Committee determines that awards should vest at the time the individual ceases employment. The Committee, when determining the level of an award to vest, will take into account satisfaction of relevant performance conditions tied to the award and the period of time that has elapsed since the award was granted until the date of cessation of employment.

— **Deferred Bonus Plan** – Awards under the DBP will vest on their normal vesting date (unless the Committee determines that awards should vest on the individual's cessation of employment) except in the case of: (1) death – when awards will vest following an individual's death; and (2) gross misconduct – when awards will lapse.

When negotiating the exit package of an Executive Director, the Committee will ultimately aim to mitigate the cost of any termination payment while also fairly treating the Executive Director, honouring the terms of a service contract and acting in the Company's best long-term interests. The Committee will, upon reaching an agreement with an Executive Director on the terms of termination, publish details both with an announcement and with details published in the subsequent Remuneration report and this will include an explanation of any use of discretion. No Director left the Company in 2021 and so no details are reportable for 2021.

Change of control

In the event of a change of control of the Company, LTIP and DBP awards will vest with the Committee taking into account, in the case of LTIP awards, the extent to which the relevant performance conditions have been satisfied and, unless the Committee determines otherwise, the period of time that has elapsed since grant. In the event of a winding-up of the Company, demerger, delisting, special dividend or other event that may affect the share price, the Committee may also allow awards to vest on the same basis.

Remuneration Policy report/continued

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors do not have service contracts but serve under letters of appointment.

The initial period of their appointments is three years but their appointments may, by mutual consent and with the approval of the Nominations Committee and the Board, be extended for a further three years. Appointments may be extended beyond six years by mutual consent and with the approval of the Nominations Committee and the Board, if it is in the interest of the Company to do so. Under the letters of appointment, notice can be given by either party upon one month's written notice. Apart from the disclosure under the Policy table for the Chairman and Non-Executive Directors there are no further obligations which could give rise to a remuneration or loss of office payment under the letters of appointment. All the Non-Executive Directors and Chairman (as well as the Executive Directors) are subject to annual reappointment by the shareholders at the AGM.

Copies of the Executive Directors' service contracts, Chairman's and each Non-Executive Director's letters of appointment are available on our website at www.vitecgroup.com.

Consideration of shareholder views

The Committee has continued to take into account the views of its shareholders concerning the Policy on remuneration of Directors.

The Company received 80.09% support for the 2020 Annual Report on Remuneration at the 2021 AGM, indicating an acceptable level of support for the structure of Directors' remuneration. Given that less than 20% of votes cast by shareholders against the Annual Report on Remuneration, the Committee did not consider it necessary to consult any further with shareholders on Directors' remuneration. The 2020 AGM gave over 89% support for the Directors' Remuneration Policy report.

The Committee would engage with shareholders ahead of any material change to the Policy for the Company relating to its Directors and would also engage with shareholders should there be a material level of dissatisfaction from shareholders with Directors' remuneration. A material level of dissatisfaction from shareholders would be more than 20% of shareholders voting against, or abstaining on, a vote related to Directors' remuneration.

Caroline Thomson as Remuneration Committee Chair, remains available to discuss the Company's remuneration policy and implementation of it with shareholders. The Directors' Remuneration Policy will be submitted to the 2023 AGM for approval and will be prepared in the second half of 2022. Caroline Thomson will look to consult with our major shareholders as part of the process of preparing this in the run up to the 2023 AGM.

This Annual Report on Remuneration together with the Annual Statement will be put to an advisory vote at the AGM to be held on Tuesday, 17 May 2022.

Annual Report on Remuneration

Directors' single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial years ended 31 December 2021 and 2020:

	Salary/ fees £	Benefits[1] £	Pension[2] £	Annual bonus[3] £	LTIP[4] £	Total	Total fixed remuneration	Total variable remuneration
Stephen Bird								
2021	**474,629**	**30,053**	**94,926**	**566,588**	**0**	**1,166,196**	**599,608**	**566,588**
2020	446,223	32,787	89,245	133,489	0	701,744	568,255	133,489
Martin Green								
2021	**355,000**	**23,487**	**28,400**	**423,781**	**0**	**830,668**	**406,887**	**423,781**
2020	331,549	26,391	28,500	99,843	0	486,283	386,440	99,843
Kath Kearney–Croft (left 13 September 2019)[5]								
2021	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
2020	18,459	0	0	0	0	18,459	18,459	0
Ian McHoul								
2021	**170,000**	**0**	**0**	**0**	**0**	**170,000**	**170,000**	**0**
2020	159,826	0	0	0	0	159,826	159,826	0
Christopher Humphrey								
2021	**69,250**	**0**	**0**	**0**	**0**	**69,250**	**69,250**	**0**
2020	65,105	0	0	0	0	65,105	65,105	0
Caroline Thomson								
2021	**66,250**	**0**	**0**	**0**	**0**	**66,250**	**66,250**	**0**
2020	62,285	0	0	0	0	62,285	62,285	0
Richard Tyson								
2021	**51,250**	**0**	**0**	**0**	**0**	**51,250**	**51,250**	**0**
2020	48,183	0	0	0	0	48,183	48,183	0
Duncan Penny								
2021	**51,250**	**0**	**0**	**0**	**0**	**51,250**	**51,250**	**0**
2020	48,183	0	0	0	0	48,183	48,183	0
Total								
2021	**1,237,629**	**53,540**	**123,326**	**990,369**	**0**	**2,404,864**	**1,414,495**	**990,369**
2020	1,179,813	59,178	117,745	233,332	0	1,590,068	1,356,736	233,332

Notes:

(1) Taxable benefits include car allowance, healthcare cover and income protection. This also includes the grant of Sharesave options to Stephen Bird and Martin Green in 2020 and shows the value of the 20% discount on the option granted. Stephen Bird and Martin Green were both granted 2,282 Sharesave options on 24 September 2020 at an option price of £5.52 compared to a market price of £6.90 per share.

(2) Stephen Bird receives a pension contribution of 20% of base salary which is taken in the form of a cash payment. With effect from Martin Green's appointment as Group Finance Director on 10 February 2020, he receives a pension contribution of 8% of base salary. Prior to this date he received a contribution of 15% of base salary.

(3) For the Annual Bonus Plan 2021, Stephen Bird's and Martin Green's bonus potential was 125% of base salary. 50% of the annual bonus is deferred into the Deferred Bonus Plan. Further details are set out in the "Further notes" section on the following page.

(4) Long-term incentives comprise LTIP awards. Awards made in 2019 failed to achieve their performance conditions based on EPS growth and TSR performance. The 2019 award will therefore lapse on its third anniversary of 8 March 2022. LTIP Awards made in 2018 also failed to achieve performance conditions based on TSR and growth in adjusted basic Earnings Per Share* and lapsed on 2 March 2021.

(5) Kath Kearney-Croft ceased to be Group Finance Director on 13 September 2019, and as detailed in 2019's Annual Report, her fixed pay and benefits were paid on a monthly basis up until 20 January 2020.

The Remuneration Committee has not used discretion in the award of Directors' remuneration in 2021.

Each Director has confirmed in writing to the Company that the information in the single figure remuneration table is correct and that they have not received from the Company any other items of remuneration other than disclosed.

Remuneration Policy report/continued

Further notes to the Directors' single figure of total remuneration table (audited)

(1) Base salary

The table below shows base salaries paid for each Executive Director in 2021. Neither Executive Director received any pay rise in connection with 2021 as part of the Company's actions to recover the business from the impact of COVID-19.

Executive Director	2021 salary
Stephen Bird	£474,629
Martin Green	£355,000

(2) Benefits

The single figure of total remuneration table sets out the total value of benefits received by each Executive Director in 2021. Details are as follows:

Executive Director	Car allowance	Healthcare cover	Income protection	Other (Sharesave)	Total
Stephen Bird	£23,727	£1,526	£4,800	£0	£30,053
Martin Green	£17,789	£898	£4,800	£0	£23,487

(3) Pension allowance

The table below sets out the value of the cash payment in lieu of pension for each Executive Director in 2021:

Executive Director	Pension allowance
Stephen Bird (representing 20% of base salary)	£94,926
Martin Green (representing 8% of base salary)	£28,400

Stephen Bird's pension contribution was agreed at a rate of 20% of base salary at the point he was recruited in April 2009 and is set out in his contract of employment. The Remuneration Committee, in light of changes in attitude to pensions for Directors has agreed with Stephen Bird that his pension contribution will be reduced to 8% of base salary with effect from 1 January 2023. The level of 8% of base salary is in line with pension contributions to the wider UK employee workforce in the Group.

(4) Annual bonus

In 2021, each Executive Director was eligible to receive, subject to performance, a maximum bonus of up to 125% of base salary, half of which is deferred into the DBP.

The financial elements of the Annual Bonus Plan for each Executive Director were based upon actual financial results achieved for Group adjusted profit before tax* and Group conversion of adjusted operating profit* into adjusted operating cash flow* (over a half year and full year average target) measured against financial targets set by the Board. The Group adjusted profit before tax* financial element represented 50% of the maximum bonus that could be earned and the Group conversion of adjusted operating profit* into adjusted operating cash flow* represented 25% of the maximum bonus that could be earned (with one third-based on half year 2021 performance and two-thirds based on the full year 2021 performance).

Under the rules of the 2021 Annual Bonus Plan, each of the above financial performance metrics are assessed independently of one another so that should threshold not be achieved for one performance condition, that bonus could still be earned for the other financial performance condition. The Committee introduced this change for the Annual Bonus Plan for 2021 due to the continuing uncertainty surrounding COVID-19 and the high level of risk on the recovery of the business.

The Remuneration Committee considered that these two financial performance conditions are key financial measures for the Group driving the right behaviour in terms of achieving adjusted operating profit* and adjusted operating cash flow* generation and had the most direct impact upon shareholder value for the year ended 31 December 2021. The financial targets were set by the Board/Remuneration Committee with the objective to drive the recovery of the business from the impact of COVID-19.

The personal objective element of the 2021 Annual Bonus Plan for each Executive Director, representing 25% of the maximum bonus that could be earned, was based upon individual performance measured against stretching personal objectives set by the Board and Remuneration Committee, as set out on the following page.

Stephen Bird – 2021 personal objectives – 82% achieved	
Objective	**Assessment**
Continue to build a world-class organisation including: ensure leadership change in Production Solutions is a success, develop succession plans around the Group CEO role, develop Creative Solutions leadership and succession and develop HR function **(20%)**	Successful promotion of new Production Solutions CEO; appointment of an effective Chief Operating Officer in Creative Solutions and strengthening of HR and finance capabilities. Senior leadership team retained and motivated, executing on strategy.
Execute on key initiatives to drive growth and momentum: focus on key growth initiatives including 4K execution, growth in streaming products, growth in JOBY, delivery on 2021 Tokyo Olympics, growth of audio business, completion on Imaging Solutions' digital restructuring and growth in LED lighting **(25%)**	Some residual impact from COVID-19, but very good progress in the circumstances. Notably, successful launch of 4K products, JOBY growth, successful delivery of the 2021 Tokyo Olympics and successful acquisitions of Lightstream, Quasar, Savage and Audix.
Creative Solutions strategy: develop the Creative Solutions organisation structure to drive growth optimising exposure to markets including cine, streaming and other vertical markets **(15%)**	Creative Solutions' organisation and management matured and achieved strong order growth. Strategic challenge to achieve full potential.
Strategic Plan follow up: evolution of the Group's strategic plan and growth initiatives **(25%)**	Very strong strategic progress, particularly in Imaging Solutions and development of audio business. Production Solutions also performing strongly.
ESG: Develop a well-rounded Group ESG programme with Group-wide focus on material environmental, social and governance issues and increased transparency and clarity of reporting to stakeholders **(15%)**	Established a cross-Divisional ESG Committee to drive further improvement in the Group's ESG disclosures during 2021. Delivered several key initiatives including installation of solar panels at Cartago, Costa Rica and Bury St Edmunds, UK and installation of LED lighting at the Feltre site. Successful level of employee engagement and health and safety performance with zero accidents resulting in over three days' absence.

Martin Green – 2021 personal objectives – 82% achieved	
Objective	**Assessment**
Build a world-class finance organisation: ensuring appropriate talent and succession in key Divisional finance roles and Head Office finance function **(20%)**	Significantly strengthened finance team across the Group through promotions and new hires.
Execute on key initiatives to drive growth and momentum: focus on key growth initiatives including 4K execution, growth in streaming products, growth in JOBY, delivery on 2021 Tokyo Olympics, growth of audio business, completion on Imaging Solutions' digital restructuring and growth in LED lighting **(20%)**	Some residual impact from COVID-19, but very good progress in the circumstances. Notably, successful launch of 4K products, JOBY growth, successful delivery of the 2021 Tokyo Olympics and successful acquisitions of Lightstream, Quasar, Savage and Audix.
Capital structure: review and optimise capital structure including repayment of CCFF borrowings and in light of M&A activity in 2021 and resumption of dividend payments **(15%)**	Repaid CCFF borrowing, raised funding tied to acquisitions of Savage and Audix and restructured intercompany debt for the Group.
Strategic Plan follow up: evolution of the Group's strategic plan and growth initiatives **(20%)**	Very strong strategic progress, particularly in Imaging Solutions and development of audio business. Production Solutions also performing strongly.
M&A: develop a compelling growth M&A pipeline in line with Group's strategic plan and execute on at least one opportunity **(15%)**	Highly successful targeted acquisitions including Lightstream, Savage, Quasar and Audix.
Corporate governance and auditing standards: evaluate changes in corporate governance especially regarding audits and ensure Board/ Committees remain up to date with changes and ensure timely compliance **(10%)**	Delivered TCFD disclosure in the 2021 Annual Report and Accounts; FRC review of the 2020 Annual Report and Accounts with no significant issues noted; preparation ahead of "UK SOx" compliance; and formal response to BEIS consultation on restoring trust in audit and corporate governance.

The above personal objectives were set by the Board and Remuneration Committee at the start of 2021, with a strong focus on seeing the Executive Directors drive the recovery of the business following the impact of COVID-19 and were continually assessed throughout the year. The Remuneration Committee at its meeting on 21 February 2022 assessed final performance.

The Committee strongly considered that a pay-out on the personal objectives element of the 2021 Annual Bonus Plan was fully merited given the strong recovery of the business in 2021 with significant progress on strategic growth objectives including several strategically important acquisitions, strong recovery in financial performance with Group revenue of £394.3 million and adjusted profit before tax* of £42.4 million, reintroduction of dividends to shareholders, strong growth in the Company's share price and that employees and other stakeholders were very satisfied with the recovery and performance of the business.

Remuneration Policy report/continued

2021 annual bonus outcome

The table below sets out the annual bonus awards made to Executive Directors in respect of the year ended 31 December 2021 including the financial trigger points used in determining whether a bonus was payable.

Name	Bonus potential	Elements of bonus potential	Threshold	Target	Maximum	Actual Group performance/ assessment of personal objective performance	Payout and % of maximum	
Stephen Bird	125% of annual salary	50% Group adjusted PBT*	£23.0m	£28.8m	£34.6m	£42.4m	£296,643	100%
		25% Group	H1: 56.0%	62.0%	68.0%	H1: 118%	£148,322	100%
		conversion of adjusted operating profit* into adjusted operating cash flow*	FY: 67.0%	74.0%	81.0%	FY: 108%		
		25% personal objectives				82%	£121,624	
		Payout due to Executive Director at each level	£148,322	£296,643	£593,286			
						Total	**£566,588**	**95.5%**
Martin Green	125% of annual salary	50% Group adjusted PBT	£23.0m	£28.8m	£34.6m	£42.4m	£221,875	100%
		25% Group	H1: 56.0%	62.0%	68.0%	H1: 118%	£110,938	100%
		conversion of adjusted operating profit* into adjusted operating cash flow*	FY: 67.0%	74.0%	81.0%	FY: 108%		
		25% personal objectives				82%	£90,969	
		Payment due to Executive Director at each level	£110,938	£221,875	£443,750			
						Total	**£423,782**	**95.5%**

A straight-line sliding scale operates between each of the above trigger points for both financial targets. The Remuneration Committee considered that these trigger points were appropriate and sufficiently stretching for 2021.

Under the rules of the Annual Bonus Plan the Remuneration Committee retains full and absolute discretion as to whether a bonus is payable or not and that discretion may only be used in exceptional circumstances, taking into account the overall financial performance of the Company. Any use of this discretion in connection with an Executive Director will be clearly explained in the Remuneration report. For the 2021 Annual Bonus Plan, the Remuneration Committee exercised no discretion in respect of the Executive Directors' bonus.

Half of the 2021 annual bonus (after tax) will be deferred into the DBP. The 2021 deferred bonus will be used to purchase award shares to be held in trust for a three-year period. No matching award shares can be earned under the DBP. After three years, the award shares are released from the trust to the Executive Directors.

(5) Long-term incentives – Long Term Incentive Plan ("LTIP") and Deferred Bonus Plan ("DBP")

The long-term incentive awards value shown in the single figure of total remuneration table relate to the following awards:

Awards made in 2019 and vesting in respect of performance to 31 December 2021

These relate to awards made in 2019 under the LTIP. Vesting is based 33% upon the Company's TSR measured against a comparator group and 67% on growth in the Company's adjusted basic Earnings Per Share*. Each performance condition is entirely independent from the other performance condition and there is no retesting of either performance condition. Vesting is underpinned by Remuneration Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award. The detail of each performance condition for each award is set out on the next page.

For that part of an award made in 2019 under the LTIP measured against TSR, if the Company's TSR performance is at the median of the comparator group at the end of the three-year performance period, 25% of that element of an award may vest. The full element of an award may vest if the Company's TSR performance is in the top 25% of the comparator group. There is a pro rata straight-line vesting between these two points. The comparator group comprised the constituents of the FTSE 250 Index (excluding financial services companies and investment trusts) and performance was measured over a three-year period.

For that part of an award measured against EPS growth, if the percentage growth in the EPS of the Company exceeds 6% per annum (Compound Annual Growth Rate), 25% of that element of an award may vest. Full vesting of an award occurs if the growth in EPS over the performance period exceeds growth by 14% (Compound Average Annual Growth Rate) or greater. There is a pro rata straight-line vesting between these two points.

An award lapses if threshold performance is not achieved during the performance period.

The Remuneration Committee also considered the underlying financial performance of the Company before it confirmed vesting, notably the Company's ROCE performance.

Performance outturn

The table below summarises the value of awards vesting for the 2019 award. The award failed to achieve threshold performance and will therefore lapse in full on the third anniversary of the award on 8 March 2022.

2019 awards	Actual performance	Vesting as a % of award
TSR	Vitec ranked in the 65th percentile of the comparator group with TSR performance of 20.5% over the three-year performance period	0%
EPS	Adjusted "normalised" EPS of 69.9 pence compared to a base EPS point of 85.2 pence	0%
ROCE underpin	The Company's ROCE performance over the performance period was as follows: 2018: 21.8%; 2019: 18.5%; 2020: 3.7%; 2021: 16.1%	
Total vesting		0%

TSR is calculated on the basis of growth in the Company's share price over a three-year performance period plus dividends paid during that period and is expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of a performance period to eliminate volatility that may result in anomalous outcomes. The TSR performance is independently verified by FIT Remuneration Consultants on behalf of the Committee and is ranked against the comparator group companies' TSR performance to determine the outcome. The comparator group comprised the constituents of the FTSE 250 index (excluding financial services companies and investment trusts).

EPS is determined in accordance with note 2.5 of the financial statements on page 163. The base point for the EPS performance condition was 85.2 pence per share, being the EPS figure for the year ended 31 December 2018.

The Remuneration Committee at its meeting on 21 February 2022 confirmed that 2019 awards will therefore lapse as the performance conditions had not been achieved.

Awards made in 2018 and vesting in respect of performance to 31 December 2020

These relate to awards made in 2018 under the LTIP. The performance conditions for these awards are the same as those made in 2019 split 33% based on TSR and 67% based on EPS growth, both over a three-year performance period. The adjusted basic earnings per share* growth targets were 6% growth per annum (Compound Average Annual Growth Rate) for 25% of that element of an award to vest and 14% or more growth per annum for full vesting, respectively. The Remuneration Committee also considered the underlying financial performance of the Company, notably the Company's ROCE performance before it confirmed vesting.

As disclosed in the 2020 Annual Report on Remuneration, neither the TSR performance condition or EPS performance condition achieved threshold performance and so the 2018 award did not vest and lapsed in full on 2 March 2021.

Award made in 2020 and vesting in respect of performance to 28 February 2023

In 2020, due to the impact of COVID-19 upon the business, the award of LTIPs to Executive Directors and senior management was delayed. This was due to difficulties in setting appropriate performance conditions tied to awards given the impact of the pandemic upon the business and its financial performance. Given this challenge, the Committee consulted with its major shareholders to consider how to structure LTIP awards for 2020 with the objective to drive management in the recovery of the business following the impact of COVID-19.

The Committee was grateful for the valuable input and support given by shareholders in addressing this issue given the need to incentivise, motivate and retain its senior leadership team. The general feedback received was that shareholders wanted to ensure that there was a clear and strong incentive for executives to achieve a swift recovery in the share price and this should be the priority.

The 2020 LTIP awards were granted on 21 September 2020 and will only vest if very stretching absolute targets around share price are met and if Vitec's relative Total Shareholder Return ("TSR") is also in the top half of the FTSE 250 constituents (excluding financial services companies and investment trusts). The challenge is particularly great against the context of the continuing impact of COVID-19. If achieved, the Group's performance and increase in share price will significantly reward both shareholders and management. The terms remain in line with the Directors' Remuneration Policy approved by shareholders at the 2020 AGM.

For the awards to vest in full, Vitec's share price must be £18 or higher in February 2023 and Vitec's relative TSR must be at least in the upper quartile of the FTSE 250. A £18 share price would deliver over £480 million additional shareholder value between grant and vesting. Given the stretching nature of the targets and the exceptional circumstances the Remuneration Committee made awards to the Executive Directors of 200% of salary which is the maximum permitted under the Directors' Remuneration Policy.

Remuneration Policy report/continued

The Remuneration Committee believes the structure of the 2020 LTIP aligns our Executive Directors and PDMRs with the achievement of a strong recovery over the performance period. The structure will help reward for significant growth in shareholder value and will drive management towards that goal. It is only the 2020 LTIP award that has this unique structure.

The Remuneration Committee has discretion to reduce vesting if it feels appropriate to do so.

The following provides details of the 2020 LTIP awards made on 21 September 2020 to the Executive Directors including performance conditions.

(1) Absolute share price target

— The first performance condition is based on the achievement of absolute share price targets by 28 February 2023, whereby 25% of the total award will vest should Vitec's absolute share price reach £9.00 and full vesting of the total award be achieved if Vitec's absolute share price reaches £18. Vesting between these prices will operate on a straight-line basis in accordance with the Directors' Remuneration Policy and in line with the table below
— No shares will vest if the absolute share price does not reach £9.00
— The share price at the start and end of the performance period will be averaged over three months.

Vitec absolute share price	% of total award to vest
£9.00	25%
£10.00	33.33%
£11.00	41.67%
£12.00	50%
£13.00	58.33%
£14.00	66.67%
£15.00	75.00%
£16.00	83.33%
£17.00	91.67%
£18.00	100%

(2) Relative TSR target

— The second performance condition is that the award will also be subject to a relative TSR condition, with vesting at points shown below (which remain unchanged from arrangements for existing LTIP awards and in line with existing policy). For the award to vest in full, Vitec will need to have met the absolute share price target and be in the upper quartile of the FTSE 250 Index (excluding financial services companies and investments trusts). The relative TSR ranking will effectively work as a downward modifier and none of the shares will vest if Vitec's performance is below the median at the end of the performance period. To illustrate, if Vitec's absolute share price is at £20 at the end of the performance period (above the maximum of the range) and Vitec's TSR performance is at median against the FTSE 250 constituents, then 25% of the award will vest. This performance condition will be measured from 1 July 2020 through to 28 February 2023 with the same averaging of share price over three months
— A straight-line sliding scale will operate at points between this and vesting will not occur below the median.

Vitec's TSR ranking compared to FTSE 250 constituents (excluding financial services companies and investment trusts)	% of award to vest
Below median	0%
Median	25%
Upper quartile	100%

ROCE

— The Remuneration Committee will also continue to use a ROCE underpin to ensure the underlying financial performance of the business as part of the vesting outcome. The Committee will also retain a discretion to scale back the vesting of an award should it result in an unfair outcome for shareholders.

Dividends that would have been paid on shares vesting under the LTIP during the performance period are reinvested in additional shares for each of the above awards. The two-year holding period post-vesting will apply in the normal way.

There is no retesting of any performance condition under any of the above awards.

TSR is calculated on the basis of growth in the Company's share price over the performance period from 1 July 2020 through to 28 February 2023 plus dividends paid during that period and is expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of a performance period to eliminate volatility that may result in anomalous outcomes. The TSR performance is independently verified by FIT Remuneration Consultants on behalf of the Committee to determine the outcome.

Award made in 2021 and vesting in respect of performance to 31 December 2023

The following table provides details of the awards made under the LTIP on 3 March 2021 to Stephen Bird and Martin Green. The Remuneration Committee, given the continuation of COVID-19 and ongoing recovery of the business from its impact, decided that it was important to give an award to both Executive Directors at a level representing 200% of salary to focus Executive Directors on value creating activity, delivering performance and recovering the business as quickly as possible. In addition, the Remuneration Committee set challenging performance conditions as set out below.

Performance for the 2021 Award is to be measured over the three financial years from 1 January 2021 to 31 December 2023. Awards are split in performance conditions so that 33% is based on the Company's TSR performance and 67% is based on EPS performance. Vesting of the 2021 LTIP award will be as follows:

For the TSR element, the Company's TSR performance will be compared against the constituents of the FTSE 250 Index (excluding financial services companies and investment trusts) over the three-year performance period. Threshold performance for the TSR element will be at the median point of the comparator group and will result in 25% of an award vesting. Full vesting of the TSR element will be at the upper quartile of the comparator group. A straight-line sliding scale will operate between each of the above points. Below threshold performance, none of the TSR element will vest. 67% of the award will be subject to adjusted basic EPS* growth over the same three-year period. Threshold for adjusted basic earnings per share* vesting was set at 60 pence per share and full vesting for adjusted basic earnings per share* was set at 100 pence per share with a straight-line progression between each point. Below threshold performance, none of the adjusted basic earnings per share element will vest.

Vesting of the 2021 Award will be underpinned by Remuneration Committee discretion that will take into account, in particular, ROCE performance over the three-year performance period for the EPS element of the award.

Dividends that would have been paid on shares vesting under the LTIP during the performance period are reinvested in additional shares for each of the awards on the previous page.

There is no retesting of any performance condition under any of the above awards.

TSR is calculated on the basis of growth in the Company's share price over a three-year performance period plus dividends paid during that period and expressed as a percentage of average compound annual growth. Share price performance is averaged over three months at the start and end of the performance period to eliminate volatility that may result in an anomalous outcome. The TSR performance is independently verified by FIT Remuneration Consultants on behalf of the Committee and is ranked against the comparator group companies' TSR performance to determine the outcome.

Director	Type of award	Award date	Number of shares awarded	Face value[1] (£)	Face value (% of salary)	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Stephen Bird	Performance shares	3 March 2021	96,273	£949,252	200%	25%	100%	31 December 2023
Martin Green	Performance shares	3 March 2021	72,008	£709,999	200%	25%	100%	31 December 2023

(1) The face value has been calculated using the three-day average share price from 26 February 2021 to 2 March 2021 prior to the award being made on 3 March 2021. This was £9.86.

Deferred Bonus Plan 2021 awards

The following table provides details of the awards made under the DBP on 13 May 2021 in respect of the 2020 annual bonus. There are no performance conditions or matching shares associated with these awards. The shares are held in an Employee Benefit Trust on behalf of the Directors. The deferral represents 50% of the after tax bonus paid for the 2020 annual bonus. Normally Executive Directors are required to defer 50% of any after tax annual bonus into the DBP. The 2021 DBP award will be released on the third anniversary of the award – 13 May 2024.

Director	Type of award	Number of shares awarded	Face value[1] (£)	End of holding period
Stephen Bird	Shares awarded using deferred annual cash bonus	2,537	£35,366	100% of award on 13 May 2024
Martin Green		1,897	£26,444	100% of award on 13 May 2024

(1) Face value has been calculated using the Company's share price at the date of the award of £13.94.

Payments to past Directors for loss of office (audited)

There were no payments to past Directors of the Company for loss of office in 2021.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors were paid the following fees in 2021:

Role	2021 annual fee	Comment
Chairman	£170,000	Fee of £170,000 paid since 2019 when Ian McHoul was appointed Chairman on 21 May 2019
Non-Executive Director	£51,250	Base fee increased to £51,250 from £50,000 with effect from 1 January 2020
Chairman of Audit Committee	£10,000	Fee was last increased on 1 January 2014
Chairman of Remuneration Committee	£10,000	Fee was increased on 1 January 2019
Senior Independent Director	£8,000	Fee was increased on 1 January 2019
Employee Engagement Non-Executive Director	£5,000	Fee introduced with effect from 1 January 2019 to reflect new role under 2018 UK Corporate Governance Code

The above fees are reviewed annually by the Board with the support of FIT Remuneration Consultants providing market data to ensure that fees remain appropriate given the size of the Company, time commitment and the need to attract the right experience for the role. The Chairman and Non-Executive Directors do not receive any other benefits from the Company.

Remuneration Policy report/continued

Directors' shareholding requirements and share interests (audited)

The Board has determined that Executive Directors of the Company are required to build up, over a reasonable period of time, a substantial shareholding in the Company and from the adoption of the 2020 Policy Report at the Company's AGM held on 27 May 2020 this shareholding requirement is to represent at least two times base salary. Stephen Bird and Martin Green satisfied this requirement throughout the whole of 2020 and up to the date of this report. Other members of the Operations Executive are encouraged to do the same up to a level of 50% of base salary.

The Chairman and Non-Executive Directors of the Company have no such requirement and have discretion as to whether to hold shares in the Company or not. The tables on the following page set out the interests in the ordinary shares of the Company held by each Director (or connected persons) of the Company during the year ended 31 December 2021.

Under the 2018 UK Corporate Governance Code there is a requirement for the Company to develop a post-employment shareholding policy, encompassing vested and unvested shares. The detail of this post-employment shareholding policy is as follows and applies from the 2020 AGM:

Upon the departure of an Executive Director, the post-employment shareholding policy will operate as follows:

— Shares held in the Employee Benefit Trust under the DBP will continue to be held in trust and will be released to the former Executive Director in accordance with their normal vesting dates. The former Executive Director will be expected to hold any vested DBP shares at least until the second anniversary of their departure date
— Shares that have vested to an Executive Director under the LTIP and are subject to the two-year post vesting holding period will continue to be required to be held by the former Executive Director until the expiry of the two-year post vesting holding period
— In the event that an Executive Director is treated as a "good leaver" under the LTIP, then any outstanding LTIP awards that have not vested will be pro-rated to the date of leaving and remain subject to satisfaction of performance conditions. Subject to those conditions being achieved at the normal vesting date, shares will typically be released at the earlier of the expiry of the normal two-year post vesting holding period and the second anniversary of their departure date
— Shares purchased by an Executive Director using their own personal funds shall not be subject to this post-employment shareholding policy.

Executive Directors' shareholdings as at 31 December 2021 (audited)

Executive Director	Share ownership requirement (% of salary)	Number of shares owned outright (including connected persons)	Number of shares beneficially owned (DBP award shares)	Number of shares unvested and subject to performance (LTIP shares)	Number of shares under option (Sharesave)	Ownership requirements met (based on shares owned outright and DBP award shares)
Stephen Bird	200%	196,187	16,928	270,691	2,282	587%
Martin Green	200%	74,420	10,739	196,631	2,282	298%

Chairman and Non-Executive Directors' shareholdings as at 31 December 2021 (audited)

Director	1 January 2021	31 December 2021
Ian McHoul (Chairman)	15,000	20,000
Christopher Humphrey	10,000	10,000
Duncan Penny	5,000	5,000
Caroline Thomson	8,407	8,407
Richard Tyson	2,654	2,654

– The closing mid-market share price on 31 December 2021 was £14.20 and the calculation of the percentage shareholding requirement achieved for the Executive Directors is based on this closing mid-market share price.
– The shares shown in the beneficial holdings table above were acquired by the Directors using their own funds and not through any share incentive scheme (or similar) with the exception of the following disclosures in notes 3 and 4 below.
– Stephen Bird's share interests include 16,928 shares (at 31 December 2021) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust; the trust used to hold shares in respect of awards made under the DBP. These shares will vest out of the DBP in 2022, 2023 and 2024, respectively. Neither these shares nor any of the other shares held by Stephen Bird have any performance conditions attached to them. During the year ended 31 December 2021 Stephen Bird had the following share dealings:
  — On 26 February 2021 exercised and retained award shares under DBP for 2020 over 5,676 ordinary shares.
  — On 7 May 2021, sold 125,000 ordinary shares.
  — On 13 May 2021 exercised and retained award shares under the DBP for 2018 over 10,704 ordinary shares and 693 dividend shares.
  — On 13 May 2021 acquired 2,537 ordinary shares through the DBP that are held in the Employee Benefit Trust.
  — 2,000 shares of Stephen Bird's holding are held by his spouse.
– Martin Green's share interests include 10,739 shares (at 31 December 2021) purchased in the market using deferred annual cash bonus and held by the Employee Benefit Trust; the trust used to hold shares in respect of awards made under the DBP. These shares will vest out of the DBP in 2022, 2023 and 2024, respectively. Neither these shares nor any of the other shares held by Martin Green have any performance conditions attached to them. During the year ended 31 December 2021, Martin Green had the following share dealings:
  — On 26 February 2021 exercised and retained award shares under the DBP for 2020 over 3,701 ordinary shares.
  — On 13 May 2021 exercised and retained award shares under the DBP for 2018 over 6,314 ordinary shares and 409 dividend shares.
  — On 13 May 2021 acquired 1897 ordinary shares through the DBP that are held in the Employee Benefit Trust.
  — On 13 August 2021 sold 40,000 ordinary shares.
– There has been no change to the Directors' shareholdings described in the table above in the period from 31 December 2021 to 28 February 2022, the date of signing of this report.

Sharesave

The Group operates an all-employee savings-related share option scheme in the UK ("Sharesave") and a similar international plan in respect of overseas employees in certain countries (US, Italy, Costa Rica, Japan, France, Singapore, Hong Kong, Israel, Australia, New Zealand and Germany). The scheme and plan are open to all the Group's employees in those countries, including the Executive Directors, and approximately 1,400 of the Group's employees participate in this valuable benefit. As at 31 December 2021 Stephen Bird and Martin Green participate in the UK scheme and the details are shown below.

Director	Date of grant	At 1 January 2021 (shares)	Options exercised during the year	Options lapsed during the year	Options granted during the year	At 31 December 2021 (shares)	Exercise price (pence)	Market price at date of grant (pence)	Date from which exercisable	Expiry date
Stephen Bird	24 September 2020	2,282	0	0	0	2,282	552	690[(1)]	1 November 2023	30 April 2024
Martin Green	24 September 2020	2,282	0	0	0	2,282	552	690[(1)]	1 November 2023	30 April 2024

(1) The market price for the grant of shares under option was calculated on the basis of the three-day average of the closing mid-market share price from 26 August 2020 to 28 August 2020 inclusive. A 20% discount was applied to this price under this HMRC approved Sharesave plan.

There is no performance condition attached to the exercise of the Sharesave plan which is an all-employee plan.

Long Term Incentive Plan

Each year the Executive Directors are made a conditional award of shares in the Company. Awards to Executive Directors for 2019 represented 125% of salary. For 2020 and 2021 and to encourage the Executive Directors to recover the business as quickly as possible from the impact of the pandemic, it was agreed that LTIP awards for the Executive Directors would represent 200% of salary. LTIP awards are subject to satisfaction of performance conditions over a three-year performance period as summarised above. It is noted that LTIP awards for 2022 will however revert to a pre-pandemic level representing 125% of salary. The 2022 LTIP award will be made in the 42 days period following the announcement of the 2021 financial results on 1 March 2022. The following table sets out the outstanding awards under the LTIP as at 31 December 2021 for the Executive Directors:

Director	Date of award	Awards at 1 January 2021	Awards exercised during the year	Associated dividend shares with the exercised award	Awards lapsed during the year	Awards made during the year	At 31 December 2021	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of performance period
Stephen Bird	2 March 2018[(1)]	50,106	–	–	50,106	–	–	1127	–	125% of annual salary	25%	31 December 2020
	8 March 2019[(2)]	48,355	–	–	–	–	48,355	1197	–	125% of salary	25%	31 December 2021
	21 Sept 2020	126,023	–	–	–	–	126,063	753	–	200% of annual salary	25%	28 February 2023
	3 March 2021	–	–	–	–	96,273	96,273	986	–	200% of annual salary	25%	31 December 2023
Total		**224,484**	**–**	**–**	**50,106**	**96,273**	**270,691**					
Martin Green	2 March 2018[(1)]	29,558	–	–	29,558	–	–	1127	–	125% of annual salary	25%	31 December 2020
	8 March 2019[(2)]	30,334	–	–	–	–	30,334	1197	–	125% of annual salary	25%	31 December 2021
	21 Sept 2020	94,289	–	–	–	–	94,289	753	–	200% of annual salary	25%	28 February 2023
	3 March 2021	–	–	–	–	72,008	72,008	986	–	200% of annual salary	25%	31 December 2023
Total		**154,181**	**–**	**–**	**29,558**	**72,008**	**196,631**					

(1) The LTIP award made on 2 March 2018 did not achieve any of its performance conditions based on TSR or EPS growth for the Company. As a consequence, 0% of this award vested and the award lapsed in full on 2 March 2021. Details are shown in the remuneration table for the year ended 31 December 2021 on page 119.

(2) The LTIP award made on 8 March 2019 did not achieve any of its performance conditions based on TSR and EPS growth for the Company. As a consequence 0% of the award will vest and the award will lapse in full on 8 March 2022. Details are shown in the remuneration table for the year ended 31 December 2021 on page 119.

Remuneration Policy report/continued

Deferred Bonus Plan

Each year, Executive Directors are required to defer a proportion of their annual bonus into the DBP. No matching awards can be earned on deferred shares. Normally, Executive Directors are required to defer 50% of any after tax annual bonus into the DBP. In 2020, due to the impact of the pandemic, each Director deferred 100% of their bonus into the DBP preserving cash within the business. 50% of the 2020 deferred bonus will vest on the third anniversary and the other 50% vested after the 2020 Full Year results were announced on 25 February 2021. For any bonus earned in respect of 2021, bonus deferral will revert to 50%.

Director	Date of award	Awards at 1 January 2021 (shares)	Awards exercised during the year	Associated dividend shares with the exercised awards	Awards lapsed during the year	Awards made during the year	At 31 December 2021	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of performance period
Stephen Bird	9 April 2018[1]	10,704	10,704	693	–	–	–	1205	1395	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	3 April 2019[2]	8,715	–	–	–	–	8,715	1149	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
	1 April 2020[3]	11,352	5,676	–	–	–	5,676	581	964	100% of annual bonus	Not applicable	Shares held in Employee Trust. 50% of the award vested on 25 February 2021 and 50% to vest on 3rd anniversary of the award
	13 May 2021[4]	–	–	–	–	2,537	2,537	1394	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
Total		**30,771**	**16,380**	**693**	**–**	**2,537**	**16,928**					
Martin Green	9 April 2018[1]	6,314	6,314	409	–	–	–	1205	1395	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award
	3 April 2019[2]	5,141	–	–	–	–	5,141	1149	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award

Director	Date of award	Awards at 1 January 2021 (shares)	Awards exercised during the year	Associated dividend shares with the exercised awards	Awards lapsed during the year	Awards made during the year	At 31 December 2021	Market price on which award made (pence)	Market price at exercise date (pence)	Face value of award	Percentage of interest that vests if threshold performance achieved	End of performance period
	1 April 2020[(3)]	7,402	3,701	–	–	–	3,701	581	964	100% of annual bonus	Not applicable	Shares held in Employee Trust. 50% of the award vested on 25 February 2021 and 50% to vest on 3rd anniversary of the award
	13 May 2021[(4)]	–	–	–	–	1,897	1,897	1394	–	50% of annual bonus	Not applicable	Shares held in Employee Trust to 3rd anniversary of award date
Total		**18,857**	**10,015**	**409**	**–**	**1,897**	**10,739**					

(1) The DBP award made on 9 April 2018 vested on 9 April 2021 and the award plus associated dividend shares were paid out to participants on 13 May 2021.

(2) The DBP award made on 3 April 2019 will vest on its third anniversary of 3 April 2022. The award plus associated dividend shares will be paid out to the participants on this anniversary.

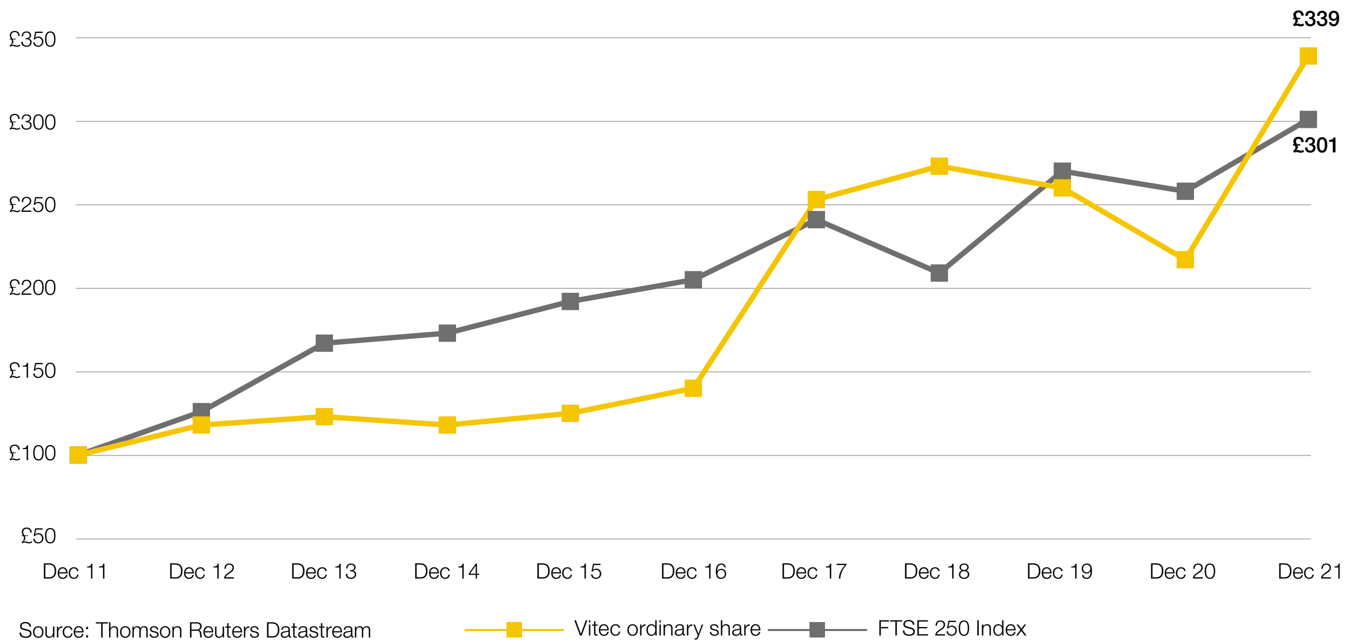
(3) The DBP award made to Stephen Bird and Martin Green on 1 April 2020 due to the pandemic was made to cover 100% of the annual bonus earned for 2019 and paid in March 2020. This was above the normal level of 50% and was done to preserve cash in the business. 50% of the 2020 DBP award vested with the announcement of the 2020 Full Year results on 25 February 2021 and the other 50% will vest on the third anniversary of the award in April 2023.

(4) The DBP award made on 13 April 2021 covered 50% of the bonus earned in respect of the financial year ended 31 December 2020. The award will vest on its third anniversary in April 2024.

Remuneration Policy report/continued

Ten-year performance graph of the Company's ordinary shares compared to comparator group

The Company is required to include a line graph showing the Company's ordinary share performance compared to an appropriate index over a ten-year performance period ending 31 December 2021. The graph below illustrates the Company's annual Total Shareholder Return ("TSR") (share price growth plus dividends that have been declared, paid and reinvested in the Company's shares) relative to the FTSE 250 for the preceding ten-year period ending 31 December 2021, assuming an initial investment of £100. This index has been chosen since it is the comparator group (excluding financial services companies and investment trusts) for one of the performance conditions tied to awards under the LTIP. The Committee notes that the FTSE 250 Index is a recognised broad market equity index, relatively complex and international in nature and is comparable to the Company's business operations where approximately 90% of revenues are generated outside the UK. TSR data is taken from Datastream.



Source: Thomson Reuters Datastream

Performance table setting out the total remuneration of the Group Chief Executive

The following table sets out the single figure of total remuneration paid and the amount vesting under short-term and long-term incentives (as a percentage of the maximum that could have been achieved) to the Group Chief Executive for each of the ten years ended 31 December 2021.

Year (ended 31 December)	Group Chief Executive	CEO single figure of total remuneration	Annual bonus payout against maximum opportunity % (including actual amount paid)	Long-term incentive vesting rates against maximum opportunity %
2021	Stephen Bird	£1,166,196	95.5%	0%
			£566,588	
2020	Stephen Bird	£701,744	22.5%	0%
			£133,489	
2019	Stephen Bird	£1,151,858	21.5%	72.06%
			(£124,445)	
2018	Stephen Bird	£2,280,723	66.9%	100%
			(£377,925)	
2017	Stephen Bird	£1,596,214	88.4%	67.5%
			(£486,771)	
2016	Stephen Bird	£962,299	77.9%	0%
			(£418,450)	
2015	Stephen Bird	£636,374	20%	0%
			(£104,876)	
2014	Stephen Bird	£745,388	44.25%	0%
			(£226,378)	
2013	Stephen Bird	£1,057,407	71%	28.55%
			(£355,616)	
2012	Stephen Bird	£1,697,841	79.4%	92.4%
			(£386,434)	

Percentage change in remuneration of the Directors and employees

The table below shows the year-on-year percentage change in salary, benefits and annual bonus earned between the year ended 31 December 2021 and the year ended 31 December 2020 for the Directors, compared to the average of earnings of the parent Company employees. The Remuneration Committee has selected this comparator group on the basis that each of the Directors is UK based and this provides a local market reference, is a sizeable population and a fair representation of the Group's employee base.

	2019/20 Annual salary	2019/20 Taxable benefits	2019/20 Annual bonus	2020/21 Annual salary	2020/21 Taxable benefits	2020/21 Annual bonus
Stephen Bird, Group Chief Executive	2.5%	2.5%	-7%	0%	0%	324%
Martin Green, Group Finance Director	2.5%	2.5%	-23%	0%	0%	324%
Ian McHoul, Chairman	0%	n/a	n/a	0%	n/a	n/a
Christopher Humphrey, Non-Executive Director	2.5%	n/a	n/a	0%	n/a	n/a
Caroline Thomson, Non-Executive Director	2.5%	n/a	n/a	0%	n/a	n/a
Richard Tyson, Non-Executive Director	2.5%	n/a	n/a	0%	n/a	n/a
Duncan Penny, Non-Executive Director	2.5%	n/a	n/a	0%	n/a	n/a
Parent Company employees	2.5%	2.5%	-36%	2.2%	2.2%	292%

Remuneration Policy report/continued

Group Chief Executive's pay ratio disclosure

In accordance with Option C as set out in the Companies (Miscellaneous Reporting) Regulations 2018, the following table sets out Stephen Bird's (Group Chief Executive) total remuneration for the year ended 31 December 2021 compared with all UK employees of the Group at the 25th percentile, 50th percentile and 75th percentile. The data has been compiled from available data as at 31 December 2021 for all UK-based employees and no element of remuneration has been excluded from the calculation. This table will build up over a ten-year period. We have chosen Option C as it reflects all our UK workforce and is more complete in showing the Group Chief Executive's remuneration compared to the entire UK workforce. It uses bonus information for 2020 and was paid in March 2021 as bonus information for 2021 is not calculated until March 2022 for many UK employees. It is therefore not possible to use 2021 bonus data since the 2021 Annual Report was approved on 28 February 2022. The same principle applies for prior years disclosed. The Company believes the median ratio is consistent with the Company's wider policies on employee pay, reward and progression. We seek to pay all employees including the Chief Executive fairly for the roles they perform and taking into account a range of factors including the relevant role, their performance and internal and external measures including pay rates and pay gaps.

Year	Method	25th percentile	50th percentile	75th percentile
2019	Option C	82:1	57:1	35:1
		£27,833	£40,002	£64,086
2020	Option C	44:1	31:1	19:1
		£25,866	£36,965	£61,245
2021	Option C	28:1	19:1	12:1
		£26,361	£37,726	£58,866

The actual salaries paid for each UK employee at the respective quartiles for 2021 were: 25th percentile – £25,632; 50th percentile – £34,659; and 75th percentile – £52,660. The change in the pay ratios from 2019 to 2021 has been greatly impacted by COVID-19. In 2020, the Company implemented short-time working and other measures such as salary waivers in response to the pandemic. In 2021, Executive Directors did not receive any pay increase in contrast to the wider UK employee population and long-term incentives for the Executive Directors did not vest due to performance conditions not being achieved. As the Company recovers from the impact of the pandemic, we expect the pay ratio gap to widen as annual bonuses and long-term incentives become payable. We consider that the use of Option C and the percentiles shown for UK employees are reasonably representative.

Relative importance of spend on pay

The following table sets out for the year ended 31 December 2021 compared to the year ended 31 December 2020 the actual expenditure of the Company in terms of remuneration paid to or receivable by all employees of the Group and distributions to shareholders by way of dividends. It is noted that in response to the pandemic and as a measure to ensure the financial security of the Company, the Board cancelled dividends in 2020. The Board reinstated the final dividend for 2020 which was paid on 14 May 2021. There are currently 133,600 ordinary shares held in treasury. There have been no other significant distributions and payments required to be disclosed that would assist in understanding the relative importance of spend on pay.

	Year ended 31 December 2021	Year ended 31 December 2020	% change
Total remuneration paid to all Vitec Group employees	£101.0m	£82.9m	17.92%
Total dividends paid to shareholders	£7.1m	£0m	n/a

Statement of implementation of Remuneration Policy in the year ending 31 December 2022

This section provides an overview of how the Committee is proposing to implement the Remuneration Policy in 2022.

(1) Base salary

The table sets out the 2022 base salary for each Executive Director, together with the percentage increase from 2021:

Executive Director	2022 salary	Increase from 2021
Stephen Bird	£488,868	3%
Martin Green	£365,650	3%

The Committee decided that a 3% increase for Executive Director salaries was merited for 2022. This was based on several factors including: (i) that the wider employee population across the Group received a 3% increase for 2022; (ii) Executive Directors received no increase in salary in 2021 due to the impact of COVID-19 on the business (in contrast to the wider employee population who received 2.2%); (iii) the continuing recovery of the business from the impact of COVID-19; and (iv) the need to provide a remuneration package to the Executive Directors that is competitive and retains and incentivises the individuals.

(2) Benefits

Benefits, including car allowance, private healthcare and income protection will be paid at the same rate as in 2021.

(3) Pension allowance

Pension allowances paid to Executive Directors are set out in the table below. Stephen Bird's allowance currently represents 20% of his base salary and this level was contractually agreed at the time of his appointment in 2009. We have now contractually agreed with Stephen Bird that his pension allowance will reduce to 8% of base salary with effect from 1 January 2023 and therefore be aligned with the wider UK workforce. Newly appointed Executive Directors receive a pension contribution of 8% of base salary which is in line with pension contributions provided to the wider UK employee workforce. Upon his appointment as Group Finance Director on 10 February 2020, Martin Green's pension contribution was reduced from 15% to 8% of base salary.

Executive Director	Pension allowance
Stephen Bird (20% of salary)	£97,773
Martin Green (8% of salary)	£29,252

(4) Annual bonus

The maximum opportunity remains unchanged at 125% of base salary. Half of any net after tax annual bonus earned for the year ended 31 December 2022 will be deferred into the DBP for a period of three years and held in the form of shares in the Company. There will be no matching award that can be earned on this deferred bonus. The table below provides information on the performance measures against which performance for the 2022 Annual Bonus Plan will be measured:

Core measures for 2022 Annual Bonus Plan	Weighting (% of overall opportunity)
Adjusted Group profit before tax*	50%
Group percentage of adjusted operating profit* converted to operating cash flow*	25%
Role-specific personal objectives set by the Board and Remuneration Committee for the Executive Director	25%

The performance measures selected reflect the strategic and operational objectives of the Group. The Profit and Cash Conversion measures are independently assessed. The Group percentage of operating profit converted to operating cash metric for 2022 will be measured against targets set for H1 2022 performance and full year 2022 performance, with one-third for half year and two-thirds for the full year. The Committee considers that the specific targets and personal objectives for 2022 are commercially sensitive and therefore has not disclosed them. The Committee will disclose these targets and objectives once a bonus has been paid and subject to the Committee considering that they are no longer commercially sensitive.

(5) Long Term Incentive Plan

Stephen Bird and Martin Green will each receive an award of shares under the LTIP. These awards will be made in the 42-day period following the announcement of the full year results for the year ended 31 December 2021 that will be announced on 1 March 2022. The performance conditions for the 2022 LTIP awards will be as follows: 67% of the award will be subject to adjusted basic EPS* growth over a three-year performance period. For the adjusted EPS performance condition, we propose a challenging adjusted EPS performance corridor to reflect the ambitious growth plans for the business. We therefore propose an adjusted EPS performance condition with threshold vesting at 25% of the award for an adjusted EPS growth target of 100 pence and full vesting of the award for adjusted EPS growth target of 130 pence, using 2021's adjusted EPS of 69.9 pence as a base. The remaining 33% of the award will be subject to TSR with the Company's TSR performance ranked against the constituents of the FTSE 250 Index (excluding financial services companies and investment trusts) over a three-year performance period. Threshold performance for the TSR element will be at the medium point of the comparator group and will result in 25% of an award vesting. Full vesting of the TSR element will be at the upper quartile of the comparator group. A straight-line sliding scale will operate between each of the above points. Below threshold, none of the TSR element will vest. For the 2022 LTIP award we will revert to a level of award representing 125% of salary – which represents the same level of award pre the COVID-19 pandemic. Vesting of the 2022 LTIP award will be consistent with that described on page 112. Vesting will be underpinned by Committee discretion that will take into account, in particular, ROCE performance over the performance period for the EPS element of the award. Any awards vesting under the LTIP 2022, after deduction of taxes, will be subject to a further two-year holding period, thereby more closely aligning the participants' interests with the long-term interests of shareholders.

Remuneration Policy report/continued

(6) Chairman and Non-Executive Directors' remuneration

The fee structure for the Chairman and Non-Executive Directors for 2022 is set out in the following table:

Role	2022 fee	2021 fee
Chairman	£175,000(1)	£170,000
Non-Executive Directors' base fee	£52,750(2)	£51,250
Chairman of Audit Committee	£10,000(3)	£10,000
Chairman of Remuneration Committee	£10,000(3)	£10,000
Senior Independent Director	£8,000(3)	£8,000
Employee Engagement Non-Executive Director	£5,000(4)	£5,000

(1) Ian McHoul became Chairman on 21 May 2019 when the Chairman's fee was increased to £170,000 per annum. Given that no increase has been given since that date and the increased demands in the role as Chairman, the Board has agreed that the Chairman's fee be increased to £175,000 from 1 January 2022. This increase reflects a similar level given to the wider employee workforce of 3 per cent and also is in line with market data provided by FIT Remuneration for the role.

(2) Following a review of Non-Executive Directors' fees with the support of FIT Remuneration Consultants, it was concluded that a 3% increase to the base fee would be applied for 2022. This aligned the Non-Executive Directors increase with the Executive Directors and wider employee workforce, also took into account the ongoing recovery of the business from the impact of the COVID-19 pandemic and that no increase was given in 2021 to support the recovery of the business.

(3) The Chairman of the Remuneration Committee and Senior Independent Director were last increased to their current level in 2019 to take account of the nature of each role, the time commitment, performance of the respective individuals, market rates for the complexity of the roles and the calibre of individuals. The Audit Committee Chairman's fee upon review was considered to be in line with market rates and appropriate for the demands of the role and complexity of the Company.

(4) In 2019, the Company appointed Caroline Thomson as the Non-Executive Director with responsibility for employee engagement in accordance with the 2019 UK Corporate Governance Code. Given the responsibility of this role and additional work associated with it, the Board approved that a fee of £5,000 per annum be payable to Caroline Thomson for that role. This fee will be paid to any other successor Non-Executive Director in future years. A full description of the activity involved with this role is given on pages 64 of the Annual Report.

The Board has agreed that fees will typically be reviewed annually to ensure that they remain appropriate.

Malus and clawback

Under the rules of the Annual Bonus Plan, LTIP and DBP, awards are subject to a malus rule whereby the Remuneration Committee has the power to reduce, cancel or impose further conditions upon a bonus or award in circumstances that the Committee determines such action is appropriate, including circumstances where a material misstatement of the Company's audited financial results has occurred, or serious reputational damage to the Company has occurred as a result of a participant having breached the Company's Code of Conduct, a miscalculation or an assessment of any performance conditions that was based on incorrect information, or the occurrence of an insolvency or administration event. In addition, under the above plans, a clawback provision exists where in the same circumstances as for malus, any future award that is paid out can be clawed back from a participant for a period of up to three years from it vesting or being paid out.

Voting at Annual General Meeting

At the Company's last AGM held on 6 May 2021, shareholders were asked to vote for an advisory vote on the Directors' Annual Remuneration report for the year ended 31 December 2020. The resolution was approved by shareholders on a poll at the 2021 AGM and the table below sets out the proxy votes voted for, against and withheld for the resolution.

Resolution	For proxy votes and % of votes cast	Against proxy votes and % of votes cast	Withheld proxy votes
Advisory vote on the Remuneration report for the year ended 31 December 2020	32,395,463	8,051,377	477,464
	80.79%	19.91%	

The Remuneration Policy report was voted on by shareholders at the Company's AGM held on 27 May 2020. The details of that vote are set out below:

Resolution	For proxy votes and % of votes cast	Against proxy votes and % of votes cast	Withheld proxy votes
Remuneration Policy report – to cover Directors remuneration for the period from the 2020 AGM through to the 2023 AGM	30,806,064	3,888,644	1,641,632
	88.79%	11.21%	

As at the date of the Company's AGM on 6 May 2021 the Company had 46,240,200 ordinary shares in issue. The Remuneration Committee, in line with guidance, considers that an against vote of 20% or more of the votes cast is deemed to be significant in connection with a resolution on Directors' remuneration. The Committee was clear that while not constituting a significant against vote of 20% or more, those voting against were concerned by the structure of the performance conditions tied to the 2021 LTIP award. The Committee has noted this and will take that into account for the 2022 LTIP award and in future years. In the event that a significant level of concern is raised at future AGMs, both the Chairman of the Board and the Chairman of the Remuneration Committee will contact the Company's major shareholders following an AGM to understand the precise detail of the concern being raised. Subject to that, the Committee and the Board as a whole will consider how best to address the concern being raised. This may involve a revision to the Company's Policy on Directors' remuneration at a subsequent AGM or some other change which can be implemented without further shareholder consultation. The Committee and the Board are committed to an open and transparent dialogue with shareholders on material matters of concern.

The Remuneration Committee

The Remuneration Committee comprised the following members during 2021: Caroline Thomson – Chairman, Christopher Humphrey, Richard Tyson and Duncan Penny.

All of the Committee members are independent Non-Executive Directors. Erika Schraner who will join the Board as an independent Non-Executive Director on 1 May 2022, will become a member of the Remuneration Committee with effect from that same date.

The Committee, on behalf of the Board, determines the Policy, base salaries, annual cash bonus arrangements, participation in incentive schemes, pension arrangements and all other benefits received by the Executive Directors including any exit packages.

The Committee also oversees the framework of remuneration for the Operations Executive, including terms of service, pay structure, annual cash bonus, pensions, share incentive arrangements and all other benefits and also has regard to wider employee remuneration within the Group.

The Committee invites individuals to attend meetings, as it deems necessary, to assist with consideration of remuneration matters. During 2021 the following individuals attended meetings of the Committee: Ian McHoul (Board Chairman), Stephen Bird (Group Chief Executive), Martin Green (Group Finance Director), and Jon Bolton (Group Company Secretary). Representatives of the Committee's remuneration advisor, FIT Remuneration Consultants, also attended meetings in 2021.

The Executive Directors or members of the Operations Executive are not present when their own remuneration is being considered.

The remuneration of the Chairman and the Non-Executive Directors is determined by the Board as a whole, with the Chairman or the relevant Non-Executive Director abstaining when his or her remuneration is considered.

For further information regarding governance for the Remuneration Committee see pages 106 to 108 of this Annual Report.

External advisors

The Committee appointed FIT Remuneration Consultants as its external remuneration advisor in 2019. Their appointment involved the Committee Chairman reviewing several potential advisors including written proposals and interviews. Following this process, the Remuneration Committee selected FIT Remuneration. FIT Remuneration Consultants charge for their time given in providing a service to the Company and during 2021 the level of fees paid to remuneration advisors totalled £30,825 (2020: £22,281) and was charged on a time basis. This fee covered advice relating to disclosures in the 2020 Directors' Remuneration report, measurement of performance conditions associated with long-term incentive arrangements and general remuneration advice. FIT Remuneration do not provide any other services to the Company. FIT Remuneration Consultants are a member of the Remuneration Consultants Group and operates under that Group's voluntary code of practice for remuneration consultants in the UK. The Committee is satisfied that the advice it received from FIT Remuneration Consultants during 2021 was objective and independent. The Company or any of its individual Directors has no other connection with FIT Remuneration Consultants other than as acting as the Committee's external remuneration advisor. The Committee also received advice and administrative support during 2021 from the Group Company Secretary, Jon Bolton.

This Annual Remuneration report has been approved by the Remuneration Committee and signed on its behalf by:

Caroline Thomson
Chairman, Remuneration Committee
28 February 2022

* This report provides 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 aid 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 on pages 201 to 203.

Directors' report

Directors

The Directors who held office at 31 December 2021 and up to the date of this report are set out on pages 78 and 79 along with their biographies and photographs. There were no changes to the Board during 2021.

The Company announced on 20 December 2021 that Erika Schraner is to join the Board as an independent Non-Executive Director with effect from 1 May 2022. All current Directors and Erika Schraner will be standing for reappointment at the forthcoming AGM to be held on Tuesday, 17 May 2022.

The Company also announced that Duncan Penny will not be seeking reappointment at the 2022 AGM and he will therefore cease to be a Director of the Company at the close of the AGM on Tuesday, 17 May 2022.

The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration report on pages 106 to 135.

Directors' and Officers' liability insurance and indemnification of Directors

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by law. Qualifying third-party indemnity provisions (as defined in Section 324 of the Companies Act 2006) have been adopted for each Director and indemnify in relation to certain losses and liabilities which the Directors may incur to third parties in the course of acting as Directors of the Company.

Company name change

The Vitec Group plc is proposing to change the Company name to "Videndum plc". This change is due to the need to differentiate ourselves from other companies around the world who also operate under the Vitec name. It is also necessary to avoid financial penalties under a now settled dispute with a third party with claimed prior rights to the term "Vitec" in some territories. Subject to shareholder approval at the AGM to be held on Tuesday, 17 May 2022, the Company's name will be changed to Videndum plc with effect from Monday, 23 May 2022. The meaning of Videndum is "to be seen" in Latin, which better reflects our Company purpose and growth plans. The AGM notice sets out some questions and answers in respect of the name change and how it will impact shareholders.

Shareholder rights

The Company's shareholders have a series of rights in connection with the governance of the Company. These are contained in statute, principally the Companies Act 2006, regulations such as the UKLA's Listing Rules and in the Company's Articles of Association. A shareholder, or shareholders acting together, can use procedures set out in the Companies Act 2006, to requisition a general meeting of the Company. The Directors are required to call such a general meeting once the Company has received requests to do so from shareholders representing at least 5% of the paid-up capital of the Company as carries the right of voting at general meetings of the Company (excluding any paid-up capital held as treasury shares).

Under the Companies Act 2006, either (i) a member or members representing at least 5% of the total voting rights of all the members having a right to vote on the resolution at the AGM (excluding voting rights attached to any treasury shares); or (ii) at least 100 members with the right to vote on the resolution at the AGM and each holding, on average, at least £100 of paid-up share capital, may require the Company to give members of the Company entitled to receive notice of the next AGM, notice of a resolution which may properly be moved at that meeting. Such a resolution may be properly moved unless it is defamatory, frivolous or vexatious or if it would be ineffective for any reason.

Such a request may be in hard copy or electronic form and must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it and must be received by the Company not less than six weeks before the meeting. A request for a matter to be included in the business of the meeting must also be accompanied by a statement setting out the grounds for the request.

Shareholders have an express right to vote annually on the Directors' Remuneration report and at least every three years they have the right to vote on the policy governing Directors' remuneration. Under the Company's Articles of Association, shareholders have the right to vote on the re-election of all Directors of the Company annually at the AGM.

It is also confirmed that under the Company's governance arrangements, including the Articles of Association, there are no anti-takeover devices or provisions to prevent a takeover of the ownership of the Company through the normal ways permitted under UK law and regulation. There are no limitations on share ownership and the issuance of new capital, subject to shareholder approval, would be to address funding needs and is not a tool for an anti-takeover measure.

Share capital

The Company has only ordinary shares of 20 pence nominal value in issue along with 133,600 shares held in treasury. Note 4.3 to the consolidated financial statements on page 181 summarises the rights of the ordinary shares as well as the number issued during 2021. An analysis of shareholdings is shown on page 205. The closing mid-market price of a share of the Company on 31 December 2021, together with the range during the year, is also shown on page 205. For details of own shares held by the Company see note 4.3 to the consolidated financial statements.

Dividends

The Board has recommended a final dividend of 24 pence per share amounting to £11.1 million (2020: 4.5 pence per share, amounting to £2.1 million. Interim dividend 11.0 pence per share amounting to £5.03 million). The final dividend, subject to shareholder approval at the 2022 Annual General Meeting, will be paid on Friday, 20 May 2022 to shareholders on the register at the close of business on Friday, 22 April 2022. This will bring the total dividend for the year to 35 pence per share. A dividend reinvestment alternative is available with details available from our registrars, Equiniti Limited.

Substantial shareholdings

As at 23 February 2022, the Company had been advised under the Disclosure Guidance and Transparency Rules, or had ascertained from its own analysis, that the following held notifiable interests in the voting rights in the Company's issued share capital:

Shareholder	Number of voting rights	% of voting rights
Alantra Asset Management	10,564,618	22.84%
Aberforth Partners	3,338,726	7.22%
Schroder Investment Management	3,088,455	6.68%
Franklin Templeton Investments	2,117,000	4.58%
Brown Capital Management	1,846,897	3.99%
Gidema SPA	1,743,734	3.77%
Tellworth Investments	1,719,678	3.72%
Chelverton Asset Management	1,627,500	3.52%
Invesco	1,380,332	2.98%
Royal London Asset Management	1,364,293	2.95%

Committees of the Board

The Board has established Audit, Nominations and Remuneration Committees. Details of these Committees, including membership, governance and their activities during 2021, are contained in the Governance section of this Annual Report and in the Remuneration report.

Companies Act 2006 disclosures

In accordance with Section 992 of the Companies Act 2006 the Directors disclose the following information:

- The Company's capital structure and voting rights are summarised in note 4.3, and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights
- The Company holds 133,600 ordinary shares in treasury which do not carry any voting rights
- There exist no securities carrying special rights with regard to the control of the Company
- Details of the substantial shareholders and their shareholdings in the Company are listed above
- Shares awarded under the Company's Deferred Bonus Plan are held in a nominee capacity by the Employee Benefit Trust ("EBT"). The Trustees of the EBT do not seek to exercise voting rights on shares held in the EBT. No voting rights are exercised in relation to shares unallocated to individual beneficiaries
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006
- There exist no agreements to which the Company is party that may affect its control following a takeover bid
- There exist no agreements between the Company and its Directors providing for compensation for loss of office that may occur because of a takeover bid.

Articles of Association

The Company's Articles of Association set out the rights of shareholders including voting rights, distribution rights, attendance at general meetings, powers of Directors, proceedings of Directors as well as borrowing limits and other governance controls. A copy of the Articles of Association can be requested from the Group Company Secretary.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles of Association for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable.

Political donations

Further to shareholder approval at the 2021 AGM empowering the Directors to make political donations, it is confirmed that no such donations were made in the year ended 31 December 2021. The Company's policy is not to make political donations. The 2025 AGM will be asked to renew this existing authority that expires in May 2025.

Reporting requirements

The following sets out the location of additional information which forms part of the Directors' report:

Reporting requirement	Comprising	Location
Strategic report	— An indication of the Group's likely future business developments — An indication of the Group's research and development activities — Information on the Group's policies for the employment of disabled persons and employee involvement — The Group's disclosures regarding greenhouse gas emissions	Pages 2 to 72
Non-financial information statement	— Environmental matters, employees, social matters, respect for human rights, anti-corruption and anti-bribery matters — Business model — Policies — Principal risks — Non-financial KPIs	Page 73
Statement on corporate governance	— Review of the Board's governance arrangements during the year — Review of the Board's Committee's arrangements during the year	Pages 74 to 105
Financial instruments	— Financial risk management objectives and policies of the Group — The exposure of the Group to foreign currency risk, interest rate risk, and liquidity risk	Note 4.2 to the consolidated financial statements on pages 177 to 182

Directors' report/continued

Reporting requirement	Comprising	Location
Responsible business	— Explanation of our approach to business ethics, employees, community and the environment	Pages 42 to 72
Employee engagement statement	— Explanation of how the Directors have engaged with employees and taken them into account when making principal decisions	Employee engagement section on pages 64 and 87. Stakeholder engagement statement on page 8
Statement regarding fostering relationships with suppliers, customers and others	— Explanation of how the Directors have fostered the Company's business relationships with suppliers, customers, employees and others, and taken each group into account when making principal decisions	Section 172(1) statement on page 6

Going concern

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future, which comprises the period of at least 12 months from the date of approval of the financial statements, being 28 February 2022. There are no material uncertainties that would prevent the Directors from being unable to make this statement. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU
- For the Parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Parent Company financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration report and Corporate Governance statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In addition, each of the Directors considers that the Annual Report, taken as a whole, is fair, balanced and understandable and that it provides all the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Post Balance Sheet events

The acquisition of Audix was completed on 11 January 2022 for consideration of up to $54.3 million (£39.9 million). Further details can be found on page 172.

Disclosure of information to the auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(2) of the Companies Act 2006) of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting (AGM)

The 2022 AGM will be held at 11.00am on Tuesday, 17 May 2022 at The Academy of Medical Sciences, 41 Portland Place, London W1B 1QH. Should it be necessary to rearrange the venue and timing for the AGM, we will communicate this to shareholders by way of a stock exchange announcement.

The Company will be making use of the electronic voting facility provided by its registrars, Equiniti Limited. The facility includes CREST voting for members holding their shares in uncertificated form. For further information, please refer to the section on online services and electronic voting set out in the notes to the Notice of Meeting.

The notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying this Annual Report. The Board fully supports all the resolutions set out in the Notice and encourages shareholders to vote in favour of each of them as they intend to in respect of their own shareholdings.

Auditor

Deloitte LLP has expressed its willingness to continue in office as auditor and separate resolutions will be proposed at the forthcoming AGM concerning their reappointment and to authorise the Board to agree their remuneration.

By order of the Board

Jon Bolton
Group Company Secretary and HR Director
28 February 2022

Independent auditor's report to the members of The Vitec Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of The Vitec Group plc (the "Parent Company") and its subsidiaries (the "Group") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company Balance Sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated statement of cash flows;
- the related Group notes 1 to 5 and Parent Company notes a to q.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the "FRC's") Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 2.1 to the financial statements. We confirm that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matter	The key audit matter that we identified in the current year is: – Valuation of inventory obsolescence provision Within this report, key audit matter is: → Similar level of risk
Materiality	The materiality that we used for the Group financial statements was £2.3 million which was determined on the basis of a blended range of measures, including profit before tax, revenue and net assets.
Scoping	We focused our scope on the three trading divisions: Vitec Imaging Solutions, Vitec Production Solutions and Vitec Creative Solutions. These were subject either to full scope audits, audit of specified account balances or specified audit procedures which account for 94% of Group revenue and 86% of net assets.

Independent auditor's report to the members of The Vitec Group plc/continued

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Assessing the risk associated with going concern considering the Group's business model, operations and financing, as well as indicators of possible management bias;
- Evaluating the mathematical integrity of and the relevance and reliability of the underlying data used in management's assessment;
- Challenging management's method to assess going concern, specifically by comparing changes in assumptions from prior year to changes in principal risks, checking the consistency of forecasts and assumptions with each other and those used in other areas, obtaining supporting evidence for management's assumptions including the rate of revenue recovery and operating leverage, and evaluating contradictory evidence including historical forecasting inaccuracy and market research;
- Challenging the reasonableness and robustness of management base case forecasts by performing independent sensitivity analysis;
- Assessing management's plans for future actions and considered additional facts or information available subsequent to management's assessment; and
- Assessing the adequacy and appropriateness of disclosures.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Valuation of inventory obsolescence provision

Key audit matter description	At 31 December 2021, the gross inventory balance was £106.8 million (2020: £83.0 million), against which there was £18.3 million (2020: £18.2 million) provision. Significant management judgement is involved in determining the adequacy of the inventory obsolescence provision across a wide range of products, within different geographical regions, set against a backdrop of ever-changing technology in the image capture and sharing market. Given the high level of management judgement involved, particularly in respect of forecast future usage, we deemed this a potential fraud risk for our audit. Management has highlighted inventory provisioning as a key accounting estimate in Section 1. The Audit Committee report on page 105 also refers to inventory provisioning as one of the significant issues and judgements. Further information is included in note 3.3 to the financial statements.
How the scope of our audit responded to the key audit matter	In order to address this key audit matter, we have completed audit procedures including: – Obtaining an understanding of the controls relating to inventory provisioning; – Evaluating the appropriateness of the methodology used to calculate the inventory provision; – Challenging the reasonableness of management's judgements and the assumptions used, specifically by assessing the provision percentages in relation to sales demand with comparison to prior years; – Assessing the integrity of the underlying calculation by checking the accuracy of the ageing of discontinued and slow-moving inventory items; – Assessing the level of inventory write-offs in the year compared to the overall inventory provision at 31 December 2020; and – Assessing the exposure of inventory relating to slow-moving ranges but for which no provision is included, together with testing the appropriateness of a sample of manual adjustments.
Key observations	Based on the audit procedures performed we are satisfied the overall inventory provision is appropriate.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Materiality	£2.3 million (2020: £1.6 million)	£2.1 million (2020: £1.5 million)
Basis for determining materiality	The materiality that we used for the Group financial statements was £2.3 million which was determined on the basis of a blended range of measures, including revenue, net assets. This approach is consistent with the prior year.	Parent Company materiality equates to 1% of net assets, which is capped at 95% of Group materiality, this is consistent with the prior year.
Rationale for the benchmark applied	The basis on which we have determined materiality in the current year is consistent with the prior year, which reflects the impact of COVID-19 on the scale of the Group's operations and reflects the metrics that are most relevant for the users of the financial statements. Materiality of £2.3 million represents 0.6% of revenue (2020: 0.6%) and 1.3% of net assets (2020: 1.1%).	Net assets benchmark has been used as this is a non-trading holding company and we consider this to be the most appropriate basis.

Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent Company financial statements
Performance materiality	70 % (2020: 70%) of Group materiality	70% (2020: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: – the overall quality of the control environment where no significant deficiencies were identified; – the low turnover of management and key accounting personnel; and – the low number of corrected and uncorrected misstatements identified in previous audits.	

6.2. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.11 million (2020: £0.08 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

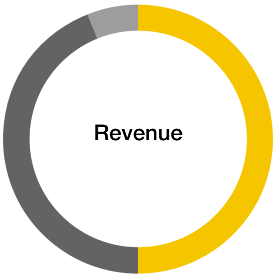
7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

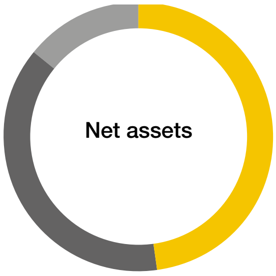
Based on that assessment we focused our scope on the three trading divisions: Vitec Imaging Solutions, Vitec Production Solutions and Vitec Creative Solutions. These were subject to either full scope audits, audit of specified account balances, specified audit procedures and analytical reviews which account for 94% (2020: 92%) of Group revenue and 86% (2020: 92%) of net assets. These audit procedures were performed to materiality levels applicable to each entity, which was lower than the Group materiality level and ranged from £0.9 million to £2.1 million (2020: £0.6 million to £1.5 million).

At the parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to a full audit.

Independent auditor's report to the members of The Vitec Group plc/continued



Full audit scope	50%
Audit of specified account balances or specified audit procedures	44%
Review at Group level	6%



Full audit scope	48%
Audit of specified account balances or specified audit procedures	38%
Review at Group level	14%

7.2. Working with other auditors

The Group audit team instructed component auditors as to the significant risk areas to be addressed, including the key audit matter in respect of the valuation of the inventory obsolescence provision, and other relevant risks through the issuance of detailed referral instructions. The Group audit team had video conference meetings with the Divisional head office of each of the three trading divisions in Italy, the UK and US.

Due to inability to travel our component oversight visits were replaced with video conference meetings. We engaged regularly with the component auditors, considered and discussed the appropriateness of their local risk assessment, attended video closing meetings with them and component management teams, reviewed their work and reviewed their component reporting.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group’s remuneration policies, key drivers for directors’ remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Group’s in-house and external legal counsel and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group’s documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation of inventory. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group’s ability to operate or to avoid a material penalty. These included the Group’s regulatory solvency requirements and covenants requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation of inventory obsolescence provision as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter:

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee, in-house and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report to the members of The Vitec Group plc/continued

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 138;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 34;
- the directors' statement on fair, balanced and understandable set out on page 76;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 36 to 41;
- the section of the annual report that describes the review of the effectiveness of risk management and internal control systems set out on page 103; and
- the section describing the work of the Audit Committee set out on page 100 to 105.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the members at the Company's Annual General Meeting on 15 May 2018 to audit the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 December 2018 to 31 December 2021.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

David Halstead FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
St Albans, United Kingdom

28 February 2022

Introduction and table of contents

Each section sets out the accounting policies applied in producing these financial statements together with any key judgements and estimates used. Text boxes provide an introduction to each section.

Consolidated Income Statement

For the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Revenue	2.1	**394.3**	290.5
Cost of sales	2.1	**(221.2)**	(178.5)
Gross profit		**173.1**	112.0
Operating expenses	2.1/2.2	**(139.6)**	(115.3)
Operating profit/(loss)	2.1	**33.5**	(3.3)
Comprising:			
– Adjusted operating profit		**46.2**	9.9
– Charges associated with acquisition of businesses and other adjusting items	2.2	**(12.7)**	(13.2)
		33.5	(3.3)
Net finance expense	2.3	**(3.9)**	(4.4)
Profit/(loss) before tax		**29.6**	(7.7)
Comprising:			
– Adjusted profit before tax		**42.4**	5.5
– Charges associated with acquisition of businesses and other adjusting items, including finance expense	2.2	**(12.8)**	(13.2)
		29.6	(7.7)
Taxation	2.4	**(3.7)**	2.4
Comprising taxation on:			
– Adjusted profit		**(10.3)**	(1.4)
– Charges associated with acquisition of businesses and other adjusting items		**6.6**	3.8
		(3.7)	2.4
Profit/(loss) for the year attributable to owners of the parent		**25.9**	(5.3)
Earnings per share			
Basic earnings per share	2.5	**56.4p**	(11.6)p
Diluted earnings per share	2.5	**54.5p**	(11.6)p
Average exchange rates			
Euro		**1.16**	1.12
US$		**1.38**	1.29

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

	2021 £m	2020 £m
Profit/(loss) for the year	25.9	(5.3)
Other comprehensive income/(expense):		
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit obligation	6.9	(7.6)
Related tax	(0.7)	1.6
Items that are or may be reclassified subsequently to profit or loss:		
Currency translation differences on foreign currency subsidiaries	(3.9)	(0.7)
Net investment hedges – net gain/(loss)	0.2	(1.3)
Cash flow hedges – reclassified to the Income Statement, net of tax	(0.1)	0.7
Cash flow hedges – effective portion of changes in fair value, net of tax	(0.1)	(0.9)
Other comprehensive income/(expense), net of tax	2.3	(8.2)
Total comprehensive income/(expense) for the year attributable to owners of the parent	28.2	(13.5)

Consolidated Balance Sheet

As at 31 December 2021

	Notes	2021 £m	2020 £m
Assets			
Non-current assets			
Intangible assets	3.1	**174.1**	123.5
Property, plant and equipment	3.2	**60.7**	42.2
Trade and other receivables	3.3	**5.8**	1.5
Derivative financial instruments	4.2	**0.1**	–
Non-current tax assets	2.4	**3.0**	–
Deferred tax assets	2.4	**33.1**	24.6
		276.8	191.8
Current assets			
Inventories	3.3	**88.5**	64.8
Trade and other receivables	3.3	**60.0**	51.7
Derivative financial instruments	4.2	**–**	0.1
Current tax assets	2.4	**4.7**	8.9
Cash and cash equivalents	4.1	**11.0**	17.3
		164.2	142.8
Total assets		**441.0**	334.6
Liabilities			
Current liabilities			
Bank overdrafts	4.1	**3.1**	0.5
Interest-bearing loans and borrowings	4.1	**13.2**	50.6
Lease liabilities	4.1	**5.7**	4.7
Trade and other payables	3.3	**76.6**	44.8
Derivative financial instruments	4.2	**0.3**	–
Current tax liabilities	2.4	**16.0**	9.7
Provisions	3.5	**1.5**	3.7
		116.4	114.0
Non-current liabilities			
Interest-bearing loans and borrowings	4.1	**109.6**	40.8
Lease liabilities	4.1	**24.6**	11.5
Other payables	3.3	**0.4**	–
Post-employment obligations	5.2	**8.4**	15.9
Provisions	3.5	**2.9**	1.0
Deferred tax liabilities	2.4	**4.8**	6.0
		150.7	75.2
Total liabilities		**267.1**	189.2
Net assets		**173.9**	145.4
Equity			
Share capital		**9.3**	9.2
Share premium		**23.1**	21.7
Translation reserve		**(17.6)**	(13.9)
Capital redemption reserve		**1.6**	1.6
Cash flow hedging reserve		**(0.1)**	0.1
Retained earnings		**157.6**	126.7
Total equity	4.3	**173.9**	145.4
Balance Sheet exchange rates			
Euro		**1.19**	1.12
US$		**1.35**	1.37

Approved and authorised for issue by the Board on 28 February 2022 and signed on its behalf by:

Martin Green
Group Finance Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital £m	Share premium £m	Translation reserve £m	Capital redemption reserve £m	Cash flow hedging reserve £m	Retained earnings £m	Total equity £m
Balance at 1 January 2020	9.1	20.7	(11.9)	1.6	0.3	136.9	156.7
Loss for the year	–	–	–	–	–	(5.3)	(5.3)
Other comprehensive expense for the year	–	–	(2.0)	–	(0.2)	(6.0)	(8.2)
Total comprehensive expense for the year	–	–	(2.0)	–	(0.2)	(11.3)	(13.5)
Contributions by and distributions to owners							
Own shares purchased	–	–	–	–	–	(2.3)	(2.3)
Share-based payment charge, net of tax	–	–	–	–	–	3.4	3.4
New shares issued	0.1	1.0	–	–	–	–	1.1
Balance at 31 December 2020 and 1 January 2021	**9.2**	**21.7**	**(13.9)**	**1.6**	**0.1**	**126.7**	**145.4**
Profit for the year	–	–	–	–	–	25.9	25.9
Other comprehensive (expense)/income for the year	–	–	(3.7)	–	(0.2)	6.2	2.3
Total comprehensive (expense)/income for the year	–	–	(3.7)	–	(0.2)	32.1	28.2
Contributions by and distributions to owners							
Dividends paid	–	–	–	–	–	(7.1)	(7.1)
Own shares purchased	–	–	–	–	–	(5.8)	(5.8)
Share-based payment charge, net of tax	–	–	–	–	–	8.2	8.2
New shares issued	0.1	1.4	–	–	–	3.5	5.0
Balance at 31 December 2021	**9.3**	**23.1**	**(17.6)**	**1.6**	**(0.1)**	**157.6**	**173.9**

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 £m	2020 £m
Cash flows from operating activities			
Profit/(loss) for the year		**25.9**	(5.3)
Adjustments for:			
Taxation		**3.7**	(2.4)
Depreciation		**12.9**	13.1
Impairment losses on property, plant and equipment		**0.2**	0.6
Amortisation of intangible assets		**13.0**	13.5
Net gain on disposal of property, plant and equipment and software		**–**	(0.1)
Fair value gains on derivative financial instruments		**–**	(0.1)
Foreign exchange losses		**–**	0.3
Share-based payment charge		**7.9**	3.7
Earnout charges and retention bonuses		**0.8**	1.9
Net finance expense		**3.9**	4.4
Cash generated from operating activities before changes in working capital, including provisions		**68.3**	29.6
(Increase)/decrease in inventories		**(21.9)**	11.5
(Increase)/decrease in receivables		**(5.8)**	8.3
Increase/(decrease) in payables		**27.8**	(12.6)
Decrease in provisions		**(2.7)**	(2.8)
Cash generated from operating activities		**65.7**	34.0
Interest paid		**(4.5)**	(5.9)
Tax paid		**(6.5)**	(3.1)
Net cash from operating activities		**54.7**	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		**(10.8)**	(5.1)
Capitalisation of software and development costs		**(10.9)**	(10.6)
Acquisition of businesses, net of cash acquired		**(56.1)**	–
Net cash used in investing activities		**(77.7)**	(15.5)
Cash flows from financing activities			
Proceeds from the issue of shares		**1.5**	1.1
Own shares purchased		**(5.8)**	(2.3)
Principal lease repayments		**(5.7)**	(5.8)
Repayment of interest-bearing loans and borrowings		**(128.2)**	(76.9)
Borrowings from interest-bearing loans and borrowings		**160.8**	71.7
Dividends paid		**(7.1)**	–
Net cash from/(used) in financing activities		**15.5**	(12.2)
Decrease in cash and cash equivalents and overdrafts	4.1	**(7.5)**	(2.7)
Cash and cash equivalents at 1 January		**16.8**	18.9
Effect of exchange rate fluctuations on cash held		**(1.4)**	0.6
Cash and cash equivalents and overdrafts at 31 December		**7.9**	16.8

Section 1 – Basis of Preparation

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates.

The Vitec Group plc (the "Company") is a public company limited by shares incorporated in the United Kingdom under the Companies Act. The Company is registered in England and Wales and its registered address is Bridge House, Heron Square, Richmond TW9 1EN, United Kingdom. The consolidated financial statements of the Company as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group").

The Group's financial statements have been prepared in accordance with UK-adopted International Accounting Standards, and have been approved by the Directors.

The financial statements are principally prepared on the basis of historical cost. Areas where other bases are applied are identified in the accounting policy outlined in the relevant note.

In reporting financial information, the Group presents Alternative Performance Measures ("APMs") which are not defined or specified under the requirements of International Financial Reporting Standards ("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 and enable an alternative comparison of performance over time. A glossary on pages 201 to 203 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.

The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Going concern

The Group's business activities, together with its principal risks and uncertainties and other factors likely to affect its future development, performance and position are set out in the Strategic Report.

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review. In addition, note 4.2 "Financial instruments" includes the Group's financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to foreign currency risk, interest rate risk and liquidity risk.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis in preparing the financial statements, a range of scenarios have been modelled. The Directors have applied a robust process to assess the forecast scenarios which included applying severe but plausible downside risks and mitigating activities as set out in the Viability Statement on page 34. Neither the Group's latest forecast nor the downside scenarios modelled result in a breach of the covenants under the terms of its multicurrency Revolving Credit Facility ("RCF") and all scenarios show sufficient cash headroom to continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

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.

As such, the Directors are satisfied that it is appropriate for the Group to continue to adopt the going concern basis for preparing these financial statements.

Basis of consolidation

Subsidiaries are entities that are controlled by the Group. Control exists when the Group has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The results of subsidiaries sold or acquired during the year are included in the accounts up to, or from, the date that control exists.

Foreign currencies

The consolidated financial statements are presented in Sterling with the reporting currency of the Group's subsidiaries generally being that of the local country.

Transactions in foreign currencies are translated at the exchange rate on that day.

Foreign currency monetary assets and liabilities are translated at the year-end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a currency translation gain or loss may arise. Any such differences are recognised in the Income Statement.

Non-monetary assets and liabilities measured at historical cost are translated at the exchange rate on the day of the transaction, unless they are stated at fair value in which case they are translated at the exchange rate on the day the fair value was determined.

The assets and liabilities of overseas subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated at the year-end exchange rate. The revenues and expenses of these subsidiaries are translated at the weighted average exchange rate for the year. Where differences arise between these rates, they are recognised in the translation reserve within equity and other comprehensive income.

The cash flows of these companies are typically translated at the weighted average exchange rate for the year.

In the consolidated financial statements, currency translation gains and losses on external loans and borrowings which are designated as net investment hedges and on long-term inter-company loans that form part of the net investment in the subsidiaries are recognised directly in the translation reserve within equity and other comprehensive income.

In respect of all overseas companies, only those translation differences arising since 1 January 2004, the date of transition to IFRS, are presented as a separate component of equity. On disposal of such a company, the related translation reserve is released to the Income Statement as part of the gain or loss on disposal.

Significant judgements, key assumptions and estimates

The following provides information on those policies that the Directors consider critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The Directors believe that the consolidated financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

Critical accounting estimates and assumptions

The following are the critical estimates and assumptions that the Directors have made in the process of applying the Group's accounting policies and that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of acquired intangible assets

The Group's acquired intangible assets are amortised over useful lives which are estimated in accordance with IAS 38 "Intangible Assets" and reviewed each financial year-end.

Determination of useful lives are based upon a number of assumptions including: expected usage, typical product life cycles, public information on estimates of useful lives of similar assets and expected actions by competitors or potential competitors.

As such, reasonably possible changes to the useful lives of these assets could result in material adjustments to the carrying amount of acquired intangible assets.

At 31 December 2021, the carrying value of individually material acquired intangible assets is disclosed in note 3.1 "Intangible assets". A change of +/- one year to the useful lives of all the Group's acquired intangible assets would result in an increase/(decrease) of £2.3 million/(£3.3 million) to the closing net book value at 31 December 2022.

Inventory

Provisions are required to write down slow-moving, excess and obsolete inventory to its net realisable value. The estimation of inventory impairment is based on anticipated future sales of products over particular time periods. The anticipated level of future sales is determined primarily based on actual sales over a specified historic reference period of between six and twelve months, which is determined by management and is deemed appropriate to the type of inventory. See note 3.3 "Working capital".

Pension benefits

The actuarial valuations associated with the pension schemes involve making assumptions about discount rates, future salary increases, future pension increases and mortality rates. All assumptions are reviewed at each reporting date. Further details about the assumptions used and sensitivities are set out in note 5.2 "Pensions".

Acquisitions

Acquisitions are accounted for under the acquisition method, based on the fair values of the consideration paid. Assets and liabilities, with limited exceptions, are measured at their fair value at the acquisition date. The Group estimates the provisional fair values and useful lives of acquired assets and liabilities at the date of acquisition. The valuation of acquired intangibles is subject to estimation of future cash flows and the discount rate applied to them. Determination of the useful economic lives of technology-related intangible assets requires assumptions about future market trends and future risk of replacement or obsolescence of those assets. The useful economic lives of intangible assets are disclosed in note 3.1 "Intangible assets".

Tax

The Group is subject to income taxes in a number of jurisdictions. Management is required to make estimates in determining the provisions for income taxes and deferred tax assets and liabilities recognised in the consolidated financial statements. Tax benefits are recognised to the extent that it is probable that sufficient taxable income will be available in the future against which temporary differences and unused tax losses can be utilised. The most significant estimates made are in relation to the recognition of deferred tax assets arising from carried forward tax losses. The recovery of those losses is dependent on the future profitability of Group entities based in the jurisdictions with those carried forward tax losses, most significantly in the United States. The assumptions used in the measurement of the deferred tax assets are consistent with those as disclosed in note 3.1 "Intangible assets" in relation to the impairment tests of cash-generating units ("CGUs") containing goodwill. See note 2.4 "Tax" for further details of the carrying amounts of deferred tax assets.

Section 1 – Basis of Preparation/continued

Critical judgements in applying the Group's accounting policies

The following are critical judgements that the Group makes, apart from those involving estimations (which are dealt with above), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Development costs

The Group capitalises development costs which meet the criteria under IAS 38 "Intangible Assets" and discloses the amount capitalised in note 3.1 "Intangible assets". The Group makes significant judgements in the application of IAS 38, particularly in relation to its requirements regarding the technical feasibility of completing the asset and the Group's ability to sell and generate future economic benefits from the intangible asset.

Tax

In relation to tax, these include the interpretation and application of existing legislation. The Group's key judgement relates to the application of tax law in relation to the EU State Aid investigation. Details in relation to this judgement are set out in note 2.4 "Tax".

Impact of adoption of new accounting standards

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates ("IBOR") to alternative benchmark interest rates (also referred to as "risk-free rates" or "RFRs") without giving rise to accounting impacts that would not provide useful information to users of financial statements.

As a result of the Phase 2 amendments, when the contractual terms of the Group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. The Group has not restated the prior period. The amendments have been applied retrospectively with no impact to equity as at 1 January 2021.

If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes.

An amendment to IFRS 16 "Leases" was issued by the International Accounting Standards Board on 28 May 2020. The amendment provides lessees with a practical expedient from assessing whether a COVID-19-related rent concession is a lease modification. In March 2021, the International Accounting Standards Board issued COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) that extends the practical expedient to apply to reductions in lease payments originally due on or before 30 June 2022.

During the year, the Group adopted both of the amendments and they had no material impact.

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.

Section 2 – Results for the Year

This section focuses on the profitability of the Group. On the following pages you will find disclosures relating to the following:
2.1 Profit before tax (including segmental information)
2.2 Charges associated with acquisition of businesses and other adjusting items
2.3 Net finance expense
2.4 Tax
2.5 Earnings per share

2.1 Profit before tax (including segmental information)

This shows the analysis of the Group's profit before tax by reference to its three Divisions. Further segmental information and an analysis of key operating expenses are also shown here.

Accounting policies

Government grants

The Group has received government assistance as a result of the COVID-19 pandemic in the form of contributions towards employee costs. For government assistance which meets the definition of a government grant under IAS 20, the Group applies the income approach to account for the grants received. As such, the grant is recognised in the Income Statement as a reduction of the related costs incurred.

Revenue recognition

Sale of goods

Revenue from the sale of goods is recognised when the Group sells a product to a customer and control has passed. This is either once the product has been shipped or delivered to the customer, depending on the terms and conditions of the sale. Payment terms vary by Division and customer but where credit terms are given, payments are due generally 30 days after control of the goods has passed to the customer. Revenue is recognised at the transaction price exclusive of sales tax, adjusted for the expected level of returns, trade discounts and volume rebates. For the products expected to be returned, both a refund liability and a right to the returned goods are recognised using an expected value method based on past history.

Some contracts include multiple deliverables, such as the sale of the product and its installation. If material, distinct goods and services are accounted for as separate performance obligations. The transaction price is allocated to each performance obligation based on their standalone selling prices.

Service contracts

Revenue from rental service contracts which are fulfilled using the Group's equipment and operators is recognised in the accounting period in which the services are rendered. Payment terms vary and there can be small advance payments but generally payments are due as services are rendered.

Generally, contracts with customers are for periods of one year or less. As a result, the transaction price allocated to any unsatisfied contracts is not disclosed, as permitted by IFRS 15.

Licences

Software licences are sold by the Group on a standalone basis and together with a tangible product. If the licence is considered distinct, the revenue recognition pattern is based on whether the licence is a right-to-use intellectual property (revenue recognised at a point in time) or a right-to-access intellectual property (revenue recognised over time). The majority of the licences granted by the Group represent a right-to-use intellectual property for which payments are generally in advance. From a right-to-access intellectual property, payments are normally on a monthly basis with a credit period of 30 days.

Financing components

The Group generally does not have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

Section 2 – Results for the Year/continued

2.1 Profit before tax (including segmental information) continued

Segment reporting

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. Further details on the nature of these segments and the products and services they provide are contained in the Strategic Report.

	Imaging Solutions		Production Solutions		Creative Solutions		Corporate and unallocated		Consolidated	
	2021 £m	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Analysis of revenue from external customers, by location of customer										
United Kingdom	**17.4**	9.4	**13.4**	7.8	**6.3**	3.9	**–**	–	**37.1**	21.1
The rest of Europe	**72.6**	54.4	**36.2**	21.1	**8.7**	4.7	**–**	–	**117.5**	80.2
North America	**62.1**	53.8	**53.8**	35.4	**52.0**	38.1	**–**	–	**167.9**	127.3
Asia Pacific	**37.8**	35.7	**14.4**	13.0	**9.4**	6.1	**–**	–	**61.6**	54.8
The rest of the World	**4.8**	3.4	**4.0**	2.8	**1.4**	0.9	**–**	–	**10.2**	7.1
Total revenue from external customers	**194.7**	156.7	**121.8**	80.1	**77.8**	53.7	**–**	–	**394.3**	290.5
Inter-segment revenue[(1)]	**0.2**	0.2	**0.5**	0.2	**0.2**	0.3	**(0.9)**	(0.7)	**–**	–
Total revenue	**194.9**	156.9	**122.3**	80.3	**78.0**	54.0	**(0.9)**	(0.7)	**394.3**	290.5
Adjusted operating profit/(loss)	**26.6**	9.7	**28.0**	7.6	**8.3**	3.3	**(16.7)**	(10.7)	**46.2**	9.9
Amortisation of acquired intangible assets	**(1.2)**	(1.5)	**(0.3)**	–	**(5.7)**	(6.1)	**–**	–	**(7.2)**	(7.6)
Integration and restructuring costs	**(0.4)**	(1.6)	**(0.4)**	(0.9)	**–**	–	**(0.1)**	(0.3)	**(0.9)**	(2.8)
Acquisition related charges	**(1.2)**	(0.8)	**(0.2)**	–	**(3.2)**	(2.0)	**–**	–	**(4.6)**	(2.8)
Operating profit/(loss)	**23.8**	5.8	**27.1**	6.7	**(0.6)**	(4.8)	**(16.8)**	(11.0)	**33.5**	(3.3)
Net finance expense									**(3.9)**	(4.4)
Taxation									**(3.7)**	2.4
Profit/(loss) for the year									**25.9**	(5.3)
Segment assets	**186.6**	124.3	**101.7**	86.2	**98.2**	72.5	**2.7**	0.8	**389.2**	283.8
Unallocated assets										
Cash and cash equivalents							**11.0**	17.3	**11.0**	17.3
Non-current tax assets							**3.0**	–	**3.0**	–
Current tax assets							**4.7**	8.9	**4.7**	8.9
Deferred tax assets							**33.1**	24.6	**33.1**	24.6
Total assets									**441.0**	334.6
Segment liabilities	**57.1**	34.2	**37.9**	32.7	**18.8**	13.1	**6.6**	1.6	**120.4**	81.6
Interest-bearing loans and borrowings	**0.6**	0.6	**–**	–	**0.4**	0.4	**121.8**	90.4	**122.8**	91.4
Unallocated liabilities										
Bank overdrafts							**3.1**	0.5	**3.1**	0.5
Current tax liabilities							**16.0**	9.7	**16.0**	9.7
Deferred tax liabilities							**4.8**	6.0	**4.8**	6.0
Total liabilities									**267.1**	189.2
Cash flows from operating activities	**32.2**	19.1	**30.4**	12.2	**8.8**	6.8	**(16.7)**	(13.1)	**54.7**	25.0
Cash flows from investing activities	**(49.7)**	(4.8)	**(5.4)**	(4.0)	**(22.6)**	(6.7)	**–**	–	**(77.7)**	(15.5)
Cash flows from financing activities	**(2.5)**	(3.0)	**(2.0)**	(1.8)	**(1.1)**	(1.2)	**21.1**	(6.2)	**15.5**	(12.2)
Capital expenditure										
Property, plant and equipment	**6.8**	2.2	**3.4**	2.6	**0.6**	0.3	**–**	–	**10.8**	5.1
Software and development costs	**2.9**	2.6	**1.1**	1.5	**6.9**	6.5	**–**	–	**10.9**	10.6

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

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

One customer (2020: one) accounted for more than 10% of external revenue. In 2021, the total revenue from this customer, which was recognised in all three segments, was £50.4 million (2020: £33.3 million).

Operating expenses

	2021 £m	2020 £m
Analysis of operating expenses		
– Charges associated with acquisition of businesses and other adjusting items[1]	12.6	11.8
– Other administrative expenses	57.6	47.3
Administrative expenses	70.2	59.1
Marketing, selling and distribution costs	49.5	41.2
Research, development and engineering costs	19.9	15.0
Operating expenses	139.6	115.3

(1) Total charges associated with acquisition of businesses and other adjusting items are £12.7 million (2020: £13.2 million) of which £12.6 million (2020: £11.8 million) are recognised in operating expenses and £0.1 million (2020: £1.4 million) in cost of sales. See note 2.2 "Charges associated with acquisition of businesses and other adjusting items".

Operating profit

	2021 £m	2020 £m
The following items are included in operating profit		
Fees payable to Deloitte for the audit of the Company's financial statements	0.6	0.2
Fees payable to Deloitte for:		
– The audit of the subsidiaries[1]	0.7	0.5
– Audit-related assurance services	0.1	0.1

(1) This amount is a corrected figure from the disclosure in the Annual Report and Accounts 2020 which was previously reported as £0.7 million.

2.2 Charges associated with acquisition of businesses and other adjusting items

The Group presents APMs in addition to its statutory results. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

APMs used by the Group and, where relevant, a reconciliation to statutory measures are set out in the glossary to these financial statements on pages 201 to 203. Adjusting items are described below along with more detail of the specific adjustment and the Group's rationale for the adjustment.

The Group's key performance measures, such as adjusted operating profit, exclude charges associated with acquisition of businesses and other adjusting items.

Accounting policies

Adjusting items are split between charges associated with acquisition of businesses and other adjusting items. On this basis, the following are the Group's principal adjusting items when determining adjusted operating profit:

Charges associated with the acquisition of businesses

Amortisation of intangible assets that are acquired in a business combination

Acquired intangibles are measured at fair value, which takes into account the future cash flows expected to be generated by the asset rather than past costs of development. Additionally, acquired intangibles include assets such as brands, know-how and relationships which the Group would not normally recognise as assets outside of a business combination. The amortisation of the fair value of acquired intangibles is not considered to be representative of the normal costs incurred by the business within the Group on an ongoing basis. On an ongoing basis, the Group capitalises development costs of intangible assets and the costs of purchasing software. These intangible assets are recognised at cost and the amortisation of these costs are included in adjusted operating profit.

Effect of fair valuation of acquired inventory

As part of the accounting for business combinations, the Group measures acquired inventory at fair value as required under IFRS 3. This results in the carrying value of acquired inventory being higher than its original cost-based measure. The impact of the uplift in value has the effect of increasing cost of sales thereby reducing the Group's gross profit margin which is not representative of ongoing performance.

Finance costs – amortisation of loan fees on borrowings for acquisitions

Upfront borrowing fees related to funding for acquisitions do not reflect the ongoing funding cost of the investment and so are adjusted to ensure consistency between periods.

Transaction costs

Transaction costs related to the acquisition of a business do not reflect its trading performance and so are adjusted to ensure consistency between periods.

Section 2 – Results for the Year/continued

2.2 Charges associated with acquisition of businesses and other adjusting items continued

Earnout charges and retention bonuses agreed as part of the acquisition

Under IFRS 3, most of the Group's earnouts are treated as post combination remuneration, although the levels of remuneration generally do not reflect market rates and do not get renewed as a salary (or other remuneration) might. The Group considers this to be inconsistent with the economics reflected in the deals because other consideration for the acquisition is effectively included in goodwill rather than in the Income Statement. Retention agreements are generally entered into with key management at the point of acquisition to help ensure an efficient integration.

Integration costs

For an acquired business, the costs of integration, such as termination of third-party distributor agreements, severance and other costs included in the business's defined integration plan, do not reflect the business's trading performance and so are adjusted to ensure consistency between periods.

Other adjusting items

- Restructuring costs and other associated costs arising from significant strategy changes that are not considered by the Group to be part of the normal operating costs of the business;
- Profit/(loss) on disposal of businesses;
- Impairment charges that are considered to be significant in nature and/or value to the performance of the business;
- Past service charges associated with defined benefit pensions, such as gender equalisation of guaranteed minimum pension ("GMP") for occupational schemes; and
- Other significant initiatives not related to trading.

In addition to the above, the current and deferred tax effect of adjusting items are taken into account in calculating post-tax APMs. In addition, the following are treated as adjusting items when considering post-tax APMs:

- significant adjustments to current or deferred tax which have arisen in previous periods but are accounted for in the current period; and
- the net effect of significant new tax legislation changes.

The APMs reflect how the business is measured and managed on a day-to-day basis including when setting and determining the variable element of remuneration of senior management throughout the Group (notably cash bonus and the Long Term Incentive Plan ("LTIP") described in more detail on pages 187 to 188).

Adjusted operating profit, adjusted profit before tax and adjusted profit after tax are not defined terms under IFRS and may not be comparable with similarly titled profit measures reported by other companies. They are not intended to be a substitute for IFRS measures. All APMs relate to the current year results and comparative periods where provided.

	2021 £m	2020 £m
Amortisation of acquired intangible assets(4)	(7.2)	(7.6)
Integration and restructuring costs(1) (4)	(0.9)	(2.8)
Acquisition related charges(2) (4)	(4.6)	(2.8)
Charges associated with acquisition of businesses and other adjusting items	(12.7)	(13.2)
Finance expense – amortisation of loan fees on borrowings for acquisitions(3) (4)	(0.1)	–
Charges associated with acquisition of businesses and other adjusting items, including finance expense	(12.8)	(13.2)

(1) Restructuring costs were mainly incurred in the Imaging Solutions and Production Solutions Divisions. In 2019, the Imaging Solutions Division began a strategic project to rebalance the allocation of resources from offline to online to enable growth, reduce operating costs and improve margins. The costs incurred in 2021 in relation to this project are mainly recruitment costs of £0.2 million (2020: £0.2 million) and professional fees of £0.3 million (2020: £0.3 million) including legal, tax and strategic consulting. In 2021, the Production Solutions Division incurred £0.4 million of integration costs in relation to the acquisition of Quasar. In 2020, the Production Solutions Division rationalised its cost base which resulted in redundancy costs of £0.9 million. All restructuring and integration costs in 2021 have been recognised in operating expenses.

(2) Acquisition related charges comprise the effect of fair valuation of acquired inventory of £0.1 million (2020: £0.9 million), earnout charges and retention bonuses of £2.8 million (2020: £1.9 million), and transaction costs relating to the acquisition of businesses of £1.7 million (2020: £nil).
The fair value uplift of £0.1 million (2020: £0.9 million) relating to acquired inventory sold or impaired by the Group since the business combination was adjusted from cost of sales.
The earnout and retention payment charge of £2.8 million (Quasar: £0.1 million, Lightstream: £2.6 million and Savage: £0.1 million) relates to continued employment. The charge incurred in 2020 was £1.9 million (Rycote: £0.8 million and Amimon: £1.1 million) and related both to continued employment and satisfaction of certain non-financial targets in relation to Rycote.
In 2021, transaction costs of £1.7 million (Quasar: £0.1 million, Lightstream: £0.5 million, Savage: £0.7 million and Audix: £0.4 million) were incurred in relation to acquisitions.

(3) Amortisation of loan fees of £0.1 million (2020: £nil) relating to borrowings for acquisitions was adjusted from net finance expense.

(4) See note 2.5 "Earnings per share" for tax relating to this.

2.3 Net finance expense

This note details the finance income and expense generated from the Group's financial assets and liabilities.

Accounting policies

Net finance expense comprises:

- foreign exchange gains and losses on cash and inter-company loans that are not net investment hedges;
- unwind of discount on liabilities;
- interest expense on lease liabilities;
- interest expense on borrowings and interest receivable on funds invested;
- fair value gain/loss on interest rate swaps designated as cash flow hedges; and
- net interest expense on net defined benefit pension scheme.

Net finance expense

	2021 £m	2020 £m
Finance income		
Net currency translation gains	0.5	0.6
Finance expense		
Other interest payable	–	(0.1)
Unwind of discount on liabilities	–	(0.1)
Interest expense on lease liabilities	(1.0)	(0.8)
Interest expense on interest-bearing loans and borrowings(1)	(3.3)	(3.9)
Interest expense on net defined benefit pension scheme(2)	(0.1)	(0.1)
	(4.4)	(5.0)
Net finance expense	(3.9)	(4.4)

(1) Interest expense on interest-bearing loans and borrowings of £3.3 million includes an amount of £0.1 million relating to amortisation of loan fees on borrowings for acquisitions. See note 2.2 "Charges associated with acquisition of businesses and other adjusting items".
(2) See note 5.2 "Pensions".

2.4 Tax

This note sets out the tax accounting policies, the total tax charge or credit in the Income Statement, and tax assets and tax liabilities in the Balance Sheet. This includes amounts relating to deferred tax.

Accounting policies

Income tax

The tax expense in the Income Statement represents the sum of current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Balance Sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised for all deductible temporary differences and carried forward unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

The carrying amount of deferred income tax assets is reviewed at each Balance Sheet date and increased or reduced to the extent of the probable level of taxable profit that would be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax liabilities are not recognised for the following temporary differences:

- goodwill not deductible for tax purposes or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- differences relating to investments in subsidiaries to the extent that the timing of the reversal is controlled by the Company and they will probably not reverse in the foreseeable future.

Section 2 – Results for the Year/continued

2.4 Tax continued

Tax – Income Statement

	2021 £m	2020 £m
The total taxation charge/(credit) in the Income Statement is analysed as follows:		
Summarised in the Income Statement as follows		
Current tax	11.4	2.1
Deferred tax	(7.7)	(4.5)
	3.7	(2.4)
Charges associated with acquisition of businesses and other adjusting items		
Current tax(1)	(0.2)	(0.1)
Deferred tax(2)	(6.4)	(3.7)
	(6.6)	(3.8)
Before charges associated with acquisition of businesses and other adjusting items		
Current tax	11.6	2.2
Deferred tax	(1.3)	(0.8)
	10.3	1.4

(1) Current tax credit of £0.2 million (2020: £0.1 million credit) was recognised in the year of which £0.2 million credit (2020: £0.6 million credit) relates to restructuring and integration costs and £nil (2020: £0.5 million charge) relates to tax on the acquisition and disposal of businesses.
(2) A deferred tax credit of £6.4 million (2020: £3.7 million credit) was recognised in the year of which £nil (2020: £nil) relates to restructuring and integration costs, £1.5 million credit (2020: £0.2 million credit) to acquisitions, £1.8 million credit (2020: £2.3 million credit) to amortisation of intangible assets, £nil (2020: £1.2 million credit) to the impact of the US Cares Act, £2.6 million credit (2020: £nil) to the impact of an intercompany debt restructure, £0.9 million credit (2020: £nil) to the impact of the step-up in the tax base of certain plant and equipment in Italy and £0.4 million charge (2020: £nil) to the UK rate change from 19% to 25%.

	2021 £m	2020 £m
Current tax expense/(credit)		
Charge for the year	8.5	2.1
Adjustments in respect of prior years	2.9	–
Total current tax expense	11.4	2.1

The UK current tax charge represents a charge of £4.0 million (2020: £1.0 million charge) of the total Group current tax charge of £11.4 million (2020: £2.1 million) charge, with the remaining £7.4 million (2020: £1.1 million) charge relating to overseas tax.

	2021 £m	2020 £m
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	(7.5)	(4.2)
Adjustments in respect of prior years	(0.2)	(0.3)
Total deferred tax credit	(7.7)	(4.5)

The UK deferred tax charge represents £0.3 million (2020: £1.0 million charge) and the US deferred tax credit represents £4.8 million (2020: £3.9 million credit) of the total Group deferred tax credit of £7.7 million (2020: £4.5 million credit), with £3.2 million credit (2020: £1.6 million credit) relating to overseas tax.

	2021 £m	2020 £m
Tax (credit)/charge recognised in Statement of Changes in Equity ("SOCIE")		
Current tax recognised in SOCIE(3)	–	–
Deferred tax recognised in SOCIE(4)	(0.3)	0.7
	(0.3)	0.7

(3) No current tax deductions have been reflected in the SOCIE in both the current and prior year.
(4) A deferred tax credit of £0.3 million (2020: £0.7 million charge) relating to the impact of share-based payments on outstanding options, has been reflected in the SOCIE.

Reconciliation of Group tax charge

	2021 £m	2020 £m
Profit/(loss) before tax	**29.6**	(7.8)
Income tax using the domestic corporation tax rate at 19% (2020: 19%)	**5.6**	(1.5)
Effect of tax rates in foreign jurisdictions	**1.1**	–
Non-deductible expenses	**0.6**	1.0
Non-taxable income	**(1.4)**	(0.8)
Beneficial tax rates and incentives(5)	**(0.5)**	(0.4)
Movement on unrecognised deferred tax	**(0.7)**	(0.5)
Other – including movement on assessment of tax risks	**(0.6)**	0.1
UK rate change	**0.4**	(0.3)
Intercompany debt restructure	**(2.6)**	–
Italy fixed asset revaluation	**(0.9)**	–
Adjustments in respect of prior years	**2.7**	–
Total income tax expense in Income Statement	**3.7**	(2.4)

(5) The beneficial tax rates and incentives of £0.5 million credit (2020: £0.4 million credit) relates to the beneficial tax rate in Costa Rica.

Tax – Balance Sheet

Current tax

The current tax liability of £16.0 million (2020: £9.7 million) represents the amount of income taxes payable in respect of current and prior periods, including a provision in relation to uncertain tax positions. The current tax asset of £4.7 million (2020: £8.9 million) relates to income tax receivable in the UK, the US and Italy, and includes a provision in relation to uncertain tax positions.

The international tax environment has received increased attention and seen rapid change over recent years, both at a US and European level, and by international bodies such as the Organisation for Economic Co-operation and Development ("OECD"). In light of this, the Group has been monitoring developments and continues to engage transparently with the tax authorities in countries where the Group operates, to ensure that it manages its tax arrangements on a sustainable basis.

As for most multinationals, the current tax environment is creating increased levels of uncertainty and the Group is potentially subject to tax audits in many jurisdictions. By their nature these are often complex and could take a significant period of time to be agreed with the tax authorities. The Group estimates and accrues taxes that will ultimately be payable when reviews or audits by tax authorities of tax returns are completed. These estimates include management judgements about the position expected to be taken by each tax authority, primarily in respect of transfer pricing as well as in respect of financing arrangements and tax credits and incentives.

Management estimates of the level of risk arising from tax audit may change in the next year as a result of changes in legislation or tax authority practice or correspondence with tax authorities during a specific tax audit. It is not possible to quantify the impact that such future developments may have on the Group's tax positions. Actual outcomes and settlements may differ significantly from the estimates recorded in these consolidated financial statements.

Non – Current tax

The non-current tax asset of £3.0 million relates to the payment made on account to HMRC in 2021 which is considered to be recoverable in more than one year. Further details are below.

EU State Aid investigation

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 it 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.

In June 2019, the UK government submitted an appeal to the EU Commission against its decision. In common with a number of other affected taxpayers, Vitec has also filed its own annulment application.

On 8 March 2021, the Group received a revised Charging Notice from HMRC under the Taxation (Post-transition Period) Bill Act 2020 for £2.9 million (plus interest of £0.1 million), which was paid in March 2021. The Group has appealed the Charging Notice (this is in addition to the annulment application which was made against the EC decision). As the statutory window for issuing the Charging Notice under the provisions of the Taxation (Post-transition Period) Act 2020 has now passed, and no further Charging Notices were received by the Group, the Group's maximum potential liability is considered to be £3.0 million, being the liability per the Charging Notice plus interest received on 8 March 2021. As the Group considers that the annulment application and/or the appeal against the Charging Notice will be successful, the £3.0 million payment has been recognised as a non-current asset on the basis that it will be repaid in due course. As at the date of issue of these financial statements, the annulment application and the appeal against the Charging Notice are still in progress.

Section 2 – Results for the Year/continued

2.4 Tax continued

Deferred tax assets and liabilities

	2021 £m	Recognised in income £m	Recognised in goodwill and reserves £m	Exchange movements £m	Transfer between categories £m	2020 £m
Assets						
Inventories	2.6	0.6	–	–	–	2.0
Intangible assets	1.1	0.5	0.6	–	(0.8)	0.8
Tax losses	19.7	2.6	2.0	0.1	–	15.0
Property, plant, equipment and other	9.7	3.6	(0.6)	(0.1)	–	6.8
	33.1	7.3	2.0	–	(0.8)	24.6
Liabilities						
Property, plant, equipment and other	(0.3)	(0.2)	–	–	–	(0.1)
Intangible assets	(4.5)	0.6	–	–	0.8	(5.9)
	(4.8)	0.4	–	–	0.8	(6.0)
Net	28.3	7.7	2.0	–	–	18.6

	2020 £m	Recognised in income £m	Recognised in goodwill and reserves £m	Exchange movements £m	Transfer between categories £m	2019 £m
Assets						
Inventories	2.0	(0.9)	–	0.1	–	2.8
Intangible assets	0.8	(0.1)	–	–	–	0.9
Tax losses	15.0	3.7	–	(0.6)	–	11.9
Property, plant, equipment and other	6.8	0.3	1.0	0.1	–	5.4
	24.6	3.0	1.0	(0.4)	–	21.0
Liabilities						
Property, plant, equipment and other	(0.1)	–	–	–	–	(0.1)
Intangible assets	(5.9)	1.5	–	0.1	–	(7.5)
	(6.0)	1.5	–	0.1	–	(7.6)
Net	18.6	4.5	1.0	(0.3)	–	13.4

The deferred tax assets include £19.7 million which relate to carried forward tax losses in the US consolidated group and Israel. These are historic losses which the Group has concluded will be recoverable based on estimated future taxable income projections.

The UK deferred tax balances as at 31 December 2021 have been remeasured following the legislated increase in the main UK corporation tax rate from 19% to 25% which takes effect from 1 April 2023. The net impact of the rate change was not significant, with a £0.4 million charge recognised in the Consolidated Income Statement and a £0.7 million credit recognised in the SOCIE.

The deferred tax asset increase of £2.0 million (2020: £1.0 million increase) recognised in goodwill and reserves relates to the following: £0.7 million decrease recognised in the SOCIE in relation to defined benefit obligations, £0.3 million increase reflected in the SOCIE in relation to share options and £2.4 million increase recognised in reserves in relation to US acquisitions.

Deferred tax assets have not been recognised of £17.9 million (2020: £21.1 million), comprising £5.9 million in relation to losses, £0.6 million in relation to intangible assets and £11.4 million in relation to other timing differences because it is not sufficiently probable that these assets will be utilised in the foreseeable future.

No taxes have been provided for liabilities which may arise on the distribution of unremitted earnings of subsidiaries on the basis of control, except where distributions of such profits are planned. Cumulative unremitted earnings of overseas subsidiaries totalled approximately £154.6 million at 31 December 2021 (2020: £158.4 million). As dividends remitted from overseas subsidiaries to the UK should be exempt from additional UK corporation tax, no significant tax charges would be expected.

2.5 Earnings per share

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

Basic EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year.

Diluted EPS is calculated on the profit for the year divided by the weighted average number of ordinary shares in issue during the year, but adjusted for the effects of dilutive share options. The key features of share option contracts are described in note 5.3 "Share-based payments".

The adjusted EPS measure is calculated based on adjusted profit and is used by management to set performance targets for employee incentives and to assess performance of the businesses.

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

	2021 £m	2020 £m
Profit/(loss) for the financial year	25.9	(5.3)
Add back charges associated with acquisition of businesses and other adjusting items, all net of tax:		
Amortisation of acquired intangible assets, net of tax	5.4	5.3
Integration and restructuring costs, net of tax	0.7	2.2
Acquisition related charges, net of tax	3.1	3.1
Finance expense – amortisation of loan fees on borrowings for acquisitions, net of tax	0.1	–
Deferred tax credit[1]	(3.1)	(1.2)
	6.2	9.4
Adjusted profit after tax	32.1	4.1

(1) A deferred tax credit of £3.1 million (2020: £1.2 million) relates to £2.6 million credit (2020: £nil) on the impact of the intercompany debt restructure, £0.9 million credit (2020: £nil) on the impact of the step-up in the tax base of certain plant and equipment in Italy, £0.4 million charge (2020: £nil) to the UK rate change from 19% to 25%, and £nil (2020: £1.2 million credit) to the impact of the US Cares Act.

	Weighted average number of shares '000		Adjusted earnings per share		Earnings per share	
	2021 Number	2020 Number	2021 pence	2020 pence	2021 pence	2020 pence
Basic	45,904	45,531	69.9	9.0	56.4	(11.6)
Dilutive potential ordinary shares	1,619	–	(2.4)	0.0	(1.9)	–
Diluted	47,523	45,531	67.5	9.0	54.5	(11.6)

In 2020, potential ordinary shares were antidilutive for statutory earnings per share but 107,000 shares were dilutive for the purposes of adjusted earnings per share.

Section 3 – Operating Assets and Liabilities

This section shows the assets and liabilities used to generate the Group's trading performance. Liabilities relating to the Group's financing activities are addressed in Section 4. Current tax and deferred tax assets and liabilities are shown in note 2.4 "Tax".

On the following pages, there are disclosures covering the following:

3.1 Intangible assets

This shows the non-physical assets used by the Group to generate revenues and profits. These assets include the following:

- **Goodwill**
- **Acquired intangible assets**
- **Software**
- **Capitalised development costs**

Accounting policies

Goodwill

The goodwill recognised by the Group has all arisen as a result of acquisitions and is stated at cost less any accumulated impairment losses. Goodwill is allocated on acquisition to CGUs, or groups of CGUs, assessed to be the three segments of the Group, that are anticipated to benefit from the combination. It is not subject to amortisation but is tested annually for impairment. Impairment is determined by assessing the recoverable amount of the segment to which the goodwill relates. This estimate of recoverable amount is determined at each Balance Sheet date.

The estimate of recoverable amount requires significant assumptions to be made and is based on a number of factors such as the near-term business outlook for the segment, including both its operating profit and operating cash flow performance. Where the recoverable amount of the segment is less than the carrying amount, an impairment loss is recognised. Impairment losses on goodwill are not reversed.

All acquisitions that have occurred since 1 January 2010 are accounted for by applying the acquisition method. Goodwill on these acquisitions represents the excess of the fair value of the acquisition consideration over the fair value of the identifiable net assets acquired, all measured at the acquisition date. Subsequent adjustments to the fair values of net assets acquired can be made within 12 months of the acquisition date where original fair values were determined provisionally. These adjustments are accounted for from the date of acquisition.

Other intangible assets

Acquired intangible assets

Other intangible assets acquired as part of a business combination are shown at fair value at the date of acquisition less accumulated amortisation at the rates indicated below:

Order backlog	up to 2 years
Brand	3 to 15 years
Customer relationships	3 to 10 years
Technology	3 to 10 years

Software

The cost of acquiring software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are assessed as likely to generate economic benefits exceeding costs beyond one year, are also capitalised and recognised as intangible assets. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Software expenditure is amortised over its estimated useful life of between three to five years, and is stated at cost less accumulated amortisation and impairment losses.

Capitalised development costs

Research and development costs are charged to the Income Statement in the year in which they are incurred unless development expenditure meets the criteria for capitalisation. Once detailed and strict criteria have been met that confirm that the product or process is both technically and commercially feasible and the Group has sufficient resources to complete the product, any further expenditure incurred on the project is capitalised. The capitalised expenditure includes the cost of materials, direct labour and an appropriate portion of overheads. Capitalised expenditure is amortised over the life of the product, and is stated at cost less accumulated amortisation and impairment losses.

Impairment tests for CGUs or groups of CGUs containing goodwill

In accordance with the requirements of IAS 36 "Impairment of Assets", goodwill is allocated to the CGU groups, assessed to be the three segments of the Group, which are expected to benefit from the combination and are identified by the way goodwill is monitored for impairment. The Group's total consolidated goodwill of £99.7 million at 31 December 2021 (£75.8 million at 31 December 2020) is allocated to: Imaging Solutions: £35.1 million (2020: £23.1 million); Production Solutions: £30.2 million (2020: £28.8 million); and Creative Solutions: £34.4 million (2020: £23.9 million). Goodwill allocated to each segment is assessed for impairment annually and whenever there is a specific indicator of impairment.

As part of the annual impairment test review, the carrying value of goodwill has been assessed with reference to value in use over a projected period of five years together with a terminal value. This reflects the projected cash flows of each segment based on the actual operating results, the most recent Board approved budget, the strategy, and management projections.

As part of determining the value in use of each CGU group, management has considered the potential impact of climate change on the business performance over the next five years, and the terminal growth rates. While there is considerable uncertainty relating to the longer term and quantifying the impact on a range of outcomes, management considers that environmental related incremental costs are expected to have a relatively low impact, and in addition, the Group has already started to develop strategies to mitigate them. Recognising that there are extreme but unlikely scenarios, the Group considers that while exposed to physical risks associated with climate change (such as flooding, heatwaves, sea level rises and increased precipitation) the estimated impact of these on the Group is not deemed material. In addition, the Group is exposed to transitional risks which might arise, for example, from government policy, customer expectations, material costs and increased stakeholder concern. The transitional risks could result in financial impacts such as higher environmentally focused levies (e.g. carbon pricing) and increased material costs. While the Group is exposed to the potential financial impacts associated with transitional risks, after expected mitigating actions, these are not deemed to have a significant impact on the headroom of value in use over the carrying values of the CGU groups.

The key assumptions on which the value in use calculations are based relate to (i) business performance over the next five years, (ii) long-term growth rates beyond 2026 and (iii) discount rates applied.

(i) Business performance over the next five years – Forecast sales growth rates are based on past experience and take into account current and future market conditions and opportunities, and strategic decisions made in respect of each CGU group. Operating profits are forecast based on historical experience of operating margins adjusted for the impact of changes in product costs, cost-saving initiatives and new product launches. Cash conversion is the ratio of operating cash flow to operating profit. Management forecasts the cash conversion rate based on historical experience.
(ii) Long-term growth rates beyond 2026 – These are based on management's assessment that the outlook for the overall content creation market post-pandemic is more positive than when we looked at this last year. In particular we continue to expect better long-term growth in independent content creation with TikTok and other platforms benefitting the Imaging Staging Division and good long-term prospects for subscription TV/streaming services benefitting mainly the Creative Solutions Division but also both Production Solutions and Imaging Solutions Divisions.
(iii) Discount rates applied – The pre-tax discount rates were measured based on the interest rate of ten-year government bonds issued in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systematic risk of the CGU group. The key estimates were the level of revenue and operating margins anticipated and the proportion of operating profit converted into cash flows in each year.

Growth rates for the period beyond 2026 were assumed to be 2.0% for Imaging Solutions and Production Solutions, and 4.0% for Creative Solutions (2020: 0.0% for Imaging Solutions and Production Solutions, and 2.0% for Creative Solutions). The pre-tax discount rates applied to discount the pre-tax cash flows were 13% (2020: 13%) for Imaging Solutions; 11% (2020: 12%) for Production Solutions; and 12% (2020: 13%) for Creative Solutions.

No reasonably possible change of key estimate would result in a material impairment to the goodwill of any CGU group. The following scenarios would be required to result in an impairment of goodwill: the pre-tax WACC would need to increase by c.22% points for Imaging Solutions, c.29% points for Production Solutions; and c.15% points for Creative Solutions.

Section 3 – Operating Assets and Liabilities/continued

3.1 Intangible assets continued

Intangible assets

	Total £m	Goodwill £m	Acquired intangible assets £m	Software £m	Capitalised development costs £m
Cost					
At 1 January 2020	211.2	76.8	86.4	17.6	30.4
Currency translation adjustments	(2.5)	(0.7)	(2.0)	0.6	(0.4)
Additions	10.7	0.1	–	0.5	10.1
Disposals	(0.4)	–	–	(0.4)	–
At 31 December 2020 and 1 January 2021	**219.0**	**76.2**	**84.4**	**18.3**	**40.1**
Currency translation adjustments	**(1.1)**	**(0.3)**	**0.4**	**(0.8)**	**(0.4)**
Additions	**10.9**	**–**	**–**	**0.8**	**10.1**
Disposals	**(0.2)**	**–**	**–**	**(0.1)**	**(0.1)**
Business combinations	**53.1**	**24.2**	**28.9**	**–**	**–**
At 31 December 2021	**281.7**	**100.1**	**113.7**	**18.2**	**49.7**
Amortisation and impairment losses					
At 1 January 2020	83.5	0.4	54.4	14.3	14.4
Currency translation adjustments	(1.1)	–	(1.5)	0.5	(0.1)
Amortisation in the year	13.5	–	7.6	1.1	4.8
Disposals	(0.4)	–	–	(0.4)	–
At 31 December 2020 and 1 January 2021	**95.5**	**0.4**	**60.5**	**15.5**	**19.1**
Currency translation adjustments	**(0.7)**	**–**	**0.3**	**(0.7)**	**(0.3)**
Amortisation in the year	**13.0**	**–**	**7.2**	**1.0**	**4.8**
Disposals	**(0.2)**	**–**	**–**	**(0.1)**	**(0.1)**
At 31 December 2021	**107.6**	**0.4**	**68.0**	**15.7**	**23.5**
Carrying amounts					
At 1 January 2020	127.7	76.4	32.0	3.3	16.0
At 31 December 2020 and 1 January 2021	123.5	75.8	23.9	2.8	21.0
At 31 December 2021	**174.1**	**99.7**	**45.7**	**2.5**	**26.2**

The carrying value of individually material acquired intangible assets is £5.2 million (2020: £7.9 million) for software and algorithms, £8.9 million (2020: £4.2 million) for trademarks, £3.3 million (2020: £3.8 million) for patents, £16.0 million (2020: £2.9 million) for customer relationships and £7.8 million (2020: £1.6 million) for technology. The remaining amortisation period of these intangible assets is two years for software and algorithms, between ten and eleven years for trademarks, seven years for patents, between seven and nine years for customer relationships and seven years for technology.

3.2 Property, plant and equipment

This shows the physical assets used by the Group to generate revenues and profits. These assets include the following:

- **Land and buildings**
- **Plant, machinery and vehicles**
- **Equipment, fixtures and fittings**

Accounting policies

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Rental assets are recorded as plant and machinery. Right-of-use assets under lease contracts are included within property, plant and equipment. See note 3.6 “Leases”.

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment, less estimated residual value, on a straight-line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Freehold land	not depreciated
Freehold buildings	up to 50 years
Leasehold improvements	shorter of estimated useful life or remaining period of the lease
Plant and machinery	4 to 10 years
Motor vehicles	3 to 4 years
Equipment, fixtures and fittings	3 to 10 years
Rental assets	3 to 6 years

Impairment of assets

Property, plant and equipment that is subject to depreciation is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and market conditions.

Property, plant and equipment

	Total £m	Land and buildings £m	Plant, machinery and vehicles £m	Equipment, fixtures and fittings £m
Cost				
At 1 January 2020[(1)]	142.6	57.5	76.4	8.7
Currency translation adjustments	3.1	0.7	2.3	0.1
Transfers between asset categories	–	0.1	(0.7)	0.6
Additions	8.8	3.2	5.1	0.5
Disposals	(5.8)	(4.6)	(1.1)	(0.1)
At 31 December 2020 and 1 January 2021	**148.7**	**56.9**	**82.0**	**9.8**
Currency translation adjustments	**(4.7)**	**(1.2)**	**(3.1)**	**(0.4)**
Transfers between asset categories	**–**	**0.1**	**0.1**	**(0.2)**
Additions	**26.5**	**15.4**	**9.6**	**1.5**
Disposals	**(3.4)**	**(1.2)**	**(1.5)**	**(0.7)**
Business combinations	**6.2**	**4.6**	**1.6**	**–**
At 31 December 2021	**173.3**	**74.6**	**88.7**	**10.0**
Depreciation				
At 1 January 2020[(1)]	95.9	31.5	58.7	5.7
Currency translation adjustment	2.6	0.5	1.9	0.2
Transfers between asset categories	–	0.1	(0.3)	0.2
Depreciation charge in the year	13.1	5.9	5.9	1.3
Impairment losses in the year	0.6	–	0.6	–
Disposals	(5.7)	(4.6)	(1.0)	(0.1)
At 31 December 2020 and 1 January 2021	**106.5**	**33.4**	**65.8**	**7.3**
Currency translation adjustment	**(3.8)**	**(1.1)**	**(2.6)**	**(0.1)**
Transfers between asset categories	**–**	**0.1**	**0.1**	**(0.2)**
Depreciation charge in the year	**12.9**	**5.6**	**6.2**	**1.1**
Impairment losses in the year	**0.2**	**0.2**	**–**	**–**
Disposals	**(3.2)**	**(1.1)**	**(1.4)**	**(0.7)**
At 31 December 2021	**112.6**	**37.1**	**68.1**	**7.4**
Carrying amounts				
At 1 January 2020[(1)]	46.7	26.0	17.7	3.0
At 31 December 2020 and 1 January 2021	42.2	23.5	16.2	2.5
At 31 December 2021	**60.7**	**37.5**	**20.6**	**2.6**

(1) At 1 January 2020, both cost and depreciation have been increased by £0.6 million (plant, machinery and vehicles: increase of £0.8 million; equipment, fixtures and fittings: decrease of £0.2 million). This relates to a correction of grossed up disposals in prior years.

Plant, machinery and vehicles include equipment rental assets with an original cost of £11.8 million (2020: £11.5 million) and accumulated depreciation of £8.3 million (2020: £7.9 million).

Capital commitments at 31 December 2021 for which no provision has been made in the accounts amount to £nil (2020: £0.5 million).

Section 3 – Operating Assets and Liabilities/continued

3.3 Working capital

Working capital represents the assets and liabilities the Group generates through its trading activities. These include inventories, trade and other receivables, and trade and other payables.

Careful management of working capital is vital as it ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

Accounting policies

Inventories

Inventories and work in progress are carried at the lower of cost and net realisable value. Inventory acquired as part of business combinations is initially measured at fair value. Cost represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. In the case of manufacturing inventory and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Inventory is accounted for on an average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Provisions for inventories are recognised when the book value exceeds their net realisable value.

In the ordinary course of business, judgement is applied to assess the level of provisions required to write down slow-moving, excess and obsolete inventory to its net realisable value.

Trade and other receivables

Trade receivables and contract assets are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the number of days past due. The expected loss rates are based on payment profiles of sales over a preceding 36-month period and the corresponding historical credit losses experienced within this period. When appropriate, the historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables where a trend exists.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for an extended period.

When customer payments are received in advance and the amount of consideration exceeds the revenue recognised, a contract liability is recognised in the Balance Sheet.

Trade and other payables

Trade payables are generally recognised at the value of the invoice received from a supplier.

Inventories

	2021 £m	2020 £m
Raw materials and components	26.0	16.9
Work in progress	7.4	5.1
Finished goods	55.1	42.8
Inventories, net of impairment provisions	88.5	64.8

Inventory of £88.5 million (2020: £64.8 million) is stated net of impairment provisions of £18.3 million (2020: £18.2 million). During the year £2.0 million (2020: £6.0 million) was recognised as an expense resulting from the write-down of inventory. A reversal of £1.6 million (2020: £0.5 million) was recognised as a reduction of the amount of inventory recognised as an expense.

Trade and other receivables

	2021 £m	2020 £m
Current receivables		
Trade receivables, net of impairment provisions	43.9	40.4
Other receivables	7.5	4.3
Right to returned goods	0.2	0.3
Contract assets	2.9	1.2
Prepayments	5.5	5.5
	60.0	51.7
Non-current receivables		
Other receivables	5.8	1.5
Total receivables	65.8	53.2

	2021 £m	2020 £m
Gross trade receivables – ageing[1]		
Current	38.5	32.6
1-30 days	4.6	7.3
31-60 days	1.4	1.3
61-90 days	0.7	0.3
Over 90 days	3.7	3.4
Gross trade receivables	48.9	44.9

(1) Days overdue are measured from the date an invoice was due to be paid.

	Total £m	Overdue debts £m	Discounts £m
Impairment provisions against trade receivables			
Balance at 1 January 2021	4.5	2.9	1.6
Net increase during the year	1.4	0.5	0.9
Utilised during the year	(0.8)	(0.3)	(0.5)
Currency translation adjustments	(0.1)	(0.1)	–
Balance at 31 December 2021	5.0	3.0	2.0

Trade and other payables

	2021 £m	2020 £m
Current trade and other payables		
Trade payables	38.1	19.9
Other tax and social security costs	4.3	3.7
Contract liabilities	2.6	2.2
Expected refunds to customers	0.3	0.4
Accruals	13.7	6.7
Other creditors	17.6	11.9
	76.6	44.8
Non-current payables		
Other non-trade payables	0.4	–
Total payables	77.0	44.8

Section 3 – Operating Assets and Liabilities/continued

3.4 Acquisitions

This note outlines how the Group has accounted for businesses that it has acquired.

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 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 Savage

On 22 November 2021, the Group acquired 100% of the issued share capital of Savage Universal Corp. and Superior Paper Specialities, LLC ("Savage"), both US companies, for cash consideration of US$51.0 million (£38.1 million).

Savage has been integrated into the Imaging Solutions Division and is a global market leader in backgrounds for the growing professional studio photographic market. Savage products are highly complementary to the JOBY brand and this acquisition will help to enhance the Group's leading position in the growing vlogger, influencer and gamer market.

The consideration for the acquisition is set out in the table below. At completion, an amount of US$57.0 million (£42.5 million) was paid by the Group and is subject to customary working capital adjustments. The consideration for the acquisition is also adjusted for receivable amounts in relation to tax-related indemnities covered by payments to escrow accounts. The resulting IFRS 3 consideration was US$51.0 million (£38.1 million).

Based on the provisional view, the fair value of the net assets acquired in the business at acquisition date was £25.3 million, resulting in goodwill of £12.8 million. The whole amount of goodwill is tax deductible over 15 years and represents the expected synergies from the acquisition and the assembled workforce.

In connection with the acquisition, a retention agreement was entered into with a key employee who was also a selling shareholder. The retention agreement is for a total of US$1.5 million (£1.1 million) payable half in December 2022 and half in December 2023. The awards are conditional on continued employment at the date of vesting in relation to each payment respectively. This is accounted for as an employee expense in accordance with IAS 19. The associated cost set out in the table below is included with operating costs in the Income Statement.

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 was a deferred payment of US$5.0 million (£3.6 million) which was paid in cash during the year.

Based on the provisional view, the fair value of the net assets acquired in the business at acquisition date was £8.7 million, resulting in goodwill of £10.1 million. The goodwill is not tax deductible and 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 into with key employees who were also selling shareholders. The retention agreement is for a total of US$9.0 million (£6.7 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 with IFRS 2. The associated cost set out in the table below is included with operating costs in the Income Statement.

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$1.9 million (£1.4 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 over 15 years 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 into 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 anniversaries 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 with operating costs in the Income Statement.

A summary of the acquisitions is detailed below:

	Savage £m	Lightstream £m	Quasar £m	Total £m
Fair value of net assets acquired				
Intangible assets	19.2	8.8	0.9	28.9
Property, plant and equipment	5.7	–	0.5	6.2
Inventories	2.4	–	0.4	2.8
Trade and other receivables	3.7	0.1	0.1	3.9
Cash	2.5	0.1	–	2.6
Lease liabilities	(4.2)	–	(0.3)	(4.5)
Trade and other payables	(2.0)	(0.7)	(1.3)	(4.0)
Provisions	(1.9)	–	(0.1)	(2.0)
Corporation tax	(2.3)	–	–	(2.3)
Deferred tax	2.2	0.4	(0.1)	2.5
	25.3	8.7	0.1	34.1
Goodwill	12.8	10.1	1.3	24.2
Total purchase consideration	38.1	18.8	1.4	58.3
Issue of ordinary shares	–	(3.6)	–	(3.6)
Receivable from escrow	4.2	–	–	4.2
Provision for contingent consideration	–	–	(0.1)	(0.1)
Purchase price adjustment receivable/(payable)	0.2	–	(0.3)	(0.1)
Cash payment	42.5	15.2	1.0	58.7
Cash acquired	(2.5)	(0.1)	–	(2.6)
Total outflow of cash	40.0	15.1	1.0	56.1

Charges associated with the acquisition of businesses include transaction costs relating to the acquisition of businesses of £1.7 million (Audix: £0.4 million, Savage: £0.7 million, Lightstream: £0.5 million and Quasar: £0.1 million) and earnout charges and retention bonuses of £2.8 million (Savage: £0.1 million, Lightstream: £2.6 million and Quasar: £0.1 million).

The trade receivables acquired had a fair value and a gross contractual value of £3.6 million. All contractual cash flows at acquisition date are expected to be collected.

The results of the acquisitions made during the year included in the Group's consolidated results comprise the following:

	Savage £m	Lightstream £m	Quasar £m	Total £m
Revenue	1.8	1.5	1.6	4.9
Loss	(0.7)	(5.2)	(2.2)	(8.1)

Section 3 – Operating Assets and Liabilities/continued

3.4 Acquisitions continued

Had the acquisitions been made at the beginning of the year (i.e. 1 January 2021), they would have made the following contribution to the Group:

	Savage £m	Lightstream £m	Quasar £m	Total £m
Revenue	18.4	2.2	2.2	22.8
Loss	(0.1)	(5.9)	(2.5)	(8.5)

The level of profitability is stated after charges associated with acquisition of businesses.

Acquisition of Audix in 2022

On 11 January 2022, the Group acquired 100% of the issued share capital of Audix LLC ("Audix"), a US company, for an initial cash consideration of US$45.7 million (£33.8 million), and subject to customary working capital adjustments. Under the terms of the acquisition, there is a deferred consideration payable in 2023 of US$2.0 million (£1.5 million). In addition, a potential payment of up to US$2.3 million (£1.7 million) in relation to contingent consideration could be payable which is outside of the control of the Group, the fair value of which has not yet been assessed.

In connection with the acquisition, a retention agreement was entered into with key employees. The retention agreement is for a total of US$3.1 million (£2.3 million) conditional on continued employment and payable in 2023. This is accounted for as an employee expense in accordance with IAS 19.

Audix has been integrated into the Imaging Solutions Division and it designs, engineers and manufactures high-performing, innovative microphones for the professional audio industry. Audix products are highly complementary to the JOBY and Rycote brands and this acquisition will help to enhance the Group's leading position in the growing audio market. This acquisition is in line with the Group's strategy to drive growth by increasing its addressable markets and expanding its higher technology capabilities.

At the time the financial statements were authorised for issue, the initial accounting for the business combination was incomplete as information is being finalised to enable valuations to be performed, and accordingly, the Group is unable to disclose any provisional fair values for major classes of assets and liabilities, including acquired receivables, the fair value of the receivables, the gross contractual amounts receivable and contractual cash flows not expected to be collected at the acquisition date.

Acquired net assets have a provisional value of US$8.1 million (£6.0 million) prior to fair value adjustments and the recognition of IFRS 16 right-of-use assets and lease liabilities. This reflects the net assets of Audix as at 31 December 2021, as disclosed in its most recent financial information. The remaining £29.3 million is expected to be allocated between goodwill and other intangible assets.

3.5 Provisions

A provision is recognised by the Group where an obligation exists, relating to events in the past, and it is probable that an outflow of economic benefits will be required to settle it.

Accounting policies

Provisions

Provisions are recognised in the Balance Sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle it. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate discount rate.

Provisions for warranties, based on historical warranty data, are recognised when the underlying products or services are sold.

Obligations arising from restructuring plans are recognised when detailed formal plans have been established and the restructuring has either commenced or has been announced.

	Total £m	Warranty £m	Restructuring £m	Earnout and deferred payments £m	Tax-related provisions £m	Other £m
At 1 January 2021	4.7	1.8	0.8	1.2	–	0.9
Business combinations	2.1	–	–	0.1	1.9	0.1
Provisions made in the year	0.4	0.4	–	–	–	–
Provisions utilised during the year	(2.6)	(0.7)	(0.6)	(1.2)	–	(0.1)
Provisions reversed during the year	(0.1)	(0.1)	–	–	–	–
Currency translation adjustments	(0.1)	–	–	–	–	(0.1)
At 31 December 2021	4.4	1.4	0.2	0.1	1.9	0.8
Current	1.5	1.0	0.2	–	–	0.3
Non-current	2.9	0.4	–	0.1	1.9	0.5
	4.4	1.4	0.2	0.1	1.9	0.8

Warranty provisions

Warranties over the Group's products typically cover periods of between one and five years. The provision represents management's best estimate of the Group's liability based on past experience.

Restructuring

The restructuring provision is expected to be utilised during 2022.

Earnout and deferred payment

The fair value of contingent consideration for Quasar, at acquisition date was US$0.1 million (£0.1 million). Payment of £1.2 million was made during the year relating to Rycote (£1.1 million) and Amimon (£0.1 million).

Tax-related provisions

On acquisition of Savage, the Group recognised a provision of £1.9 million for a tax-related contingent liability which is not in the scope of IAS 12 "Income Taxes". As part of the acquisition agreement, the Group obtained indemnities from the sellers and an amount of the potential consideration was transferred to an escrow account. If the contingent liability were to crystallise, the expected timing of the outflow is between one and six years. The amount of any payment would be recoverable by the Group under the escrow and indemnity arrangements, and as such, the Group has also recognised a corresponding receivable of £1.9 million included in trade and other receivables.

Other

Other provisions include an amount of £0.7 million relating to potential dilapidation costs on the termination of leases on occupied property that the Group has entered into.

3.6 Leases

This note provides information in relation to leases when the Group is a lessee. The Group does not have any material leases where it acts as a lessor.

Accounting policies

Leases

Each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Interest expense is charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

For the Group, lease payments generally comprise the following:

– Fixed payments, less any lease incentives receivable;
– Variable payments that are based on an index or rate; and
– Payments to be made under extension options which are reasonably certain to be exercised.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the interest rate implicit in the lease is not readily determinable, as such the incremental borrowing rate is used to discount future lease payments.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, and lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs.

When an adjustment to lease payments based on an index takes effect, the liability is remeasured with a corresponding adjustment to the right-of-use asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement.

The Group's leasing activities

The Group enters into leases of land and buildings in relation to offices, warehouses and factory premises around the world. In addition, the Group leases plant, machinery and vehicles, as well as other equipment.

Contracts entered into by the Group have a wide range of terms and conditions but generally do not impose any additional covenants. Several of the Group's contracts include indexation adjustments to lease payments in future periods which are not reflected in the measurement of the lease liabilities at 31 December 2021.

Many of the contracts entered into by the Group include extension or termination options which provide the Group with additional operational flexibility. If the Group considers it reasonably certain that an extension option will be exercised or a termination option not exercised, the additional period is included in the lease term. Generally, extension options are not included in the lease term for plant, machinery and vehicles, and equipment, fixtures and fittings. Most options in respect of land and buildings are not included in the calculation of the lease term.

During 2021, the financial effect of revising lease terms arising from the effect of exercising extension and termination options was an increase of £2.9 million in the recognised lease liabilities.

As at 31 December 2021, potential future cash outflows of £7.3 million (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

A maturity analysis of lease liabilities is included in note 4.2 "Financial instruments".

Section 3 – Operating Assets and Liabilities/continued

3.6 Leases continued

Right-of-use assets

	Total £m	Leasehold land and buildings £m	Plant, machinery and vehicles £m	Equipment, fixtures and fittings £m
Cost				
At 1 January 2020	34.9	32.0	2.8	0.1
Currency translation adjustments	0.3	0.2	0.1	–
Additions	3.7	3.1	0.6	–
Termination of leases	(5.5)	(4.7)	(0.8)	–
Transfers between asset categories	–	0.1	(0.7)	0.6
At 31 December 2020	33.4	30.7	2.0	0.7
At 1 January 2021	**33.4**	**30.7**	**2.0**	**0.7**
Currency translation adjustments	**(0.6)**	**(0.5)**	**(0.1)**	**–**
Additions	**15.7**	**14.8**	**0.9**	**–**
Termination of leases	**(2.0)**	**(1.1)**	**(0.8)**	**(0.1)**
Transfers between asset categories	**–**	**0.1**	**(0.1)**	**–**
Business combinations	**4.5**	**4.5**	**–**	**–**
At 31 December 2021	**51.0**	**48.5**	**1.9**	**0.6**
Depreciation				
At 1 January 2020	19.0	17.5	1.5	–
Currency translation adjustment	0.2	0.1	0.1	–
Depreciation charge in the year	5.6	4.8	0.6	0.2
Depreciation on termination of lease	(5.3)	(4.6)	(0.7)	–
Transfers between asset categories	–	0.1	(0.3)	0.2
At 31 December 2020	19.5	17.9	1.2	0.4
At 1 January 2021	**19.5**	**17.9**	**1.2**	**0.4**
Currency translation adjustments	**(0.5)**	**(0.3)**	**(0.2)**	**–**
Depreciation charge in the year	**5.4**	**4.6**	**0.6**	**0.2**
Depreciation on termination of lease	**(1.9)**	**(1.1)**	**(0.7)**	**(0.1)**
Transfers between asset categories	**–**	**0.1**	**(0.1)**	**–**
At 31 December 2021	**22.5**	**21.2**	**0.8**	**0.5**
Carrying amounts				
At 1 January 2020	15.9	14.5	1.3	0.1
At 31 December 2020 and 1 January 2021	13.9	12.8	0.8	0.3
At 31 December 2021	**28.5**	**27.3**	**1.1**	**0.1**

Total cash outflow for leases is £6.7 million (2020: £6.6 million) of which £1.0 million (2020: £0.8 million) relates to interest and £5.7 million (2020: £5.8 million) to principal lease repayments.

The Income Statement includes an amount of £nil (2020: £0.2 million) relating to short-term leases and £nil (2020: £nil) relating to leases of low-value assets.

The Group is committed to one lease agreement not yet commenced as at 31 December 2021. The total expected lease liability for these agreements is approximately £2.9 million.

Section 4 – Capital Structure

This section outlines the Group's capital structure. The Group defines its capital structure as its equity and non-current interest-bearing loans and borrowings, and aims to manage this to safeguard its ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders. The Group manages its capital and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust its capital structure, it may return capital to shareholders, through dividends and share buybacks, issue new shares or sell assets to reduce debt. The Group considers its dividend policy at least twice a year ahead of announcing results in the context of its ability to continue as a going concern and deliver its business plan. The Group focuses on leverage, credit ratings and interest cost, particularly when considering investment.

On the following pages there are disclosures concerning the following:

4.1 Net debt
4.2 Financial instruments
4.3 Share capital and reserves

4.1 Net debt

The Group's net debt comprises the following:

- Cash and cash equivalents (cash on hand and demand deposits at banks)
- Bank overdrafts that are payable on demand
- Interest-bearing loans and borrowings
- Lease liabilities

Accounting policies

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet represents cash on hand and at banks.

Cash and cash equivalents in the Statement of Cash Flows includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these transaction costs are recognised in the Income Statement over the term of the related borrowings.

Lease liabilities

See note 3.6 "Leases".

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[(1) (2)] £m	Total £m
Opening at 1 January 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 of fees	(0.7)	–	(0.7)	–	(0.7)
Foreign currency	(1.3)	(0.3)	(1.6)	0.6	(1.0)
Closing at 31 December 2020 and opening at 1 January 2021	**(91.4)**	**(16.2)**	**(107.6)**	**16.8**	**(90.8)**
Other cash flows	**–**	**–**	**–**	**(37.0)**	**(37.0)**
Business combinations	**–**	**(4.5)**	**(4.5)**	**2.6**	**(1.9)**
Repayments	**128.2**	**5.7**	**133.9**	**(133.9)**	**–**
Borrowings	**(160.8)**	**–**	**(160.8)**	**160.8**	**–**
Leases entered into during the year	**–**	**(15.7)**	**(15.7)**	**–**	**(15.7)**
Leases – early termination	**–**	**0.1**	**0.1**	**–**	**0.1**
Fees incurred	**1.3**	**–**	**1.3**	**–**	**1.3**
Amortisation of fees	**(0.7)**	**–**	**(0.7)**	**–**	**(0.7)**
Foreign currency	**0.6**	**0.3**	**0.9**	**(1.4)**	**(0.5)**
Closing at 31 December 2021	**(122.8)**	**(30.3)**	**(153.1)**	**7.9**	**(145.2)**

(1) Other cash and cash equivalents include bank overdrafts of £3.1 million (2020: £0.5 million).
(2) In 2020, 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).

Section 4 – Capital Structure/continued

4.1 Net debt continued

On 14 February 2020, the Group signed a new £165.0 million five-year (with one optional one-year extension) multicurrency RCF with a syndicate of five banks. On 12 November 2021, the Group signed an amendment and restatement agreement to change the underlying benchmark from LIBOR to the relevant risk-free rates (SONIA, SOFR, TONA), due to the cessation of LIBOR on 31 December 2021. In January 2022, the one-year extension was agreed with four syndicate banks resulting in £35.0 million expiring on 14 February 2025 and £130.0 million expiring on 14 February 2026. The Group was utilising 53% of the RCF as at 31 December 2021.

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.

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.

On 14 November 2021, the Group signed a new $53.0 million (£39.1 million) three-year amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Savage. This facility will expire on 14 November 2024. The Term Loan was fully utilised as at 31 December 2021.

On 7 January 2022, the Group signed a new $47.0 million (£34.7 million) three-year amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Audix. This facility will expire on 7 January 2025.

4.2 Financial instruments

This note provides details on:

- **Financial risk management**
- **Derivative financial instruments**
- **Fair value hierarchy**
- **Interest rate profile**
- **Maturity profile of financial liabilities**

Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk.

Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board of Directors. These policies are implemented by a central treasury department that has formal procedures to manage foreign currency risk, interest rate risk and liquidity risk, including, where appropriate, the use of derivative financial instruments. The Group has clearly defined authority and approval limits built into these procedures.

Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures).

Transactions and balances

The Group has businesses that operate around the world and accordingly record their results in a number of different functional currencies. Some of these operations also have some customers or suppliers that transact in a foreign currency. Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

The Group manages its transactional exposures to foreign currency risks through the use of forward exchange contracts including the US Dollar, Euro and Japanese Yen. Forward exchange contracts are used to hedge the Group's forecasted foreign currency exposure in respect of forecast cash transactions for the following 12 months. Forward exchange contracts may also be used to hedge a proportion of the forecast cash transactions for the following 13 to 24 months. The forward exchange contracts currently have maturities of less than one year at the Balance Sheet date.

The Group ensures that its net exposure to foreign denominated cash balances is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances. In addition, the Group manages the denomination of surplus cash balances across the overseas subsidiaries to allow natural hedging where effective in any particular country.

Translation to presentation currency

The Group's results, which are reported in Sterling, are exposed to changes in foreign currency exchange rates across a number of different currencies with the most significant exposures relating to the US Dollar (USD) and Euro (EUR). The Group is exposed to the underlying translational movements which remain outside the control of the Group.

The Group's translational exposures to foreign currency risks relate to both the translation of income and expenses and net assets of overseas subsidiaries which are converted into Sterling on consolidation. The Group does not seek to hedge the translational exposure that arises primarily from changes in the exchange rates of the US Dollar, Euro and Japanese Yen against Sterling. However, the Group does finance overseas investments partly through the use of foreign currency borrowings in order to provide a net investment hedge over the foreign currency risk that arises on translation of its foreign currency subsidiaries.

Sensitivities

It is estimated that the Group's adjusted operating profit for the year ended 31 December 2021 would have increased/decreased by approximately £3.0 million (2020: £1.2 million) from a ten cent stronger/weaker US Dollar against Sterling and by approximately £1.8 million (2020: £0.4 million) from a ten cent stronger/weaker Euro against Sterling. This reflects the impact of the sensitivities to the translational exposures and to the proportion of the transactional exposures that are not hedged.

It is estimated that the statutory operating profit for the year ended 31 December 2021 would have increased/decreased by £2.2 million (2020: £0.5 million) from a ten cent stronger/weaker US Dollar against Sterling and by approximately £1.7 million (2020: £0.3 million) from a ten cent stronger/weaker Euro against Sterling.

Interest rate risk

Interest rate risk comprises the interest cash flow risk that results from borrowing at variable rates.

The Group is exposed to cash flow interest rate risk arising from long-term borrowings bearing variable interest rates. The Group policy is to maintain up to 50% of its borrowings at fixed rate. At 31 December 2021, the Group's variable interest rate borrowings were mainly denominated in Sterling and US Dollars, with 45% of the Group's floating rate debt fixed using floating-to-fixed interest rate swaps.

The borrowings are periodically contractually repriced which exposes the Group to the risk of future changes in market interest rates.

For the year ended 31 December 2021, it is estimated that a general increase of 1% in interest rates would decrease the Group's profit before tax by approximately £0.9 million (2020: £0.8 million) and a general decrease of 1% in interest rates would increase the Group's profit before tax by approximately £0.1 million (2020: £0.8 million).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group was utilising 53% of the £165.0 million multicurrency RCF as at 31 December 2021. On 14 February 2020, the Group signed a new £165.0 million five-year (with an optional one-year extension) multicurrency RCF with a syndicate of five banks. In January 2022, the one-year extension was agreed with four syndicate banks resulting in £35.0 million expiring on 14 February 2025 and £130.0 million expiring on 14 February 2026.

The Group was utilising 100% of the $53.0 million (£39.1 million) amortising Term Loan as at 31 December 2021. The loan amortises bi-annually from 30 June 2022 through to maturity on 14 November 2024. Repayments are set as a percentage of the original amount of the Term Loan and the amount repayable at each respective repayment date is as follows: 10%, 15%; 20%, 25%; 15% and 15%.

At the date of signing these financial statements, the Group was also utilising 100% of the $47.0 million (£34.7 million) amortising Term Loan drawn to finance the acquisition of Audix on 11 January 2022. The loan amortises bi-annually from 30 June 2022 through to maturity on 7 January 2025. Repayments are set as a percentage of the original amount of the Term Loan and the amount repayable at each respective repayment date is as follows: 10%, 15%; 20%, 25%; 15% and 15%.

Credit risk

Credit risk arises because a counterparty may fail to meet its obligations. The Group is exposed to credit risk on financial assets such as trade receivables, cash balances and derivative financial instruments. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the Group Balance Sheet.

a) Trade receivables

The Group's credit risk is primarily attributable to its trade receivables. Trade receivables are subject to credit limits, and control and approval procedures in the operating companies. At the Balance Sheet date, one of the Group's largest customers, which has a high credit rating, accounts for 18% of the gross outstanding trade receivables (2020: 16%) which represents a concentration of credit risk.

b) Cash balances and derivative financial instruments

Credit risk associated with cash balances is managed by transacting with a number of major financial institutions worldwide and periodically reviewing their creditworthiness. Transactions involving derivative financial instruments are managed centrally. These are only with banks that are part of the Group's multicurrency RCF and which have strong credit ratings. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

Derivative financial instruments

This is a summary of the derivative financial instruments that the Group holds and uses to manage transactional exposure. The value of these derivatives changes over time in response to underlying variables such as interest and exchange rates. They are carried in the Balance Sheet at fair value.

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 fair value of interest rate swaps are determined by estimating the market value of that swap 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.

Contracts with derivative counterparties are based on ISDA Master Agreements. Under the terms of these arrangements, only in certain situations will the net amounts owing/receivable to a single counterparty be considered outstanding. The Group does not have the present legal ability to set-off these amounts and so they are not offset in the Balance Sheet. Of the derivative assets and derivative liabilities recognised in the Balance Sheet, an amount of £0.1 million (2020: £nil) would be set-off under enforceable master netting agreements.

Section 4 – Capital Structure/continued

4.2 Financial instruments continued

Accounting policies

Financial assets classification and measurement

The Group classifies its financial instruments depending on the business model for managing the financial assets and their contractual cash flows. Trade receivables and contract assets are measured at amortised cost while derivatives are measured at fair value through profit or loss unless designated in a qualifying hedging relationship.

Derivative financial instruments

In accordance with Board-approved policies, the Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate swaps to hedge its exposure to fluctuations in foreign exchange rates and interest rates arising from operational activities. The Group does not hold or use derivative financial instruments for trading or speculative purposes.

Cash flow hedge accounting

Cash flow hedges are used to hedge the variability in cash flows of highly probable forecast transactions caused by changes in foreign currency exchange rates and interest rates.

Where a derivative financial instrument is designated in a cash flow hedge relationship with a highly probable forecast transaction, the effective part of any change in fair value arising is deferred in the cash flow hedging reserve within equity, via the Statement of Comprehensive Income. The gain or loss relating to the ineffective part is recognised in the Income Statement within net finance expense. Amounts deferred in the cash flow hedging reserve are reclassified to the Income Statement in the periods when the hedged item is recognised in the Income Statement.

If a hedging instrument expires or is sold but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in the Income Statement.

If a derivative financial instrument is not formally designated in a cash flow hedge relationship, any change in fair value is recognised in the Income Statement.

Forward exchange contracts

For hedges of foreign currency sales, the Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item and the Group designates the forward exchange rate as the hedged risk. The Group therefore performs a qualitative assessment of effectiveness. In hedges of foreign currency sales, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

The following table shows the forward exchange contracts in place at the Balance Sheet date. These contracts mature in the next 12 months, therefore the cash flows and resulting effect on profit and loss are expected to occur within the next 12 months.

	Currency	As at 31 December 2021 (millions)	Average exchange rate of contracts	As at 31 December 2020 (millions)	Average exchange rate of contracts
Cash flow hedging contracts					
USD/GBP forward exchange contracts	USD	**12.1**	**1.35**	2.5	1.34
USD/EUR forward exchange contracts	USD	**16.2**	**1.17**	–	–
EUR/GBP forward exchange contracts	EUR	**3.8**	**1.18**	2.0	1.11
JPY/GBP forward exchange contracts	JPY	**93.0**	**156.7**	140.0	139.5
JPY/EUR forward exchange contracts	JPY	**204.0**	**133.4**	162.0	125.7

A net gain of £0.1 million (2020: £0.9 million loss) relating to forward exchange contracts was reclassified to the Income Statement, to match the crystallisation of the hedged forecast cash flows which affect the Income Statement.

The table below provides further information on the Group's forward contracts.

	2021 £m	2020 £m
Net forward exchange contracts (liability)/asset	**(0.3)**	0.1
Recognised in OCI	**(0.3)**	(1.1)
Reclassified from OCI to the Income Statement	**(0.1)**	0.9
Maturity dates	**January 2022 to December 2022**	January 2021 to June 2021
Hedge ratio	**1:1**	1:1
Change in value of hedging instruments since 1 January	**(0.3)**	(1.1)
Change in value of the hedged item used to determine hedge effectiveness	**0.3**	1.1

Interest rate swaps

The Group enters into interest rate swaps that have the same critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. As all critical terms matched during the year, there is an economic relationship.

Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency sales. It may occur due to:

– changes in credit risk on the interest rate swaps which is not matched by the loan; and
– differences in critical terms between the interest rate swaps and loans.

There was no recognised ineffectiveness during 2021 in relation to the interest rate swaps.

The gain or loss relating to the effective portion of the interest rate swaps that are hedging variable rate borrowings is recognised in the Income Statement within net finance expense at the same time as the interest expense on the hedged borrowings.

For interest rate swaps hedging interest rate risk on term loans, the notional amount of interest rate swaps decreases in line with the repayments of the hedged borrowings.

For interest rate swaps on other borrowings, the notional amounts are consistent over the term of the hedging relationship.

The balances and movements into and out of the cash flow hedging reserve are shown in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity respectively. Amounts reclassified from the cash flow hedging reserve to the Consolidated Statement of Comprehensive Income are included in revenue for foreign currency forward exchange contracts and net finance cost for interest rate swaps.

The table below provides further information on the Group's interest rate swaps:

	2021 £m	2020 £m
Interest rate swaps asset/(liability)	0.1	–
Recognised in Other Comprehensive Income ("OCI")	0.1	–
Reclassified from OCI to the Income Statement	–	–
Some of the Group's swaps amortise in proportion to the loans they provide hedges against. As a result, the following disclosure shows the notional amounts over time.		
Notional amount		
Notional amount at the end of year 1	51.7	–
Notional amount at the end of year 2 and 3	37.0	–
Notional amount at the end of year 4	–	–
Maturity dates	January 2023 to January 2025	n/a
Hedge ratio	1:1	–
Change in value of hedging instruments since 1 January	0.1	–
Change in value of the hedged item used to determine hedge effectiveness	(0.1)	–
Interest rate swap average hedged rate for the year	0.7%	–

The Group entered into three floating-to-fixed interest rate swaps in December 2021 totalling £56.6 million (2020: nil). Swaps currently in place cover approximately 45% of the variable loan principal outstanding. The fixed interest rates of the swaps range between 0.6% (USD) and 1.0% (GBP).

Fair value hierarchy

The following summarises financial instruments carried at fair values and the major methods and assumptions used in estimating these fair values.

The different levels of fair value hierarchy have been defined as follows:

Level 1

Fair value measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2

Fair values measured using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3

Fair values measured using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of the Group's financial instruments approximate their fair value. The fair value of floating rate borrowings approximates to the carrying value because interest rates are at floating rates where payments are reset to market rates at intervals of less than one year. The Group's derivative financial instruments are Level 2. The fair value of forward foreign currency exchange derivative financial instruments is determined based on the present value of future cash flows using forward exchange rates at the Balance Sheet date. The fair value of interest rate swap derivative financial instruments is estimated as the present value of the future cash flows based on observable yield curves at the Balance Sheet date.

Section 4 – Capital Structure/continued

4.2 Financial instruments continued

Accounting policies

Net investment hedge accounting

The Group uses its US Dollar, Euro and Japanese Yen denominated borrowings as a hedge against the translation exposure on the Group's net investment in overseas companies. The Group designates the spot rate of the loans as the hedging instrument. There was no ineffectiveness to be recognised on hedges of net investments in foreign operations.

Where the hedge is fully effective at hedging the variability in the net assets of such companies caused by changes in exchange rates, the changes in value of the borrowings are recognised in the translation reserve within equity, via the Statement of Comprehensive Income. The ineffective part of any change in value caused by changes in exchange rates is recognised in the Income Statement.

The effective portion will be recycled into the Income Statement on the sale of the foreign operation.

The table below provides further information on the Group's net investment hedging relationships:

	2021 £m	2020 £m
Hedge ratio	**1:1**	1:1
Change in value of hedging instruments due to foreign currency movements since 1 January	**(0.2)**	1.3
Change in value of the hedged item used to determine hedge effectiveness	**0.2**	(1.3)

The balances and movements into and out of the foreign currency translation reserve are shown in the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity respectively.

The amount in the foreign currency translation reserve in relation to hedge accounting is a loss of £35.1 million (2020: £35.3 million loss) and is split as follows:

– Continuing net investment hedges loss of £6.0 million (2020: £6.2 million loss); and
– Hedging relationships for which hedge accounting is no longer applied, a loss of £29.1 million (2020: £29.1 million loss).

Interest-bearing loans and borrowings

The table below analyses the Group's interest-bearing loans and borrowings, including bank overdrafts, by currency:

Currency	Total £m	Fixed rate borrowings £m	Floating rate borrowings £m
US Dollar	**65.0**	**–**	**65.0**
Sterling	**54.1**	**–**	**54.1**
Euro	**6.5**	**0.6**	**5.9**
Japanese Yen	**2.4**	**–**	**2.4**
Unamortised fees and transaction costs	**(2.1)**	**–**	**(2.1)**
At 31 December 2021	**125.9**	**0.6**	**125.3**
US Dollar	26.0	–	26.0
Sterling	50.3	49.9	0.4
Euro	12.3	0.6	11.7
Japanese Yen	4.9	–	4.9
Unamortised fees and transaction costs	(1.6)	–	(1.6)
At 31 December 2020	91.9	50.5	41.4

The floating rate borrowings comprise borrowings bearing interest at rates based on SONIA, SOFR, EURIBOR and TONA for Sterling, US Dollar, Euro and Japanese Yen borrowings respectively.

The floating rate borrowings are repriced between one and three months.

Maturity profile of financial liabilities

The table below analyses the Group's financial liabilities and derivative financial liabilities into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the carrying amounts disclosed on the Balance Sheet.

The following are the contractual maturities of financial liabilities, including undiscounted future interest payments:

	Carrying amount £m	Total contractual cash flows £m	Within one year £m	From two to five years £m	Greater than five years £m
2021					
Unsecured interest-bearing loans and borrowings including bank overdrafts[1]	**(125.5)**	**(133.5)**	**(15.1)**	**(118.4)**	**–**
Lease liabilities	**(30.3)**	**(34.9)**	**(6.7)**	**(18.5)**	**(9.7)**
Trade payables	**(38.1)**	**(38.1)**	**(38.1)**	**–**	**–**
Forward exchange contracts outflow	**(0.3)**	**(17.8)**	**(17.8)**	**–**	**–**
Total outflows	**(194.2)**	**(224.3)**	**(77.7)**	**(136.9)**	**(9.7)**
Forward exchange contracts inflow	**–**	**17.4**	**17.4**	**–**	**–**
Net outflows	**(194.2)**	**(206.9)**	**(60.3)**	**(136.9)**	**(9.7)**
2020					
Unsecured interest-bearing loans and borrowings including bank overdrafts[1]	(91.5)	(96.7)	(52.0)	(44.7)	–
Lease liabilities	(16.2)	(18.4)	(5.2)	(8.5)	(4.7)
Trade payables	(19.9)	(19.9)	(19.9)	–	–
Forward exchange contracts outflow	–	(0.7)	(0.7)	–	–
Total outflows	(127.6)	(135.7)	(77.8)	(53.2)	(4.7)
Forward exchange contracts inflow	–	0.7	0.7	–	–
Net outflows	(127.6)	(135.0)	(77.1)	(53.2)	(4.7)

(1) This excludes an amount of £0.4 million (2020: £0.4 million) of an interest-bearing liability in relation to a government grant which does not meet the definition of a financial liability.

The Group had the following undrawn borrowing facilities at the end of the year:

Expiring in:	2021 £m	2020 £m
Less than one year		
– Uncommitted facilities	**3.4**	3.6
More than one year but not more than five years		
– Committed facilities	**77.1**	122.3
Total	**80.5**	125.9

4.3 Share capital and reserves

This note explains the movements in share capital, and the nature and purpose of other reserves forming part of equity. The movements in reserves are set out in the Consolidated Statement of Changes in Equity.

The Group utilises share award schemes as part of its employee remuneration packages. Options that have been granted and remain outstanding at 31 December 2021 are set out below. The various share-based payment schemes are explained in note 5.3 "Share-based payments".

Share capital

	Number of shares (thousands)	Nominal value £m
Issued and fully paid		
At 1 January 2021	**45,895**	**9.2**
Issue of shares	**310**	**0.1**
Exercise of share options	**173**	**–**
At 31 December 2021	**46,378**	**9.3**

Section 4 – Capital Structure/continued

4.3 Share capital and reserves continued

Each ordinary share carries one vote, participates equally with the other ordinary shares in distribution of dividends and capital (including on a winding up) and is not redeemable.

The Group issued 309,753 ordinary shares as part of the consideration for the acquisition of Lightstream. See note 3.4 "Acquisitions".

The consideration received in relation to Sharesave Scheme exercises was £1.5 million.

At 31 December 2021 the following options had been granted and remained outstanding under the Company's share option schemes:

	Number of shares (thousands)	Exercise prices	Dates normally exercisable
UK Sharesave Schemes	354	552p-1280p	2022-2027
International Sharesave Schemes	1,211	552p-1280p	2022-2025
	1,565		

Other reserves

The nature and purpose of other reserves forming part of equity are as follows:

Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries, including gains or losses arising on net investment hedges.

Cash flow hedging reserve

This reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

Capital redemption reserve

The capital redemption reserve of £1.6 million was created on the repurchase and subsequent cancellation of 885,000 ordinary shares by the Company in 1999.

Retained earnings

Retained earnings are the cumulative gains and losses recognised by the Group, not recorded in any of the other reserves. On 12 April 2021, the Company issued 309,753 ordinary shares as part of the consideration for the acquisition of Lightstream. The excess of the fair value of the shares issued over their nominal value was recorded in Retained earnings.

Own shares held

Own shares held by the Company's Employee Benefit Trust are recognised as a deduction from retained earnings. As at 31 December 2021, the Employee Benefit Trust held 314,202 (2020: 55,604) ordinary shares. The Company holds 133,600 (2020: 133,600) shares, of 20p nominal value, in treasury.

The Employee Benefit Trust purchased 95,199 own shares on 7 May 2021 (average price of 1560.00p per share) to be used to satisfy future LTIP and Restricted Share Plan ("RSP") Share Scheme maturities, and 259,800 own shares on 13 August 2021 (average price of 1549.23p per share) to be used to satisfy future Sharesave Scheme maturities under the UK and International Sharesave Schemes.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment.

	2021 £m	2020 £m
Amounts arising in respect of the year		
Interim dividend for the year ended 31 December 2021 of 11.0p (2020: nil pence) per ordinary share	5.0	–
Proposed final dividend for the year ended 31 December 2021 of 24.0p (2020: 4.5p) per ordinary share	11.1	2.1
	16.1	2.1
The aggregate amount of dividends paid in the year		
Final dividend for the year ended 31 December 2020 of 4.5p (2019: nil pence) per ordinary share	2.1	–
Interim dividend for the year ended 31 December 2021 of 11.0p (2020: nil pence) per ordinary share	5.0	–
	7.1	–

Section 5 – Other Supporting Notes

This section explains items that are not explained elsewhere in the financial statements.

On the following pages, there are disclosures covering the following:
5.1 Employees
5.2 Pensions
5.3 Share-based payments
5.4 Contingent liabilities
5.5 Related party transactions
5.6 Group investments

5.1 Employees

	2021 £m	2020 £m
Employee costs, including Directors' remuneration, comprise:		
Government grants repaid voluntarily/(received) towards employee costs[1]	1.2	(2.0)
Wages and salaries	86.6	71.3
Redundancy costs	0.3	1.9
Employers' social security costs	13.3	9.9
Employers' pension costs – defined benefit schemes	0.1	–
Employers' pension costs – defined contribution schemes	3.4	3.2
Other employment benefits	2.7	2.8
Share-based payment charge	7.9	3.7
	115.5	90.8

(1) This excludes amounts paid directly to employees by governments. There are no unfulfilled conditions or other contingencies attached to this government assistance.

Details of Directors' remuneration and share incentives are disclosed in the Remuneration report.

	2021 Total	2020 Total
Average number of employees during the year		
Imaging Solutions	866	746
Production Solutions	539	508
Creative Solutions	354	289
Head Office	25	26
	1,784	1,569

5.2 Pensions

This note explains the accounting policies governing the Group's treatment of the pension schemes, followed by an analysis of these schemes.

Accounting policies

Defined contribution schemes

The assets are held separately from those of the Group in independently administered funds. The costs of providing pensions for employees under defined contribution schemes are expensed as incurred.

Defined benefit schemes

The Group operates pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The discount rate is determined by reference to market yields at the Balance Sheet date on high quality corporate bonds.

The calculation is performed by a qualified actuary using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they arise in the Statement of Comprehensive Income.

The Group recognises the ongoing service cost, past service costs and any cost or income relating to the curtailment or settlement of a pension scheme in operating expenses in the Income Statement. The unwinding of the discount (above) is recognised as part of net financial expense.

Pension schemes

The Group has defined benefit pension schemes in the UK, Italy, Germany, Japan and France. The UK defined benefit scheme was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Group are now offered membership of the defined contribution pension scheme. Other overseas subsidiaries have their own defined contribution schemes.

Currently there is neither an actuarial surplus (measured on an IAS 19 "Employee Benefits" basis) nor are there any contributions being made to the UK defined benefit scheme. Therefore IFRIC 14 currently has no impact on the Group's Balance Sheet.

Section 5 – Other Supporting Notes/continued

5.2 Pensions continued

In October 2018, the High Court reached a judgement in relation to Lloyds Bank's defined benefit pension schemes, which concluded that the schemes should equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues arising from the judgement will apply to most other UK defined benefit pension schemes.

In November 2020, the High Court reached a further judgement, which concluded that the schemes should pay uplifts to members who had transferred benefits out in the past (back to 17 May 1990), where those benefits were not equalised in line with the 2018 judgement. The Group has reviewed past transfers out and estimated the impact of this judgement to be highly immaterial and therefore no further liability has been booked.

Defined contribution schemes

The total Income Statement charge of the defined contribution schemes for the year ended 31 December 2021 was £3.4 million (2020: £3.2 million). There were no outstanding or prepaid contributions to these plans as at 31 December 2021 (or at 31 December 2020).

Defined benefit schemes

The Group's defined benefit schemes are disclosed below:

	2021 £m	2020 £m
Amounts recognised on the Group Balance Sheet		
Plan assets		
– Equities	22.4	19.5
– Bonds	39.1	40.4
– Other	8.7	8.8
Total fair value of plan assets	70.2	68.7
Present value of defined benefit obligation	(78.6)	(84.6)
Net deficit recognised on the Group Balance Sheet	(8.4)	(15.9)

	2021 £m	2020 £m
Analysis of net recognised deficit		
Total funded plan (UK pension scheme)	(4.6)	(11.6)
Total unfunded plans (non-UK pension schemes)	(3.8)	(4.3)
Liability recognised on the Group Balance Sheet	(8.4)	(15.9)

	2021 £m	2020 £m
Amounts recognised in the Group Income Statement		
– Administration costs incurred during the period	0.2	0.2
– Past service gains	(0.1)	(0.2)
Included in operating expenses	0.1	–
Net interest expense on net defined benefit pension scheme liabilities	0.1	0.1
Total amounts charged to the Group Income Statement	0.2	0.1

UK pension scheme

The UK defined benefit pension scheme, being significant, is disclosed below.

The nature of the UK scheme is a funded final salary scheme closed to future benefit accrual with effect from 31 July 2010. As a result, since that date, no contributions are payable in respect of future accrual of benefits. As the 5 April 2019 funding valuation of the scheme disclosed a funding surplus, no recovery plan is required under the Pensions Act 2004. As such, member and employer contributions to the scheme over the year to 31 December 2022 are expected to be £nil. The scheme is subject to all legislation and regulations that apply to UK occupational pension schemes.

The main risk to which the Group is exposed by the scheme is that the cost of the benefits provided by the scheme is greater than expected, for example due to lower than expected investment returns or members of the scheme living longer than expected, which may result in additional contributions being required from the Group.

In accordance with UK trust and pensions law, the pension scheme has a corporate trustee. Although the Group bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustee, which has a duty to act in the best interest of members at all times. The assets of the scheme are held in trust by the trustee who consults with the Group on investment strategy decisions.

Impact on defined benefit obligation (DBO) of changes in the three key individual assumptions

	2021	2020
Discount rate increased by 0.1% points	–2%	–2%
Inflation increased by 0.1% points	+1%	+1%
Life expectancy increased by one year	+4%	+4%

A decrease in the assumptions noted above results in an equal and opposite movement to those disclosed.

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

	2021 % pa	2020 % pa
Assumptions used by the actuary to value the liability of the defined benefit plan, on 31 December, were:		
Price inflation (RPI)	3.3	2.9
Price inflation (CPI)	RPI less 1% pa to 2030, and RPI less 0.1% pa from 2030	RPI less 1% pa to 2030, and RPI less 0.1% pa from 2030
Life expectancy of male/female aged 65 at Balance Sheet date	22.2/24.6	22.4/24.7
Life expectancy of male/female aged 65 in 2036	22.8/25.5	23.0/25.6
Pension increase rate (% pa)		
— Discretionary (pre-6 April 1997 accrual in excess of GMP)	3.2	2.8
— Guaranteed LPI 5% (6 April 1997 – 30 June 2008)	3.2	2.9
— Guaranteed LPI 5%, with 3% floor	3.4	3.3
— Guaranteed LPI 2.5% (accrual from 1 July 2008)	2.2	2.1
Discount rate (% pa)	1.9	1.2

	2021 £m	2020 £m
Change in DBO for the year to 31 December		
Present value of DBO at start of year	80.3	68.5
Interest cost	1.0	1.4
Actuarial loss/(gain) on experience	1.0	(0.3)
Actuarial (gain)/loss on demographic assumptions	(0.6)	1.4
Actuarial (gain)/loss on financial assumptions	(4.7)	11.6
Actual benefit payments	(2.1)	(2.1)
Past service gains	(0.1)	(0.2)
Present value of DBO at end of year	74.8	80.3

At 31 December 2021, the weighted average duration of the scheme's DBO was 17 years (2020: 18 years). The proportion of DBO in respect of pensions in payment is approximately 43% (2020: 43%) and that in respect of deferred pensioners is approximately 57% (2020: 57%).

	Fair value 2021 £m	Quoted split %	Unquoted split %	Fair value 2020 £m
Scheme assets and proportion which have quoted market price, at 31 December				
Bonds	39.1	100	–	40.4
Equities	22.4	100	–	19.5
Infrastructure	8.2	–	100	7.5
Cash/non-cash assets	0.3	–	100	1.1
Insurance policies	0.2	–	100	0.2
Total value of assets	70.2			68.7

Note: The asset values shown are, where relevant, estimated bid values of market securities.

	2021 £m	2020 £m
Change in fair value of assets for the year to 31 December		
Fair value of assets at start of year	68.7	64.4
Interest income on scheme assets	0.8	1.3
Return on scheme assets (less)/greater than discount rate	2.8	5.1
Actual benefit payments	(2.1)	(2.1)
Fair value of assets at end of year	70.2	68.7

Section 5 – Other Supporting Notes/continued

5.2 Pensions continued

	2021 £m	2020 £m
Development of net Balance Sheet position at 31 December		
Present value of defined benefit obligation	(74.8)	(80.3)
Assets at fair value	70.2	68.7
Net defined benefit scheme liability	(4.6)	(11.6)

	2021 £m	2020 £m
Reconciliation of net Balance Sheet position		
Net defined benefit scheme liability at start of year	(11.6)	(4.1)
Total amounts charged to the Income Statement	–	0.1
Remeasurement effects recognised in OCI	7.0	(7.6)
Defined benefit scheme liability at end of year	(4.6)	(11.6)

	2021 £m	2020 £m
Amounts recognised in the Income Statement		
– Past service gains	(0.1)	(0.2)
Included in operating expenses	(0.1)	(0.2)
Net interest expense on net defined benefit pension scheme liability	0.1	0.1
Total amounts credited to the Income Statement	–	(0.1)

	2021 £m	2020 £m
Amounts recognised in OCI		
Actuarial loss/(gain) due to liability experience	1.0	(0.3)
Actuarial (gain)/loss due to liability assumption changes	(5.2)	13.0
Actuarial (gain)/loss arising during the period	(4.2)	12.7
Return on scheme assets greater than discount rate	(2.8)	(5.1)
Remeasurement effects recognised in OCI	(7.0)	7.6

	2021 £m	2020 £m
Defined benefit pension scheme cost		
Past service gains	(0.1)	(0.2)
Net interest expense on net defined benefit pension scheme liability	0.1	0.1
Remeasurement effects recognised in OCI	(7.0)	7.6
Total defined benefit pension scheme (credit)/charge	(7.0)	7.5

5.3 Share-based payments

Group employees participate in a number of employee incentive schemes including a Sharesave Scheme, an LTIP, a Deferred Bonus Plan and a Restricted Share Plan.

This note explains the accounting policy governing share-based payments and the impact of various share schemes operated by the Group.

Accounting policies

Share-based payments

The Group operates a number of share-based incentive schemes, which are treated as equity-settled awards. The fair value of equity-settled awards is determined at grant date and charged to the Income Statement over the vesting period of the award, with a corresponding adjustment to equity.

Any potential employer's social security liability on share awards is calculated based on the intrinsic value of the awards at the Balance Sheet date and recognised over the vesting period of the related award.

Exercises of share options granted to employees can be satisfied by a market purchase or an issue of new shares. Shares purchased in the market are held by the Company's Employee Benefit Trust.

Further details of the accounting for the schemes provided by the Group are set out below.

Long Term Incentive Plan

A description of the LTIP including its general terms and conditions, such as performance conditions and vesting requirements, is set out in the Remuneration report. Awards prior to and after 2020 included a portion linked to a non-market condition (adjusted EPS) as well as a portion linked to a market condition (Total Shareholder Return, "TSR"). LTIPs awarded in 2020 vest subject to both a TSR and a share price condition and do not contain a portion linked to a non-market condition.

The fair value of the awards linked to the EPS condition is the Company's share price at grant date, while the fair value of awards containing market conditions is determined using Monte Carlo simulation models. The number of awards which are expected to vest is estimated by management based on levels of expected forfeitures and the expected outcome of the EPS condition. For awards subject to market conditions, no adjustment is made to reflect the likelihood of the market condition being met nor the actual number of awards which lapse as a result of the condition not being met.

Sharesave Scheme

Options granted under the Sharesave Scheme vest subject to continued employment and a saving condition in some countries. The options entitle employees to purchase shares in the Company at a fixed price. Further details of the Group's Sharesave arrangement are included in the Strategic Report.

The fair value of options granted under the Sharesave Scheme is determined using a Black-Scholes model with the key inputs to the model set out below. The number of awards which are expected to vest is estimated by management based on levels of expected forfeitures. At an employee's discretion they can choose to withdraw from a particular scheme and stop saving. This action is accounted for as a cancellation and results in an acceleration of the Income Statement charge related to the cancelled options.

Restricted Share Plan

The Restricted Share Plan ("RSP") was introduced in 2019 to support retention plans for key employees (excluding Directors and Operations Executive members). The fair value of awards under the RSP is the Company's share price at grant date. Under the RSP, shares which are awarded, generally vest over three years and are subject to a continued employment condition. The number of awards which are expected to vest is estimated by management based on levels of expected forfeitures.

Share-based payment expense

The amount recognised in the Income Statement for share-based payment transactions with employees for the year ended 31 December 2021 was £7.9 million (2020: £3.7 million).

Share options outstanding at the end of the period

Options outstanding under the 2011 UK Sharesave Scheme and 2011 International Sharesave Scheme as at 31 December 2021, together with their exercise prices and vesting periods, are as follows:

Range of exercise prices	Number outstanding (thousands)	Weighted average exercise price (£)	Weighted average remaining contractual life (years)
£5.51 – £6.00	1,169	5.59	2.19
£7.50 – £9.50	166	8.89	1.32
£9.51 – £10.50	42	10.35	0.40
£12.01 – £14.00	188	12.48	2.85
Total	1,565	6.89	2.13

Section 5 – Other Supporting Notes/continued

5.3 Share-based payments

Movements in these share option plans were as follows:

	Sharesave (thousands)	Weighted average exercise price (£)
Awards at 31 December 2019	1,493	9.18
Exercised during 2020	(171)	6.55
Cancelled during 2020	(738)	8.90
Forfeited during 2020	(68)	7.82
Lapsed during 2021	(44)	9.07
Granted during 2020	1,275	5.59
Awards at 31 December 2020	1,747	6.45
Exercised during 2021	**(228)**	**8.55**
Cancelled during 2021	**(24)**	**8.04**
Forfeited during 2021	**(101)**	**6.95**
Lapsed during 2021	**(19)**	**7.60**
Granted during 2021	**190**	**13.15**
Awards at 31 December 2021	**1,565**	**6.89**
Awards exercisable at 31 December 2021	**4**	**7.63**

The weighted average share price at the date of exercise for share options exercised during the year was £13.68 (2020: £7.77).

Arrangement	Restricted Share Plan	2011 International Sharesave Scheme 2 Year	2011 UK and International Sharesave Scheme 3 Year	2011 UK and International Sharesave Scheme 5 Year	2014 Long Term Incentive Plan
Nature of arrangement	Share award plan	Save as you earn scheme	Save as you earn scheme	Save as you earn scheme	Share award plan
Date of grant	Various	27 Sep 2021	27 Sep 2021	27 Sep 2021	03 Mar 2021
Number of instruments granted (thousands)	892	83	97	9	423
Exercise price	n/a	13.60	£12.80	12.80	n/a
Share price at date of grant	Various	£15.50	£15.50	£15.50	£10.05
Contractual life (years)	Up to 3 years	2.25	3.50	5.50	n/a
Expected option life (years)	Up to 3 years	2.25	3.25	5.25	n/a

Vesting conditions	Up to 3-year service period	2-year service period and savings requirement	3-year service period and savings requirement	5-year service period and savings requirement	Relative TSR performance against comparator group and adjusted EPS growth
Settlement	Shares	Shares	Shares	Shares	Shares
Expected volatility(1)	n/a	36.9%	36.9%	36.9%	35.6%
Risk-free interest rate	n/a	0.30%	0.40%	0.60%	n/a
Expected dividend yield	n/a	2.30%	2.30%	2.30%	n/a
Expected departures (per annum from grant date)	0 – 20%	5%	5%	5%	0%
Expected outcome of non-market based related performance condition	n/a	n/a	n/a	n/a	100%
Expected outcome of non-vesting condition(2)	n/a	85%	85%	85%	n/a
Fair value per granted instrument determined at the grant date	£10.05 – £15.05	£3.19	£3.82	£4.25	£4.79/£10.05(3)
Valuation model	n/a	Black-Scholes	Black-Scholes	Black-Scholes	Monte Carlo(4)

(1) The expected volatility of the 2011 Sharesave Plan is based on historical volatility determined by the analysis of daily share prices over a period commensurate with the expected lifetime of the award and ending on the date of grant of the award. Due to significant fluctuations in Vitec's share price during the year a uniform rate has been used for all the Sharesave options as a reasonable estimate of volatility going forward.
(2) Non-vesting condition relates to the monthly contributions that employees need to make under the SAYE scheme to receive the options at vesting. Based on historical cancellation rates, a 15% rate has been used.
(3) The first figure (£4.79) represents the fair value of awards subject to TSR criteria and the second figure (£10.05) represents the fair value of awards subject to adjusted EPS growth criteria.
(4) For the 2014 LTIP, a Monte Carlo simulation has been used. Under this valuation method, the share price for Vitec is projected at the end of the performance period as well as the TSR for Vitec and the companies in the comparator group. Thousands of simulations are run and the payoff for each iteration is calculated as the number of shares that vest multiplied by the projected share price. The fair value of the award is calculated as the average payoff of all iterations.

5.4 Contingent liabilities

The Group has obtained cash receipts from government entities which have been accounted for as forgivable loans. The Group recognised a liability for these forgivable loans on the acquisition of Amimon in 2018 in relation to amounts it does not have reasonable assurance will be forgiven. At December 2021, the amount recognised as a liability in relation to these loans is £0.4 million (2020: £0.4 million). The total contractual amount outstanding at 31 December 2021 is £2.1 million (2020: £2.1 million).

Tax-related contingent liabilities are disclosed in note 2.4 “Tax”.

5.5 Related party transactions

A related party relationship is based on the ability of one party to control or significantly influence the other.

The Group has identified the Directors, the Vitec Group Pension Scheme and members of the Operations Executive as related parties to the Group under IAS 24 “Related Party Disclosures”.

Transactions with key management personnel

Details of Directors’ remuneration along with their pension, share incentive, bonus arrangements and holdings of the Company’s shares are shown in detail in the Remuneration report. This also shows the highest paid Director.

The compensation of the 14 (2020: 13) key management personnel during the year, including the Executive Directors, is shown in the table below:

	2021 £m	2020[2] £m
Salaries	3.2	3.0
Employers’ social security costs	0.9	0.6
Performance-related bonuses	3.4	0.9
Share-based payment charge[1]	1.5	0.6
Other short-term employee benefits	0.4	0.5
Employers’ pension costs – defined contribution schemes	0.4	0.3

(1) IFRS 2 charge recognised in the Income Statement for share-based payment transactions with key management personnel.

(2) Following a review of the previously reported remuneration of key management personnel, the prior year amounts for salaries of £1.9 million, performance-based bonuses of £0.2 million, share-based payment charge of £0.2 million and other short-term benefits of £0.3 million have each been restated as above. In addition, an amount in relation to employers’ social security costs has been added.

Section 5 – Other Supporting Notes/continued

5.6 Group investments

The Group's subsidiaries at 31 December 2021 are listed below. All subsidiaries are 100% owned within the Group.

Company	County of incorporation	Issued securities
Amimon Inc	United States(35)	Ordinary shares of NPV
Amimon Ltd	Israel(37)	Ordinary shares of ILS 0.01 each
Amimon Japan Co. Ltd	Japan(36)	Ordinary shares of JP¥10,000 each
Autocue Limited*	England & Wales(1)	Ordinary shares of £1 each
Autocue LLC	United States(3)	Membership units of NPV
Autoscript Limited	England & Wales(1)	Ordinary shares of £1 each
BRCT Holdings Limited	New Zealand(2)	Ordinary shares of NZD1.00
Camera Corps, Inc.	United States(34)	Ordinary shares of US$0.01 each
Camera Corps Ltd	England & Wales(1)	Ordinary shares of £1 each
Camera Dynamics sarl	France(4)	Ordinary shares of NPV
Chalfont Investments Inc.	United States(5)	Ordinary shares of US$0.01 each
Colorama Photodisplay Holdings Limited	England & Wales(1)	Ordinary shares of £1 each
Creative Solutions Division Inc.	United States(41)	Ordinary shares of US$0.001 each
Gitzo Limited*	England & Wales(1)	Ordinary shares of £1 each
Gitzo S.A.	France(6)	Ordinary shares of NPV
Infiniscene Inc.	United States(40)	Ordinary shares of US$0.001 each
JOBY Technology (Shenzhen) Co. Limited	China(33)	Ordinary shares of RMB1,814,855 each
Kata UK Limited*	England & Wales(1)	Ordinary shares of £1 each
Lastolite Limited*	England & Wales(1)	Ordinary shares of £1 each
LCB Beteiligungs GmbH	Germany(9)	Ordinary shares of €25,000
Lowepro Huizhou Trading Co Ltd	China(32)	Ordinary shares of HK$3,000,000 each
Litepanels Ltd	England & Wales(1)	Ordinary shares of US$1 each
Manfrotto Bags Ltd	Israel(8)	Ordinary shares of ILS1 each
Manfrotto Distribution Limited*	England & Wales(1)	Ordinary shares of £1 each
Mount Olive 2016, LLC	United States(17)	Membership units of NPV
Offhollywood, LLC	United States(18)	Membership units of NPV
Palmer Dollar Finance	England & Wales(1)	Ordinary shares of US$1 each
Palmer Dollar Finance Ireland Investment DAC*	Ireland(19)	Ordinary shares of US$1 each
Palmer Dollar Finance Luxembourg Investment Sarl*	Luxembourg(20)	Ordinary shares of US$1,000 each
Palmer Euro Finance Ireland Investment DAC*	Ireland(19)	Ordinary shares of €1 each
Palmer Euro Finance Luxembourg Investment Sarl*	Luxembourg(20)	Ordinary shares of €1,000 each
Palmer Euro Finance Netherlands B.V.*	Netherlands(21)	Ordinary shares of €1 each
Palmer Finance	England & Wales(1)	Ordinary shares of €1 each
Palmer Yen Finance	England & Wales(1)	Ordinary shares of JP¥100 each
Petrol Bags Limited	Israel(22)	Ordinary shares of ILS1 each
Petrol Bags Limited*	England & Wales(1)	Ordinary shares of £1 each
Quasar Science LLC	United States(39)	Membership units of NPV
Radamec Broadcast Systems Limited	England & Wales(1)	Ordinary shares of £1 each
RECO Srl	Italy(10)	Shares of NPV
Rycote Microphone Windshields Ltd	England & Wales(1)	Ordinary shares of £1 each and deferred shares of £1 each
Sachtler Limited*	England & Wales(1)	Ordinary shares of £1 each
Savage Paper Specialties, LLC	United States(38)	Membership units of NPV
Savage Universal LLC	United States(38)	Membership units of NPV

Company	County of incorporation	Issued securities
SmallHD LLC	United States[23]	Membership units of NPV
Syrp, Inc	United States[7]	Common stock of US$0.10 each
Syrp Limited	New Zealand[2]	Ordinary shares of NZD1.00
Teradek Ukraine LLC	Ukraine[24]	Membership interests of NPV
Teradek, LLC	United States[25]	Membership units of NPV
The Camera Store Limited	England & Wales[1]	Ordinary shares of £1 each
Vinten Broadcast Limited*	England & Wales[1]	Ordinary shares of £1 each
Vitec Creative Solutions UK Limited	England & Wales[1]	Ordinary shares of £1 each
Vitec Group Holdings Limited*	England & Wales[1]	Ordinary shares of £1 each
Vitecgroup Italia spa	Italy[10]	Ordinary shares of €1,000 each
Vitec Group Pensions Trust Company (UK) Limited*	England & Wales[1]	Ordinary shares of £1 each
Vitec Group US Holdings, Inc.	United States[5]	Ordinary shares of US$0.01 each
Vitec Holdings Limited	Guernsey[27]	Ordinary shares of £0.10 each
Vitec Imaging Distribution Australia Pty Ltd	Australia[26]	Ordinary shares of AUD1 each
Vitec Imaging Distribution Benelux B.V.	Netherlands[11]	Ordinary shares of €454 each
Vitec Imaging Distribution GmbH	Germany[12]	Shares of €25,000 each
Vitec Imaging Distribution HK Limited	Hong Kong[13]	Shares of HK$1 each
Vitec Imaging Distribution Inc.	United States[14]	Ordinary shares of NPV
Vitec Imaging Distribution KK*	Japan[15]	Shares of JP¥1 each
Vitec Imaging Distribution SAS	France[6]	Ordinary shares of €16 each
Vitec Imaging Distribution Shanghai Limited	China[16]	Ordinary shares of US$1 each
Vitec Imaging Solutions HK Limited	Hong Kong[31]	Shares of HK$1 each
Vitec Imaging Solutions Spa	Italy[10]	Ordinary shares of €5.556 each
Vitec Imaging Solutions UK Limited	England & Wales[1]	Ordinary shares of £1 each
Vitec Investments Limited	England & Wales[1]	Ordinary shares of £1 each
Vitec Production Solutions GmbH	Germany[9]	Ordinary shares of DEM50,000 each
Vitec Production Solutions Inc	United States[5]	Ordinary shares of US$0.01 each
Vitec Production Solutions KK*	Japan[15]	Ordinary shares of JP¥1,000 each
Vitec Production Solutions Limitada	Costa Rica[28]	Shares of CRC50 each
Vitec Production Solutions Limited*	England & Wales[1]	Ordinary shares of £1 each
Vitec Production Solutions Pte. Limited*	Singapore[29]	Ordinary shares of SGD1 each
Vizua Limited	England & Wales[1]	Ordinary shares of £1 each
VTC International Limited*	England & Wales[1]	Ordinary shares of £1 each
WHDI LLC	United States[35]	Membership unit of NPV
Wooden Camera, Inc	United States[30]	Ordinary shares of NPV

* Investment held directly by The Vitec Group plc.

Section 5 – Other Supporting Notes/continued

The registered addresses are as follows:

(1) Bridge House, Heron Square, Richmond, TW9 1EN, United Kingdom
(2) 32 Crummer Road, Grey Lynn, Auckland, 1021, New Zealand
(3) 124 West 30th Street, Suite 312, New York, NY 10001, United States
(4) 171 avenue des Grésillons, 92635 Gennevilliers cedex, France
(5) Corporation Service Company, 2711 Centerville Road – Suite 400, Wilmington, DE 19808, United States
(6) Parc Tertiaire Silic, 44 Rue De La Couture, 94150 Rungis, France
(7) Princeton South Corporate Center, Suite 160, 100 Charles Ewing Boulevard, Ewing, NJ 08628, United States
(8) Abraham & Bachar cp., Keren HaYesod 36, Jerusalem, Israel
(9) Parkring 29, 85748 Garching, Germany
(10) Via Valsugana 100, 36022 Cassola VI, Italy
(11) J.P. Poelstraat 5, 1483 GC De Rijp, Netherlands
(12) Ferdinand-Porsche-Strasse 19, 41149 Cologne, Germany
(13) Unit No.03, 3/F, Tower 3, Phase 1, Enterprise Square, No.9 Sheung Yuet Road, Kowloon Bay, Hong Kong
(14) Corporation Service Company, 830 Bear Tavern Road, West Trenton, NJ 08628, United States
(15) Shibakoen 3-chome Bldg, 1F, 3-1-38 Shibakoen, Minato-ku, Tokyo 105-0011, Japan
(16) Room 2704-05, Shanghai Mart Tower, No.2299, Yan'an Road (West), Shanghai, 200336, China
(17) Corporation Service Company, 2595 Interstate Drive – Suite 103, Harrisburg, PA 17110, United States
(18) Corporation Service Center, 2711 Centerville Road – Suite 440,Wilmington, New Castle County DE 19808, United States
(19) Regus Dublin Airport, Tasc Building, Corballis Road North, Dublin Airport, Sword, Dublin, Ireland
(20) 9B Boulevard du Prince Henri, L-1724, Grand Duchy of Luxembourg, Luxembourg
(21) Kerkrade, Netherlands
(22) 3 HaSolelim Street, 67897, Tel Aviv, Israel
(23) Corporation Service Company, 327 Hillsborough Street, Raleigh, NC 27603, United States
(24) Per.Nechipurenko 4, Suite 15, Odessa, 65045, Ukraine
(25) CSC-Lawyers Incorporating Service, 2710 Gateway Oaks Drive – Suite 150N, Sacramento, CA 95833-3505, United States
(26) 2 Baldwin Road, Altona North VIC 2025, Australia
(27) Mont Crevelt House, Bulwer Avenue, St. Sampson, GY2 4LH, Guernsey
(28) Parque Industrial de Cartago, Edificio Numero 68, Cartago, Costa Rica
(29) 6 New Industrial Road, #02-02 Hoe Huat Industrial Building, 536199, Singapore
(30) 1826 West Commerce Street, Dallas TX 75208, United States
(31) Unit 901-2, 9/F, Metroplaza Tower 2, No. 223 Hing Fong Road, Kwai Fong, N.T. Hong Kong
(32) No. 1101, Office Building, Block B, Zhixing Commercial Building, Banshi Village, Changping Town, Dongguan City, Guangdong Province, China
(33) Suite 916, Office Tower, Shun Hing Square, Di Wang Commercial Centre, 5002 Shen Nan Dong Road, Shenzhen, 518008, China
(34) Corporate Service Company, 251 Little Falls Drive, Wilmington, County of New Castle, DE, 19808, United States
(35) 2025 Gateway Place, Suite 450, San Jose, CA 95110, United States
(36) 701 A105 Gotanda Building, 1-10-7 Higashi Gotanda, Shinagawa-Ku, Tokyo, Japan
(37) Zarhin 26, POB 2308, Ra'anana 4366250, Israel
(38) 2050 South Stearman Drive, Chandler, AZ, 85286, United States
(39) 909 Third Avenue, 27th Floor, New York, NY, 10022, United States
(40) 25 West Hubbard Street, 5th Floor, Chicago,IL, 60654, United States
(41) 14 Progress Drive, Shelton, CT, 06484, United States

5.7 Subsequent events

For proposed final dividend see note 4.3 "Share capital and reserves".

In January 2022, the one-year extension to the RCF was agreed with four syndicate banks resulting in £35.0 million expiring on 14 February 2025 and £130.0 million expiring on 14 February 2026. The Group was utilising 53% of the RCF as at 31 December 2021.

On 7 January 2022, the Group signed a new $47.0 million (£34.7 million) three-year amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Audix. This facility will expire on the 7 January 2025. See note 4.1 "Net debt".

On 11 January 2022 the Group acquired 100% of the issued share capital of Audix, a US company, for initial cash consideration of US$45.7 million (£33.8 million), and subject to customary working capital adjustments. Under the terms of the acquisition, there is deferred consideration payable in 2023 of US$2.0 million (£1.5 million). In addition, a potential payment of up to US$2.3 million (£1.7 million) in relation to contingent consideration could be payable which is outside of the control the Group, the fair value of which has not yet been assessed. See note 3.4 "Acquisitions".

There were no other events after the Balance Sheet date that require disclosure.

Company Balance Sheet

As at 31 December 2021

	Notes	2021 £m	2020 £m
Fixed assets			
Intangible assets	f)	**0.1**	0.2
Property, plant and equipment	g)	**1.8**	0.1
Investments in subsidiary undertakings	h)	**484.0**	420.7
Other receivables	i)	**3.1**	–
		489.0	421.0
Current assets			
Debtors	i)	**96.2**	71.0
Cash at bank and in hand		**–**	–
		96.2	71.0
Liabilities falling due within one year			
Creditors	j)	**(92.7)**	(81.9)
Provisions	l)	**–**	(0.1)
		(92.7)	(82.0)
Net current liabilities		**3.5**	(11.0)
Total assets less current liabilities		**492.5**	410.0
Liabilities falling due after one year			
Creditors	j)	**(129.6)**	(42.4)
Provisions	l)	**(0.1)**	–
		(129.7)	(42.4)
Net assets		**362.8**	367.6
Capital and reserves			
Called up share capital	m)	**9.3**	9.2
Share premium account		**23.2**	21.7
Cash flow hedge reserve	o)	**0.1**	–
Other reserves	n)	**58.8**	55.3
Profit and Loss Account		**271.4**	281.4
Shareholders' funds		**362.8**	367.6

The Company's loss after tax for the year ended 31 December 2021 was £5.3 million (2020: profit £11.2 million).

Approved and authorised for issue by the Board of Directors on 28 February 2022 and signed on its behalf:

Martin Green
Group Finance Director

The Vitec Group plc
Registered in England and Wales no. 227691

Company Statement of Changes in Equity

	Share capital £m	Share premium £m	Revaluation reserve £m	Cash flow hedging reserve £m	Other reserves £m	Profit and Loss Account £m	Total equity £m
Balance at 1 January 2021	9.2	21.7	–	–	55.3	281.4	367.6
Total comprehensive expense for the year							
Loss for the year	–	–	–	–	–	(5.3)	(5.3)
Fair value gain – interest rate swap	–	–	–	0.1	–	–	0.1
Contributions by and distributions to owners							
Dividends paid	–	–	–	–	–	(7.1)	(7.1)
Own shares purchased	–	–	–	–	–	(5.8)	(5.8)
Share-based payment charge, net of tax	–	–	–	–	–	8.2	8.2
New shares issued	0.1	1.5	–	–	3.5	–	5.1
Balance at 31 December 2021	9.3	23.2	–	0.1	58.8	271.4	362.8
Balance at 1 January 2020	9.1	20.7	0.9	–	55.3	268.2	354.2
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	11.2	11.2
Contributions by and distributions to owners							
Transfers between reserves	–	–	(0.9)	–	–	0.9	–
Own shares purchased	–	–	–	–	–	(2.3)	(2.3)
Share-based payment charge, net of tax	–	–	–	–	–	3.4	3.4
New shares issued	0.1	1.0	–	–	–	–	1.1
Balance at 31 December 2020	9.2	21.7	–	–	55.3	281.4	367.6

Notes to the Company Financial Statements

a) Basis of preparation

These financial statements have been prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). These financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as issued by the IASB but make amendments where necessary in order to comply with the Companies Act 2006 and have set out below where advantage of the FRS 101 disclosure exemptions have been taken.

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 2006.

Under Section 408(3) of the Companies Act 2006, the Company is exempt from the requirement to present its own Profit and Loss Account.

Significant judgements, key assumptions and estimates

The following provides information on those policies that the Directors consider critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors review the judgements and estimates on an ongoing basis with revisions to accounting estimates recognised in the period in which the estimates are revised and in any future periods affected. The Directors believe that the Company's financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Company's performance and financial position.

Critical accounting estimates and assumptions

The following are the critical estimates and assumptions that the Directors have made in the process of applying the Company's accounting policies and that have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of investments in subsidiary undertakings

The carrying value of the Company's investments in subsidiary undertakings are reviewed for indicators of impairment on an annual basis. In the event impairment indicators are identified, the recoverable amount is determined based on a value in use calculation which requires the determination of appropriate assumptions in relation to cash flows over a forecast period, the long-term growth rate to be applied beyond this period and the risk-adjusted discount rate used to discount the estimated cash flows to present value. As the Company holds all of the Group's trading entities, the main assumptions supporting the carrying values of the Company's most significant investments in its subsidiary undertakings are consistent with those disclosed in note 3.1 "Intangible assets" of the Group's consolidated financial statements.

Estimation uncertainty arises due to changing economic and market factors, industry trends, increasing technological advancement and the Group's ongoing strategic and digital transformation programmes.

Critical judgements in applying the Company's accounting policies

The following are critical judgements that the Company makes, apart from those involving estimations (which are dealt with above), that the Directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Tax

In relation to tax, these include the interpretation and application of existing legislation. The Company's key judgement relates to the application of tax law in relation to the EU State Aid investigation. Details in relation to this judgement are set out in note 2.4 "Tax" of the Group's consolidated financial statements.

Impact of adoption of new accounting standards

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

Notes to the Company Financial Statements/continued

b) Exemptions taken by the Company under FRS 101

The Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- Disclosures in respect of leases;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of key management personnel.

As the consolidated financial statements of The Vitec Group plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 "Share-Based Payments" in respect of Group settled share-based payments; and
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and the disclosures required by IFRS 7 "Financial Instruments: Disclosures".

c) Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to these financial statements.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment, less estimated residual value, on a straight-line basis over their estimated useful lives.

Property, plant and equipment are depreciated as follows:

Leasehold improvements	over the remaining period of the lease
Equipment, fixtures and fittings	3 to 10 years
Right-of-use assets	over the lease term

Intangible assets

The cost of acquiring software (including associated implementation and development costs where applicable) is classified as an intangible asset. Costs associated with maintaining computer software programs are recognised as an expense as incurred. Software expenditure is amortised over its estimated useful life of between three and five years, and is stated at cost less accumulated amortisation and impairment losses.

Investments in subsidiary undertakings

Investments in subsidiaries are stated at historical cost, less provision for any impairment in value.

The Company holds investments in all of the Group's intermediate holding companies, financing companies and trading subsidiaries.

It is possible that changes in outlook over the next year that are different to the assumptions made by management could require a material adjustment to the carrying value of the Company's investments in its subsidiaries.

Pensions

The Company participates in the Group's defined benefit scheme operated in the UK, which was closed to future benefit accrual with effect from 31 July 2010. All UK employees of the Company are now offered membership of the defined contribution scheme. The assets of the schemes are held separately from those of the Company. The Company has a very small proportion of the scheme's total members. As such, the Group has adopted a policy to recognise the full net pension cost, and hence pension deficit, in its subsidiary Vitec Production Solutions Limited's financial statements prepared in accordance with FRS 101.

Details in respect of the UK defined benefit pension scheme are disclosed in note 5.2 "Pensions" of the Group's consolidated financial statements.

Dividends receivable

Dividends received and receivable are credited to the Company's Income Statement.

Other significant accounting policies are consistent with the Group's consolidated financial statements and below are references where they are disclosed:

Foreign currencies	Section 1 – Basis of Preparation
Debtors and creditors	3.3 "Working capital"
Provisions	3.5 "Provisions"
Leases	3.6 "Leases"
Cash and cash equivalents	4.1 "Net debt"
Bank loans	4.1 "Net debt"
Derivative financial instruments and hedging activities	4.2 "Financial instruments"
Share capital and reserves	4.3 "Share capital and reserves"
Share-based payments	5.3 "Share-based payments"

d) Employees

	2021 £m	2020 £m
Employee costs comprise:		
Wages and salaries	**5.4**	4.1
Employers' social security costs	**0.4**	0.4
Employers' pension costs – defined contribution schemes	**0.2**	0.1
Share-based payment charge	**1.4**	0.1
	7.4	4.7

	2021	2020
Average number of employees during the year	**25**	26

Further details of Directors' remuneration and share incentives are disclosed in the Remuneration report.

e) Audit fees

The details regarding the remuneration of the Company's auditor are included in note 2.1 "Profit before tax" of the Group's consolidated financial statements under "Fees payable to the Company's auditor for the audit of the Company's annual financial statements".

f) Intangible assets

	Capitalised software £m
Cost and net book value	
At 31 December 2020	**0.2**
Depreciation	**(0.1)**
At 31 December 2021	**0.1**

Notes to the Company Financial Statements/continued

g) Property, plant and equipment

	Total £m	Right-of-use assets – Leasehold land and buildings £m	Leasehold improvements £m
Cost			
At 31 December 2020 and at 1 January 2021	1.8	1.3	0.5
Additions	1.8	1.8	–
Cost at 31 December 2021	3.6	3.1	0.5
Accumulated depreciation			
At 31 December 2020 and 1 January 2021	1.7	1.2	0.5
Depreciation charge in the year	0.1	0.1	–
At 31 December 2021	1.8	1.3	0.5
Carrying amounts	–		
At 31 December 2020 and 1 January 2021	0.1	0.1	–
At 31 December 2021	1.8	1.8	(0.0)

h) Investments in subsidiary undertakings

	Total £m	Shares in Group undertakings £m	Loans to Group undertakings £m
Cost			
At 1 January 2021	711.0	668.8	42.2
Additions	65.3	28.2	37.1
At 31 December 2021	776.3	697.0	79.3
Provisions			
At 1 January 2021	290.3	290.3	–
Impairment losses	2.0	2.0	–
At 31 December 2021	292.3	292.3	–
Net book value			
At 1 January 2021	420.7	378.5	42.2
At 31 December 2021	484.0	404.7	79.3

The additions to investments during the year reflect an increase in the Company's subsidiary holding, Vitec Group Holdings Limited. On 13 December 2021 the Company contributed a loan of $32.5 million (£24.6 million) receivable from another Group company, Vitec Investments Limited, to Vitec Group Holdings Limited, in exchange for the issuance of shares.

In addition, as part of the acquisition of Infiniscene Inc. ("Lightstream") on 12 April 2021, the Company issued 309,753 shares to the previous owners of Lightstream. The Company recorded the nominal amount of share capital issued of £0.1 million and £3.5 million within other reserves with a corresponding increase of its investment in Vitec Group Holdings Limited of £3.6 million. Details of this acquisition are included in note 3.4 "Acquisitions" of the Group's consolidated financial statements.

The increase in impairment provisions during the year reflects an impairment in the Company's investment in Palmer Euro Finance Ireland Investment DAC, whose main asset is a Euro denominated loan receivable. Due to unfavourable foreign exchange movements, the value of this asset has declined, and as such, the Company has recognised an impairment in its investment.

The Company's investments in subsidiaries as at 31 December 2021 are included in note 5.6 "Group investments" of the Group's consolidated financial statements.

Loans to Group undertakings are unsecured, bear floating rates of interest and are repayable after more than one year.

i) Debtors

	2021 £m	2020 £m
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	94.2	69.5
Corporation tax	–	0.8
Other debtors	0.3	0.2
Prepayments	0.3	0.2
Derivative financial instruments – forward exchange contracts	0.4	0.1
Deferred tax assets	1.0	0.2
	96.2	71.0
Long-term receivables		
Corporation tax	3.0	–
Derivative financial instruments – interest rate swap	0.1	–
Total receivables	99.3	71.0

Amounts owed by subsidiary undertakings are unsecured and payable on demand. Of the amounts included in Derivative financial instruments, £0.3 million (2020: £0.1 million) relates to contracts with subsidiary undertakings which mirror the terms of contracts held by the Company with external third parties. Derivative financial instruments of £0.1 million (2020: £nil) relate to interest rate swaps. Details of these derivatives are included in note 4.2 “Financial instruments” of the Group’s consolidated financial statements.

j) Creditors

	2021 £m	2020 £m
Amounts falling due within one year		
Bank overdraft (unsecured)	3.1	0.4
Bank loans (unsecured)	13.1	49.9
Lease liabilities	0.2	0.2
Amounts owed to subsidiary undertakings	72.3	30.0
Derivative financial instruments – forward exchange contracts	0.4	0.1
Trade payables	0.5	0.1
Other creditors	0.3	–
Accruals	2.8	1.2
	92.7	81.9
Amounts falling due after more than one year		
Bank loans (unsecured)	108.7	40.6
Lease liabilities	1.6	–
Other creditors	0.3	–
Amounts owed to subsidiary undertaking	19.0	1.8
	129.6	42.4

Amounts owed to subsidiary undertakings are unsecured and payable on demand. Amounts owed to subsidiary undertakings due after more than one year are unsecured, bear floating rates of interest and are repayable after more than one year. Derivative financial instruments of £0.1 million (2020: £0.1 million) relate to contracts with subsidiary undertakings which mirror the terms of contracts held by the Company with external third parties.

Lease payments of £0.2 million were made in the year.

k) Contingent liabilities

There are no contingent liabilities at 31 December 2021 (2020: £nil).

l) Provisions

	Dilapidation provision £m
At 1 January 2021 and 31 December 2021	0.1

Notes to the Company Financial Statements/continued

m) Called up share capital

Disclosure in respect of the Company's share capital are provided in note 4.3 "Share capital and reserves" of the Group's consolidated financial statements.

The registered address of the Company is Bridge House, Heron Square, Richmond TW9 1EN, United Kingdom.

Options over shares of the Company have been granted to employees of the Company under various plans. Details of the terms and conditions of each share-based payment plan are given in the Remuneration report on pages 106 to 135 and note 5.3 "Share-based payments" of the Group's consolidated financial statements.

n) Other reserves

Other reserves of £58.8 million represent the reduction of the share premium account; £22.7 million in 1989 and £37.3 million in 1995 less £16.0 million of share repurchases in 1995; a capital redemption reserve of £1.6 million created on the repurchase and subsequent cancellation of 885,000 ordinary shares by the Company in 1999; and £13.2 million in relation to a merger reserve.

On 12 April 2021, the Company issued 309,753 ordinary shares as part of the consideration for the acquisition of Lightstream. The excess of the fair value of the shares issued over their nominal value was recorded in Other reserves.

o) Cash flow hedge reserve

As described in note 4.2 "Financial Instruments" of the Group's consolidated financial statements, the Company hedges the variability in cash flows of a proportion of its floating rate borrowings. This reserve records the effective portion of the cumulative net change in the fair value of derivative financial instruments where they are designated in cash flow hedge relationships.

p) Related party transactions

The Company has identified a related party relationship with its Board, the Vitec Group Pension Scheme and members of the Operations Executive as disclosed in the Remuneration report and note 5.5 "Related party transactions" of the Group's consolidated financial statements. There are no other related party transactions to disclose.

q) Post Balance Sheet events

The proposed final dividend for the year ended 31 December 2021 was recommended by the Directors. This is subject to approval by shareholders at the AGM. See note 4.3 "Share capital and reserves" of the Group's consolidated financial statements.

The Group's RCF, which is entered into by the Company, was extended in January 2022. See note 4.1 "Net debt" of the Group's consolidated financial statements.

On 7 January 2022, the Company signed a $47.0 million (£34.7 million) three-year amortising Term Loan with a syndicate of four banks to facilitate the acquisition of Audix. This facility will expire on 7 January 2025. For more information see note 4.2 "Financial instruments" of the Group's consolidated financial statements.

Glossary of Alternative Performance Measures ("APMs")

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 and enable an alternative comparison of performance over time.

APM	Closest equivalent statutory measure	Definition and purpose

The Group uses APMs to aid 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. Where relevant, further information on specific APMs is provided in each section below.

Income Statement measures

APM	Closest equivalent statutory measure	Definition and purpose
Adjusted gross profit	Gross profit	Calculated as gross profit before charges associated with acquisition of businesses and other adjusting items. The table below shows a reconciliation: See note 2.2 "Charges associated with acquisition of businesses and other adjusting items".

	2021 £m	2020 £m
Gross profit	173.1	112.0
Charges associated with acquisition of businesses and other adjusting items	0.1	1.4
Adjusted gross profit	173.2	113.4

APM	Closest equivalent statutory measure	Definition and purpose
Adjusted gross profit margin	None	Calculated as adjusted gross profit divided by revenue.
Adjusted operating profit	Operating profit	Calculated as operating profit before charges associated with acquisition of businesses and other adjusting items. This is a key management incentive metric. 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. The table below shows a reconciliation: See note 2.2 "Charges associated with acquisition of businesses and other adjusting items".

	2021 £m	2020 £m
Operating profit/(loss)	33.5	(3.3)
Charges associated with acquisition of businesses and other adjusting items	12.7	13.2
Adjusted operating profit	46.2	9.9

APM	Closest equivalent statutory measure	Definition and purpose
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	Calculated as operating expenses before charges associated with acquisition of businesses and other adjusting items. The table below shows a reconciliation: See note 2.1 "Profit before tax (including segmental information)".

	2021 £m	2020 £m
Operating expenses	139.6	115.3
Charges associated with acquisition of businesses and other adjusting items	(12.6)	(11.8)
Adjusted operating expenses	127.0	103.5

APM	Closest equivalent statutory measure	Definition and purpose
Adjusted profit before tax	Profit before tax	Calculated as profit before tax, before charges associated with acquisition of businesses and other adjusting items. This is a key management incentive metric and is a measure used within the Group's incentive plans as set out in the Remuneration report. See Consolidated Income Statement for reconciliation.
Adjusted profit after tax	Profit after tax	Calculated as profit after tax before charges associated with acquisition of businesses and other adjusting items. See Consolidated Income Statement for reconciliation.

Glossary of APMs/continued

APM	Closest equivalent statutory measure	Definition and purpose
Adjusted basic earnings per share	Basic earnings per share	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 and is a measure used within the Group's incentive plans as set out in the Remuneration report. See note 2.5 "Earnings per share".
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. See "Five Year Financial Summary" on page 204.
Adjusted operating cash flow	Net cash from operating activities	Free cash flow before payment of interest, tax, integration and restructuring costs and transaction costs relating to acquisition of businesses. This is a measure of the cash generation and working capital efficiency of the Group's operations. Adjusted operating cash flow as a percentage of adjusted operating profit is a key management incentive metric.

	2021 £m	2020 £m
Net cash from operating activities	**54.7**	25.0
Proceeds from sale of property, plant and equipment and software	**0.1**	0.2
Purchase of property, plant and equipment	**(10.8)**	(5.1)
Capitalisation of software and development costs	**(10.9)**	(10.6)
Free cash flow	**33.1**	9.5
Add back:		
Interest paid	**4.5**	5.9
Tax paid	**6.5**	3.1
Payments relating to:		
Earnout and retention bonuses	**2.2**	2.7
Restructuring and integration costs	**1.9**	4.2
Transaction costs	**1.5**	–
Adjusted operating cash flow	**49.7**	25.4

This is a measure used within the Group's incentive plans as set out in the Remuneration report.

APM	Closest equivalent statutory measure	Definition and purpose
Adjusted working capital movement	Decrease/(increase) in working capital	The adjusted working capital movement excludes movements in provisions and movements relating to charges associated with acquisition of businesses and other adjusting items.

	2021 £m	2020 £m
(Increase)/decrease in inventories	**(21.9)**	11.5
(Increase)/decrease in receivables	**(5.8)**	8.3
Increase/(decrease) in payables	**27.8**	(12.6)
Decrease/(increase) in working capital, excluding provisions	**0.1**	7.2
Deduct inflows from adjusting charges:		
Effect of fair valuation of acquired inventory	**(0.1)**	(0.9)
Add back following outflows:		
Adjustments for integration and restructuring costs, transaction costs relating to acquisition of businesses and earnout and retention bonuses	**1.1**	1.7
Adjusted working capital movement	**1.1**	8.0

APM	Closest equivalent statutory measure	Definition and purpose
Adjusted provisions movement	Increase/(decrease) in provisions	The adjusted provisions movement excludes movements relating to charges associated with acquisition of businesses and other adjusting items.

	2021 £m	2020 £m
Decrease in provisions	(2.7)	(2.8)
Adjustments for integration and restructuring related costs	0.7	0.6
Earnout and deferred payments	1.2	1.8
Adjusted provision movement	(0.8)	(0.4)

Other measures

APM	Closest equivalent statutory measure	Definition and purpose
Return on capital employed ("ROCE")	None	ROCE is calculated as adjusted operating profit for the last 12 months divided by the average total assets, current liabilities excluding the current portion of interest-bearing borrowings and non-current lease liabilities. The average is based on the opening and closing of the 12-month period. See "Five Year Financial Summary".

	2021 £m	2020 £m
Adjusted operating profit for the last 12 months	46.2	9.9
Opening capital employed	259.7	270.6
Closing capital employed	313.2	259.7
Average capital employed	286.5	265.2
ROCE %	16.1%	3.7%

APM	Closest equivalent statutory measure	Definition and purpose
Constant currency	None	The constant currency amounts are calculated by translating the current year at the prior year foreign currency exchange rates. Revenue growth is represented on a constant currency basis as this best represents the impact of volume and pricing on revenue growth, by excluding movements due to variances in foreign currency exchange rates.
Cash conversion	None	This is calculated as adjusted operating cash flow divided by adjusted operating profit. This is a key management incentive metric and is a measure used within the Group's incentive plans as set out in the Remuneration report.
Net debt	None	See note 4.1 "Net debt" for an explanation of the balances included in net debt, along with a breakdown of the amounts.
Adjusted EBITDA	Operating profit	Calculated as adjusted operating profit for the last 12 months before depreciation of tangible fixed assets and amortisation of intangibles (other than those already excluded from adjusted operating profit).

Five Year Financial Summary

Years ended 31 December

	2021 £m	2020[3] £m	2019[3] £m	2018[1][3] £m	2017[2][3] £m
Revenue	**394.3**	290.5	376.1	385.4	353.3
Adjusted operating profit	**46.2**	9.9	52.4	53.5	45.2
Net interest on interest-bearing loans and borrowings	**(3.3)**	(3.9)	(3.7)	(2.7)	(2.6)
Interest on lease liabilities	**(1.0)**	(0.8)	(0.9)	–	–
Other financial income/(expense)	**0.5**	0.3	0.2	0.4	(0.2)
Adjusted profit before tax	**42.4**	5.5	48.0	51.2	42.4
Cash generated from operating activities	**65.7**	34.0	59.2	54.0	48.7
Interest paid	**(4.5)**	(5.9)	(4.3)	(2.5)	(2.6)
Tax paid	**(6.5)**	(3.1)	(6.3)	(4.1)	(11.0)
Net cash from operating activities	**54.7**	25.0	48.6	47.4	35.1
Net capital expenditure on property, plant and equipment, software and development costs	**(21.6)**	(15.5)	(18.1)	(13.9)	(11.6)
Free cash flow	**33.1**	9.5	30.5	33.5	23.5
Capital employed					
Total assets	**441.0**	334.6	360.6	364.2	289.7
Less current liabilities	**(116.4)**	(114.0)	(77.8)	(82.7)	(82.0)
Add the current portion of interest-bearing liabilities	**13.2**	50.6	0.2	0.5	0.5
Less non-current lease liabilities	**(24.6)**	(11.5)	(12.4)	–	–
	313.2	259.7	270.6	282.0	208.2
Statistics					
Adjusted operating profit (%)	**11.7**	3.4	13.9	13.9	12.8
Adjusted effective tax rate (%)	**24.3**	25.4	24.4	17.9	27.4
Adjusted basic earnings per share (p)	**69.9**	9.0	80.6	93.2	68.1
Basic earnings per share (p)	**56.4**	(11.6)	44.9	76.1	61.4
Dividends per share (p)	**35.0**	4.5	12.3	37.0	30.5
Year-end mid-market share price (p)	**1,420.0**	917.0	1,100.0	1,192.5	1,130.0

(1) In 2019, the process to measure the fair values of the assets and liabilities acquired was completed in respect of the Amimon acquisition. The 2018 Balance Sheet was adjusted to reflect an increase in goodwill of £1.3 million which was recognised in the period as a result of fair value adjustments to deferred tax assets.

(2) Revenue and adjusted profit before tax for 2017 reflect continuing operations only. The US broadcast services business and Haigh-Farr defence antennae business, both part of the previous Broadcast Division, have been classified as discontinued operations in these years.

(3) Capital employed has been restated in the previous years. This is to reflect a change in the prior year to the definition of capital employed, as a result of changes to IFRS 16 Leases. See Return on capital employed (ROCE) in the Glossary on pages 201 to 203.

Shareholder Information and Financial Calendar

Shareholder information

The Investors section of the Group website, **www.vitecgroup.com**, contains detailed information on news, key financial information, annual reports, financial calendar, share price information, dividends and key contact details. The following is a summary and readers are encouraged to view the website for more detailed information.

Shareholder enquiries

For all enquiries about your shareholding please contact the Company's registrar, EQ Group plc:

Equiniti Limited

Website	www.shareview.co.uk
Address	Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, UK
Phone from UK	0371 384 2030*

* Or if calling from overseas +44 (0) 121 415 7047. Lines are open between 9.00am to 5:00pm (UK time) Monday to Friday (except public holidays in England and Wales).

Alternatively you can contact the Group Company Secretary either by phone on +44 (0)20 8332 4600 or email on **info@vitecgroup.com**.

Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan that enables shareholders to reinvest cash dividends into additional shares in the Company. Application forms can be obtained from EQ Group plc.

International dividend payment service

Overseas shareholders can receive dividends in a local currency instead of Sterling and can find out more about this by contacting EQ Group plc on +44 121 415 7047. Any election to receive dividends in local currency in respect of a dividend must be received by EQ Group plc not later than the associated record date for that dividend.

Share price information

The closing mid-market price of a share of The Vitec Group plc on 31 December 2021 was £14.20. During 2021, the share price fluctuated between £9.20 and £16.15. The Company's share price is available on our website with a 15-minute delay, and from the Financial Times website, **www.ft.com**, with a similar delay.

Share scams

Shareholders should be aware that fraudsters may try and use high-pressure tactics to lure investors into share scams. Information on share scams can be found on the Financial Conduct Authority's website, **www.fca.org.uk/scams**, or via their consumer helpline: 0800 111 6768.

Financial calendar

Ex-dividend date for 2021 final dividend	Thursday 21 April 2022
Record date for 2021 final dividend	Friday 22 April 2022
Last day for DRIP election	Friday 6 May 2022
Annual General Meeting	Tuesday 17 May 2022
2021 final dividend payment date	Friday 20 May 2022
Group name change	Monday 23 May 2022
Announcement of 2022 half year results	Thursday 11 August 2022
Proposed 2022 interim dividend payment date	Friday 28 October 2022

Analysis of shareholdings as at 31 December 2021

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	418	47.88%	145,731	0.32%
1,001 to 5,000	254	29.10%	602,313	1.31%
5,001 to 10,000	53	6.07%	375,104	0.82%
10,001 to 50,000	70	8.02%	1,643,323	3.58%
50,001 to 100,000	29	3.32%	2,043,069	4.45%
100,001 and over	49	5.61%	41,085,365	89.52%
Total	**873**	**100%**	**45,894,905**	**100%**
Institutions and companies	316	36.20%	44,180,263	96.26%
Individuals including Directors and their families	557	63.80%	1,714,642	3.74%
Total		**100%**		**100%**

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