Vinten Group plc

REPORT AND ACCOUNTS

31 DECEMBER 1994

REGISTERED IN ENGLAND NUMBER 227691

Directors' report

The directors submit their report and the audited accounts for the year ended 31 December 1994. An amplification of the Group's activities is given in the Chief Executive's review.

Results and dividend

	£000	£000
The consolidated profit and loss account is shown on page 22.		
Profit for the financial year after providing for tax amounted to		16,510
Recommended dividends		
Interim 2.4p per share paid on 3 January 1995	1,001	
Proposed final 6.6p per share payable on 3 July 1995	2,719	3,720
Profit transferred to reserves		12,790

Principal activities

The Group's activities and the trading results for the year are analysed in note 3 to the accounts. The Group is principally engaged in the design, manufacture, rental and sale of broadcast, video and photographic camera mountings, camera systems, videocommunication systems, lighting supports and associated equipment, airborne reconnaissance cameras and sensor systems, airborne video recorders and electronic countermeasure systems. The Group has manufacturing plants in the UK, Italy, the USA and France with sales and service companies in France, Germany, Italy, Japan, Singapore, the UK and the USA. The Group exports extensively from its manufacturing bases in Europe and the USA to over 100 countries.

Share capital

At an extraordinary general meeting on 13 April 1995 your directors are to seek shareholders' approval of an increase of £2,500,000 in the authorised share capital of the Company to £13,000,000 and also approval of a 1 for 6 placing and open offer to qualifying shareholders at a price of 490p per share, which would result in 6,868,600 new ordinary shares being issued. Full details of the placing and open offer were sent to qualifying shareholders in a circular dated 21 March 1995.

With the exception of the placing and open offer mentioned above your directors have no present intention of issuing or granting rights over the unissued share capital, except in relation to the Company's adopted employee share schemes, and no issue will be made which will effectively alter the control of the Company without prior approval of the shareholders in general meeting.

A special resolution renewing the directors' authority to allot shares for cash, as if the pre-emption provisions of Section 89 of the Companies Act 1985 did not apply, is set out in the Notice of Meeting. The first part of the resolution deals with the allotment of shares for cash under a rights issue giving power to make adjustments to deal with overseas shareholders, fractions of shares and similar matters. The second part renews the power of the directors to allot shares for cash limited to 5 per cent of the issued share capital at 31 December 1994. These powers will last until the Company's next annual general meeting.

Articles of association

Article No 17

A resolution proposing that the use of facsimile signatures on any form of Company security issued has been included in the Notice of Meeting. With the advent of the proposed CREST settlement system on the London Stock Exchange, the time available to the Registrar to receive and register transfers and despatch certificates will shorten. By allowing facsimile signatures on share certificates, one element of any potential time delay will be removed.

Article No 139

A resolution proposing the adoption of the replacement of the wording of Article No 139 to allow for the payment of dividends or any other monies due to shareholders by electronic means is included in the Notice of Meeting. The object of this amendment is to allow the Company to pay dividends to those shareholders who request it by the Bankers Automated Clearing System. This proposal will ensure that dividends are paid on a timely basis and enables the Company to take advantage of the cost savings available by the use of electronic data transfer.

Your directors fully support the adoption of these resolutions.

Share option schemes

On 22 June 1994 your directors approved the implementation of the (1994) International Savings Related Share Option Scheme – Italy. The rules of the scheme were set out in accordance with The Vinten Group 1993 International Savings – Related Share Option Plan Parameters as adopted by ordinary resolution at the 1993 annual general meeting. Your directors intend to pursue this policy of setting up schemes in other countries where the Group has employees.

During the year the following options were granted to full-time directors and staff

	Date of grant	Number of shares	Subscription price	Dates normally exercisable
1992 SAYE Share Option Scheme	15 July 1994	27,305	397p	Aug 1999–Aug 2001
(1994) International Savings Related Share Option Scheme—Italy.	15 July 1994	154,924	Lit. 9,649	Aug 1999–Aug 2001

Fixed assets

The changes in tangible fixed assets in the year are detailed in note 12 to the accounts.

Research and development

The Group is alert to the effects that evolving technology will have on its future products and markets. Where appropriate, each operating company carries out research and development programmes to suit its own market and product needs. Government and other customer-funded research and development is undertaken in some areas and, during the year, the value of this work amounted to £3.5 million, making the total amount spent on research and development £5.7 million.

Directors

The directors throughout the year were Messrs M A W Baggott, C S Gladstone, R A Green, D J Medcalf, L Manfrotto, H Poulson and J H A Wood.

Details of the directors' shareholdings are given on page 17.

After nine years of service Mr Gladstone has decided to retire, with effect from the close of the annual general meeting, and will, therefore, not be offering himself for re-election.

Mr Medcalf is a partner in Greene & Greene, the Group's solicitors. The Group has paid Greene & Greene £25,035 for legal advice and services during the period 1 January to 31 December 1994.

Mr Manfrotto has various interests in properties leased by the Group. During the period 1 January to 31 December 1994, the Group paid £133,665 in rentals related to the property interests of Mr Manfrotto. On 17 March 1995, Lino Manfrotto & Co Spa, a subsidiary of the Company, agreed to purchase a property of approximately 6,289 sqm from Daniele Zambiasi Srl, a company in which Mr Manfrotto and his wife have a controlling interest. The property has been independently valued at a maximum of Lit 1.2578bn but will be purchased at Lit 1.0bn. The property will be used to expand the current production, warehouse and office facilities of Lino Manfrotto & Co Spa.

Pursuant to Section 310 of the Companies Act 1985, for the year ended 31 December 1994, the Company purchased and maintained policies of insurance for its directors and officers against the financial consequences of actions brought against them by outside parties for their acts or omissions in the performance of their duties as directors or officers of the Company.

With the exception of the above, no director, in the financial year covered by the accounts, had a beneficial interest in any contract to which the Company or any of its subsidiaries was a party during the year.

Non-executive directors

The following directors served in a non-executive capacity

Mr Christopher S Gladstone BA – (British) aged 63; appointed to the Board on 9 July 1986.

Mr David J Medcalf LLB – (British) aged 50; appointed to the Board on 1 March 1990.

Mr Howard Poulson – (British) aged 51; appointed to the Board on 16 July 1992; currently a director and chief executive of Farnell Electronics plc and chairman of PERA.

Mr J Humphrey A Wood MA – (British) aged 62; appointed to the Board on 5 April 1991 becoming Chairman on 3 September 1991; formerly a managing director of Consolidated Gold Fields plc and currently chairman of Albrighton plc and a non-executive director of Birse Group plc.

Directors' shareholdings

Beneficial interests of the directors and their families in the Company's shares at 31 December 1994, and as at 1 January 1994, together with details of directors' share options, were as follows:

	Ordinary shares		SAYE share option schemes		Executive share option scheme	
	December	**January**	**December**	**January**	**December**	**January**
M A W Baggott	19,100	22,500	12,174	12,174	75,000	75,000
C S Gladstone	8,666	8,666	—	—	—	—
R A Green	2,500	2,500	10,080	10,080	75,000	75,000
L Manfrotto	—	—	—	—	—	—
D J Medcalf	—	—	—	—	—	—
H Poulson	—	—	—	—	—	—
J H A Wood	2,500	2,500	—	—	—	—

	Number	Subscription price	Exercise date
1984 Executive Share Option Scheme			
M A W Baggott	25,000	149p	October 1993–October 2000
	50,000	268p	April 1995–April 2002
R A Green	75,000	268p	April 1995–April 2002
1983 SAYE Share Option Scheme			
M A W Baggott	7,336	184p	June 1998–December 1998
1992 SAYE Share Option Scheme			
M A W Baggott	4,838	186p	November 1999–March 2000
R A Green	10,080	186p	November 1997–March 1998

Directors' shareholdings continued

No share options have been exercised or have lapsed in the year under review. The options issued are not conditional on future performance criteria.

At 30 December 1994 the mid-market value of the Company's shares listed on the London Stock Exchange was 529p and the range during 1994 was 467p to 529p.

At 31 December 1994 Mr Medcalf and Mr Gladstone had non-beneficial interests in 914,441 shares and 2,888 shares, respectively.

There have been no further movements in directors' shareholdings or interests in shares of the Company for the period 1 January 1995 to 21 March 1995.

Corporate governance

The Group complies closely with the principal recommendations and the spirit of the Code of Best Practice established by the Cadbury Committee.

The roles of the Chairman and the Chief Executive are separate and the Board comprises a majority of non-executive directors. The Chairman and non-executive directors are appointed by the entire Board through a formal selection process, normally for a period of six years. The Board has agreed that re-appointment is not automatic.

A remuneration committee, consisting of the Chairman and the non-executive directors, establishes the terms of service, total pay and benefits of the executive directors, who do not have service contracts exceeding three years.

The entire Board of directors performs the tasks which might otherwise be delegated to an audit committee. The Company's auditors report to the Board twice a year and meet with the Board on at least one occasion in the year. They are also invited to meet the Chairman and non-executive directors separately should they so choose.

The Board of directors meets regularly and there is a formal schedule of matters and levels of authority which are delegated to the executive directors, all other matters and powers being reserved by the Board for its decision.

Directors, having notified the Chairman, are able to take independent professional advice in furtherance of their duties at the Company's expense.

Going concern

After making enquires, your directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Health and safety at work

The Company has continued to observe the requirements of the Health and Safety at Work Act 1976 and associated legislation with the utmost concern for the welfare of its employees.

Employment of disabled persons

It is the Company's policy to consider applications for employment from disabled people on the same basis as other potential employees. Ability and aptitude are the determining factors in the selection, training, career development and promotion of all employees. If an employee becomes disabled during his or her period of employment, the Company will, if necessary and to the extent possible, retrain the employee for duties suited to that employee's abilities following the disablement.

Employee involvement

The Group operates worldwide, and its employment policies are varied to meet local conditions and requirements but are established on the basis of the best practices for any given country. The importance of good communication and working relationships is recognised and the Group's policy is to keep employees informed on matters relating to their employment. The Group is organised on a decentralised basis although the senior operating executives of the Group, together with the Group Chief Executive and Financial Director, meet on a regular basis. In addition the managements of the subsidiaries employ a variety of consultation methods, including joint committees and briefing groups which operate on a regular basis.

Charitable and political donations

During the year the Company made donations of £15,889 for charitable purposes.

Income and corporation tax act 1988

The directors are of the opinion that the Company is not a close company within the meaning of the Act.

Post balance sheet events

On 14 March 1995, the directors announced that the Group had agreed to acquire the trade and assets of the BERC business based in California (BERC comprises The Broadcast Equipment Rental Company (a corporation), PAL America (a partnership) and the Broadcast Equipment Rental Company (a partnership)), for a total cash consideration of US$13.7 million plus California sales tax estimated at US$0.4 million. It is anticipated that the transaction will be completed on 31 March 1995.

On 21 March 1995 the directors announced that they had, subject to shareholders' approval, conditionally agreed to acquire the entire issued share capital of Sachtler AG, a group of companies based in Germany, for a total cash consideration of DM155.4 million, including debt to be repaid of DM26.0 million.

These acquisitions are being financed out of existing cash, new committed bank loan facilities of £20 million, repayable within two years, and by the issue of 6,868,600 new shares at a price of 490p in a placing and open offer to qualifying shareholders.

An extraordinary general meeting of the Company will take place on 13 April 1995 at which shareholders will be asked to approve the proposed acquisition.

Future developments

The Group's strategy is to grow its businesses through a combination of vigorous organic expansion and carefully planned acquisitions in areas related to its existing businesses, markets and skills.

Auditors

The Company's auditors, Clark Whitehill, have indicated their willingness to continue in office and will be proposed for re-appointment at the annual general meeting.

By Order of the Board

M G Tite

Secretary
21 March, 1995

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and the Group at the end of the year, and of the profit or loss of the Group for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

Auditors' report

To the shareholders of Vinten Group plc

We have audited the accounts on pages 22 to 38 which have been prepared under the accounting policies set out on page 25 and 26.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on the accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1994 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Clark Whitehill

Clark Whitehill

Chartered Accountants and Registered Auditor

London

21 March 1995

Consolidated profit and loss account

For the year ended 31 December 1994

	Notes	1994 £000	1993 £000
Turnover			
Continuing operations	3	**97,048**	89,829
Discontinued operations		**—**	3,582
		97,048	93,411
Cost of sales	3	**47,266**	51,530
Gross profit		**49,782**	41,881
Operating expenses	4	**28,984**	26,309
Trading profit			
Continuing operations	3 & 5	**20,798**	15,911
Discontinued operations (loss)		**—**	(339)
		20,798	15,572
Exceptional items	8	**—**	10,405
Profit before interest and tax		**20,798**	5,167
Net interest payable	20	**716**	955
Profit on ordinary activities before tax		**20,082**	4,212
Tax	9	**3,572**	1,792
Profit for the financial year		**16,510**	2,420
Dividends	10	**3,720**	3,199
Retained profit/(loss) for the year transferred to reserves	19	**12,790**	(779)
Headline earnings per share	11	**40.2p**	30.7p
Less exceptional items		**—**	24.6p
Earnings per share – FRS3 basis	11	**40.2p**	6.1p

Statement of total recognised gains and losses

For the year ended 31 December 1994

	1994 £000	1993 £000
Profit for the financial year	**16,510**	2,420
Exchange rate movements on foreign net investments	**(68)**	(2,443)
Total gain/(loss) recognised in the year	**16,442**	(23)

The notes on pages 25 to 38 form an integral part of these accounts.

Balance sheet

As at 31 December 1994

		Group		Company	
		1994	1993	**1994**	1993
	Notes	**£000**	£000	**£000**	£000
Fixed Assets					
Tangible assets	12	**22,260**	22,964	**4,429**	4,577
Investments	13	**—**	—	**46,303**	47,304
		22,260	22,964	**50,732**	51,881
Current assets					
Stocks	14	**20,807**	20,992	**—**	—
Debtors	15	**20,117**	21,547	**9,202**	4,400
Cash at bank and in hand	20	**37,635**	19,166	**20,393**	15,226
		78,559	61,705	**29,595**	19,626
Creditors – amounts falling due within one year	16	**(28,050)**	(22,082)	**(5,578)**	(7,245)
Net current assets		**50,509**	39,623	**24,017**	12,381
Total assets less current liabilities		**72,769**	62,587	**74,749**	64,262
Creditors – amounts falling due after more than one year	16	**(29,322)**	(31,859)	**(20,442)**	(14,016)
Provisions for liabilities and charges	17	**(4,736)**	(5,257)	**(148)**	(108)
Net assets		**38,711**	25,471	**54,159**	50,138
Capital and reserves					
Called up share capital	18	**8,242**	8,191	**8,242**	8,191
Share premium account	19	**5,924**	5,457	**5,924**	5,457
Revaluation reserve	19	**1,433**	1,463	**760**	770
Other reserves	19	**—**	—	**32,412**	32,412
Profit and loss account	19	**23,112**	10,360	**6,821**	3,308
Shareholders' funds		**38,711**	25,471	**54,159**	50,138

Approved by the Board on 21 March 1995 and signed on its behalf

J H A Wood
Director

R A Green
Director

R.A. Green

The notes on pages 25 to 38 form an integral part of these accounts.

Consolidated cash flow statement

For the year ended 31 December 1994

	Notes	1994 £000	1993 £000
Net cash inflow from operating activities	5	**30,029**	21,284
Exceptional closure costs		—	(830)
		30,029	20,454
Returns on investments and servicing of finance			
Interest received		**1,627**	790
Interest paid		**(2,535)**	(1,347)
Dividends paid		**(3,203)**	(2,727)
Net cash outflow from returns on investments and servicing of finance		**(4,111)**	(3,284)
Tax paid			
UK corporation tax		**(2,731)**	(1,707)
Foreign company taxes		**(541)**	(1,161)
Total tax paid		**(3,272)**	(2,868)
Investing activities			
Purchase of tangible fixed assets		**(5,487)**	(5,408)
Sale of tangible fixed assets		**1,462**	107
Purchase of subsidiaries (net of cash acquired)		—	(11,653)
Sale of businesses		—	371
Net cash outflow from investing activities		**(4,025)**	(16,583)
Net cash inflow/(outflow) before financing		**18,621**	(2,281)
Financing			
Issue of ordinary shares	18	**518**	531
Net (repayment)/drawdown of loans	20	**(286)**	17,818
Net cash inflow from financing		**232**	18,349
Increase in cash and cash equivalents	20	**18,853**	16,068

Notes to the Accounts

1 Basis of presentation

The accounts have been prepared in accordance with all applicable accounting standards under the historical cost convention modified to include the revaluation of certain fixed assets. In accordance with the exemption granted under Section 230 of the Companies Act 1985 the profit and loss account of the Company has not been separately presented.

2 Accounting policies

Basis of consolidation

The difference between the cost of investments in subsidiaries and the fair value of their net assets at the date of acquisition is set off against reserves. The results of subsidiaries acquired during the year are consolidated from the date of acquisition.

Fixed assets and depreciation

Depreciation is provided at rates estimated to write off the relevant assets by equal annual amounts over their expected useful lives.

In general the rates used are

Freehold and leasehold buildings	2½%	—	5% on cost or valuation
Plant	12½%	—	25% on cost
Vehicles	25%	—	33⅓% on cost
Office equipment	10%	—	33⅓% on cost
Rental equipment	20%	—	on cost

Stock and work in progress

Stock and work in progress other than on long-term contracts is valued at the lower of cost and net realisable value, less progress payments. Cost includes materials, direct labour and production and other overheads incurred in bringing stocks and work in progress to their present location and condition.

Long term contracts

These are assessed on a contract by contract basis and reflected in the profit and loss account by recording turnover and related costs as contract activity progresses. Where appropriate, attributable profits and anticipated losses are recognised. The amount by which recorded turnover exceeds payments on account is shown separately within debtors in the balance sheet. Where payments on account exceed debtors, the balance is firstly offset against long-term contract work in progress and any excess shown separately within creditors in the balance sheet.

Research and development

Expenditure on the Group's own research and development projects is charged to the profit and loss account in the year in which it is incurred. Only in the case of contracted development is any value carried forward in the balance sheet.

Deferred taxation

Full provision is made for corporation tax deferred on timing differences other than those which are expected with reasonable probability to continue in the future.

Foreign currencies

Transactions with overseas customers are converted at the rates in effect at the dates of the transactions. Profits and losses arising from the difference between spot rates and contracted rates on forward exchange rate contracts which cover sales and purchases are recorded in operating expenses. Foreign trading profits and cash flows are translated at the average rates for the year. Assets and liabilities are translated at rates ruling at the end of the financial year. Differences on translation of investments in overseas companies are taken directly to reserves.

Turnover

This represents the net sales and the proportion of work performed on long-term contracts, after deducting agents' commissions and trade discounts.

Pension costs
The costs of providing pensions for employees under defined benefit pension schemes are charged in the profit and loss account over the working life of the employees in accordance with the recommendations of qualified actuaries. Any funding surpluses or deficits that may arise are amortised over the average working life of the employees but surpluses may first be used to improve members' benefits.

Capital Instruments
Capital instruments are stated in the balance sheet after the deduction of issue costs, which are charged to profit over the term of the debt. This represents a change in acounting policy to comply with the requirements of Financial Reporting Standard 4 and the comparative figures have been restated accordingly.

3 Activity analysis

	Turnover		Trading Profit		Net Assets	
	1994	1993	**1994**	1993	**1994**	1993
	£000	£000	**£000**	£000	**£000**	£000
3.1 Class of business						
Photographic	**44,387**	37,459	**11,941**	8,528	**17,503**	19,578
Broadcast	**34,565**	32,294	**6,542**	4,492	**14,309**	15,098
Surveillance	**18,096**	20,076	**2,315**	2,891	**2,648**	7,348
	97,048	89,829	**20,798**	15,911	**34,460**	42,024
Discontinued	**—**	3,582	**—**	(339)	**—**	—
	97,048	93,411	**20,798**	15,572	**34,460**	42,024
Group net assets/(liabilities) including cash and financing					**4,251**	(16,553)
					38,711	25,471

	By destination		By origin	
	1994	1993	**1994**	1993
	£000	£000	**£000**	£000
3.2 Geographical turnover				
United Kingdom	**15,960**	11,928	**37,508**	41,218
The Rest of Europe	**21,397**	20,196	**30,982**	27,702
The Americas	**43,566**	34,192	**28,558**	20,909
Asia and Australasia	**13,905**	16,422	**—**	—
Africa and Middle East	**2,220**	7,091	**—**	—
	97,048	89,829	**97,048**	89,829
Discontinued	**—**	3,582	**—**	3,582
	97,048	93,411	**97,048**	93,411

In the opinion of the directors, the disclosure of trading profit and net operating assets analysed by geographic origin would be prejudicial to the interests of the Group and, as such, that information is not disclosed.

3.3 Cost of sales
Cost of sales include £nil (1993: £2,773,000) for activities sold in the year.

4 Operating expenses

	1994 £000	1993 £000
Marketing, selling and distribution costs	**13,527**	11,715
Administrative expenses	**13,236**	12,605
Research and development costs	**2,221**	1,989
	28,984	26,309

Operating expenses include £nil (1993: £1,148,000) for activities sold in the year.

5 Trading profit

	1994 £000	1993 £000
Trading profit is after charging		
Depreciation	**5,035**	5,045
Hire of plant and equipment	**9**	11
Rent of premises	**1,075**	1,057
Directors' emoluments (including pension contributions)	**545**	592
Auditors' remuneration		
Audit fees	**319**	280
Non-audit work	**224**	162

Included in the auditors' remuneration are fees paid to Clark Whitehill, the parent company auditors, of £63,000 (1993: £76,500) for performance of the parent company audit. The non-audit work disclosed above includes £58,000 (1993: £69,000) paid to Clark Whitehill for tax advice and services and other non-audit work.

	1994 £000	1993 £000
Reconciliation of trading profit to net cash flow from operating activities		
Trading profit	**20,798**	15,572
Depreciation	**5,035**	5,045
Rental asset trade sales	**309**	271
(Profit)/loss on sale of fixed assets	**(475)**	103
(Decrease)/Increase in provisions	**(46)**	202
Decrease in stock	**32**	3,428
Decrease/(Increase) in debtors	**1,756**	(356)
Increase/(Decrease) in creditors	**2,620**	(2,981)
Net cash inflow from operating activities	**30,029**	21,284

6 Employees

	1994 £000	1993 £000
Staff costs during the year		
Wages and salaries	**21,237**	21,820
Social security costs	**3,044**	2,963
Other pension cost	**1,261**	1,265
	25,542	26,048

	1994 Number	1993 Number
The average weekly number of persons employed during the year was		
Photographic	**377**	329
Broadcast	**368**	398
Surveillance	**232**	241
Head Office	**7**	9
	984	977
Discontinued	**—**	52
	984	1,029

7 Directors' remuneration

The remuneration of the executive directors is determined by the Remuneration Committee. There is a bonus scheme for executive directors which has two elements

i) a formula based on the annual growth of the normalised earnings per share in excess of the retail price index and

ii) the attainment of agreed objectives

During the year the executive directors' service agreements were amended to limit their maximum bonus to fifty per cent of base salary.

The combined remuneration of the directors of the Group who discharged their duties wholly or mainly in the United Kingdom is set out below

	1994 £000	1993 £000
Fees	**86**	82
Remuneration	**257**	222
Profit related bonuses	**119**	188
Pension fund contributions	**83**	92
	545	584

7 Director's remuneration continued

The remuneration excluding pension contributions of the Chairman and highest paid director who discharged their duties wholly or mainly in the UK are set out below

	1994 £000	1993 £000
Mr J H A Wood, Chairman	**48**	47
Highest paid director		
Remuneration	**151**	122
Bonuses	**70**	103
	221	225

The directors' remuneration before tax and excluding pension contributions fell into the following bands

	1994	1993
£10,001 – £15,000	**3**	3
£45,001 – £50,000	**1**	1
£150,001 – £155,000	**1**	—
£180,001 – £185,000	**—**	1
£220,001 – £225,000	**1**	—
£225,001 – £230,000	**—**	1

8 Exceptional items

	1994 £000	1993 £000
Microswift termination costs within continuing operations		
assets written off	**—**	1,611
other costs	**—**	1,298
Loss on disposal of discontinued electro-optics businesses		
loss on net assets	**—**	4,859
purchased goodwill written off	**—**	2,637
	—	10,405

9 Tax

	1994 £000	1993 £000
Tax on the profit for the year		
UK corporation tax at 33% (1993: 33%)	**2,745**	3,520
Overseas company tax	**1,471**	739
Deferred tax	**(357)**	(1,733)
Double tax relief	**(183)**	(112)
Prior year adjustments	**(104)**	(59)
Tax on ordinary activities before exceptional items	**3,572**	2,355
UK corporation tax at 33% on exceptional items	—	(563)
Tax on ordinary activities	**3,572**	1,792

Reconciliation of effective tax rate on profit before exceptional items
The tax charge has been increased/(reduced) by the following major items

	%	%
Statutory UK corporation tax rate	**33.0**	33.0
Profits in tax free areas of Italy	**(13.8)**	(13.3)
Allowable amortisation of goodwill	**(7.3)**	(10.4)
Utilisation of tax losses brought forward	**(3.8)**	(3.7)
Higher overseas tax rates	**11.0**	10.0
Other items	**(1.3)**	0.5
Effective tax rate	**17.8**	16.1

10 Dividends

	1994 £000	1993 £000
Interim proposed 2.4p per share (1993: 2.1p)	**1,001**	858
Final proposed 6.6p per share (1993: 5.7p)	**2,719**	2,341
	3,720	3,199

11 Earnings per ordinary share

Headline earnings per share has been presented in order to reflect more accurately the ongoing earnings performance of the Group. The calculation uses profit after interest and tax but before exceptional items and the related tax. In 1994 this profit was £16,510,000 (1993: £12,262,000). The calculation of earnings per share under FRS3 is based on profit after tax of £16,510,000 (1993: £2,420,000). Both measures of earnings per share are based on the weighted average number of shares in issue during the year of 41,102,577 (1993: 39,944,325).

12 Tangible fixed assets

Group	Total £000	Land and buildings £000	Plant machinery vehicles £000	Office equipment £000
Cost or valuation				
At 1 January 1994	44,408	14,445	23,002	6,961
Additions	5,766	545	4,151	1,070
Currency translation adjustments	(300)	77	(329)	(48)
Transfers between categories	—	—	23	(23)
Disposals	(2,805)	(829)	(1,666)	(310)
At 31 December 1994	47,069	14,238	25,181	7,650
Depreciation				
At 1 January 1994	21,444	2,681	14,305	4,458
Charge for year	5,035	523	3,522	990
Currency translation adjustments	(217)	3	(165)	(55)
Transfer between categories	—	—	20	(20)
Disposals	(1,453)	(4)	(1,193)	(256)
At 31 December 1994	24,809	3,203	16,489	5,117
Net book value				
At 31 December 1994	22,260	11,035	8,692	2,533
At 1 January 1994	22,964	11,764	8,697	2,503

The fixed assets of the Company at a cost of £5,202,000 (1993: £5,175,000) and the accumulated depreciation of £773,000 (1993: £598,000) are included above. During the year additions at cost were £40,000, disposals totalled £13,000 and depreciation was £170,000.

	Group £000	Company £000
Net book value of land and buildings at cost or valuation comprise the following		
Carried at cost	7,207	474
Carried at valuation (31 March 1989)	3,828	3,828
	11,035	4,302
Freehold	10,796	4,302
Leasehold	239	—
	11,035	4,302

The Group's land and buildings shown above at a revalued net book value of £3,828,000 would have been stated under historical cost at £4,121,000 and a net book value of £3,579,000.

Commitments for tangible fixed asset expenditure, for which no provision has been made in the accounts, amount to £865,000 (1993: £240,000) for the Group and £nil (1993: £nil) for the Company. Amounts authorised but not committed were £17,000 (1993: £66,000) for the Group and £nil (1993: £nil) for the Company.

13 Investments

The Company's investments in subsidiaries at cost or written down value is

Group	Total £000	Shares £000	Loans £000
At 1 January 1994	47,304	27,304	20,000
Repayments	(585)	—	(585)
Currency translation adjustment	(416)	—	(416)
At 31 December 1994	46,303	27,304	18,999

The Company's principal subsidiaries are

Photographic	
Lino Manfrotto & Co Spa	Italy*
Avenger Studio Equipment Srl	Italy
Feltre Stampi Srl	Italy
Feltre Tubi Srl	Italy
Industria Fototecnica Firenze Srl	Italy
Manfrotto France	France
Manfrotto Nord Srl	Italy
Manfrotto Trading Srl	Italy
Gitzo S A	France
Gitzo Industries Sarl	France
Bogen Photo Corporation	USA
Alu Inc	USA
Alu U.K. Ltd	UK*
Broadcast	
Vinten Broadcast Limited	UK*
Vinten Broadcast France Sarl	France
Vinten GmbH	Germany*
Vinten Japan KK	Japan*
Vinten TSM Inc	USA
Bexel Corporation	USA
Internet Technology Ltd	UK
Vinten Asia Pacific Pte Ltd	Singapore*
Surveillance	
W Vinten Limited	UK*

*Indicates companies directly owned by the parent company

The companies are all ultimately wholly-owned by Vinten Group plc, incorporated in Great Britain and registered in England, unless otherwise shown. All companies operate in the country in which they are incorporated. The Company also holds investments in other subsidiaries which are either non-trading or not significant.

14 Stocks

	Group	
	1994	1993
	£000	£000
Raw materials and components	**4,987**	3,406
Work in progress	**9,451**	7,955
Finished goods	**7,469**	10,098
	21,907	21,459
Less payments on account	**(1,100)**	(467)
	20,807	20,992

15 Debtors

	Group		Company	
	1994	1993	1994	1993
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	**15,044**	16,218	**—**	—
Amounts recoverable on contracts	**—**	77	**—**	—
Amounts owed by subsidiaries	**—**	—	**8,014**	3,342
Other debtors	**1,772**	2,024	**234**	204
ACT recoverable	**927**	833	**927**	833
Prepayments and accrued income	**609**	789	**27**	21
	18,352	19,941	**9,202**	4,400
Amounts falling due after one year				
Prepayments and accrued income	**302**	206	**—**	—
Other debtors	**1,463**	1,400	**—**	—
	1,765	1,606	**—**	—
Total debtors	**20,117**	21,547	**9,202**	4,400

16 Creditors

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Amounts falling due within one year				
Bank loans and overdrafts	—	60	—	—
Other loans	**304**	211	—	—
Payments received on account	**2,808**	772	—	—
Trade creditors	**8,423**	7,437	—	—
Amounts owed to subsidiaries	—	—	**764**	1,180
Proposed dividend	**3,708**	3,193	**3,708**	3,193
Corporation tax	**3,589**	3,333	**496**	2,124
Other tax and social security costs	**1,643**	1,497	**22**	15
Other creditors	**2,388**	1,882	**176**	34
Accruals and deferred income	**5,187**	3,697	**412**	699
	28,050	22,082	**5,578**	7,245
Amounts falling due after more than one year				
Bank loans	**1,150**	1,170	—	—
Other loans	**27,692**	28,811	—	—
Amounts owed to subsidiaries	—	—	**20,442**	13,914
Other creditors	—	1,558	—	—
Accruals and deferred income	**480**	320	—	102
	29,322	31,859	**20,442**	14,016

	Group 1994 £000	Group 1993 £000	Company 1994 £000	Company 1993 £000
Amounts falling due within one year				
Bank and other loans are repayable				
Within one to two years	**714**	303	—	—
Within two to five years	**11,680**	8,449	**20,442**	13,914
After five years	**16,448**	21,229	—	—
	28,842	29,981	**20,442**	13,914

A USA subsidiary of the Company has in issue, via a private placement, $40 million of 6.72% unsecured Senior Notes 2003 guaranteed by the Company. The notes are repayable over seven years commencing in 1997. Concurrent with the drawdowns under the notes, the Company entered into 10 year US dollar/sterling interest rate swap agreements with banks whereby $15 million of fixed rate obligations were exchanged for obligations of £10.1 million at interest rates linked to LIBOR. The obligations under the swap agreements amortise in line with the underlying notes.

Certain foreign currency loans in Italy amounting to £2.1 million (1993: £2.3 million) are secured on the land and buildings of subsidiary companies in Italy and are at fixed interest rates of 5% to 7% per annum. A French subsidiary has a property on which there are secured loans of £1.2 million (1993: £1.2 million) with interest rates between 7% to 11% per annum.

17 Provisions for liabilities and charges

	Group			Company		
		Deferred	Other		Deferred	Other
	Total	tax	provisions	Total	tax	provisions
	£000	£000	£000	£000	£000	£000
At 1 January 1994	5,257	1,514	3,743	108	37	71
Profit and loss account	562	(357)	919	40	(20)	60
Utilised in year	(1,035)	—	(1,035)	—	—	—
Currency translation adjustments	(48)	3	(51)	—	—	—
At 31 December 1994	4,736	1,160	3,576	148	17	131

Of provisions utilised in the year £657,000 (1993: £229,000) relates to prior year acquisitions.

	Group		Company	
	1994	1993	**1994**	1993
	£000	£000	**£000**	£000
Composition of deferred tax provision				
Accelerated tax depreciation allowances	**451**	616	**574**	560
Other timing differences	**709**	898	**(557)**	(523)
	1,160	1,514	**17**	37

At 31 December 1994 no deferred tax has been provided on the unremitted reserves of certain subsidiaries in overseas tax concession areas.

18 Share capital

The authorised share capital consists of 52,500,000 ordinary shares of 20p each, of which 41,208,573 are allotted and fully paid. The movement during the year is

		Issued share capital	Consideration
	Shares	£000	£000
At 1 January 1994	40,952,961	8,191	—
Exercise of share options	255,612	51	518
At 31 December 1994	41,208,573	8,242	518

At 31 December 1994 the following options had been granted and were still outstanding under the Company's share option schemes

	Number of shares	Subscription prices	Dates normally exercisable		Number of shares	Subscription prices	Dates normally exercisable
SAYE Scheme				**Executive Scheme**			
	11,088	150p	1993-95		2,500	138p	up to 1996
	11,991	167p	1994-96		14,000	197p	up to 1997
	33,872	144p	1995-96		7,500	173p	up to 1998
	31,990	184p	1996-98		37,750	149p	up to 2000
	84,932	186p	1997-99		39,750	216p	up to 2000
	33,330	296p	1998-2000		400,000	268p	1995-2002
	27,305	397p	1999-2001		30,000	351p	1996-2003
					35,000	441p	1996-2003
					15,000	436p	1996-2003
	234,508				581,500		
International SAYE Scheme – Italy							
	154,924	Lit.9,649	1999-2001				

19 Share premium account and reserves

	Share premium account £000	Revaluation reserve £000	Merger reserve £000	Other reserves £000	Profit and loss account £000
Group					
At 1 January 1994	5,457	1,463	—	—	10,360
Profit for year	—	—	—	—	12,790
Transfers	—	(30)	—	—	30
Premium on new shares issued	467	—	—	—	—
Currency translation	—	—	—	—	(68)
At 31 December 1994	5,924	1,433	—	—	23,112

The total amount of goodwill set off directly against reserves amounts to £43.7 million at historic cost.

	Share premium account £000	Revaluation reserve £000	Merger reserve £000	Other reserves £000	Profit and loss account £000
Company					
At 1 January 1994	5,457	770	9,718	22,694	3,308
Profit for year	—	—	—	—	3,486
Transfers	—	(10)	—	—	—
Currency translation	—	—	—	—	27
Premium on new shares issued	467	—	—	—	—
At 31 December 1994	5,924	760	9,718	22,694	6,821

Other reserves represent capitalisation of the share premium account.

	1994 £000	1993 £000
Reconciliation of movements in shareholders' funds		
Profit for the financial year	**16,510**	2,420
Dividends	**(3,720)**	(3,199)
	12,790	(779)
Other recognised net gains and (losses) relating to the year	**(68)**	(2,443)
New share capital subscribed	**518**	6,746
Goodwill set off	—	(13,141)
Goodwill on business sold	—	2,637
Net addition/(reduction) to shareholders' funds	**13,240**	(6,980)
Opening shareholders' funds	**25,471**	32,451
Closing shareholders' funds	**38,711**	25,471

20 Cash and financing

	1994 £000	1993 £000
Analysis of changes in cash and cash equivalents during the year		
Balance at 1 January	**19,166**	3,770
Net cash inflow	**18,853**	16,068
Effect of foreign exchange rate changes	**(384)**	(672)
Balance at 31 December	**37,635**	19,166
Analysis of the balances of cash and cash equivalents as shown in the Balance Sheet		
Cash at bank and in hand	**37,635**	19,166
Financing		
Share capital (including premium)		
Balance at 1 January	**13,648**	12,765
Cash inflow from share issues	**518**	531
Shares issued for non-cash consideration	**—**	352
Balance at 31 December	**14,166**	13,648
Loans and finance lease obligations		
Balance at 1 January	**30,252**	12,440
Cash (outflow)/inflow from financing	**(286)**	17,818
Effect of foreign exchange differences	**(820)**	(6)
Balance at 31 December	**29,146**	30,252

Interest

	1994 £000	1993 £000
Bank loans and overdrafts	**586**	1,327
Other loans – repayable within five years	**596**	45
– repayable after five years	**1,199**	393
	2,381	1,765
Less receivable	**(1,665)**	(810)
Net interest payable	**716**	955

21 Leasing commitments

At 31 December 1994 the Group had the following annual commitments under operating leases

	Land and buildings £000	Other £000	Total £000	1993 £000
Expiring within one year	**88**	**21**	**109**	150
Expiring two to five years	**814**	**15**	**829**	514
Expiring after five years	**361**	**—**	**361**	503
	1,263	**36**	**1,299**	1,167

22 Contingent liabilities

The Company has guaranteed the Senior Notes described in note 16 and subsidiary companies' bank borrowings and commitments which, at 31 December 1994, amounted to £nil (1993: £5,704,000). In addition there are forward foreign exchange contracts and performance and advance payment guarantees which have been entered into in the normal course of trade.

23 Pension commitments

The Group operates defined benefit pension schemes in the UK which are set up under separate trusts. The adequacy of the schemes to meet the projected benefits is assessed by independent qualified actuaries, at regular intervals. The most recent actuarial valuations of the schemes were at 5 April 1992. The schemes had assets with a combined market value in excess of £15 million at that date representing 113.6% of the benefits that had accrued to members, allowing for expected future increases in salaries. The surpluses arising have been partly used to improve members' and pensioners' benefits; the balances have been spread over approximately 15 years by way of variation from regular cost. The most significant assumptions made by the actuary were; investment return – 9%; salary inflation – 7%; dividends – 5%; pension increase – 5%. The charge to the profit and loss account during the year amounted to £602,000 (1993: £654,000). There is an accrual of £108,000 (1993: £189,000) included in creditors in the balance sheet, for the excess of the accumulated pension cost charged to the profit and loss account over the amount funded.

Five-year review

	Year ended 31 December				
	1994	1993	1992	1991	1990
Turnover	**97,048**	93,411	77,272	63,311	63,951
Trading profit	**20,798**	15,572	11,311	10,882	11,437
Interest	**(716)**	(955)	(1,081)	(1,704)	(2,790)
Profit before tax and exceptional items	**20,082**	14,617	10,230	9,178	8,647
Capital employed					
Fixed tangible assets	**22,260**	22,964	25,524	23,136	20,391
Other net assets	**9,122**	15,107	18,796	17,067	15,121
Net cash	**8,489**	—	—	—	-
	39,871	38,071	44,320	40,203	35,512
Financed by					
Shareholders' funds	**38,711**	25,471	32,451	28,773	17,109
Net borrowings	**—**	11,086	8,670	8,955	16,640
Deferred tax	**1,160**	1,514	3,199	2,475	1,763
	39,871	38,071	44,320	40,203	35,512
Statistics					
Trading profit margin %	**21.4**	16.7	14.6	17.2	17.9
Headline earnings per share (p) *	**40.2**	30.7	21.7	20.5	19.8
Earnings per share (p) – FRS3 basis	**40.2**	6.1	21.7	20.5	15.4
Dividends per share (p)	**9.0**	7.8	7.0	6.6	6.2

* Differences between the Headline and FRS3 earnings per share arise from exceptional items in the years in question.

Group directory — (main office in each country)

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SHARE OWNERSHIP ANALYSIS

Analysis of shareholders

	31 December 1994 Number of Holders	Shares	% of Shares	31 December 1993 Number of Holders	Shares	% of Shares
Institutions and companies	532	32,649,492	79.2	409	31,685,494	77.4
Directors and their families	4	32,766	0.1	4	36,166	0.1
Individuals	899	8,526,315	20.7	869	9,231,301	22.5
	1,435	41,208,573	100.0	1,282	40,952,961	100.0

Analysis of shareholdings as at 31 December 1994

Shares held	*Number of holders*	*% of holders*	*Number of shares*	*% of shares*
Up to 1,000	722	50.3	276,523	0.7
1,001 - 5,000	397	27.7	935,936	2.3
5,001 to 10,000	70	4.9	511,981	1.2
10,001 to 50,000	126	8.8	3,117,093	7.5
50,001 to 100,000	32	2.2	2,378,160	5.8
100,001 and over	88	6.1	33,988,880	82.5
	1,435	100.0	41,208,573	100.0

So far as the directors are aware, the only parties, other than directors, interested in 3% or more of the share capital of the Company as at 21 March 1995 are:

		%
Schroders Investment Management Ltd	4,125,922	10
Ms D Battocchio	2,312,892	5.6
A Manfrotto	1,312,893	3.2
Prudential Corporation	1,305,919	3.2
The Provident Mutual Group	1,271,676	3.1