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Vitec Group operates, acquires and develops niche businesses which have a large market share, manufacturing and supplying high-quality products and services. Markets served are the worldwide television, entertainment, photographic, retail, communications, governmental and corporate sectors.

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Most photographs of Vitec personnel were taken at a recent Group management meeting.

- Second half rebound produced good results for the year

- Consolidated Group sales up 6%

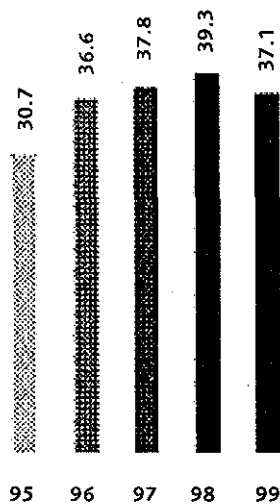
- Total dividend up 15%

Financial highlights

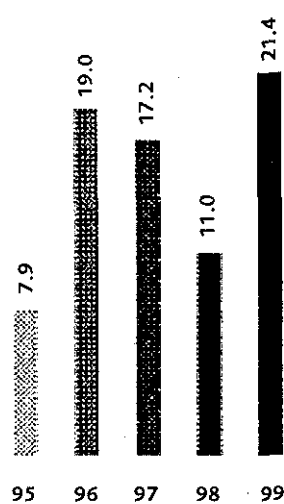
- Record free cash flow of £21.4 million

- Share repurchases reduced equity by 16.5%

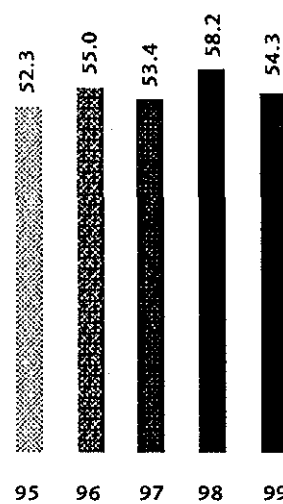
Pre-tax profit*
(£million)



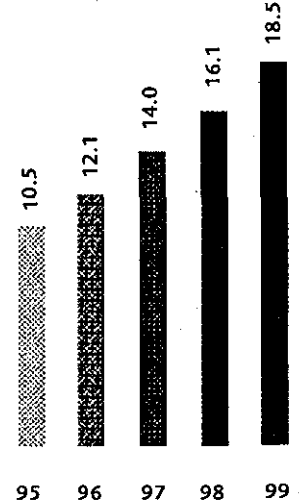
Free cash flow
(£million)



Headline earnings per share
(pence)



Dividend per share
(pence)



*before goodwill amortisation and exceptional items

This year we have established four operating divisions reflecting the markets served by our Group companies and the skill sets we have gained from the acquisitions we have made.



Anton/Bauer HyTRON 100 battery. One of a range of high-performance technology advanced professional video camera batteries.

Group overview



Manfrotto 440 carbon fibre and magnesium tripod for still photography and video camera use.

Photographic and retail display

Activities

Design and manufacture of photographic and video camera support equipment, lighting support and suspension equipment and self-standing retail display products. Distribution of photographic accessories.

Percentage of group turnover

41%

Bases

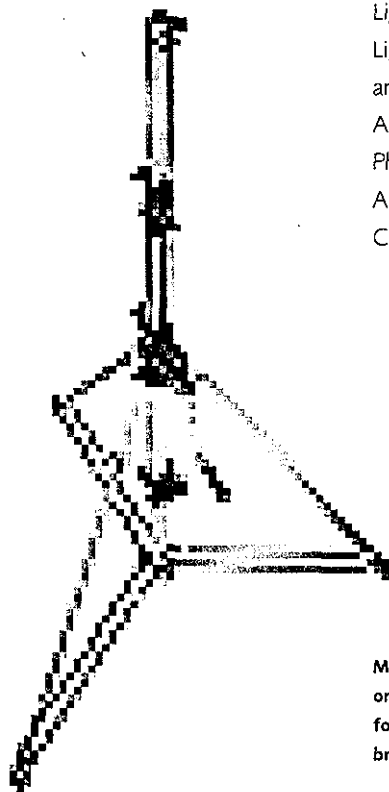
France USA
Italy
UK

Corporate trading brands

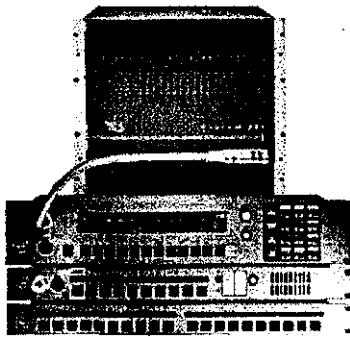
Alu Citzo Manfrotto
Avenger IFF
Bogen Litec

Products

Photographic video heads and tripods
Lighting stands, grips, clamps and accessories
Lighting and scenery suspension hoists and pantographs
Aluminium truss structures
Photographic accessories
Autopole display systems
Customised retail display equipment

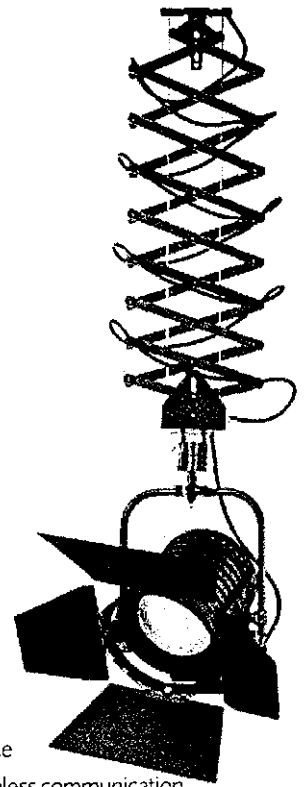


Manfrotto Avenger Super Wind-Up Stand, one of a professional range of lighting supports for film, TV, video – both studio and outside broadcast – and photographic lighting.



Clear-Com Matrix Plus 3 digital intercom system – a total communications network designed to dynamically connect up to 200 channels in any combination.

Sachtler CPF 200 pantograph overhead studio lighting



Broadcast camera systems

Design and manufacture of remote-controlled pan and tilt camera systems, studio and outside broadcast pedestals and heads, lightweight tripods and heads for electronic news gathering and electronic film production. Batteries and chargers for the same market.

Communications and audio

Design and manufacture of wireless microphones and wireless intercom equipment for the broadcast, live entertainment, aerospace and defence markets.

Broadcast services

Rental, sale and service of camera, video, wireless communication and audio equipment. Engineering support for film and TV programme production.

35%

Costa Rica Japan USA
France Singapore
Germany UK

9%

UK
USA

15%

USA

Anton/Bauer
Sachtler
Vinten

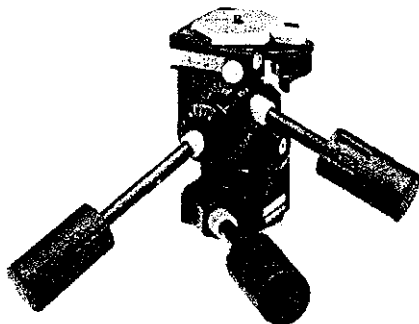
Clear-Com
Drake
Vega

Audio Specialties Group
Bexel
Systems Wireless

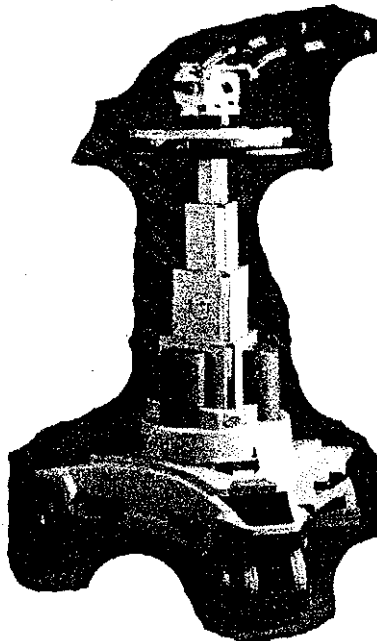
Autocam remote-controlled camera systems
Pedestals for TV production
Video tripods and heads for ENG and EFP applications
Portable lights
Studio lighting and scenery hoists and pantographs
Microprocessor-controlled batteries and chargers for video cameras
Life support portable power systems

Matrix intercom systems and networks
Party line intercom systems
Wireless intercom equipment
Wireless microphones

Rental of broadcast video equipment
Audio equipment rental
High definition TV production support
Webcasting solutions
Major event broadcasting support
Communications and audio distribution
Equipment servicing



Manfrotto 229 3D Pro head. High-quality, three-way head for still photography camera use.



Vinten Quattro pedestal specifically designed to meet the demands of outside broadcast and field production.

A well-balanced, all-round performance by the Group which yet again generated record cash flows enabling shareholders to benefit from a repurchase of shares and a further increase in dividend.

Chairman's statement



Overview

Vitec has announced another set of strong results and, for the sixth year in succession, the directors are recommending a dividend increase of 15% for the year, with a final dividend of 13.6p (1998:11.8p), making a total dividend of 18.5p for 1999 (1998:16.1p).

The Photographic and retail display division produced its best ever profits. The Broadcast camera systems division's results were affected by continuing reorganisation costs of Vinten in both the UK and the USA; the Communications and audio division continued to grow strongly; and the Broadcast services division produced double digit profit growth.

Group sales increased by just under 6% to £171.4 million (1998:£162.3 million) and profit before interest, tax and goodwill amortisation was £38.2 million (1998:£40.0 million). The effects of acquisitions in 1999 were immaterial to these results.

Operating cash flow was £51.1 million, a record for the Group and an increase of 18% over 1998 (£43.3 million); free cash flow was £21.4 million, almost double the figure for 1998 (£11.0 million). Headline earnings per share was approximately 7% lower at 54.3p (1998:58.2p) as the tax charge for the Group rose to 30.7% (1998:27.6%).

Corporate activity

There were no significant acquisitions made during the year and our surplus cash was used to effect share repurchases through both open market transactions and a tender offer. In total, 16.5% of our equity was bought back at an average price of 620p per share which left the Group with net debt of £27.8 million at the year-end. Interest cover remains high after these repurchases and the Group has considerable financial capacity. The Board continues to review suitable acquisitions in related businesses and, in January 2000, we announced the purchase for approximately US \$12 million of most of the assets of the main competitor to Bexel, Duke City Video. These are currently being integrated into Bexel.

People

We have made a number of important appointments at a senior level in the last 12 months. In the Broadcast camera systems division, Simon Derry (Managing director of Vinten UK), Mike DeNicola (President of Vinten USA.), Heinz Kossler (Managing director of Sachtler) and Domingo Musmanni (Managing director of C.P.P. – Costa Rica). In the Photographic and retail display division, Paul Wild was promoted from Manfrotto to become President of Bogen. During the year we introduced a long term incentive plan to provide additional rewards and motivation to our senior staff. I have no doubt that such plans enhance performance and lead to value creation for our shareholders. Our businesses are serving global markets and make considerable demands on our staff. I would like to thank them all for their commitment and enthusiasm during the course of the year.

From left to right: Abramo Manfrotto (Chief executive of Photographic and retail display division), Robin Howe (Chief executive of Broadcast camera systems division), Alison Carnwath (Chairman) and David MacKinlay (Chief executive of Communications and audio division).



Group chief executive

In January this year the Board announced that Malcolm Baggott, our Group chief executive for the past ten years, wished to retire during the course of this financial year. Malcolm has been the architect of the Vitec Group and his tireless energy, combined with his effective leadership, have driven profits from £8.6 million in 1990 to £37.1 million today.

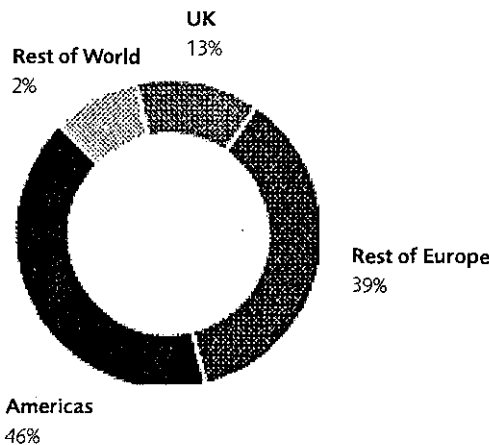
On 10 March 2000 we announced the appointment of Philip Cushing to the position of Group chief executive with effect from 28 April 2000. He brings to the Group a wealth of commercial, industrial and international experience gained most recently as Chief executive of Inchcape plc and we are confident in his ability to take Vitec on to its next stage of development.

Future prospects

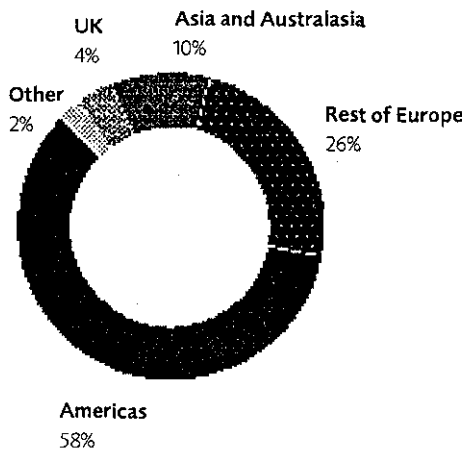
Sixty per cent of Group profits are denominated in Euros and thirty six per cent are denominated in US dollars and, therefore, exchange rate movements can affect consolidated Group results. Nevertheless, sales in the second part of 1999 picked up strongly and this has continued in the first two months of this year. We have a talented group of executives heading our businesses and can look forward to the future with confidence.

Alison Carnwath
Chairman

Worldwide manufacturing – turnover



Worldwide markets – turnover



After ten years as Chief executive of the Group, in January 2000 I announced my intention to retire by the end of the year. My tenure at Vitec has personally been very happy and I leave behind me a team of people who I know will take the Group to new levels. I thank them for their support over the years and wish them and the Group every success in the future.

Group chief executive's review



Introduction

In 1999 we clearly established four operating divisions within the Group; Photographic and retail display, Broadcast camera systems, Communications and audio, and Broadcast services. This structure is reflected in the segmental analyses of results. Communications and audio, comprising Clear-Com, Drake and Vega, is separately identified, having previously been included in Broadcast products. The other businesses previously included in Broadcast products are Vinten, Sachtler and Anton/Bauer; these are now grouped as Broadcast camera systems.

This year we have included a report on each division's sphere of operations. I trust that this will help in understanding the businesses better, particularly their market drivers and other influences on growth and profits.

Overall, 1999 was a year of mixed fortunes. At the half-year, we reported healthy market conditions for our Photographic and retail display division and continuing softness in certain markets for broadcast products and services. Since then, we have seen a pick-up in the broadcast markets and we have reported improved results for the second half.

Progress was made on several fronts during the year. The acquisition of Litec in Italy strengthened our position in lighting support and suspension structures. Vega in the USA, acquired in October, gave us wireless capability for both microphones and for intercom systems. In January 2000, substantially all of the assets of Duke City Video, a professional video equipment rental company, based in Burbank and Dallas, were purchased. This will consolidate Bexel's position as the leading company in this field in the USA. In all divisions we continue to look for acquisitions that will complement and enhance current activities. Like many companies, Vitec is facing up to the challenges and opportunities of 'E-business'. All Group companies have electronic commerce high on their strategic agendas and a number of new initiatives are being implemented. Bexel has started a webcasting support service through its office in Seattle and we are planning to develop this activity. We will continue to be alert both to the opportunities and threats presented by this technological evolution.

Whilst the Group maintains an excellent level of profitability and cash generation, it continues to look for production innovation and operating efficiencies. A steady stream of new products and services is critical to the success of Vitec and high emphasis is placed on research and development throughout the Group. With regard to operational efficiency, we have commenced a continuous improvement initiative throughout the Group which will look into all areas of the business; the goal is to strive for perfection in all that we do.

Photographic and retail display

Sales of £69.5 million were 10.7% higher than 1998 (£62.8 million). This included first year sales by Litec of £1.4 million. Operating profits of Manfrotto, Bogen and Alu Italy all increased over 1998 but were adversely affected by a poor performance from Gitzo in France and some price pressure on Alu in the USA. Despite these effects, operating profits of £19.7 million were at record levels.

Broadcast camera systems

For the full year, sales were flat at £59.9 million. Although there were record profits from Anton/Bauer and Sachtler's profits were level with 1998, profits at Vinten were depressed due to reorganisation costs and lower sales volumes in the Americas. Profits for the year of £13.1 million were 16.0% down on 1998 (£15.6 million).

Communications and audio

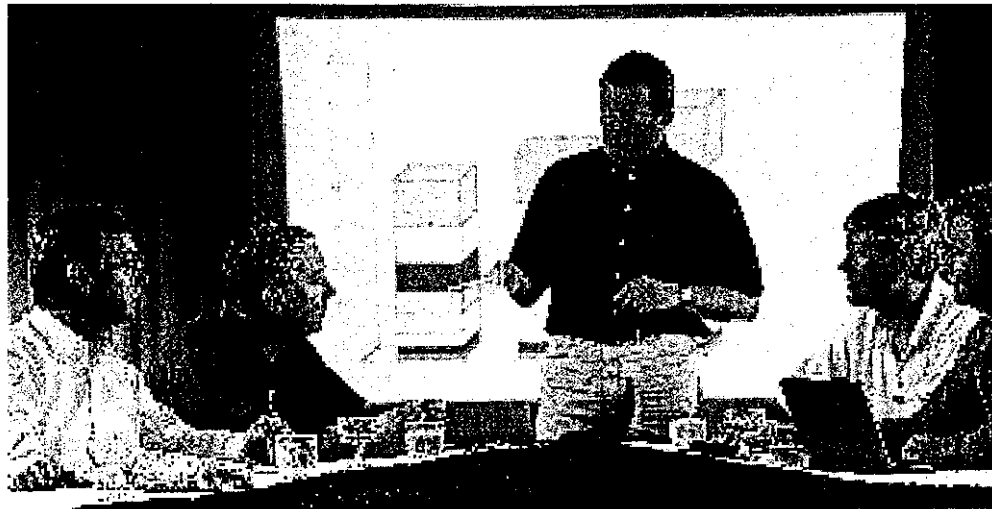
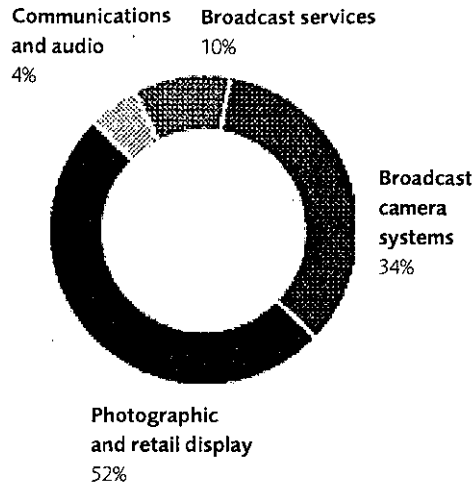
Sales by the Communications and audio division, which included a full year for Drake, were up by 33.6% at £15.9 million (1998 : £11.9million); 1999 included a contribution of £0.5 million from Vega. Profits of Clear-Com were slightly down as it invested more in research and development. Drake is now revitalised and had a very good first full year. Overall, profits improved by 21.4% to £1.7 million (1998 : £1.4 million).

Broadcast services

Broadcast services revenues showed a modest increase over 1998 with sales of £26.1 million (£25.4 million). Prior year revenues included a substantial contribution from the Winter Olympics held in Nagano, Japan. However, as a result of better product mix, cost reductions and other profitability improvement programmes, operating profits were up by 12.1% at £3.7 million (1998 : £3.3 million).

Malcolm Baggott
Group chief executive

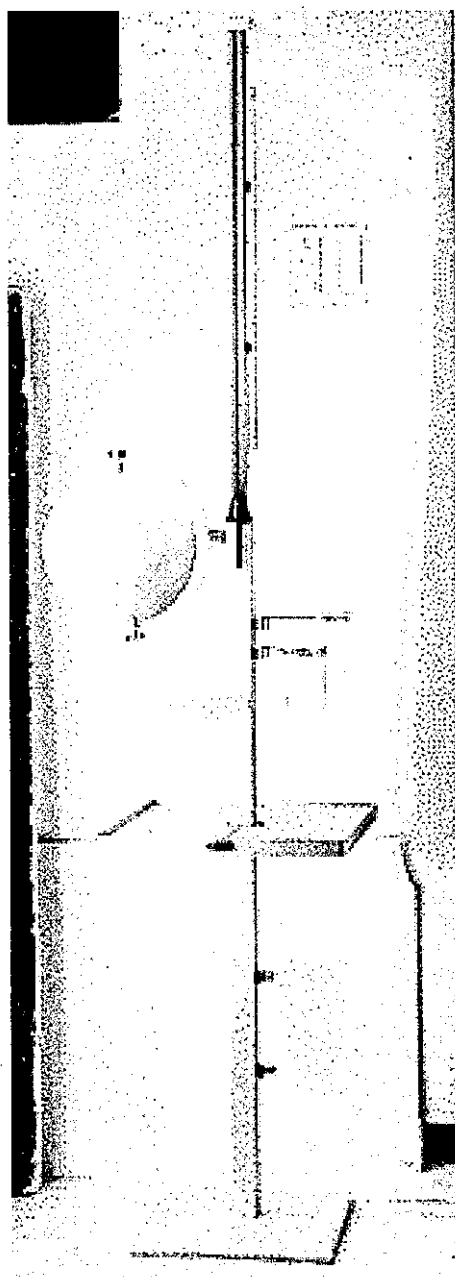
Operating profit



From left to right: Heinz Kossler (Managing director of Sachtler), Alex DeSorbo (President of Anton/Bauer), Malcolm Baggott (Group chief executive), Simon Derry (Managing director of Vinten UK) and Daniel Burns (Managing director of Drake).

Buoyant market conditions for photographic and video products throughout the world helped to produce record results for the division. Retail display grew in Europe and held steady in the USA. The Litec acquisition was successfully absorbed into the Manfrotto organisation.

Photographic and retail display



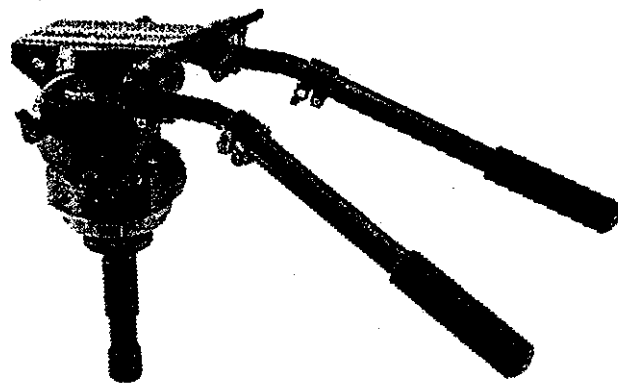
Autopole modular system to accommodate a wide range of retail display requirements.

Overall, the Photographic and retail display division enjoyed another good year. The photographic side, which represents over 70% of the activity, experienced buoyant conditions in the USA and the beginning of recovery in the Far East. The business was also helped by favourable exchange rates and price increases. The acquisition of Litec in April broadened the product range with the addition of the specialist aluminium support structures which it manufactures near Venice. The retail display business enjoyed good growth in Europe, but sales in the USA were level with the previous year.

Photographic

All products in the Manfrotto range sold well throughout the year benefiting, not only from a continuing strong American market, but also the pick-up in the Far East as their economies began to rebound after the very poor 1998. The new carbon fibre tripods and monopod got off to a good start as well as the magnesium photographic head. All other photographic and video heads and accessories had healthy increases in volume and value over 1998. Lighting stands, clamps and other lighting accessories also showed increases over the prior year. We were particularly pleased with the performance of Industria Fototecnica Firenze (IFF) which made good inroads into the television studio suspension market with their lighting and scenery hoists. Sales included installations in Hungary, Columbia, Italy and Germany. Litec made an excellent start and we have already had to relocate the business to larger premises near Venice. The order book throughout Manfrotto is strong entering 2000 and there are a number of significant quotations for studio suspension, all of which indicates another good coming year.

Citzo, our French manufacturer, also experienced increased sales into the USA through Bogen but the key Japanese market, which represents some 40% of sales, continued to be soft. In total, sales in the first half of the year were particularly slow throughout, but the second half was a lot stronger. In 2000 we will be introducing an innovative range of tripods and a new range of video heads which we anticipate will be well-received by the market. The cost base in Citzo remains relatively high and we will continue to seek efficiencies to improve profitability.



Manfrotto video camera head model 510 for professional broadcast use.

Manfrotto has for some years manufactured products sold by Vinten and we plan to extend this product activity in 2000 in order to take advantage of the lower manufacturing costs of the higher volume products.

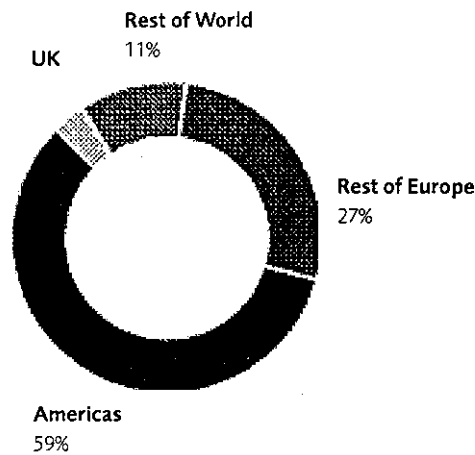
On the distribution side, Manfrotto Trading in Milan had a modest increase in sales as the Italian market remains difficult but Manfrotto France, however, took on new lines, Sekonic (light meter) and Dedolight (lights) and these showed a good increase in sales. Bogen in the USA celebrated its 40th anniversary in 1999 with another good year, prospering from the strength of the USA economy. As already stated, this pulled through to Manfrotto and Gitzo sales. Susan Bogen-Zarrabi, daughter of the founder of Bogen, retired in 1999 and has been succeeded by Paul Wild as President. Paul was previously Sales and marketing director of Manfrotto and Gitzo.

Retail display

1999 was a mixed year for Alu, the retail display business. In the USA, sales for the year were flat as some major projects did not materialise or were deferred. Two large accounts, Sears and J. C. Penney, continue to represent some 35% of our sales. However, there is a good spread of significant installations in stores such as May Company, K Shils Department Stores, Saks Inc., The Gap, and Hudson's Bay Co. Nevertheless, there has been some price pressure this year which has had a small impact on profitability.

Alu introduced a new range in December 1999 called Reed and we are optimistic that, over time, this will replace the highly successful Autopole which is still a mainstay of sales. We are also building on our successes with custom-made projects in Europe and in 2000, we will develop the capability to address the market in the USA. In 1999, prototype work was already being undertaken with Banana Republic Stores.

Geographical sales



In Europe, Alu has strengthened its distribution network and had some notable successes in Finland, Spain, Switzerland and Germany. Typical sales are to retail and fashion stores but increasingly Alu is looking to sell to specialty outlets for specialised applications. An example of this is Data-info in Finland which commissioned Alu to design and install all wall and freestanding fixtures and signage for a chain of computer stores. Similarly, large installations of custom-made fixtures have been made this year for Hennes and Mauritz and for Benetton.

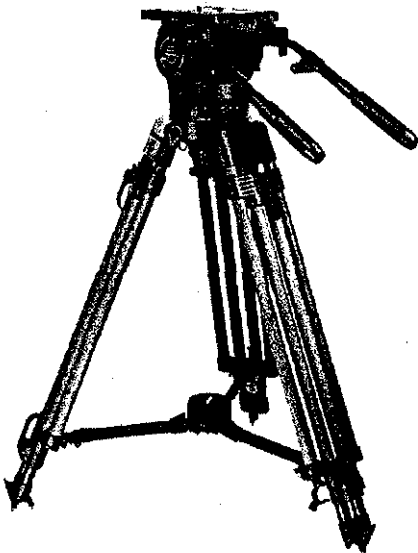
With the overall increase in sales and the expansion plans for the future it has been necessary to extend the Alu factory in Bassano, Italy, by 64,000 sq. ft. That work has commenced and planned completion is by August 2000.



Paul Wild (left) (President of Bogen) and Abramo Manfrotto (Chief executive of Photographic and retail display division).

1999 was a year of mixed fortunes for the Broadcast camera systems division. However, the strengthening of management, the focus on efficiency and the continuing investment in product development has placed each company in a strong position as we anticipate improved market conditions in 2000.

Broadcast camera systems



Sachtler Video 60
lightweight, vibration free
head on a Sachtler high
stability carbon fibre tripod.



Anton/Bauer four position Quad
PowerCharger is the most advanced
power system available. This
lightweight package, the size of a
notebook computer, has an integrated
recessed handle for easy
transportation.

Economic recession and delays in the conversion to digital television through early 1999 reduced investment capital for camera support and ancillary equipment. This effect was most pronounced in the Asian and American markets, although Europe was affected on a country-by-country basis. This downturn had been anticipated in the company budgets but Vinten suffered a greater impact as its companies serve the high-end studio camera market. Here, investment in transmission and acquisition systems took precedence over cameras and support equipment. Sachtler and Anton/Bauer products are typically supplied with mid-range cameras for newsgathering, production and commercial applications, and were thus less affected by the investment delays in studio equipment.

In the second half of 1999, the world's TV networks at last began to resolve their technology and infrastructure issues and to invest in high definition cameras. At around the same time, the economic recession in Asia and Latin America began to abate slightly with the result that sales started to return to planned levels.

Vinten

Vinten UK completed a £3.5 million factory modernisation project in early 1999 and this stimulated the launch of a lean business programme in which quality, service and efficiency improvements are being implemented throughout the supply chain.

A new management team, headed by Simon Derry, was appointed in January 1999 to implement these reforms and the programme is now well-advanced. Vinten UK's main strength lies in its ability to design and launch innovative products. The new Vision 250, released at the National Association of Broadcasters exhibition (NAB) in 1999, offers full facility cameras used in TV film production with a platform that provides improved balance, control and stability. Notable projects won by Vinten UK included the provision, through Thomson in France, of all the camera support systems for the Junior World soccer cup in Nigeria, for which eight outside broadcast trucks were equipped, and also the supply of eight Quattro pedestals and Vector heads to Tokyo TV's high definition TV Tennessou Centre, the largest of its kind in Japan.

Vinten USA released a number of new products at NAB in 1999, including a new track-mounted robotic camera system, and secured a number of contracts in the USA which signify investment trends in digital TV.

For example, WRAL-TV in Florida installed six fully-robotic Autocam pedestals and controllers, with a 30 ft. elevated track system supporting Ikegami high definition cameras, for their new 34,000 sq. ft. HDTV news and current affairs studios – evidence that the conversion to high definition technology is accompanied by state-of-the-art camera control equipment.

In June last year, Vinten USA installed their first robotic camera system on board Royal Caribbean's cruise ship, Voyager of the Seas. The system controls thirteen cameras placed throughout the ship, in the Scala Theatre, the Ice Skating rink, the Royal Promenade etc. to allow passengers to watch the entertainment on their TV screens from the comfort of their own cabins.

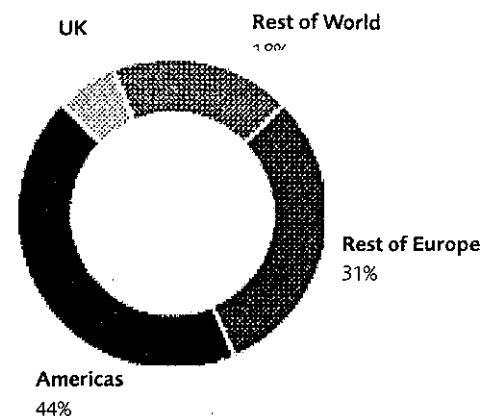
In December, we were pleased to announce the appointment of Mike DeNicola as President of Vinten USA.

Sachtler

The Sachtler Group underwent a management change in January with the appointment of a new Managing director, Heinz Kossler, and he in turn has strengthened the sales, marketing and engineering functions in Munich.



Geographical sales



Robin Howe (left) (Chief executive of Broadcast camera systems division) and Michael DeNicola (President of Vinten USA).

Since the year-end, Sachtler has acquired the minority shareholding of their long-standing Japanese joint venture partner, Amic, and now commands full control of its Japanese business. A new Managing director has been appointed in Tokyo and the company is now well-placed to exploit the expected recovery of the Japanese economy. The Costa Rican based plant was expanded and reorganised to exert further pressure on manufacturing costs and now serves most of Sachtler's product needs for the Americas and Japan. Plans are being prepared to expand further the use of this facility for other Group products.

Important new product releases included a range of rapid deployment Electronic News Gathering (ENG) tripods, a critical tool for cameramen operating to shortening deadlines. This Speedlok® range was released at the September 1999 International Broadcast Conference (IBC) show and is already enjoying good demand.

Several lightweight support heads for Digital Video (DV) cameras and a mid-weight head for Electronic Film Production (EFP) cameras, the Video 25, were launched during the year.

Sales were strong in both Western and Eastern Europe, including Russia, but weaker in the American and Asian markets, particularly in the first half of the year. There was a pronounced recovery in the second half.

Sachtler also enjoyed success with their automatic suspension systems for studio lighting, completing major installations with TVE in Madrid, TV Globo in Brazil and, in December, securing a DM 3 million order from the German children's channel,

'Kinder Kanal'.

Despite the softening of certain markets, Sachtler maintained its high market shares and high operating margins and finished the year with another good financial performance.

Anton/Bauer

Anton/Bauer enjoyed an excellent year, posting double-digit sales and profit growth.

The power demands of high definition cameras were met by the recently launched HyTRON 100 battery and charging system, whilst the lightweight DV cameras were equipped with the low cost ProFormer and TrimPac products.

Battery sales for lightweight cameras suffered slightly in 1998 due to the demise of the Super VHS tape format, but several new cameras launched in 1999 restored this sector to Anton/Bauer's advantage.

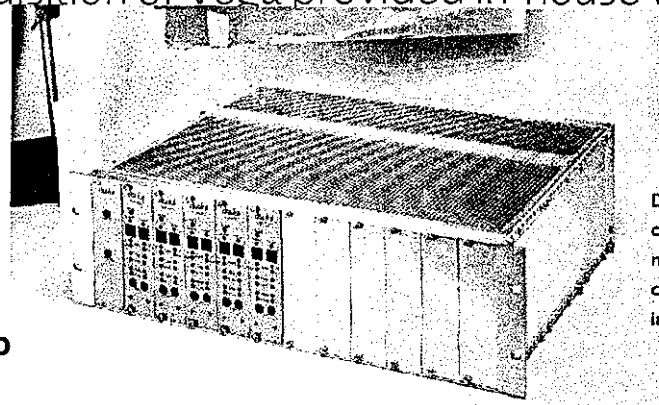
The US and Canadian markets showed modest growth during 1999. Sales to TV networks reflected the low investment in new cameras at the beginning of the year but recovered, along with dealer sales, in the second half.

Sales to export markets were excellent. The UK, France and Spain, for example, enjoyed strong growth reflecting decisions of the networks in those countries to invest

in digital camera systems at an early stage. Although the Asian markets showed only limited signs of general recovery, Anton/Bauer recorded impressive growth in the region, notably in Singapore, Taiwan, Korea and China. This was due partly to the timely opening of a new regional office in Singapore, and partly to the success of the ProFormer lightweight battery system, which is ideally suited to meet the cost/performance demands of the region. New export contracts were won with TCS Singapore, SUNTV India, ECHO TV Turkey, and EPTV Brazil. However, in Japan the recession was too deep to overcome, and sales fell slightly compared with the previous year.

Anton/Bauer's successful entrance into the medical appliance market continued with the addition of a second major customer for portable power systems for life critical applications. This market segment continues to hold good potential for

Formation of the Communications and audio division signalled the gathering momentum of our activities in these fields. Clear-Com settled into its new facility in San Francisco, Drake in the UK was revitalised and the acquisition of Vega provided in-house wireless capability.



Drake VeNIX interface unit combines voice, ethernet, networking, ISDN and X.21 communications capabilities in one rack-mounted device.

Communications and audio



Clear-Com series 500 Beltpack RS522 two channel unit allowing simultaneous listening and talking on two intercom channels.



Clear-Com Party Line professional intercom headset. A double-ear noise attenuating heavy duty intercom headset with microphone.

The Communications and audio division was formed in 1999. Stimulated initially by the desire to serve Vitec's traditional broadcast clientele with intercom products, it was soon evident that there were opportunities to utilise our developing expertise in related product and market areas, especially communications and audio.

The foundation of the division was Clear-Com, the San Francisco-based intercom manufacturer acquired in 1997. This was followed in 1998 by the complementary acquisition of Drake Electronics, the UK-based intercom company, and then in late 1999 by the addition of Vega, a wireless intercom and wireless microphone company based in Los Angeles.

Clear-Com

Clear-Com had a mixed year with the second half showing significant improvement over the first. Sales and orders were particularly strong towards the end of the year and we enter 2000 with a strong order book.

The softness in the US broadcast intercom market of the previous year continued into 1999, but progressively firmed from the second quarter onwards. Demand increased once the uncertainties surrounding the scope and cost of the US government-mandated digital investment were resolved. Also, the continuing strength of the US economy fuelled TV studio investment. The US live entertainment market retained the strength of the previous year, and the aerospace sector showed encouraging gains.

Overseas, we saw the return to relatively normal demand for intercom equipment in Japan, while Europe remained at similar levels year on year. The remaining territories showed some improvement over a very soft 1998.

Clear-Com secured significant contracts in all its main markets during the year. In broadcast, the company consolidated its position in the US with the regional and local TV studios, and retained its strong position in Japan in both the broadcast and live entertainment markets.

In live entertainment, Clear-Com continued to lead the party line intercom market. New installations were provided for most of the major Las Vegas showrooms (Caesar's Palace, Mirage, Treasure Island), Broadway shows (Lion King, Cabaret, Chicago, Les Miserables, Phantom of the Opera) and leading opera houses and concert halls (Kennedy Center, Lincoln Center, New York Metropolitan Opera, Sydney Opera House).

The aerospace sector provided further opportunities for the company, which, like Drake, benefited from the commercial off-the-shelf (COTS) programmes of the armed forces. Major contracts included the US Government's Marshall Islands Range and Tracking Complex, the US Navy's Submarine Base in Maine and the Torpedo Test Range in the Bahamas.

Clear-Com launched a new range of stations to support Matrix 3, its main broadcast intercom product line. These stations offer value-based functionality for the middle to lower end applications segments, and make innovative use of composite materials in their construction.

Drake

In its first full year as a member of the Group, Drake traded well and its profitability exceeded our pre-acquisition projections. The company confirmed its position as the broadcast market leader in Europe with the award of a number of large contracts for major TV studios. Drake won the demanding TV2 Denmark contract that requires the intercom systems of the network's 10 TV stations throughout Denmark to be connected via an ISDN network providing minimal delay. This reflects the increasing need intercom users have for the kind of 'connectivity' Drake can provide. Mitteldeutscher Rundfunk (MDR), the German broadcaster, selected Drake to supply intercom equipment as part of a major programme to re-equip all its studios located in what was previously East Germany.

Increasingly, Drake's products are finding favour with users outside the broadcast industry. For the past three years, the company has been supplying Deutsche Flugsicherung (DFS), the German national air traffic control authority, with intercom systems for the tower-to-tower communication needs of Germany's 22 main airports.

Drake is taking advantage of the increasing trend for armed forces, both in the UK and elsewhere, to meet their procurement needs with COTS equipment. In the UK, it won the contract to provide GEC-Marconi with intercom equipment for the simulation system used in training Royal Air Force air traffic controllers, following its earlier success in supplying a similar system to the Royal Navy.

Drake launched three new broadcast products at the International Broadcast Conference in September 1999. The first was the Series II version of the Digital 4000 matrix intercom range, which gives advanced user functionality and system configurability. The second was the Pico intercom, which offers much of the functionality of the 4000 system in a smaller and lower cost package, and is particularly suited to outside broadcast applications. The third was VeNiX, the new telecom interface unit that enables intercom systems to be connected via digital telecommunications networks.

The sales and marketing team has been strengthened during the year with new recruits in the UK and the appointment of a regional sales manager based in Malaysia. This latter move is designed to improve the support given to customers and dealers in the Far East.

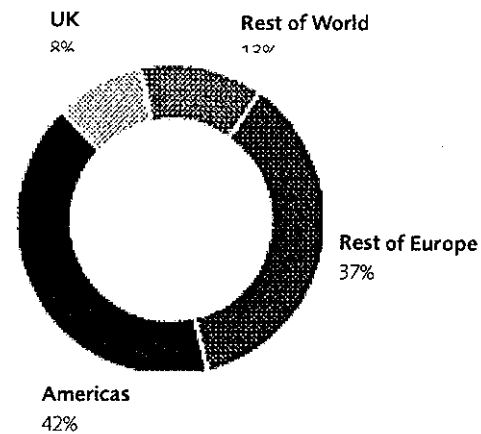
Vega

In the few months that Vega has been part of the Group, the focus has been on reviving the company's sales and marketing function and its product range. The investment required to carry out these programmes was taken into account in the acquisition evaluation and we do not anticipate the business being profitable in 2000.

Vega pioneered the high-end wireless microphone segment and wireless intercom systems for broadcast and, for some eight years, Vega has been a valued supplier of wireless intercom to Clear-Com. However, its investment in product and market development has been neglected in recent years. Our objective is to restore the fortunes of Vega by building on the brand franchise it still enjoys.

An experienced Sales and marketing manager has been recruited, the sales team expanded and additional resources made available for product development. In addition, Vega is being supported by Clear-Com and Drake in relevant areas and is availing itself of the expertise of the Audio specialties group and Bexel within the Broadcast services division.

Geographical sales



David MacKinlay (left) (Chief executive of Communications and audio division) and Gary Stanfill (General manager of Vega).

Repositioning of Bexel, formation of Audio specialities group, pick-up in markets, the introduction of new services and acquisition of the assets of Duke City Video have combined to produce a formidable Broadcast services division.

Broadcast services

1999 was a year of transformation for Bexel, the video services company. It was also a year that saw the formation of the Audio specialties group, consisting of the 1998 acquisitions of Systems Wireless and Intercom Specialties combined with Bexel's existing professional audio business.

Bexel

Bexel suffered from continued slowness in overall market demand for the rental of broadcast quality video equipment in the first three quarters of the year, as the market softened due to declines in television production shot on tape versus film, and consolidation and rationalisation by major customers in the remote sports production segment.

This softness also led to increased price competition from some of the weaker competitors, which lowered industry pricing. Also, the 1998 results had benefited from a large project for the Winter Olympics in Nagano. Bexel responded with another round of cost reductions and reorganisation, reducing total operating costs below 1998 levels. Bexel also began a strategic review of its pricing policies and instituted various minimum pricing strategies to focus efforts on the most profitable product classes and customers.

The net result was a strong final quarter of the year and a solid base to go forward into 2000. Bexel's performance was significantly aided by a record performance from the used equipment sales business. This unit capitalised on market conditions as certain customers decided to purchase used equipment, rather than new equipment, due to market softness and capital constraints. These were caused by television stations' investments in high definition and digital infrastructure.

In addition to cost reductions, Bexel laid the groundwork for future growth by making significant investments in high definition video equipment in order to establish itself as the leader in this very important new segment of production. Bexel also created high definition showrooms/studios in both its Burbank and New York offices to introduce this new technology to the marketplace. Bexel is focusing its efforts on traditional video applications as well as targeting customers who have, in the past, used film as a production tool. This last segment represents a potentially very large new source of demand for the video rental industry.



Bexel provides equipment to ABC Sports, ESPN, NFL Films and Fox Sports to cover events such as the Super Bowl held in Atlanta, Georgia.



High definition camera equipment, supplied by Bexel, being used for film production.

Whilst some of the softness experienced in the TV production market affected ASG companies in the first three quarters of the year, the overall result was a solid performance as the new grouping became established.

During 1999, a number of initiatives were undertaken to improve performance and prepare ASG for future growth.

Revenue increases were driven by a significant new marketing campaign to brand and broaden the market for both Systems Wireless and Intercom Specialties. Neither of the predecessor companies had the economic scale or internal capabilities to advertise their services effectively. The combination of aggressive advertising, targeted mailings, a newsletter and an integrated website for ASG led to revenue growth in the last quarter of 1999.

Rental and sales pricing policies were aligned throughout the organisation to ensure optimum pricing. A single national sales force was created from two separate organisations on the East and the West coasts. This will expand the range of products and services we can offer to existing and new customers. Also, at Systems Wireless, an operation was established in New York. Finally, the Systems Wireless inventory and sales management systems were upgraded and expanded to serve all ASG needs.

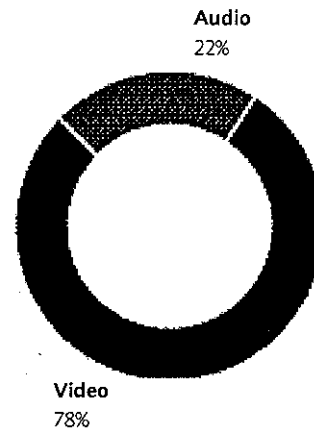
Bexel also created a new service in the last quarter of 1999 to target the emerging phenomenon of broadcasting over the Internet. This segment has recently experienced rapid growth using very inexpensive video technology, but as bandwidth increases, Bexel believes that production values and customer expectations will increase as well. Bexel's new service, Webcasting Solutions, is aimed at providing a turnkey solution to the high-end segment for this new broadcasting market. One of the first customers was MTV Networks, which used the new automated 3-camera webcasting package for a live millennium Internet webcast. This new automated system also benefited from collaboration with Vinten USA's automated camera technology, which was incorporated by Bexel's engineers.

In January of 2000, Bexel was able to take advantage of the earlier softness in the market by acquiring substantially all the assets of Duke City Video, the largest of Bexel's competitors, for approximately US \$12 million. The combination of Duke's assets and many of its key staff will further enhance Bexel's capabilities in servicing the sports production market. During 2000 the Duke City operation will be merged into joint facilities in Dallas and Burbank.

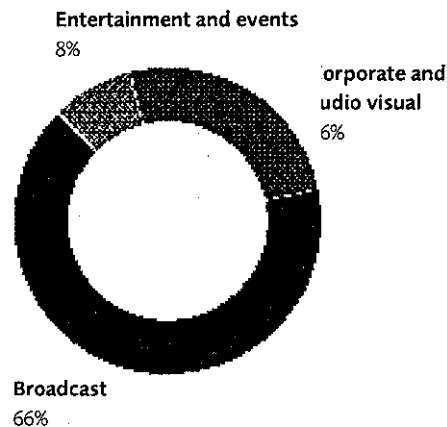
Audio specialties group (ASG)

ASG was formed by combining under one management team, the professional audio equipment rental activities of Bexel, hitherto part of the video business, Intercom Specialties in Burbank and Systems Wireless and audio in Washington DC. This integration is designed to ensure that the communications and audio strengths of the Broadcast services division are maximised and the full range of services developed nationwide.

Product turnover



Rental turnover



Tom Dickinson (left) (Vice president/General manager of Bexel) and Robert Nudo (Vice president/General manager Audio specialties group).

The Group continued its outstanding track record of cash generation with cash flow from operations and free cash flow both at all time highs. The share repurchases have increased the efficiency of our strong balance sheet whilst leaving the Group with considerable scope to finance further expansion.

Financial review



Left to right: Roland Peate (Group company secretary), Richard Green (Group financial director) and Colin Beecham (Group financial controller).

The Group has an outstanding track record of cash generation. Cash flow from operations was £51.1 million (1998: £43.3 million), breaking all previous records, equal to 108p per share (1998: 89p per share). Despite an increase in turnover, working capital decreased during the year.

Interest payments were a little higher than in 1998 because of increased debt levels. Tax payments of £10.6 million were £3.5 million lower than 1998 because the prior year included certain catch up payments.

Discretionary cash flow after these items was £39.6 million (1998: £28.4 million) which funded a net capital investment programme of £10.4 million; similar to the level in 1998. Free cash flow available to shareholders was £29.2 million (1998: £17.8 million) out of which dividends of £7.8 million were paid, up 14.9% on the previous year, leaving free cash flow at a record £21.4 million (1998: £11.0 million). £4.8 million of this was invested in acquisitions and the balance was used to fund repurchases of the Company's shares.

Treasury policy

Financing of the Group, financial risk management and tax planning are directed centrally. The risk management policy is designed to protect profits and provide certainty, not to speculate or make profits. Any substantial change to the financial structure of the Group or divergence from previously agreed financial practice must be referred to the Board of directors. There have been no changes since the end of last year in the major financial risks faced by the Group and our approach to their management.

A significant portion of the trading activities of operating subsidiaries in currencies other than their home currencies are hedged, most often with forward contracts. Translations of foreign currency profits are not normally hedged. Furthermore, net assets of foreign subsidiaries are only hedged by borrowings in those currencies when this can be done at reasonable cost and within the Group's actual financing needs.

Interest rates are not systematically hedged, but rather as and when appropriate to achieve the desired mix of fixed and floating rates. This is usually accomplished with swap agreements.

Financing activities

A total of £49.9 million was returned to shareholders during the year. In April and May, open market share repurchases totalled £4.8 million at an average price of 541p per share and in early November, £45.1 million was repurchased through a tender offer to all shareholders at a price of 630p per share.

This reduced the Group's weighted average cost of capital from around 9% to 8%. As a result, earnings per share have been increased by 1p for the year. However, on a 1999 full year pro-forma basis, the increase would be 10%. Net interest cover for the year was still high, 35 times (1998: 57 times). On a 1999 full year pro-forma basis, this would still be at least 10 times. The repurchases were largely self-financing in terms of cost of additional borrowing; at least £1.2 million dividend costs will be saved in future.

New additional borrowing agreements totalling £75 million were negotiated to help finance the tender offer and to provide finance for future acquisitions and for short-term cash needs. These comprised £45 million of 3-year committed revolving credit facilities and £30 million of 1-year committed revolving credit facilities. The latter are convertible into £25 million 1-year term loans and £5 million 2-year term loans. £50 million of the new facilities carry an interest rate of 65 basis points over LIBOR and £25 million carry rates of 60 to 85 basis points over LIBOR depending on the ratio of net debt to earnings before interest and tax (EBITDA). £45 million had been borrowed under the 3-year facilities at 31 December 1999. Unutilised debt facilities at the year-end totalled £40 million, and cash balances totalled £32.8 million. Since the year-end, a further £15 million of short-term uncommitted facilities have been put in place.

Gross borrowings at 31 December 1999 were £60.6 million. This comprised £45 million due by 2002 and £15.6 million due by 2003. We consider that this maturity profile is appropriate for the current needs of the Group, whilst we retain considerable capacity for injection of additional long-term debt funding in the future.

At 31 December 1999, the Group's gross borrowing profile by currency was as follows:

	1999	1998
Sterling		
<i>Straight debt</i>	74%	-
<i>Swaps</i>	9%	35%
Total Sterling	83%	35%
US\$	15%	58%
Other currencies	2%	7%
	100%	100%

The gross borrowing profile by interest was as follows:

Floating rates		
<i>Straight debt</i>	74%	-
<i>Swaps</i>	9%	35%
Total at floating rates	83%	35%
Fixed rates	17%	65%
	100%	100%

Compared to 1998, the shift to shorter maturities, and the increased weightings in sterling borrowings and floating rate debt were all due to the sterling borrowings under the new 3-year revolving credit agreements.

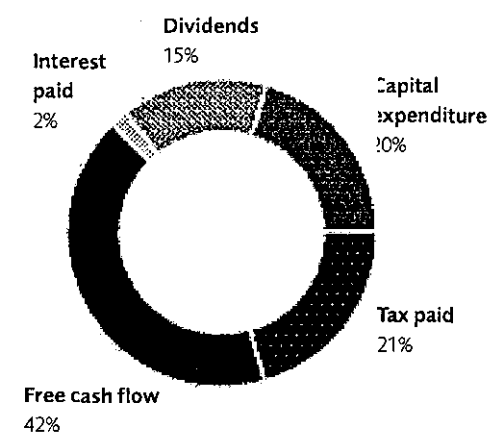
The weighted average cost of borrowing for the year was 6.7% (1998: 7.4%)

Exchange rate impact

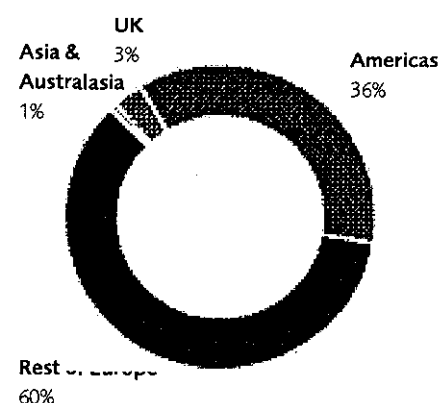
Fluctuation in exchange rates is the major financial risk faced by the Group. Over 95% of total Group operating profit is generated by subsidiaries outside the UK. Movements in the average exchange rates versus sterling of those companies' reporting currencies can affect Group reported profits. During 1999 the average exchange rate of the US\$ strengthened 3% against sterling and the Yen strengthened 16%, whereas the Euro currencies weakened about 2%. The net effect of these exchange rate movements was to increase reported turnover by £2.1 million, but was neutral on reported Group profits compared to 1998. However, sterling rose sharply in the last quarter of the year and has remained strong since the year-end. If this situation were to prevail it would adversely impact Group profits for 2000. At sterling exchange rates in effect on 29 February 2000, pro-forma 1999 reported profits would be lower by approximately £1.4 million.

When measured at average exchange rates compared to 1998, gross profits increased approximately £2.4 million, resulting primarily from the appreciation of the US\$ and Yen on export sales from Europe. In line with our transaction hedging policy, however, the majority of these sales into significant markets were locked into prior year rates via forward contracts. This result was a £1.5 million offset to this increase, which is included in operating expenses. Consistent with this policy, forward contracts covering sales in 2000 totalled £30.6 million (1998: £35 million) at 31 December 1999.

Cash flow



Operating profit by country



At 31 December 1999, sterling was 3% weaker against the US\$ and 12% weaker against the Yen than at 31 December 1998, but was 13% stronger against the Euro. The effect, net of related tax, of the movements in exchange rates between the two year-ends was to reduce shareholders' funds by £4.6 million (1998: increase of £3.1 million).

Tax

The Group tax charge on profits before goodwill amortisation increased to 30.7%. Although higher than the rate in 1998, which benefited from certain one-off adjustments, it is slightly lower than the level in 1997 and within the range expected from our tax planning.

Richard Green

Richard Green
Group financial director

Directors and advisors



A J Carnwath BA, ACA
Chairman

Part-time, independent, British, aged 47, appointed to the Board on 22 January 1996; Chairman of the Audit committee and of the Remuneration committee. Currently a managing director of DLJ International, a non-executive director of Nationwide Building Society, Skillsgroup plc and National Power plc.

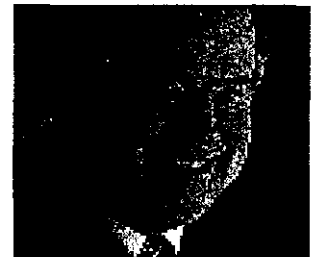


M A W Baggott

Group chief executive
British, aged 55; appointed to the Board on 1 July 1990; non-executive director of Meyer International PLC and Pera International Limited.

L Manfroto

Non-executive director
Italian, aged 64, appointed to the Board on 21 March 1991; member of the Audit committee. Founder and non-executive president of Gruppo Manfroto.



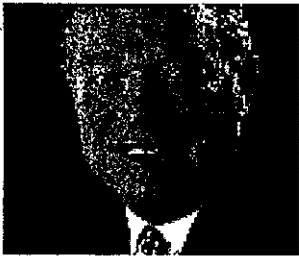
D C M Bell MA

Non-executive director
Independent, British, aged 53; appointed to the Board on 12 March 1997; the senior non-executive director; member of the Audit committee and of the Remuneration committee. Currently a director of Pearson plc and a non-executive director of The Windmill Partnership.

J W Potter CEng, MIEE, AMBIM

Non-executive director
Independent, British, aged 56; appointed to the Board on 1 February 1999; member of the Audit committee and of the Remuneration committee. Retired as a director of TI Group plc at the end of 1998.





R A Green BSc, FCA, CPA
Group financial director
British, aged 50; appointed to the Board on 2 March 1992.

M A Stacey BSc, FRAeS
Non-executive director
Independent, British, aged 61; appointed to the Board on 1 February 1999; member of the Audit committee and of the Remuneration committee. Currently chief executive of Meggitt plc, a non-executive director of Phoenix Travel (Dorset) Limited, Society of British Aerospace Companies Limited, Dorset Training and Enterprise Council, Dorset Chamber of Commerce and Industry and Marshalls Plc.

Secretary

R D Peate FCIS, ACMA

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United Kingdom

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No.227691

Advisors

Stockbrokers

Warburg Dillon Read

Auditors

KPMG Audit Plc

Bankers

HSBC
The Royal Bank of Scotland plc
Wachovia Bank NA

Merchant bankers

J Henry Schroder & Co Limited

Solicitors

Freshfields (UK)
Greene & Greene (UK)
Kaye, Scholer, Fierman, Hays and Handler (USA)

Marketmakers in Company shares

HSBC James Capel
Merrill Lynch International
Warburg Dillon Read

Registrars

IRG plc
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Beckenham
Kent BR3 4TU
United Kingdom
Telephone: +44 (020) 8639 2000

Directors' report

The directors submit their report and the audited accounts for the year ended 31 December 1999.

Review of the Group and its activities

The performance and activities of the Group during the year are set out in the Chairman's statement and Group chief executive's review of operations on pages 4 to 7 and in the Financial review on pages 16 and 17.

Results and dividends

Group profit on ordinary activities before taxation amounted to £36.6 million (1998: £38.5 million).

The directors recommend a final dividend of 13.6p per share (1998: 11.8p). If approved, the dividend per share for the year will total 18.5p (1998: 16.1p) an increase of 14.9% over 1998. Subject to approval by shareholders, the final dividend will be paid on 3 July 2000 to shareholders on the register on 5 June 2000.

Post balance sheet events

Events since the year-end are set out in note 27 to the accounts on page 45.

Future development

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

Research and development

New products are essential to the long-term success of the Group. This is recognised by the directors and great emphasis is placed on active product development programmes in the manufacturing companies. In 1999 those companies spent £5.5 million on research and development.

Share capital

Details of shares issued, purchased and cancelled during the year are set out in note 20 to the accounts on page 42. An analysis of shareholdings is shown on page 48.

During the year the Company purchased in the market, and subsequently cancelled, an aggregate of 885,000 of its shares at an average price of 541p per share. The nominal value of the shares purchased was £177,000 and the aggregate consideration was £4,823,732, including expenses.

As part of the Company's stated objective of maximising shareholder value on a sustainable basis, approval was sought and obtained from shareholders on 29 October 1999 for a tender offer to purchase up to 7,165,120 of the Company's issued share capital. Under the tender offer 7,164,676 shares, representing 14.9 per cent of the shares in issue at that time were purchased at the tender price of 630p per share, and cancelled. The nominal value of the shares purchased was £1,432,935 and the aggregate consideration, including expenses, was £45,868,508.

Substantial shareholdings

As at 9 March 2000, the Company had been notified of the following interests of 3% or more of its issued share capital:

Prudential plc	5,335,710	13.03%
Deborah Battocchio	2,698,374	6.59%
Manfrotto SA	2,478,374	6.05%
Legal & General Investment Management Limited	1,947,148	4.75%

Directors

The directors during the year were M A W Baggott, D C M Bell, A J Carnwath, R A Green, L Manfrotto, J W Potter, H Poulson, M A Stacey and J H A Wood.

Mr Wood retired as Chairman and a director and Mr Poulson retired as a director immediately after the 1999 annual general meeting held on 28 April 1999. Mrs Carnwath became Chairman upon the retirement of Mr Wood. Mr Potter and Mr Stacey were appointed directors on 1 February 1999.

Mr Baggott intends to retire as a director on 28 April 2000. Mr Cushing has been recruited as Mr Baggott's successor and it is the Board's intention to appoint him as a director with effect from 3 April 2000. He will assume the role of Group chief executive immediately following the Company's annual general meeting to be held on 28 April 2000.

Biographies and photographs of the current directors are set out on pages 18 and 19.

Remuneration committee

The Remuneration committee consists of the Chairman and all of the independent non-executive directors.

The Chairman will be available to answer questions about directors' remuneration at the Company's annual general meeting.

Remuneration packages are formulated by the Remuneration committee to attract, retain and motivate executive directors and senior executives of the quality required, without being excessive. They take into account the responsibilities involved, remuneration packages in comparable companies, relative performance and both internal and external advice. Remuneration and benefits reflect responsibility and market comparisons. Basic salary is fully pensioned on a funded basis.

For the year ended 31 December 1999 the executive directors' bonus scheme again comprised two elements with a maximum total bonus payable of 50% of base salary.

On 29 October 1999 a long term incentive plan ("LTIP") was approved by shareholders. Full details of the LTIP were set out in the circular sent to shareholders on 4 October 1999. Under the LTIP, executive directors and other senior employees may receive awards over shares which vest in whole or in part depending on the satisfaction of certain performance conditions. For executive directors, the performance condition relates to the Company's total shareholder return as measured against the FTSE Small Cap Index. For business and division heads, the performance conditions relate to trading cash flow targets and, in the case of division heads, also to the Company's total shareholder return performance. Awards under the LTIP were made on 6 December 1999 to one executive director and to certain other senior employees.

Executive directors are entitled to participate in the Company's savings related and executive share option schemes and in the LTIP. Grants under the (1994) Executive Share Option Scheme and the (1996) Unapproved Executive Share Option Schemes are phased. Under the (1994) Executive Share Option Scheme, exercise is subject to the growth in earnings per share, from the date of grant, exceeding growth in the Retail Prices Index. Under the (1996) Unapproved Executive Share Option Scheme, exercise is subject to growth exceeding the increase in the Retail Prices Index plus 3% per annum. The exercise of options under the (1984) Executive Share Option Scheme is not subject to any performance criteria. No executive option is offered at a discount.

The committee believes that in certain specific circumstances it is beneficial for an executive director to be encouraged to take up external non-executive appointments. During 1999, all remuneration received in respect of external appointments was paid to the Company.

Directors' remuneration

Director's name	Salaries and fees		Benefits*		Performance related annual bonus		Pensions related bonus		Total	
	1999	1998	1999	1998	1999	1998	1999	1998	1999	1998
	£	£	£	£	£	£	£	£	£	£
Chairman										
J H A Wood	18,583	54,625	--	--	--	--	--	--	18,583	54,625
A J Carnwath	44,375	17,875	--	--	--	--	--	--	44,375	17,875
Executive directors										
M A W Baggott	231,200	205,386	2,316	8,862	60,000	50,625	29,192	27,155	322,708	292,028
R A Green	138,000	130,000	12,884	11,538	30,000	35,620	15,224	14,009	196,108	191,167
Non-executive directors										
D C M Bell	18,625	17,875	--	--	--	--	--	--	18,625	17,875
L Manfrotto	--	--	--	--	--	--	--	--	--	--
H Poulson	6,083	17,875	--	--	--	--	--	--	6,083	17,875
J W Potter	17,104	--	--	--	--	--	--	--	17,104	--
M A Stacey	17,104	--	--	--	--	--	--	--	17,104	--
	491,074	443,636	15,200	20,400	90,000	86,245	44,416	41,164	640,690	591,445

J H A Wood retired on 28 April 1999 and the salary paid to him in 1999, as shown above, was for the four months to the end of April 1999. A J Carnwath was a non-executive director up to the date when she assumed the part-time position of Chairman, upon the retirement of Mr Wood.

M A W Baggott's salary includes payment in lieu of a company car.

* The principal benefits are a company car, fuel, medical insurance and life insurance premiums.

Pensions related remuneration

It is the Company's policy to make provision for pensions for executive directors in respect of their full basic salaries (but not in respect of annual bonuses or benefits) through funded retirement benefit schemes. Up to the maximum salary level permitted by Inland Revenue rules (the earnings cap), retirement benefits are provided through an approved retirement benefit scheme, as shown below.

Executive Directors	Accrued pension at 31 December		Increase in accrued pension (in excess of price inflation) during		Member contributions towards pension		Transfer value of the increase in accrued pension net of member contributions	
	1999	1998	1999	1998	1999	1998	1999	1998
	£	£	£	£	£	£	£	£
M A W Baggott	36,035	32,190	2,815	3,007	12,604	13,869	36,440	30,440
R A Green	17,743	14,965	2,299	2,274	9,520	8,925	25,500	17,880

Beyond the earnings cap, the cost of pensions comprised defined contribution payments to a funded unapproved retirement benefit scheme (FURBS) as follows: M A W Baggott £42,054 (1998: £39,165) and R A Green £22,464 (1998: £20,688).

Directors' interests

The beneficial interests of those persons who were directors at the end of the financial year in the Company's shares and share options at 31 December 1999 and 1 January 1999 were as follows:

Directors' shareholdings

Director's name	31 December 1999	1 January 1999 or subsequent date of appointment
M A W Baggott	50,907	46,069
D C M Bell	-	-
A J Carnwath	3,000	3,000
R A Green	9,796	9,796
L Manfrotto	2,478,374	2,478,374
J W Potter	1,000	-
M A Stacey	3,000	-
	2,546,077	2,537,239

Directors' share options and long term incentive plan award

	Date of grant	Number of shares			31 Dec 1999	Exercise price (pence)	Market price at exercise date (pence)	Date from which exercisable	Expiry date
		1 Jan 1999	Options exercised or lapsed during year	Options granted during year					
M A W Baggott									
Executive share options	Oct 1996	24,880	-	-	24,880	694	-	Oct 1999	Oct 2006
	Apr 1998	33,261	-	-	33,261	653	-	Apr 2001	Apr 2008
SAYE options	Sep 1992	4,838	4,838	-	-	186	585	Nov 1999	Mar 2000
	Jun 1997	2,197	-	-	2,197	471	-	Sep 2002	Feb 2003
	Jun 1998	1,159	-	-	1,159	595	-	Sep 2003	Feb 2004
		66,335	4,838	-	61,497				
R A Green									
Executive share options	Apr 1992	25,000	-	-	25,000	268	-	Apr 1995	Apr 2002
	Apr 1995	7,000	-	-	7,000	512	-	Apr 1998	Apr 2005
	Oct 1996	27,305	-	-	27,305	694	-	Oct 1999	Oct 2006
	Apr 1998	14,344	-	-	14,344	653	-	Apr 2001	Apr 2008
SAYE options	Jun 1998	2,899	2,899*	-	-	595	-	Sep 2003	Feb 2004
	Jun 1999	-	-	3,429	3,429	492	-	Sep 2004	Feb 2005
		76,548	2,899	3,429	77,078				

* Savings contract cancelled, options therefore lapsed.

On 6 December 1999, an award over 14,004 shares in the Company was made to R A Green under the Company's LTIP. The award will become realisable on a straight-line basis to the extent that the Company's total shareholder return compared to the FTSE Small Cap Index is between the 25th percentile and the 50th percentile positions during the performance period of 3 years. At or above the 25th percentile, 100 per cent of the award is realisable; below the 50th percentile, the award is not realisable.

During the financial year, the directors exercised share options over a total of 4,838 shares at a total gain of £19,304 (1998: £312,339). M A W Baggott, the highest paid director, made a gain of £19,304 (1998: £312,339) on the exercise of his share options. No non-executive directors held share options.

The middle market price of a share of the Company on 30 December 1999, the last day of dealing in 1999, together with the range during the year is set out on page 48.

Payments to suppliers

It is the Group's current policy that individual subsidiary companies are responsible for negotiating the terms and conditions of trade under which suppliers are asked to operate. Once agreed, payments to suppliers are made in accordance with those terms and conditions, subject always to the supplier having complied with the terms and conditions. That policy will continue for the financial year ending 31 December 2000. For the financial year to 31 December 1999, the Company paid its suppliers on average within 25 days of receipt of invoice.

Employees

The Group operates in many countries and its employment policies are varied to meet local conditions and requirements but are established on the basis of the best practices in each country in which it operates.

The importance of good communication and working relationships is recognised and actively encouraged. The Group's policy is to keep employees informed on matters relating to their employment and on financial and economic factors affecting the Group. The Group is organised on a decentralised basis. The senior operating executives of the Group, the Group chief executive and the Group financial director, meet on a regular basis. In addition, the managements of the operating subsidiaries employ a wide variety of consultation methods, including joint committees and briefing groups.

Participation by all employees in the Group's savings related share option schemes under which options are granted to employees who enter into contracts to save agreed amounts each month is actively encouraged both in the UK and overseas.

It continues to be 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.

Environmental policy

The Group regards compliance with relevant environmental laws as an important part of its responsible approach to the environment. The Group is committed to good environmental management practices throughout its operations worldwide.

Year 2000

The Group's project to address this issue was completed in advance of the end of the year. No significant adverse consequences of the date change, from 1999 to the year 2000, or other date changes, were reported by any part of the Group. Each company within the Group is continuing to look out for any possible issues that may arise over the next few months, although it is not anticipated that any significant issue will arise. The incremental costs of dealing with the year 2000 and other date issues have not been material to the Group.

Donations

Donations of £39,305 (1998: £34,070) for charitable purposes were made by the Group during the year. No donations were made to any political party.

Annual general meeting

The annual general meeting for 2000 will be held on Friday 28 April 2000 at The Brewery, Chiswell Street, London EC1Y 4SD. The notice of meeting and a proxy card are enclosed. The items of business will include the consideration by shareholders of the report and accounts for the year ended 31 December 1999, the proposed dividend, election and re-election of directors, re-election of auditors and the following items of special business.

Adoption of a new incentive plan to be called the Vitec Group Premium Option Plan. A summary of the proposed plan is set out in the appendix to the notice of meeting.

A 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% of the issued share capital at 10 March 2000. The authority will expire at the end of the Company's next annual general meeting or, if earlier, on 28 July 2001. 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 long term incentive plan, 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 resolution for a general authority for the Company to make market purchases of its own shares was approved by shareholders at the last annual general meeting. During the year the Company purchased 885,000 of its shares in the market and, as set out in the Directors' report, a further 7,164,676 shares by way of a tender offer. The directors believe it is desirable to have the power to make further market purchases in the event of suitable opportunities arising. Accordingly, a resolution to renew the authority will be proposed at the annual general meeting. The authority to purchase shares would only be exercised if there was a resultant increase in earnings per share, and it would be in the best interests of the Company.

Auditors

The auditors, KPMG Audit Plc, are willing to continue in office. A resolution will be put to the annual general meeting to re-appoint them as auditors and to authorise the Board to agree their remuneration.

By order of the Board
R D Peate
Secretary



10 March 2000

Corporate governance

The Combined Code (the "Code") was published in June 1998 and was incorporated into the Stock Exchange Listing Rules in January 1999. Those Listing Rules require a company to include in its annual report and accounts a narrative statement of how it has applied the principles set out in Section 1 of the Code together with an explanation which will enable its shareholders to evaluate how the principles have been applied. The Listing Rules also require a company to include a statement as to whether or not it has complied throughout the accounting period with the Code provisions set out in Section 1 of the Code. A company that has not complied with the Code provisions, or complied with only some of the Code provisions or (in the case of provisions whose requirements are of a continuing nature) complied for only part of an accounting period, must specify the Code provisions with which it has not complied, and (where relevant) for what part of the period such non-compliance continued, and give reasons for such non-compliance.

Statement of compliance

The Board considers that it has complied with the Code throughout the year ended 31 December 1999 with the exception of the Code provisions with which non-compliance are included in the report below. Where non-compliance is reported (Code provision B.1.7 and D.2.1), the reasons for such non-compliance are set out in the relevant sections below. References in parentheses are to the relevant paragraphs of the Code. The Company reviewed and revised certain of its procedures following the issue of the Code.

The Board

The Board 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 to the Board. Throughout the year, the Board comprised the part-time independent Chairman, two executive directors and not less than four other non-executive directors. All directors bring independent judgement to bear on strategic matters, the performance of the Group and the adequacy of resources and standards of conduct. The roles of the Chairman and the Chief executive are separate. The senior non-executive director is D C M Bell and his brief details are shown on page 18.

The Board has a Remuneration committee and an Audit committee, both committees have formal terms of reference. The members of these committees are shown on pages 18 and 19.

Directors, having notified the Chairman, are able to take independent professional advice in furtherance of their duties at the Company's expense. All new directors are given an extensive introduction to the Group including meeting with senior executives and visiting the Group's principal operations. All directors have access to the advice and services of the Group company secretary.

The papers supplied for consideration by the Board are provided on a timely basis and include budgets, strategy papers, reviews of the Group's financial position and operating performance and annual and interim reports and accounts.

Appointments and re-election to the Board

The Chairman and the non-executive directors are appointed by the entire Board through a formal selection process, normally for an initial period of three years which usually, with the approval of the Board, would be extended for a further three years. In exceptional circumstances, appointments of non-executive directors may be extended beyond six years, with the approval of the Board, if it is in the interests of the Group to do so. The Board considers itself to be of such a size that a nominations committee has not been constituted.

New articles of association were adopted by shareholders at the 1999 annual general meeting. Those articles incorporate, amongst other things, the requirement for all directors to be re-elected at the third annual general meeting following that at which they were last elected or re-elected. At the annual general meeting held in 1999, it was resolved that Mr Baggott, who prior to that meeting was not subject to rotation under the Company's articles of association, should be re-elected at the annual general meeting to be held in 2000. However, in view of his intended retirement on 28 April 2000, Mr Baggott will not be standing for re-election and will resign as a director and the Group chief executive with effect from the close of the meeting. Mr Cushing, Mr Baggott's successor, will have been appointed a director since the last annual general meeting and, in accordance with the articles of association, will stand for election at the annual general meeting to be held on 28 April 2000. Mr Manfroto and Mr Bell are retiring by rotation and, being eligible, offer themselves for re-election.

Directors' remuneration

Details of the directors' remuneration policy and the disclosures required by the Code are set out below and in the Directors' report on pages 20 to 23.

A Remuneration committee, consisting of the Chairman and the other independent non-executive directors, makes recommendations to the Board, within agreed terms of reference, on the framework of executive remuneration including terms of service, pay structure and benefits. The committee determines the remuneration packages of the executive directors, including pension rights and would also determine any compensation payments in relation to those directors. The Board itself determines the remuneration of the non-executive directors.

During the year the Company designed and implemented a long term incentive plan for executive directors and senior executives. In doing so it complied with the provisions set out in Schedule A to the Code.

M A W Baggott and R A Green, the two executive directors, have service contracts requiring 18 months' notice of termination (B.1.7). Mr Baggott intends to retire as a director on 28 April 2000. Mr Green's service contract has been in place for a number of years and the Remuneration committee believes the notice period under the contract remains appropriate. Mr Cushing will have a service contract requiring 12 months' notice of termination by the Company. Neither of the executive directors' service contracts provides for pre-determined amounts of compensation in the event of early termination by the Company. The committee's policy in the event of termination is to mitigate compensation to the fullest extent practicable.

Relations with shareholders

The Board recognises the importance of maintaining regular contact with its shareholders to ensure that its businesses, strategy and remuneration policies are understood and that any concerns are addressed in a constructive way. The Board communicates with its shareholders through a combination of public announcements through the Stock Exchange, analyst briefings and press interviews at the time of the announcements of the interim and the year-end results and at other times during the year. The directors also meet with shareholders at the Company's annual general meeting.

At meetings of shareholders, the level of proxy votes received in respect of resolutions are indicated after each resolution has been dealt with on a show of hands. Separate resolutions are proposed for each issue upon which shareholders are asked to vote, as set out in the notice of annual general meeting.

The Company has complied with the requirement set out in the Code in respect of shareholders' meetings to send the notice and related papers at least 20 working days before the meeting. It will continue to comply with the requirement.

Internal control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Since its implementation of the recommendations of the Cadbury Committee Code of Best Practice through the guidance published by the Working Group on Internal Control in December 1994, the Board has adopted a risk-based approach to establishing the system of internal control. The process followed by the Board in reviewing the effectiveness of the system of internal control during the year is as follows:

- Operating company management is charged with the ongoing responsibility for identifying risks facing each of the businesses and for putting in place procedures to mitigate and monitor risks.
- The responsibilities of the Chief executive officer and Chief financial officer at each operating unit to manage risks within their businesses are periodically reinforced by Group executive management.
- Major commercial, technological and financial risks are formally assessed during the annual long-term business planning process around mid-year. These plans and the attendant risks are reviewed by the Board.
- Large capital projects, product development projects and acquisitions require Board approval.
- At the end of each year, operating units formally review all of their business risks and mitigating controls and prepare statements which describe the extent of their compliance with control objectives. These statements are approved by the Chief executive officer and Chief financial officer of each operating unit and submitted to Group executive management for review. Any significant matters arising from this review are formally reported to the Board by the Group financial director. The risk and control identification and certification process is monitored and periodically reviewed by Group financial management.
- There is an embedded culture of openness of communication between management and the Board on matters relating to risk and control.
- The Board has established a strong control framework within which the Group operates. This contains the following key elements:
 - organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements.
 - defined expenditure authorisation levels.
 - on-site and video conferencing operations reviews covering all aspects of each business are conducted by Group executive management on a regular basis throughout the year.
 - comprehensive system of financial reporting. The annual budget and long-term plan of each operating company are reviewed in detail and approved by the executive directors. The Board approves the overall Group's budget and plans. Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are questioned by the Group executive directors and remedial action is taken where appropriate. Group tax and treasury is co-ordinated centrally. There is weekly cash and treasury reporting to Group financial management and periodic reporting to the Board on the Group's tax and treasury position.

Nevertheless, the Board considers that it is unable to state that it has fully complied during the year with the Code (D.2.1) as set out in the Guidance for Directors on the Combined Code, published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales. The principal reasons for this are that the Board did not formalise the following:

- the definition of the process to be adopted for its review of the effectiveness of internal control, including seeking regular assurance that the system was functioning effectively.
- definition of the scope and frequency of reports to be received and reviewed, nor did it regularly receive and review formal reports on internal control.

By the year-end, however, the Board had formed a risk committee comprising the Chairman, Group chief executive and Group financial director. The responsibility of the committee is to address these outstanding issues and to provide an ongoing risk assessment and monitoring body for the Group on behalf of the Board. The committee will report periodically to the Board on its activities.

The Group does not have a full-time internal audit function. However, the Board periodically reviews the need for such a function and has done so during the year. The current conclusion of the Board is that this is neither necessary given the scale, diversity and complexity of the Group's activities nor is it consistent with the management philosophy of the Group. Operational audits are outsourced on an as-needed basis.

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. Accordingly, the directors continue to adopt the going concern basis in preparing the accounts.

Directors' responsibilities and Auditors' report

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 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Group 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 have a 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.

Auditors' report to the members of Vitec Group plc

We have audited the financial statements on pages 27 to 45.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual report. As described above, this includes the responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on page 24 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the London Stock Exchange, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 financial statements 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 financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 1999 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

10 March 2000

Consolidated profit and loss account

For the year ended 31 December 1999

	Note	1999			1998		
		Before goodwill amortisation £m	Goodwill amortisation £m	Total £m	Before goodwill amortisation £m	Goodwill amortisation £m	Total £m
Turnover	3						
Continuing operations		169.5	-	169.5	159.9	-	159.9
Acquisitions	19	1.9	-	1.9	-	-	-
Discontinued operation		-	-	-	2.4	-	2.4
Total Group turnover		171.4	-	171.4	162.3	-	162.3
Cost of sales	4	(78.9)	-	(78.9)	(75.5)	-	(75.5)
Gross profit		92.5	-	92.5	86.8	-	86.8
Operating expenses	4	(54.3)	(0.5)	(54.8)	(46.8)	(0.2)	(47.0)
Operating profit	3 & 5						
Continuing operations		38.0	(0.4)	37.6	39.8	(0.2)	39.6
Acquisitions	19	0.2	(0.1)	0.1	-	-	-
Discontinued operation		-	-	-	0.2	-	0.2
Group operating profit		38.2	(0.5)	37.7	40.0	(0.2)	39.8
Loss on sale of discontinued operation		-	-	-	(0.6)	-	(0.6)
Profit on ordinary activities before interest		38.2	(0.5)	37.7	39.4	(0.2)	39.2
Net interest payable	22	(1.1)	-	(1.1)	(0.7)	-	(0.7)
Profit on ordinary activities before tax		37.1	(0.5)	36.6	38.7	(0.2)	38.5
Tax	8			(11.4)			(10.8)
Profit on ordinary activities after tax				25.2			27.7
Minority interest - equity				-			(0.1)
Profit for the financial year				25.2			27.6
Dividends	9			(7.6)			(7.9)
Retained profit for the year transferred to reserves	21			17.6			19.7
Basic earnings per share	10			53.3p			56.6p
Diluted earnings per share				52.6p			56.1p
Headline earnings per share				54.3p			58.2p

Consolidated statement of total recognised gains and losses

For the year ended 31 December 1999

	1999 £m	1998 £m
Profit for the financial year	25.2	27.6
Exchange rate movements on foreign net investments	(3.5)	2.0
Tax on exchange differences	(1.1)	1.1
Total recognised gains relating to the year	20.6	30.7

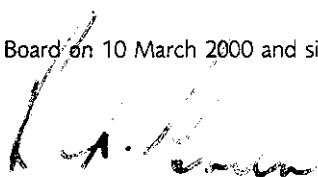
Balance sheets

As at 31 December 1999

	Notes	Group		Company	
		1999 £m	1998 £m	1999 £m	1998 £m
Fixed assets					
Intangible assets	11	10.0	6.9	–	–
Tangible assets	12	37.5	37.0	2.1	2.2
Investments	13	–	–	131.5	120.8
		47.5	43.9	133.6	123.0
Current assets					
Stocks	14	29.1	30.6	–	–
Debtors	15	32.6	33.2	5.3	6.4
Cash at bank and in hand	22	32.8	26.5	11.7	7.6
		94.5	90.3	17.0	14.0
Creditors – due within one year	16	(33.7)	(30.0)	(17.3)	(19.1)
Net current assets/(liabilities)		60.8	60.3	(0.3)	(5.1)
Total assets less current liabilities		108.3	104.2	133.3	117.9
Creditors – due after more than one year	16	(57.3)	(16.2)	(49.3)	(5.8)
Provisions for liabilities and charges	18	(5.9)	(5.9)	(0.1)	(0.1)
Net assets		45.1	82.1	83.9	112.0
Capital and reserves					
Called up share capital	20	8.2	9.8	8.2	9.8
Share premium account	21	2.3	1.7	2.3	1.7
Capital redemption reserve	21	1.6	–	1.6	–
Revaluation reserve	21	1.5	1.5	0.9	0.9
Other reserves	21	–	–	53.7	69.7
Profit and loss account	21	30.6	68.3	17.2	29.9
Shareholders' funds – equity		44.2	81.3	83.9	112.0
Minority interest – equity		0.9	0.8	–	–
		45.1	82.1	83.9	112.0

Approved by the Board on 10 March 2000 and signed on its behalf

R A Green
Director



Consolidated cash flow statement

For the year ended 31 December 1999

	Notes	1999 £m	1998 £m
Net cash inflow from operating activities	5	51.1	43.3
Returns on investments and servicing of finance			
Interest received		0.7	1.0
Interest paid		(1.6)	(1.8)
Net cash outflow for returns on investments and servicing of finance		(0.9)	(0.8)
Tax paid		(10.6)	(14.1)
Capital expenditure			
Purchase of tangible fixed assets		(10.7)	(11.0)
Sale of tangible fixed assets		0.3	0.4
Net cash outflow for capital expenditure		(10.4)	(10.6)
Acquisitions and disposal			
Purchase of subsidiary undertakings	19	(4.8)	(9.4)
Sale of subsidiary undertaking		-	0.6
Net cash outflow for acquisitions and disposal		(4.8)	(8.8)
Equity dividends paid		(7.8)	(6.8)
Net cash inflow before use of liquid resources and financing		16.6	2.2
Management of liquid resources			
Cash funds under management	22	-	5.2
Financing			
Issue of shares		0.6	0.5
Repurchase of shares	20	(50.7)	-
Net receipt/(repayment) of loans	22	41.1	(4.6)
Net cash outflow from financing		(9.0)	(4.1)
Increase in cash in the year	22	7.6	3.3

Notes to the accounts

1 Basis of presentation

The consolidated profit and loss account and balance sheets include the accounts of the Company and its subsidiary undertakings made up to 31 December 1999. The accounts have been prepared in accordance with all applicable accounting standards under the historical cost convention modified to include the revaluation of certain land and buildings.

The Financial Reporting Standard ("FRS"), FRS 13, on Derivatives and other financial instruments has been implemented and the required disclosures are in note 17 and in the Financial review on pages 16 and 17.

2 Accounting policies

Basis of consolidation

The results of subsidiaries sold or acquired during the year are included in the accounts up to, or from, the date that control passes, unless otherwise stated.

For acquisitions made prior to 1 January 1998, the differences between the fair value of the consideration paid for investments in subsidiaries or businesses and the fair value of their net assets at the date of acquisition is treated as purchased goodwill and is written off directly against reserves.

For acquisitions made after 31 December 1997, purchased goodwill arising from the differences between the fair value of the consideration paid and the fair value of the net assets acquired as at the date of acquisition is capitalised in the balance sheet as an intangible asset. This purchased goodwill is being charged to the profit and loss account through amortisation on a straight-line basis over its estimated useful life of 20 years.

Impairment tests are carried out on the purchased goodwill arising on acquisitions that occurred in the preceding year. Where necessary, provision is made for any impairment that has arisen.

Upon the disposal of businesses which became part of the Group by acquisition, purchased goodwill previously written off to reserves, or the unamortised portion of purchased goodwill remaining in the balance sheet as an intangible asset, as the case may be, is written off to the profit and loss account.

Turnover

Represents net sales after deducting agents' commissions and trade discounts.

Foreign currencies

Transactions with overseas customers and suppliers are converted at exchange rates in effect at the dates of the transactions. Profits and losses arising from the differences between these rates and contracted rates on forward exchange rate contracts, which are set up as hedges against such 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 the year-end rates. Differences on translation of investments in overseas companies are taken directly to reserves.

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.

Investments

Fixed asset investments are stated individually at cost less, where appropriate, provision for diminution in value. Current asset investments are stated at the lower of cost and net realisable value. Cost includes, where appropriate, accrued interest.

Fixed assets and depreciation

Depreciation is provided at rates estimated to write off the cost or valuation of the relevant assets less their estimated residual values by equal annual amounts over their expected useful lives. No depreciation is provided on freehold land. Other fixed assets are depreciated at the rates indicated below:

Freehold and long leasehold buildings	2½% – 5% on cost or valuation
Short leasehold property	over the remaining period of the lease
Plant and machinery	12½% – 25% on cost
Motor vehicles	25% – 33⅓% on cost
Equipment, fixtures and fittings	10% – 33⅓% on cost
Rental equipment	20% – on cost

Stock and work in progress

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

Capital instruments

Capital instruments are stated in the balance sheet after the deduction of issue costs, which are charged to the profit and loss account over the term of the debt.

Receipts and payments on interest rate instruments are recognised on an accruals basis over the life of the instrument. Cash flows associated with derivative financial instruments are classified in the cash flow statement in a manner consistent with those of the transactions being hedged.

Deferred tax

The charge for tax is based on the profit for the year and takes into account tax deferred because of timing differences between the treatment of certain items for tax and accounting purposes. Provision is made for deferred tax only to the extent that it is considered probable that an actual liability will crystallise. Within any one tax jurisdiction, deferred tax assets are only recognised to the extent of deferred tax liabilities arising in that jurisdiction.

Pension costs

The costs of providing pensions for employees under defined benefit pension schemes are charged to the profit and loss account over the working lives 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. The costs of providing pensions for employees under state and defined contribution schemes are expensed as incurred.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight-line basis.

Assets held for short-term rentals are recorded as plant and machinery within fixed assets and depreciated over their estimated useful lives. Rental income from these assets is recognised as earned on a straight-line basis over the rental periods.

Notes to the accounts

3 Activity analysis

	Operating profit		Turnover		Net assets	
	1999	1998	1999	1998	1999	1998
	£m	£m	£m	£m	£m	£m
3.1 Class of business						
Photographic and retail display	19.7	19.5	69.5	62.8	26.3	29.3
Broadcast camera systems	13.1	15.6	59.9	59.8	30.2	31.6
Communications and audio	1.7	1.4	15.9	11.9	5.4	5.1
Broadcast services	3.7	3.3	26.1	25.4	13.9	13.0
Goodwill amortisation	(0.5)	(0.2)	-	-	-	-
	37.7	39.6	171.4	159.9	75.8	79.0
Discontinued operation	-	0.2	-	2.4	-	-
	37.7	39.8	171.4	162.3	75.8	79.0
Group net (liabilities)/assets					(30.7)	3.1
					45.1	82.1

The impact of acquisitions on Photographic and retail display and Communications and audio is set out in note 19.

Goodwill amortisation relates to Photographic and retail display – £0.1 million (1998: £nil), Communications and audio – £0.1 million (1998: £nil) and Broadcast services – £0.3 million (1998: £0.2 million).

Group net (liabilities)/assets include cash, financing and capitalised goodwill.

	Operating profit		Turnover		Net assets	
	1999	1998	1999	1998	1999	1998
	£m	£m	£m	£m	£m	£m
3.2 Geographic area						
By origin						
United Kingdom	1.2	2.9	23.4	21.8	14.2	14.1
The rest of Europe	22.8	21.6	66.5	59.7	25.1	29.0
The Americas	13.9	14.8	78.6	76.5	35.0	34.7
Asia and Australasia	0.3	0.5	2.9	1.9	1.5	1.2
Goodwill amortisation	(0.5)	(0.2)	-	-	-	-
	37.7	39.6	171.4	159.9	75.8	79.0
Discontinued operation	-	0.2	-	2.4	-	-
	37.7	39.8	171.4	162.3	75.8	79.0
Group net (liabilities)/assets					(30.7)	3.1
					45.1	82.1

	Turnover	
	1999	1998
	£m	£m
Turnover by destination		
United Kingdom	7.7	8.0
The rest of Europe	44.0	37.2
The Americas	99.5	95.4
Asia and Australasia	17.5	16.4
Africa and Middle East	2.7	2.9
	171.4	159.9
Discontinued operation	-	2.4
	171.4	162.3

4 Cost of sales and operating expenses

Cost of sales includes £nil (1998: £1.5 million) for the discontinued operation.

	1999 £m	1998 £m
Analysis of operating expenses		
Marketing, selling and distribution costs	27.8	25.7
Administrative expenses	19.5	16.8
Research and development costs	5.5	4.8
Exchange on transaction hedging contracts	1.5	(0.5)
Goodwill amortisation	0.5	0.2
	54.8	47.0

Operating expenses includes marketing, selling and distribution costs £nil (1998: £0.4 million), administrative expenses £nil (1998: £0.2 million) and research and development costs £nil (1998: £0.1 million) for the discontinued operation.

5 Operating profit

	1999 £m	1998 £m
The following items are included in operating profit		
Broadcast equipment rental income on operating leases	16.9	18.2
Depreciation	8.6	7.9
Operating lease rentals		
Plant, machinery and vehicles	0.1	0.1
Property	3.3	2.9
Auditors' remuneration		
Audit fees	0.4	0.4
Other fees paid to the auditor and its associates	0.4	0.4

Reconciliation of operating profit to net cash flow from operating activities

	1999 £m	1998 £m
Continuing operations		
Operating profit	37.7	39.6
Goodwill amortisation	0.5	0.2
Depreciation	8.6	7.8
(Profit)/loss on sale of fixed assets	(0.1)	0.2
Increase in provisions	0.3	0.2
Decrease/(increase) in stock	1.3	(1.5)
Increase in debtors	(0.6)	(1.5)
Increase/(decrease) in creditors	3.4	(2.4)
	51.1	42.6
Discontinued operation	-	0.7
Net cash inflow from operating activities	51.1	43.3

Included within the discontinued operation is operating profit £nil (1998: £0.2 million), depreciation £nil (1998: £0.1 million) and a decrease in working capital £nil (1998: £0.4 million).

Notes to the accounts

6 Employees

	1999 £m	1998 £m
The aggregate remuneration of all employees during the year comprised		
Wages and salaries	35.1	32.3
Employers' social security costs	4.8	4.5
Employers' pension costs	1.3	1.3
	41.2	38.1
	1999	1998
	Number	Number
Average number of employees during the year		
Photographic and retail display	574	508
Broadcast camera systems	490	509
Communications and audio	158	140
Broadcast services	167	187
Head office	11	11
	1,400	1,355
Discontinued operation	–	20
	1,400	1,375

7 Directors' remuneration

The emoluments, share options and pensions-related remuneration of all the directors are disclosed in the Directors' report.

The combined remuneration of the directors of the Group is set out below

	1999 £m	1998 £m
Fees to non-executive directors	0.1	0.1
Remuneration of executive directors	0.4	0.4
Performance-related bonuses	0.1	0.1
	0.6	0.6
Gains on exercise of share options	–	0.3
Pension contributions	0.1	0.1

8 Tax

	1999 £m	1998 £m
UK corporation tax at 30.25% (1998: 31.0%)	2.7	1.8
Tax on exchange differences taken to reserves	(1.1)	1.1
Overseas corporate tax	10.2	8.7
Deferred tax	(0.1)	(0.1)
Double tax relief	–	(0.2)
Adjustments in respect of prior years	(0.3)	(0.5)
Tax on ordinary activities	11.4	10.8

Tax includes £nil (1998: £0.1 million) for the discontinued operation.

Reconciliation of effective tax rate on profit on ordinary activities before goodwill amortisation and exceptional item

The tax charge has been increased/(reduced) by the following major items

	1999 %	1998 %
Statutory UK corporation tax rate	30.3	31.0
Profits in tax free areas	(1.9)	(4.6)
Allowable amortisation of intangible assets	(4.3)	(3.9)
Higher overseas tax rates	5.0	4.9
Other items	1.6	0.2
Effective tax rate	30.7	27.6

9 Dividends

	1999 £m	1998 £m
Interim paid of 4.9p per share (1998: 4.3p)	2.0	2.1
Final proposed 13.6p per share (1998: 11.8p)	5.6	5.8
Total dividends 18.5p per share (1998: 16.1p)	7.6	7.9

10 Earnings per ordinary share

The calculation of basic earnings per share under FRS 14 is based on profit after tax and minority interest of £25,181,000 (1998: £27,593,000). Headline earnings per share is also presented in order to reflect more appropriately the ongoing earnings performance of the Group. This calculation is based on profit after tax and minority interest but before exceptional items and amortisation of goodwill. In 1999 this profit was £25,646,000 (1998: £28,371,000). Both measures of earnings per share are based on the weighted average number of shares in issue during the year of 47,226,150 (1998: 48,760,520).

Reconciliation of basic earnings per share to headline earnings per share

	1999 pence	1998 pence
Basic earnings per share	53.3	56.6
Goodwill amortisation	1.0	0.4
Exceptional item	-	1.2
Headline earnings per share	54.3	58.2

The calculation of diluted earnings per share under FRS 14 is based on profit after tax and minority interest of £25,181,000 (1998: £27,593,000). The number of shares used to calculate the diluted earnings per share incorporates the weighted average number of shares in issue of 47,226,150 (1998: 48,760,520) and the number of shares under option of 1,058,806 (1998: 1,012,107), as adjusted for a weighting factor between the average exercise prices of the share options and the average market price of the Company's shares during 1999. The number of shares used for the calculation is 47,832,375 (1998: 49,215,017).

11 Intangible fixed assets

	Goodwill £m
Cost	
At 1 January 1999	7.1
Currency translation adjustments	0.2
Additions	3.4
At 31 December 1999	10.7
Amortisation	
At 1 January 1999	0.2
Charge for the year	0.5
At 31 December 1999	0.7
Net book value	
At 31 December 1999	10.0
At 31 December 1998	6.9

Notes to the accounts

12 Tangible fixed assets

	Total £m	Land and buildings £m	Plant machinery and vehicles £m	Equipment fixtures and fittings £m
Group				
Cost or valuation				
At 1 January 1999	74.0	20.9	43.3	9.8
Currency translation adjustments	(3.0)	(1.7)	(0.9)	(0.4)
Acquisitions	0.4	0.1	0.3	-
Additions	10.7	1.1	8.0	1.6
Transfers between categories	-	0.7	(0.7)	-
Disposals	(2.9)	(0.1)	(2.6)	(0.2)
At 31 December 1999	79.2	21.0	47.4	10.8
Depreciation				
At 1 January 1999	37.0	4.7	26.2	6.1
Currency translation adjustments	(1.2)	(0.4)	(0.7)	(0.1)
Charge for the year	8.6	0.9	6.2	1.5
Transfers between categories	-	0.2	(0.2)	-
Disposals	(2.7)	(0.1)	(2.4)	(0.2)
At 31 December 1999	41.7	5.3	29.1	7.3
Net book value				
At 31 December 1999	37.5	15.7	18.3	3.5
At 1 January 1999	37.0	16.2	17.1	3.7

Plant, machinery and vehicles includes broadcast equipment rental assets with a cost of £24.3 million (1998: £21.6 million) and accumulated depreciation of £13.7 million (1998: £12.6 million).

The fixed assets of the Company, comprising principally of land and buildings at a cost of £3.0 million (1998: £3.0 million) and with accumulated depreciation of £0.9 million (1998: £0.8 million), are included above. During the year, additions at cost were £nil, disposals totalled £nil and depreciation was £0.1 million.

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Net book value of land and buildings at cost or valuation comprise the following				
Carried at cost	13.7	14.2	-	-
Carried at valuation (open market basis at 31 March 1989)	2.0	2.0	2.0	2.0
	15.7	16.2	2.0	2.0
Freehold	14.8	15.2	2.0	2.0
Short leasehold	0.9	1.0	-	-
	15.7	16.2	2.0	2.0

The Group's land and buildings shown above at a re-valued net book value of £2.0 million would have been stated under historical cost at £0.7 million and a net book value of £0.3 million.

Capital commitments for which no provision has been made in the accounts amount to £0.8 million (1998: £1.0 million) for the Group and £nil (1998: £nil) for the Company.

13 Investments

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

	Total £m	Shares £m	Loans £m
At 1 January 1999	120.8	100.8	20.0
Additions	26.9	-	26.9
Disposals and repayments	(16.2)	(16.2)	-
At 31 December 1999	131.5	84.6	46.9

All disposals and repayments took place within the Group.

Principal subsidiaries

The Group's principal subsidiaries at 31 December 1999 are listed below. Except as otherwise indicated they are all wholly-owned by the Company, incorporated in the United Kingdom and registered in England and Wales.

	Country of incorporation
Vitec Group US Holdings Inc	USA
Vitec International Financial Services Company Limited	Ireland
Vitec Investments Limited	England*
Vitec Luxembourg Holdings SA	Luxembourg
Photographic and retail display	
Alu Inc	USA
Alu UK Limited	England*
Avenger Studio Equipment Srl	Italy
Bogen Photo Corporation	USA
Feltre Tubi Srl	Italy
Gitzo SA	France
Industria Fototecnica Firenze Srl	Italy
Lino Manfrotto & Co Spa	Italy
Litec Srl	Italy
Manfrotto France Sarl	France
Nord Lighting Srl	Italy
Broadcast camera systems	
Amic Sachtler Corporation (50%)	Japan
Anton/Bauer Inc	USA
Centro de Produccion Profesional CPP Limitada	Costa Rica
LCB Beteiligungs AG	Germany
LCB Beteiligungs GmbH & Co Film-und TV-Technik Verwaltungs KG	Germany
Sachtler GmbH	Germany
Sachtler Corporation of America	USA
Sachtler Entwicklungs-und-Beteiligungs GmbH	Germany
Vinten Broadcast France Sarl	France
Vinten Broadcast Limited	England*
Vinten GmbH	Germany
Vinten Japan KK	Japan*
Vinten Inc	USA
Communications and audio	
Drake Electronics Limited	England*
Vega Holdings Inc	USA
Vitec CC Inc (dba Clear-Com)	USA
Broadcast services	
Bexel Corporation	USA
Systems Wireless Limited	USA

*Indicates companies directly owned by the parent company

Notes to the accounts

14 Stocks

	Group	
	1999 £m	1998 £m
Raw materials and components	8.3	8.9
Work in progress	6.9	7.9
Finished goods	13.9	13.8
	29.1	30.6

15 Debtors

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Amounts falling due within one year				
Trade debtors	24.8	24.8	-	-
Amounts owed by subsidiaries	-	-	3.6	3.5
Other debtors	2.8	2.5	0.2	0.2
Tax recoverable	1.2	2.6	1.2	2.6
Prepayments and accrued income	1.6	1.4	0.3	0.1
	30.4	31.3	5.3	6.4
Amounts falling due after one year				
Prepayments and accrued income	1.3	1.2	-	-
Other debtors	0.9	0.7	-	-
	2.2	1.9	-	-
Total debtors	32.6	33.2	5.3	6.4

16 Creditors

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Amounts falling due within one year				
Other loans	3.8	3.8	0.1	0.2
Payments received on account	0.5	0.2	-	-
Trade creditors	10.7	8.1	-	-
Amounts owed to subsidiaries	-	-	6.0	6.8
Dividends	7.6	7.9	7.6	7.9
Corporation tax	3.3	2.9	2.9	3.7
Other tax and social security costs	1.4	1.6	-	-
Other creditors	3.7	3.3	0.1	0.2
Accruals and deferred income	2.7	2.2	0.6	0.3
	33.7	30.0	17.3	19.1
Amounts falling due after more than one year				
Bank loans	45.1	0.1	45.0	-
Other loans	11.7	15.3	0.3	0.6
Loans owed to subsidiaries	-	-	4.0	5.2
Other creditors	0.3	0.5	-	-
Accruals and deferred income	0.2	0.3	-	-
	57.3	16.2	49.3	5.8

17 Financial instruments

An explanation of the Group's treasury policy and controls is included in the Financial review on pages 16 and 17. Short-term debtors and creditors have been omitted from all disclosures other than the currency profile.

a) Financial liabilities

i) Analysis of borrowings

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Bank loans	45.1	0.1	45.0	-
Senior notes	14.1	17.0	-	-
Net swaps	0.4	0.8	0.4	0.8
Other loans	1.0	1.3	-	-
Gross financial liabilities	60.6	19.2	45.4	0.8

ii) Maturity profile

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Within one year	3.8	3.8	0.1	0.2
More than one year but not more than two years	3.9	3.8	0.1	0.2
More than two years but not more than five years	52.9	11.6	45.2	0.4
More than five years	-	-	-	-
	60.6	19.2	45.4	0.8

The total amount of loans any part of which falls due after 5 years is £0.1 million (1998: £0.1 million).

The holding company for the USA subsidiaries issued in 1993, via a private placement, US\$40 million of 6.72% unsecured Senior Notes 2003 guaranteed by the Company. The notes are repayable in equal instalments over 7 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 US\$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 £1.0 million (1998: £1.3 million) are secured on the land and buildings of subsidiary companies in Italy and are at fixed interest rates of 5.1-5.2%. These loans are repayable in instalments until 2003.

The Group had the following undrawn borrowing facilities at the end of the period

	1999 £m
Expiring in one year or less	
- committed facilities	30.0
- uncommitted facilities	10.0
Total	40.0

iii) Interest rate profile

	Total £m	Floating rate borrowings £m	Fixed rate borrowings £m	Fixed rate	
				Weighted average interest rate %	Weighted average period Years
Currency					
Sterling	50.8	50.8	-		
US\$	8.7	-	8.7	6.7	4
Euro	1.1	-	1.1	5.1	4
At 31 December 1999	60.6	50.8	9.8		

The floating rate borrowings comprise bank loans and swaps bearing interest at rates based on LIBOR.

Notes to the accounts

b) Financial assets

Interest rate profile	Floating rate
Currency	£m
Sterling	9.1
US\$	13.7
Euro	8.7
Other	1.3
At 31 December 1999	32.8

The floating rate financial assets comprise bank deposits bearing interest at rates based on local money market rates.

c) Fair values of financial assets and liabilities

	Book value £m	Fair value £m
Cash at bank and in hand	32.8	32.8
Floating rate borrowings	(50.4)	(50.4)
Fixed rate borrowings	(9.8)	(9.8)
Swaps	(0.4)	(0.8)
	(27.8)	(28.2)

Market rates have been used to determine fair values.

d) Foreign exchange hedging

Operating expenses includes net losses of £1.5 million arising from the difference between the exchange rates at which foreign currency transactions are converted and the contracted rates on the forward exchange rate contracts set up as hedges against such transactions. When compared with their values at the exchange rates in effect on 31 December 1999 the cumulative, unrecognised, aggregate loss on forward exchange rate contracts as at 31 December 1999 is £2.3 million. Because these contracts are put in place to hedge a portion of the underlying transactions, any net gain or loss that may arise on these contracts over the forthcoming year will be more than compensated by the corresponding transactional gains or losses.

e) Currency profile

The main functional (or "operating") currencies of the Group are Sterling, US\$ and Euro. The following analysis of net monetary assets and liabilities, excluding cash and borrowings, shows the Group's currency exposures after applying the effects of forward contracts used to manage currency exposure. Such net positions comprise the monetary assets and liabilities of the Group that are not denominated in the functional currency of the operating units involved.

	Sterling £m	US\$ £m	Euro £m	Other £m	Total £m
Sterling	–	0.2	0.5	–	0.7
Euro	(0.1)	0.6	–	0.2	0.7
At 31 December 1999	(0.1)	0.8	0.5	0.2	1.4

18 Provisions for liabilities and charges

	Group			Company		
	Total	Deferred	Other	Total	Deferred	Other
	£m	tax	provisions	£m	tax	provisions
	£m	£m	£m	£m	£m	£m
At 1 January 1999	5.9	2.3	3.6	0.1	0.1	–
Currency translation adjustments	(0.2)	0.1	(0.3)	–	–	–
Profit and loss account	0.5	(0.1)	0.6	–	–	–
Utilised in year	(0.3)	–	(0.3)	–	–	–
At 31 December 1999	5.9	2.3	3.6	0.1	0.1	–

Other provisions include £2.3 million (1998: £2.3 million) to cover accrued statutory entitlements that will be paid to employees in Italy and France when they leave employment of the Group. The remaining provisions include warranty provisions of £0.6 million (1998: £0.6 million) and property provisions of £0.4 million (1998: £0.5 million).

	Group		Company	
	1999 £m	1998 £m	1999 £m	1998 £m
Composition of deferred tax provision				
Accelerated tax depreciation allowances	0.7	0.7	0.1	0.1
Other timing differences	1.6	1.6	-	-
	2.3	2.3	0.1	0.1

There are no other material timing differences on which deferred tax has not been provided. Provision for tax on capital gains payable on the disposal of revalued properties is made only when it is decided in principle to dispose of the asset.

19 Acquisitions of businesses

On 14 April 1999 the Group acquired the trade and net assets of Litec srl for a consideration of Lit 8.1 billion (£2.7 million).

On 15 October 1999 the Group acquired the trade and net assets of the Vega wireless equipment business from Telex Communications Inc. for a consideration of US\$3.3 million (£2.0 million).

All acquisitions were funded from Vitec's existing cash resources and have been accounted for using the acquisition method of accounting.

Net operating assets acquired comprise the following

	Book value £m	Fair value adjustments £m	As adjusted £m
Net assets acquired			
Tangible fixed assets	0.4	-	0.4
Stocks	0.8	(0.1)	0.7
Debtors	0.7	-	0.7
Creditors	(0.4)	-	(0.4)
	1.5	(0.1)	1.4
Purchased goodwill			
Litec			2.2
Vega			1.2
			3.4
Total cost of acquisitions, including expenses, satisfied by cash			4.8

The fair value adjustments comprise the alignment of accounting policies for stock with those of the Group.

Net outflow of cash in respect of the acquisitions

Total cost of acquisitions including expenses	4.8
Net cash acquired	-
Net outflow of cash from the Group	4.8

The results of Litec have been included in the Photographic and retail display division and comprise

	1999 £m
Turnover	1.4
Cost of sales	(0.9)
Operating expenses	(0.3)
Operating profit before goodwill amortisation	0.2

Notes to the accounts

Acquisitions of businesses (continued)

The results of Vega have been included in the Communications and audio division and comprise

	1999 £m
Turnover	0.5
Cost of sales	(0.3)
Operating expenses	(0.2)
Operating profit before goodwill amortisation	-

20 Share capital

The authorised share capital at 31 December 1999 consisted of 65,000,000 (1998: 65,000,000) shares of 20p each, of which 40,937,301 were allotted and fully paid. The movement during the year was

	Shares	Issued share capital £m
At 1 January 1999	48,817,278	9.8
Exercise of share options	169,699	-
Open market purchases	(885,000)	(0.2)
Repurchased under tender offer	(7,164,676)	(1.4)
At 31 December 1999	40,937,301	8.2

The Company purchased, and subsequently cancelled, during the year 885,000 ordinary shares at an average price of 541p and for a consideration including expenses of £4.8m and on 8 November 1999 7,164,676 ordinary shares at an average price of 630p and for a consideration, including expenses, of £45.9m.

Further information relating to the market purchases and to the tender offer are shown in the Directors' report.

At 31 December 1999 the following options had been granted and remained outstanding under the Company's share option schemes

	Number of shares	Exercise prices	Dates normally exercisable
United Kingdom SAYE schemes	162,012	296p-595p	2000-2007
International SAYE schemes	382,803	468p-633p	2000-2005
Executive schemes	513,991	268p-750p	2000-2009
	1,058,806		

On 6 December 1999, awards over an aggregate of 126,574 shares in the Company were made to 13 senior Group executives under the Company's long term incentive plan. The terms of the awards and the related performance conditions are described in the Directors' report under the Remuneration committee section.

21 Share premium account and reserves

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Merger reserve £m	Other reserves £m	Profit and loss account £m
Group						
At 1 January 1999	1.7	–	1.5	–	–	68.3
Retained profit for the year	–	–	–	–	–	17.6
Premium on new shares issued	0.6	–	–	–	–	–
Share repurchases	–	1.6	–	–	–	(50.7)
Tax on exchange differences	–	–	–	–	–	(1.1)
Exchange rate movement on foreign net investments	–	–	–	–	–	(3.5)
At 31 December 1999	2.3	1.6	1.5	–	–	30.6

At 31 December 1999 the cumulative goodwill written off on acquisitions prior to 1 January 1999 amounted to £128.3 million (1998: £128.3 million).

	Share premium account £m	Capital redemption reserve £m	Revaluation reserve £m	Merger reserve £m	Other reserves £m	Profit and loss account £m
Company						
At 1 January 1999	1.7	–	0.9	9.7	60.0	29.9
Retained profit for the year	–	–	–	–	–	22.0
Premium on new shares issued	0.6	–	–	–	–	–
Share repurchases	–	1.6	–	–	(16.0)	(34.7)
At 31 December 1999	2.3	1.6	0.9	9.7	44.0	17.2

As permitted by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account. The amount of the Group profit for the financial year dealt with in the accounts of the Company was a profit of £29.5 million (1998: £7.1 million).

	1999 £m	1998 £m
Reconciliation of movements in shareholders' funds		
Profit for the financial year	25.2	27.6
Dividends	(7.6)	(7.9)
Retained profit for the year	17.6	19.7
Exchange rate movements and related tax on foreign net investments	(4.6)	3.1
Writeback of goodwill from reserves	–	0.7
New share capital subscribed	0.6	0.5
Share repurchases	(50.7)	–
Net (reduction)/increase in shareholders' funds	(37.1)	24.0
Opening shareholders' funds	81.3	57.3
Closing shareholders' funds	44.2	81.3

There is no material difference between the Group's profit and loss account and the historical cost profit and loss account. Accordingly, no note of the historical cost profit and loss for the period has been presented.

Notes to the accounts

22 Cash and financing

	1999 £m	1998 £m
Reconciliation of net cash flow to movement in net debt		
Increase in cash in the year	7.6	3.3
Net (receipt)/repayment of loans	(41.1)	4.6
Decrease in current asset investments	–	(5.2)
(Increase)/decrease in net debt resulting from cash flows	(33.5)	2.7
Exchange rate movements	(1.6)	1.1
Movement in net debt in the period	(35.1)	3.8
Net cash at 1 January	7.3	3.5
Net (debt)/cash at 31 December	(27.8)	7.3

	1 January 1999 £m	Cash flow £m	Other non-cash £m	Exchange movements £m	31 December 1999 £m
Analysis of net debt					
Cash	26.5	7.6	–	(1.3)	32.8
Debt due after one year	(15.4)	(45.0)	4.0	(0.4)	(56.8)
Debt due within one year	(3.8)	3.9	(4.0)	0.1	(3.8)
	(19.2)	(41.1)	–	(0.3)	(60.6)
Total	7.3	(33.5)	–	(1.6)	(27.8)

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

	1999 £m	1998 £m
Interest		
Bank loans and overdrafts	0.6	0.1
Other loans – repayable within five years	1.2	1.6
Total payable	1.8	1.7
Interest receivable	(0.7)	(1.0)
Net interest payable	1.1	0.7

23 Leasing commitments

At 31 December 1999 the Group had the following annual commitments under operating leases

	Land and buildings £m	Other £m	Total £m	1998 £m
Expiring within one year	0.6	–	0.6	0.5
Expiring two to five years	2.2	0.1	2.3	2.1
Expiring after five years	0.7	–	0.7	0.6
	3.5	0.1	3.6	3.2

24 Contingent liabilities

The Company has guaranteed the Senior Notes described in note 17.

25 Pension commitments

The Company operates funded 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 based on the projected unit method were as at 5 April 1998. The schemes had assets with a combined market value of £25.7 million at that date. On the basis of the assumptions adopted, the schemes' assets were equal to some 111% of the value placed on the benefits that had accrued to members, allowing for expected future increases in salaries. The surpluses arising are being spread over approximately 13 years by way of variation from regular cost using the straight-line method. The most significant actuarial assumptions were: investment return 8%; salary inflation 6%; dividend growth 4.25% and pension increases 4%.

On this basis, the pension charge for 1999 has been calculated as £0.4 million (1998: £0.4 million). There is a prepayment of £0.9 million (1998: £0.9 million) included in the balance sheet for the excess of the accumulated Company pension contributions paid to the schemes over the amount charged to the profit and loss account.

26 Related party transactions

During the year the following related party transactions took place

L Manfrotto, a director of the Company, and A Manfrotto, Chief executive of Gruppo Manfrotto, are directors and shareholders of Mancor Spa, a company from which Gruppo Manfrotto rents properties used in its business under operating leases which expire between 1999 and 2003. Rents paid to Mancor in 1999 totalled Lit 403 million (1998: Lit 394 million). At 31 December 1999, the amount payable to Mancor was Lit 405,000 (1998: Lit nil). L Manfrotto also owns a factory leased by Gruppo Manfrotto until 2003. Rents paid to L Manfrotto during the year totalled Lit 124 million (1998: Lit 122 million).

A Manfrotto has a controlling interest in Atlantis Srl, a company specialising in worldwide web sites and e-mail services. Group companies, during the year, paid Atlantis a total of Lit 105 million (1998: Lit 139 million) for services. At 31 December 1999 Gruppo Manfrotto owed Atlantis Lit 27 million (1998: Lit 2.6 million).

D Trudeau, who was President of Bexel until his retirement on 31 March 1999, is a partner in Burbank Production Plaza from which Bexel leases its head office and Burbank operations facility under an operating lease expiring in 2001. Rental payments up to the date of Mr Trudeau's retirement amounted to US\$0.1 million (1998 full year: US\$0.5 million).

R Casami, Managing director of Amic Sachtler, is a major shareholder in a company which owns the premises occupied by Amic Sachtler under an operating lease expiring in 2000. In 1999 rental payments were Yen 19 million (1998: Yen 21 million). As at 31 December 1999 the balance owed to Amic Sachtler by Mr Casami for a rental deposit was Yen 19 million (1998: Yen 19 million). Mr Casami's family has a controlling interest in Ginza Sakraya Company Limited, a distributor of the Amic Sachtler product range. During the year Amic Sachtler sales to Ginza Sakraya Company Limited were Yen 101 million (1998: Yen 168 million). As at 31 December 1999 Yen 18 million (1998: Yen 20 million) was owed by Ginza Sakraya Company Limited to Amic Sachtler.

27 Post balance sheet event

On 25 January 2000, the Company announced the acquisition, by a subsidiary of the Company, of substantially all of the rental assets of Duke City Video, a professional video and audio equipment rental company based in Los Angeles, California, for a maximum consideration of US\$12.25 million. The net book value of the acquired assets was approximately US\$11.2 million.

Five-year financial summary

	Year ended 31 December				
	1999 £m	1998 £m	1997 £m	1996 £m	1995 £m
Turnover	171.4	162.3	144.6	148.6	131.8
Operating profit before goodwill amortisation	38.2	40.0	38.4	37.4	32.5
Interest	(1.1)	(0.7)	(0.6)	(0.8)	(1.8)
Profit before tax, goodwill amortisation and exceptional items	37.1	39.3	37.8	36.6	30.7
Operating cash flow	51.1	43.3	45.0	42.3	27.7
Free cash flow	21.4	11.0	17.2	19.0	7.9
Capital employed					
Intangible fixed assets	10.0	6.9	-	-	-
Tangible fixed assets	37.5	37.0	33.3	29.3	32.5
Other net assets	27.7	33.2	23.4	21.9	26.2
Net cash	-	7.3	3.5	14.6	-
	75.2	84.4	60.2	65.8	58.7
Financed by					
Shareholders' funds	44.2	81.3	57.3	62.6	28.2
Minority interest	0.9	0.8	0.6	0.6	0.6
Net borrowings	27.8	-	-	-	28.2
Deferred tax	2.3	2.3	2.3	2.6	1.7
	75.2	84.4	60.2	65.8	58.7
Statistics					
Operating profit margin (%) before goodwill amortisation	22.3	24.6	26.5	25.1	24.7
Effective tax rate (%)	30.7	27.6	31.0	26.8	21.3
Headline earnings per share (p)*	54.3	58.2	53.4	55.0	52.3
Basic earnings per share (p)	53.3	56.6	53.4	88.0	52.3
Dividends per share (p)	18.5	16.1	14.0	12.1	10.5
Year-end ex-dividend mid-market share price (p)	527	587	636	712	714

*differences between Headline and Basic earnings per share arise from exceptional items in the years shown above and, from 1998, the amortisation of goodwill.

Group directory

Main office in each country

Photographic and retail display

Alu UK

1-5 Portpool Lane
London EC1N 7UU
UK
Tel: +44 (020) 7400 4150
Fax: +44 (020) 7400 4151
www.alu.com

Gruppo Manfrotto

Via Sasso Rosso n.19
PO Box 216
I-36061 Bassano del Grappa
Italy
Tel: +39 (0424) 555855
Fax: +39 (0424) 808999
www.manfrotto.com

Litec

Via Venier 52
30020 Marcon (Ve)
Italy
Tel: +39 (041) 596 0000
Fax: +39 (041) 595 1082
www.litecruss.com

Alu USA

138 West 25th Street
New York
NY 10001
USA
Tel: +1 (212) 924 8713
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IFF

Via Vittorio Emanuele 32
I-50041 Calenzano
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Fax: +39 (055) 882 6355
www.iff.it

Bogen Photo

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www.bogenphoto.com

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Fax: +33 (1) 43 77 15 07
www.manfrotto.fr

Gitzo

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Fax: +33 (1) 43 77 15 05
www.gitzo.com

Manfrotto Trading

Via Livinallongo 3
I-20139
Milano
Italy
Tel: +39 (02) 569 7041
Fax: +39 (02) 569 3954
www.manfrotto.it/trading

Broadcast camera systems

Anton/Bauer

14 Progress Drive
Shelton
CT 06484
USA
Tel: +1 (203) 929 1100
Fax: +1 (203) 925 4988
www.antonbauer.com

Sachtler USA

55 North Main Street
Freeport
NY 11520
USA
Tel: +1 (516) 867 4900
Fax: +1 (516) 623 6844
www.sachtler.com

Vinten Japan

3-36-10 Sendagaya
Shibuya-Ku
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Fax: +81 (3) 3478 6018
www.vinten.com

CPP

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Vinten Asia Pacific

100 Beach Road
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Fax: +44 (01284) 750560
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85716 Unterschleissheim
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Fax: +49 (89) 3215 8227
www.sachtler.de

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Fax: +33 (1) 43 77 15 08
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Fax: +1 (914) 268 0113
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www.sachtler.com

Vinten Germany

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Fax: +49 (6131) 46245
www.vinten.de

Communications and audio

Clear-Com

4065 Hollis Street
Emeryville
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Tel: +1 (510) 496 6666
Fax: +1 (510) 496 6601
www.clearcom.com

Drake Electronics

26-28 The Hydeway
Welwyn Garden City
Hertfordshire AL7 3UQ
UK
Tel: +44 (01727) 871200
Fax: +44 (01707) 371266
www.drake-uk.com

Vega

9900 Baldwin Place
El Monte
CA 91731
USA
Tel: +1 (626) 442 0782
Fax: +1 (626) 444 1342
www.vegawireless.com

Broadcast services

Bexel

801 South Main Street
Burbank
CA 91506
USA
Tel: +1 (818) 841 5051
Fax: +1 (818) 841 5729
www.bexel.com

Systems Wireless

465 Herndon Parkway
Herndon
VA 20170-5202
USA
Tel: +1 (703) 471 7887
Fax: +1 (703) 437 1107
www.swi.com

Shareholder information and financial calendar

Shareholder enquiries

For enquiries about your shareholding, such as dividends or loss of share certificate, please contact the Company's registrars, IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU, telephone +44 (020) 8639 2000.

Share price information

The middle-market price of a Vitec Group plc share on 30 December 1999, the last dealing day of 1999, was 527p. During the year the share price fluctuated between 524p and 630p.

Up-to-date market information and the Company's share price are available from the Cityline service operated by the Financial Times by telephoning 0906 8434404. The Company's share price is also available throughout the trading day, but with a 20 minute delay, from the Financial Times web site www.ft.com.

Financial calendar

Annual general meeting	28 April 2000
Ex-dividend date for 1999 final dividend	30 May 2000
Record date for 1999 final dividend	5 June 2000
Proposed 1999 final dividend payment	3 July 2000
Announcement of 2000 interim results	September 2000
Proposed 2000 interim dividend payment	January 2001

Analysis of shareholdings as at 31 December 1999

Shares held	Number of holders	% of holders	Number of shares	% of shares
Up to 1,000	818	56.49	347,067	0.85
1,001 to 5,000	412	28.45	926,068	2.26
5,001 to 10,000	60	4.15	423,789	1.04
10,001 to 50,000	73	5.04	1,608,159	3.93
50,001 to 100,000	29	2.00	2,138,176	5.22
100,001 and over	56	3.87	35,494,042	86.70
	1,448	100.00	40,937,301	100.00
Institutions and companies	452	31.22	34,859,677	85.15
Directors and their families	6	0.41	2,545,077	6.22
Individuals	990	68.37	3,532,547	8.63
	1,448	100.00	40,937,301	100.00

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