VISLINK plc.

Secure Communications

SAME BUSINESS DIFFERENT APPROACH

ANNUAL REPORT 2008

VISLINK plc
Company Number: 4082188

...WE ARE VISLINK PLC ONE COMPANY, FOUR MARKETS, COUNTLESS SOLUTIONS.

FOLLOWING A STRATEGIC REVIEW, WE HAVE RESHAPED THE BUSINESS TO BUILD ON OUR RECOGNISED STRENGTHS, AND TO CREATE A CUSTOMER DRIVEN ORGANISATION.

WE ARE NOW ONE BUSINESS SELLING "SECURE COMMUNICATIONS" TO SELECTED MARKETS AROUND THE GLOBE. OUR PRODUCTS AND SERVICES ARE UNDERPINNED BY WORLD CLASS RESEARCH AND DEVELOPMENT AND EFFICIENT, FLEXIBLE MANUFACTURING.

THIS CHANGE ENABLES US TO BUILD ON OUR MARKET POSITIONS THROUGH A FOCUS ON CONTROLLED GROWTH, REDUCED COSTS, AND AN EXTENDED PRODUCT PORTFOLIO.

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NEWS AND ENTERTAINMENT

Vislink News and Entertainment is synonymous with innovation in live television markets. We are the worldwide leader in microwave, satellite and wireless communication systems for the capture of live TV coverage of news and sports events, with an installed base of over 100,000 systems in more than 90 countries.

Vislink News and Entertainment has the combined engineering skills to deliver the broadest range of advanced video and data products. We are the only company to have the breadth of knowledge and experience, engineering resource, commitment to excellence, and the financial backing to continue to be the leader in news and entertainment.

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IN TOUCH...

LAW ENFORCEMENT AND PUBLIC SAFETY

At the core of every mission critical situation is the need for rapid deployment of the most reliable communications systems. Vislink Law Enforcement and Public Safety understand the challenge and play a critical role in supplying dependable systems for defence, public safety and law enforcement customers worldwide.

Now taking proven technology to the next level by providing complete solutions to support interagency co-operation through the sharing of real-time video surveillance on the ground, in the water, and in the air. With thousands of digital microwave radio systems deployed, Vislink is setting new standards for secure communications.

MARINE AND ENERGY

Vislink Marine and Energy is the world leader in explosion proof marine CCTV systems under the brand name Hernis. An expert in high quality monitoring and inspection systems for environments too hazardous, sensitive or inaccessible for direct human inspection, the company integrates systems into computer networks – making them a vital partner in some of the world's largest marine, oil and gas engineering projects.

Within the industry Hernis has achieved class type approval for explosion proof camera housings that differentiates us by providing quality assurance for our products and systems. The expanding product range includes man machine control interfaces, unique flash lights, thermal camera stations for ice-detection as well as systems designed for crane and submersible applications.

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SERVICES

Working with Vislink Law Enforcement and Public Safety, Marine and Energy and News and Entertainment and their world-class products, Vislink Services provide the technical implementation and operational talent that create complete solutions to meet our customers' secure communications needs.

Vislink Services address the life cycle needs – planning, design, integration, installation and maintenance – of our customers to implement, operate and manage video and data communications application systems such as electronic news gathering, airborne law enforcement surveillance, ground to satellite communications links and localised wireless networks as well as the associated control systems. Our services can help a single customer implement a private network or we can own and operate the infrastructure to provide a managed service to multiple customers. Whichever way the customers choose to go, Vislink Services allow us to provide more complete answers to our customers.

CHIEF EXECUTIVE'S STRATEGY REVIEW

BY DUNCAN LEWIS

"VISLINK HAS NOW BEEN REORGANISED INTO FOUR INTERNATIONAL BUSINESS UNITS EACH OF WHICH WILL BE FOCUSED ON PROVIDING SECURE COMMUNICATIONS TO THE CUSTOMERS WE SERVE"

Vislink Group provides secure communications to its customers, whether designed to get video pictures of a cargo hold back to the bridge of a ship, or news back to the studio, or the results of surveillance to security authorities, or the view of a motor race from the driver's cockpit.

Vislink operates in attractive market sectors which are growing and are relatively resilient to the economic cycle. This is because the majority of our products represent capital purchases by our customers whose own operations depend critically upon what we supply to them.

The Group's companies have consistently built their markets by winning the loyalty of its customers through the innovative ways in which they supply their customers with secure communications.

However, whilst the Group's companies have common technologies, rather than act in concert, they have historically stood alone, each trying to develop products and services for their customers without sharing customer knowledge, technology, systems, or manufacturing processes. Each company has been run as a standalone business, and the management of each was targeted to achieve certain operational and financial targets.

- Advent, Link and MRC each address the international broadcast market, and specifically the electronic newsgathering and entertainment niches. Between them, our "broadcast" companies have built relationships with most of the world's broadcasters, creating substantial market shares by providing equipment which gets information securely to the broadcasters' studios.
- PMR, which we acquired in 2008, has developed unique digital surveillance and transmission technologies for the security and public safety markets.
- WTS (acquired in 2007) provides design, installation and maintenance services into the broadcast and security markets, supporting our businesses in the USA and overseas.
- Hernis addresses the offshore and onshore marine and energy markets with secure CCTV systems, in which it has secured over 25 per cent market share of its niche.

Three years ago, MRC won a multimillion dollar contract to supply Sprint/Nextel with equipment needed by broadcasters following a reallocation of bandwidth in the USA. The profits from this contract have been invested in developing new business streams organically and through acquisition. As we come to the end of this contract – which will be completed in the course of the first half of 2009 – the Board initiated a review of the future strategy of the Group. As a result on January 19th, 2009, we announced a reorganisation to address the historic weaknesses in the organisation and to build on our strengths.

"OUR GOAL IS TO LEAVE 2009 WITH A REDUCED COST BASE AND ACCELERATING GROWTH IN EACH OF OUR CHOSEN SECTORS AS WE FOCUS OUR RESOURCES MORE EFFECTIVELY"

Vislink has now been reorganised into four international Business Units, each of which will be focused on providing secure communications to the customers we serve. These are:

- *News and Entertainment* (which comprises the electronic news gathering and entertainment activities of Link, Advent and MRC);
- *Law Enforcement and Public Safety* (which combines the surveillance systems activities of Link, MRC, Advent and PMR together with our defence activities);
- *Marine and Energy* (which builds on the current Hernis business);
- *Services* (which combines the services businesses of MRC, WTS and Advent).

The Business Units are responsible for all aspects of sales, marketing and customer care, to ensure our customers have what they want when they want it. They are each responsible for their revenues and operating profits.

The Business Units are supported by two operational divisions:

- *Vislink Technologies* is responsible for forward technology strategy of the Group. It designs and develops products to meet the requirements of our customers.
- The Business Units will source their products through *Vislink Logistics*, which is responsible for the sourcing of materials and products in the most cost-efficient way for the Group.

In the past, each company has done its own research, development and engineering. Since they have operated in very similar fields, there have been overlapping investments. *Vislink Technologies* is investing in the strategy to bring new products to market whilst eliminating duplicated costs and redeploying resources into areas of strategic importance to the Group.

Each company has also had its own design, test and manufacturing facilities. As a result, we have incurred relatively high fixed costs with none of the benefits of using our facilities flexibly to meet changes in demand. *Vislink Logistics* will control manufacturing across all our facilities to maximise their use, and will source from third parties where this is most cost-efficient.

Historically, each of the businesses has also invested in developing their own markets in the Middle East and Asia. However, our investments have been fragmented and subscale. The reorganisation means that we will now be positioned to invest in these and other developing regions, whilst rationalising our sales and marketing efforts in North America and Western Europe.

The Group is already seeing some early benefits of these changes:

- Headcount was cut by over 10 per cent in January 2009;
- *Vislink Logistics* has begun to rationalise the number of suppliers to the Group, and renegotiate its purchasing arrangements;
- Manufacturing space is being rationalised and reduced; UK operations, currently on two sites, will be consolidated on to one site in the course of the second half of 2009; excess capacity will be eliminated in the USA at the end of the first half of 2009.
- *Marine and Energy* has identified several on-shore opportunities for Advent satellite systems and MRC microwave products;
- Control systems developed by Hernis (*Marine and Energy*) will be integrated into the product portfolios of MRC and Advent;
- Link wireless cameras and related technologies will be sold by *Law Enforcement and Public Safety*.

2009 will be a year of transition, as each of the new business units implements its forward strategy to develop and sell the technologies and products of the whole Group, whilst operations and technology investments are streamlined. As previously announced it is expected that the costs of the reorganisation will be circa £1.0 million in cash which will be charged as a non-recurring cost in 2009.

Our goal is to leave 2009 with a reduced cost base, and accelerating growth in each of our chosen sectors as we focus our resources more effectively.

In our Operational and Financial review we have reported our results in line with the way in which the Group has previously been managed. From 2009 we will report our results along the lines of our new business units. The table below shows the analysis of revenue for 2008 and 2007, at constant exchange rates, as the new organisation will be presented in the future.

Revenue	2008 £'000	2007 £'000	Change
News and Entertainment (excluding revenues from the 2GHz programme)	**37,705**	34,405	+9.6%
Marine and Energy	**22,355**	19,109	+17.0%
Law Enforcement and Public Safety	**5,544**	9,428	−41.2%
Services	**2,928**	905	+223.6%
Underlying revenue	**68,532**	63,847	+7.3%
2GHz relocation programme	**32,493**	41,699	−22.1%
FX adjustment	**–**	(6,966)	
Total revenue reported	**101,025**	98,580	+2.5%

Our employees have welcomed the changes and are fully committed to the future success of the Group.

Duncan Lewis
Chief Executive

MARKET LED ORGANISATION

NEWS AND ENTERTAINMENT

Vislink News and Entertainment brings together Vislink's three established broadcast businesses of satellite uplink manufacturer Advent Communications, wireless camera manufacturer Link Research and Microwave Radio Communications, which manufactures fixed and mobile microwave links. It has offices in the UK, USA, Dubai and Singapore.

Our brands
- Advent Communications
- Link Research
- Microwave Radio Communications (MRC)

Our Customers:
- Most international broadcasters; US networks; Outside Broadcast hire companies.

2008 Revenue:
£70.2 million

Ben McLeod
Managing Director
News and Entertainment

Stephen Rudd
International Sales Director

LAW ENFORCEMENT AND PUBLIC SAFETY

Vislink LE&PS is the leading manufacturer of secure, wireless, video and data communications systems, for worldwide law enforcement and public safety operations. It has locations in the US, both East and West coast, the UK and Singapore.

Our brands
- Advent Communications
- Link Research
- Microwave Radio Communications (MRC)
- Pacific Microwave Research (PMR)

Our Customers:
- US state and local police and fire departments; security forces around the world, US and UK armed forces.

2008 Revenue:
£5.5 million

Mike Payne
Managing Director
Law Enforcement and Public Safety

TECHNOLOGIES

Vislink Technologies is responsible for the Group's forward technology strategy, designing and developing products to meet the needs of the Business Units and their customers. The unit has engineering teams focused on the key areas that underpin the Group's secure communications expertise.

Vislink Technologies is a resource for all the Business Units, providing a coordinated product development strategy that takes advantage of their common needs through shared electronics modules, delivering efficiencies in design, manufacture and support.

John Mulcahy
Managing Director
Technologies and CTO

LOGISTICS, HR AND IT

The Business Units source their products through Vislink Logistics, which is responsible for the sourcing of materials and products in the most cost-efficient way for the Group across its locations in the UK, USA (East and West coast) and Norway.

Doug Ferguson
Managing Director Logistics

MARINE AND ENERGY

Vislink Marine and Energy, based in Norway, is a market leader in the supply of explosion proof marine CCTV systems for both on and offshore oil and gas industries as well as for the marine, cruise and naval markets. We have technical support centres in Singapore, Brazil and the USA.

Our brands
- Hernis

Our Customers:
- International oil companies; ship builders and cruise companies.

2008 Revenue:
£22.4 million

Egil Olsen
Managing Director
Marine and Energy

SERVICES

Vislink Services provides the technical expertise to project manage, design, integrate and maintain the products provided by its Vislink sister companies and together we deliver complete, even turnkey, secure communications solutions. Vislink Services has locations in the UK and in California, Florida, and Massachusetts within the USA.

Our brands
- Advent Communications
- Link Research
- Microwave Radio Communications (MRC)
- Western Technical Services (WTS)

Our Customers include:
- Broadcasters; Law enforcement agencies; defence; education and government agencies at all levels.

2008 Revenue:
£2.9 million

Dan McIntyre
Managing Director
Services

AMG2100
MRC's new Advanced Mobile Gateway, AMG2100, is a bi-directional IP Gateway which provides IP connectivity over multiple wide area network pathways to support file transfer and remote outside broadcast van management. The AMG2100 has full Ethernet router functionality with VPN tunnelling and eight Ethernet switch ports. A Wi-Fi connection may also be activated to provide seamless local WLAN connectivity for broadcasters.

L1500
The L1500 is the most powerful and flexible wireless camera transmitter from Link Research. The modular design of this transmitter allows customers to start from a standard SD transmitter and add camera control and HD capability as and when required. It has unmatched RF flexibility with the ability to change RF modules in the field as needed to cover a huge frequency range from 1GHz to more than 7GHz. The L1500 provides the lowest delay in the industry.

Vislink Logistics facility in Billerica, North America.

Julie Vincent
Director, Human Resources

Hans Petter Christoffersen
Director, IT

CHAIRMAN'S STATEMENT

RESULTS FOR YEAR ENDED DECEMBER 31, 2008

INTRODUCTION

2008 has been a year of change for the Group. Duncan Lewis was appointed as Chief Executive in October in succession to Ian Scott-Gall who retired. A significant acquisition was made in the USA to support our strategic plans for the Law Enforcement and Public Safety markets and we acquired the assets of another small services business to build on the acquisition of WTS made in 2007. We expect that 2009 will be a year of transition following the announcement on January 19, 2009 of the Group's new strategic direction. The Group has net cash and is cash generative, and the Board is therefore proposing that the dividend is maintained in respect of the 2008 financial year at 1.25 pence per share.

FINANCIAL RESULTS

Group revenues were up 2.5 per cent at £101.0 million (2007: £98.6 million). Underlying revenue, being revenue at constant exchange rates, fell by 4.3 per cent. Order in-take grew by 7.4 per cent to £70.6 million excluding orders from the 2GHz US spectrum relocation programme; headline orders were £92.7 million (2007: £101.4 million).

Adjusted operating profit for the year, being operating profit before the amortisation and impairment of goodwill and acquired intangibles, share-based payments and other exceptional costs, was £9.1 million (2007: £15.8 million), in line with expectations. The adjusted operating margin declined from 16.0 per cent to 9.0 per cent, resulting in a 40.2 per cent decline in adjusted earnings per share. As previously reported, this was due primarily to weaker margins than had been expected for products we supplied in the USA to support the 2GHz re-channelisation programme.

The reported operating profit was £0.9 million (2007: £14.2 million) after charging a non-cash impairment charge against the goodwill associated with the satellite business of Advent of £5.0 million, £2.0 million in respect of the amortisation of acquired intangibles (2007: £1.5 million), £1.0 million in respect of non-recurring costs (2007: £nil) and the effect of share-based payments. Profit before tax was £0.6 million (2007: £14.0 million).

The Group's cash generation remains strong. The net cash inflow generated from operating activities in the period was £8.6 million (2007: £9.3 million) and the net cash balance was £1.2 million at December 31, 2008 (31 December 2007: £3.5 million) after a cash outflow of £6.3 million in respect of the acquisitions made during the year and £5.3 million in capital investments.

"THE GROUP REMAINS CASH GENERATIVE AND THEREFORE HAS THE CAPACITY BOTH TO INVEST IN ORGANIC GROWTH AND, WHERE APPROPRIATE, TO MAKE TACTICAL ACQUISITIONS"

DIVIDEND AND SHAREHOLDER RETURNS

The basic undiluted earnings per share for the year was a loss of 1.10 pence (2007: earnings of 6.47 pence). After adjusting for the amortisation and impairment of goodwill and acquired intangibles, share-based payments and other exceptional costs and related tax effects, the adjusted earnings per share was 4.35 pence (2007: 7.30 pence). As a result of the Group's strong cash generation the Board is proposing that the full-year dividend be maintained at 1.25 pence per share (2007: 1.25 pence).

THE BOARD AND MANAGEMENT

Ian Scott-Gall retired as Chief Executive on September 30, 2008 after nine years as Chief Executive. On behalf of the Board and our employees, I would like to thank Ian for all he has done for the Group during his stewardship. During his tenure the Group was transformed from a disparate holding company into a group of profitable technology businesses through acquisitions and underlying organic growth.

Duncan Lewis joined the Group as Chief Executive on October 1, 2008. At the Board's request, Duncan undertook a review of the future direction of the Company upon his appointment, the results of which are presented in his Strategy Review.

Tony Finizio, Chief Operating Officer of our US operations, retired from the Board at the end of the financial year. Morgan Kurk, President of MRC, left the Company in January 2009. On behalf of the Board, I would like to thank them both for their contribution to the development of the Group.

CURRENT TRADING AND OUTLOOK

Revenues from the broadcast market continued to benefit from the 2GHz re-channelisation programme in the USA during 2008, despite a change in the product mix which reduced our margins. This programme as foreseen, has been running down in the course of the year, and as a result revenues declined by 22.1 per cent to £32.5 million (2007: £41.7 million). The programme is expected to be completed in the first half of 2009. The underlying growth in the broadcast revenues outside of the programme was 9.6 per cent, which is a good performance in the light of the overall economic environment.

WTS, our US services business, continued to benefit also from the 2GHz programme in the USA, as well as developing new business. Its performance was further enhanced through the acquisition of the contracts and assets of Marcom in July 2008.

Our Law Enforcement and Public Safety (LE&PS) business had a disappointing year, as revenues declined 42.1 per cent to £5.5 million in 2008 (compared to £9.4 million in 2007). In addition to the continuing delay in a number of government contracts, the Group failed to capitalise on other opportunities due to lack of organisational focus. In September, we completed the acquisition of Pacific Microwave Research (PMR) on the west coast of the USA, which now gives the Group leading-edge microwave technology in law enforcement video systems. This will help address some of our weaknesses in this sector.

Demand for new systems in our Hernis business from the marine and offshore markets continues to be strong, and the company has its strongest order backlog in its history.

The Group has not yet grown its defence, law enforcement and security (DLES) business to mitigate the decline in broadcast revenues as the 2GHz programme in the USA comes to an end. We are however expecting to see growth as a result of the acquisition of PMR, and accelerating growth from our Services business, both of which have strong operating margins. The underlying broadcast business will also continue to grow, albeit modestly, and the Group will continue to cut costs to maintain its margins.

Whilst we operate in sectors which are relatively resilient in times of economic downturn, the general economic environment will no doubt affect the Group. Improving the operational efficiency, combined with cost reductions from the rationalisation undertaken in January 2009, will underpin the Group's underlying performance for the current year. Certain parts of the Group are already growing faster than the markets they address, and we are confident that the customer-focus of the new organisation will provide further impetus to this performance. We entered 2009 with an order backlog of £34.1 million compared with one of £34.7 million at the beginning of 2008. Order-intake (excluding the 2GHz US spectrum relocation programme) is comparable to the same period in 2008 but customer ordering patterns are less predictable and more volatile. Despite this the Board believes that the Group will weather the current climate satisfactorily.

The Group remains cash generative and therefore has the capacity both to invest in organic growth and, where appropriate, to make tactical acquisitions building on the Group's excellent track record of acquisitions.

On behalf of the Board, may I thank all our employees for their tremendous efforts in the course of 2008.

Tim Trotter
Chairman

OPERATING AND FINANCIAL REVIEW

FOR THE YEAR ENDED DECEMBER 31, 2008

KEY INDICATORS

The table below sets out the trend in the key indicators that are used to measure the Group's performance.

Year ended December 31	2008	2007	2006
Orders received (£'000)	**92,690**	101,374	97,540
Revenue (£'000)	**101,025**	98,580	100,498
Adjusted operating profit (£'000)[1]	**9,052**	15,797	14,425
Adjusted profit as a percentage of sales	**9.0%**	16.0%	14.4%
Adjusted earnings per share (pence)	**4.35**	7.30	6.44
Net cash generation from operating activities (£'000)	**8,628**	9,253	8,372
Shareholders' equity (£'000)	**57,274**	51,164	42,963
Return on capital employed[2] (ROCE)	**16.1%**	33.1%	36.9%

[1] Defined as operating profit before the amortisation and impairment of goodwill and acquired intangibles, share-based payments and other exceptional costs. Adjusted EPS is calculated on the same basis after taking account of related tax effects.

[2] ROCE is calculated as the adjusted operating profit as a percentage of capital employed. Capital employed is defined as shareholders equity plus debt less cash and cash equivalents.

REVIEW OF OPERATIONS IN 2008

THE GROUP'S MARKETS

In 2008, the Group's companies sold into three distinctive markets: broadcast; defence, law enforcement and security (DLES); and marine safety. In 2008, broadcast sales represented 72 per cent of Group revenues (2007: 74 per cent), DLES 6 per cent (2007: 10 per cent) and marine safety 22 per cent (2007: 16 per cent).

In 2008, 59 per cent of the Group's sales were in the Americas, 24 per cent in Europe, and 17 per cent in Asia/Africa (2007: 63 per cent; 21 per cent and 16 per cent respectively). The Group uses a combination of direct sales, value added resellers, distributors and agents to reach its customers. The Group's major operations are in the USA, the UK and Norway; it also has sales offices in Dubai and Singapore.

Group orders received declined by 14.6 per cent at constant exchange rates. Within the broadcast market, orders flowing from the 2GHz re-channelisation programme in the USA declined 48 per cent to £22.1 million (2007: 42.9 million) as the programme comes to its end. Excluding the effects of the 2GHz programme, underlying orders received grew 7.4%.

Within the broadcast market, revenue flowing from the 2GHz re-channelisation programme also declined, to £32.5 million (2007: £41.7 million). Excluding the effects of the 2GHz programme, underlying revenues grew in the broadcast segment 9.6 per cent year on year. This reflects the quality of the Group's products and its historic distribution strengths which are designed to meet the steady demand for HDTV, news and sports programming and new TV channels. By contrast, revenues in the DLES segment declined 39 per cent year on year. A number of potential contracts were delayed. At the same time, the Group did not build on the traction it achieved in 2007 because we under invested in sales and marketing. In order to address this sector more effectively, the Group acquired Pacific Microwave Research (PMR) in September 2008. PMR has unique products in digital microwave video systems for surveillance from unmanned ground or airborne vehicles. These products complement those of Advent, Link and MRC which are also sold into the DLES market.

Our investment in services in 2007, through the acquisition of Western Technical Services and in the expansion of our workforce supported by marketing and sales initiatives, has led to revenues increasing to £2.9 million (2007: £0.8 million). WTS supports the broadcast and DLES markets with planning, project management, installation and maintenance services. WTS has benefited from the demands of the rollout of the 2GHz programme, and further growth is expected in 2009.

Sales into the marine safety market increased by 37 per cent. The market is sub-divided into on-shore and off-shore oil and gas and marine (including high risk vessels such as tankers and cargo ships as well as cruise and naval vessels). Demand in 2008 has come from growth in off-shore oil and gas rigs, and from on-shore investments by the major oil and gas companies.

DUNCAN LEWIS AND JAMES TRUMPER

UK RF BUSINESS

	2008 £'000	2007 £'000	Change
Revenue (Including inter segmental)	**31,098**	35,821	−13.2%
Adjusted operating profit	**4,704**	6,612	−28.8%
Adjusted operating margin	**15.1%**	18.5%	−3.4%

The UK business comprised Advent, which produces satellite communications, and Link which produces wireless camera systems. Their products are used in live news and sports reporting, and for high-profile coverage of major events such as the Olympic Games.

The decline in revenues and operating profit was due to the impact of the rundown of the 2GHz programme in the USA, which reduced demand for Link products, combined with lower than expected international and DLES revenues. In addition revenues in 2007 included £2.1 million in respect of the completed legacy Venezuelan contract. Despite the lower sales we have continued to invest in R&D at both Link and Advent.

CAPTURING THE MOMENT
History was made on January 20, 2009 when Barack Obama took the oath of office as the 44th President of the United States, and for one news organisation covering the event, inauguration day was ground breaking in other ways as well. In a first for the network, ABC News broadcast its inauguration day events completely in high definition, which provided superior video coverage of events across a broad area. This level of event coverage was made possible by ABC News' use of Microwave Radio Communications' diversity receive equipment and Link Research's high-definition wireless cameraback system.

Demand for Advent's vehicle mounted satellite systems was sustained during the year with significant orders in Spain and Italy, including the project management and installation of a large order for a fixed earth station won in 2007. The business continues to broaden its customer base by addressing the oil and marine markets as well as its traditional broadcast market.

Advent has launched new products, including the Mantis 5 which has both broadcast and DLES applications. The Summit flyaway system is a dedicated ruggedised satellite terminal launched in the first quarter. The Mantis 1.9m and 1.2m products were re-designed with fully motorised auto-acquisition software to meet the need for de-skilled operations in the DLES markets.

Link continues to benefit from the growth in demand for High Definition (HD) products in Europe and Asia. Link had 38 wireless camera systems in use at the Beijing Olympics, and its cameras continue to be used in many major worldwide news and sporting events including the Rugby World Cup, the Six Nations Rugby and in motor racing where its cameras were used for the first ever on-board coverage of the entire Le Mans race in June. In July, there was similar on-board coverage from the DTM series at Brands Hatch, which was carried at 7GHz, previously considered to be impossible.

Link won the Association of International Broadcasters' Most Innovative Use of Technology award in November. Link has also benefited from the 2GHz programme in the USA, albeit at a lower level than in 2007, where its products are re-sold through MRC. MRC has also found markets and applications for Link's products into other standard and high definition segments.

The company launched a new miniaturised transmitter which was used at Le Mans. It continues to invest in the development of cellular diversity systems which it is selling into the broadcast and DLES markets within Europe.

US RF BUSINESS

	2008 £'000	2007 £'000	Change
Revenue (Including inter segmental)	**58,326**	59,299	–1.6%
Adjusted operating profit	**4,277**	9,535	–55.1%
Adjusted operating margin	**7.3%**	16.1%	–8.8%

The US RF business comprised the microwave business of MRC, the services business of WTS (acquired in July 2007) and the DLES microwave business of PMR (acquired in August 2008). The revenues of the businesses were £54.5 million, £2.9 million and £0.9 million respectively (2007: £58.4 million; £0.9 million and £nil). All the businesses made a positive contribution to the operating profit in 2008.

During 2008, MRC continued to provide US broadcasters with advanced digital microwave infrastructure in support of the US Federal Communications Commission's 2GHz Broadband Auxiliary Service (BAS) relocation programme. This programme will be completed in the first half of 2009, and as predicted, the volume of sales declined in 2008. Part of this decline was compensated for by the growth in sales at WTS, the acquisition of PMR together with modest growth in other markets.

As a result of increased costs of working for the 2GHz programme and changes in product mix, which also involved integrating more third-party products than had been envisaged when the 2GHz programme was planned, operating margins and operating profits declined in the year.

MRC's focus remains the development and supply of standard and high definition video microwave systems used by television broadcasters and DLES agencies worldwide to support terrestrial, satellite and video downlink applications. MRC continues to hold about 60 per cent market share of the North American electronic news gathering (ENG) market, and continues to export to the rest of the Americas and to Asia. Its products are, as with Link and Advent, used in live news and sports reporting, and for high-profile coverage of major events such as presidential inaugurations, parades and political conventions.

START TO FINISH IN 24 HOURS
The French production company, Visual TV, provided 24 hour coverage of the Le Mans 24 Hour Race 2008, capturing the entire race, right through the night, using pit lane cameras and in-car cameras fitted with transmitters from Link Research.

The company developed products to address upcoming customer requirements for increased efficiency, greater levels of automation and deployment of Internet Protocol (IP) based solutions. MRC's product strategy enables customers to expand their capabilities while leveraging existing investments, and maintaining the quality and dependability of the secure communications network.

MRC's AMG-1000 advanced mobile gateway provides secure IP VPN connectivity between remote News Gathering/Outside Broadcast vehicles and the broadcast studio via cellular wireless and Wi-Fi connection. In addition, it integrates with the company's MTX5000 ENG Mobile Transmitter to support in-band IP connectivity over terrestrial microwave links. MRC was awarded TV Technology's prestigious STAR Award for the AMG1000 product at the 2008 National Association of Broadcasters convention in Las Vegas.

The DRS4000, introduced in 2008, is a central site Receiver that uses innovative cellular diversity and maximal ratio combining technologies to provide greatly enhanced reception in congested city centre environments, where high rise buildings and other obstacles often block line-of-sight transmissions. The DXR5000, MRC's next generation long haul digital radio system, offers the versatility of video and data transmission at speeds up to 155 Mbps. The DXR5000 is controlled and monitored via an IP based browser and Ethernet LAN connection.

In 2008 MRC expanded its portfolio of law enforcement and public safety products with the introduction of the DRS2000 and DRS6000 diversity receivers, next generation tactical receiver cases and enhanced solutions for airborne surveillance. MRC's airborne, terrestrial and mobile systems provide first responders with the tools to evaluate developing incidents in real-time, and to increase inter-agency collaboration and effectiveness. Many state and local public safety agencies such as Massachusetts State Police, Chicago Fire Department and Los Angeles County use MRC designed systems to deliver real-time video for surveillance on the ground, in the water and in the air.

PMR's product portfolio complements that of MRC. The PMR series of Digital Microwave transmitters and receivers uses COFDM (Coded Orthogonal Frequency Division Multiplexing) modulation coding, which provides link performance that is superior to traditional analogue systems. Digital microwave video is ideal for video applications where signal reflections are numerous, such as in an urban environment.

During the year, WTS was fully integrated into the Group. It grew its business on the back of the 2GHz programme and new opportunities for planning, design, integration/installation and maintenance for secure video and data communications applications such as electronic newsgathering, airborne law enforcement, cellular, satellite, localised wireless and site control systems.

WTS increased its overall customer base by 128 per cent, expanding both its TV broadcast and law enforcement customer set while also entering new markets such as Flo TV (television programming to mobile phones build out), US local government, and additional reach into non-US markets. Year over year, revenue grew by 95 per cent. In July of 2008, WTS purchased the services business backlog of MARCOM, a long term value added reseller (VAR) representing MRC in the northwest United States. WTS has grown from a single location in Orange California to four sites: Orange, Billerica Massachusetts, San Jose California and Tampa Florida.

In response to WTS's customers' evolving services and solutions needs, WTS has expanded its product offerings. In 2008, WTS became an authorised reseller for Alcatel, BridgeWave, Motorola and NeraTel microwave radio products and added a structured cabling practice to provide the capability to install infrastructure such as fibre optics.

RED CARPET TREATMENT
For the first time in its history, the Academy of Motion Picture Arts and Sciences incorporated Link wireless cameras in to the Academy Awards broadcast. The Academy called upon Aerial Video Systems (AVS) to bring its innovative microwave technology to help capture the excitement and glamour of the evening. With all the major Hollywood stars attending, the Awards are the highlight of the film awards season. AVS covered the stars' arrival during the Red Carpet show as well as the main show inside the Kodak Theatre.

A POLICY OF FIELD UPGRADABILITY AND CONTINUOUS PRODUCT IMPROVEMENT ENSURES THAT THE GROUP PRODUCT OFFERINGS REMAIN AT THE FOREFRONT OF TECHNOLOGY

NORWEGIAN MARINE SAFETY

	2008 £'000	2007 £'000	Change
Revenue	**22,355**	16,843	+32.7%
Adjusted operating profit	**2,805**	1,741	+61.1%
Adjusted operating margin	**12.5%**	10.3%	+2.2%

Sales growth at Hernis has been fuelled by continued growth in demand from energy companies' investment in on-shore pipelines and off-shore floating rigs, coupled with continuous growth in the marine market, particularly drill ships. Growth in demand, accelerating delivery times and continuous cost-containment drove a further increase in operating profits.

Hernis pioneered the integration of intrinsically safe marine and offshore CCTV with other systems including process control, fire, gas and intruder alarms. Within the industry, Hernis has achieved class type approval for their explosion proof camera housings that differentiates them by providing quality assurance for their products and systems. This coupled with continuous investment in its products, has built customer loyalty.

Hernis has developed its markets and customer relationships through continuous investment in a network of business partners, supported by regional sales and technical support centres in Singapore, Houston and Brazil. It has, as a result, won approximately 25 per cent of its addressable market for off-shore products and around 10 per cent for its on-shore products. The domestic Norwegian off-shore market for Hernis has been particularly strong; domestic sales represent 20 per cent of the total revenue.

Growth for Hernis in 2008 has come from strong marine and off-shore oil and gas markets. The increasing level of investment in off-shore oil and gas rigs by the major oil companies in 2007 and first half of 2008 has led to an increase in the demand for products and systems for floating rigs and drill ships.

RESEARCH AND DEVELOPMENT

Expenditure on research and development in 2008 was £7.9 million representing 7.9 per cent of revenues, compared with £5.8m in 2007 which represented 5.8 per cent of revenues. In addition, the Group has capitalised development costs in the year of £2.9 million (2007: £2.8 million). The amortisation of development costs of £1.8 million (2007: £1.1 million) is included in the reported expenditure. In cash terms, the Group spent £9.1 million on R&D, an increase of 19.7 per cent over 2007.

The Group's policy is to invest in new product development at the current level to increase our market share and to maintain our competitive advantage. Following the announcement of the reorganisation of the Group in January 2009, and the appointment of a new Chief Technology Officer from the existing management team, Vislink Technologies is now responsible for the Group's forward technology strategy, designing and developing products to meet the needs of the Business Units and their customers.

The unit has engineering teams focused on the key areas that underpin the Group's secure communications expertise, including particular strengths in the design and development of RF modulation systems, video encoding and networking solutions. Vislink Technologies is a resource for all the Group's Business Units, providing a coordinated product development strategy that takes advantage of their common needs through shared electronics modules, delivering efficiencies in design, manufacture and support. A policy of field upgradability and continuous product improvement ensures the product offerings remain at the forefront of technology and protect our customers' investments.

LONDON COVERED
ITV News is using a motorcycle with Link wireless camera systems and COFDM based terrestrial microwave to create a newsgathering network for rapid response in London. A network of fixed receive sites takes signals directly from wireless cameras, back to the news studio to be used live on air. As the sites are linked together, it is possible to cover large areas of the city.

FINANCIAL REVIEW

The Group's results are summarised as follows:

Year ended December 31	2008 £'000	2007 £'000
Revenue	**101,025**	98,580
Adjusted operating profit	**9,052**	15,797
Impairment of goodwill	**(5,000)**	-
Amortisation of acquired intangibles	**(1,961)**	(1,462)
Share-based payments	**(249)**	(119)
Other exceptional costs	**(977)**	-
Reported operating profit	**865**	14,216
Net finance costs	**(279)**	(245)
Share of loss in associate	**(1)**	(15)
Profit before tax	**585**	13,956
Taxation	**(2,097)**	(5,026)
Profit after tax	**(1,512)**	8,930
Effective tax rate	**31.7%**	35.4%
Basic (loss)/earnings per share	**(1.10p)**	6.47p
Adjusted earnings per share	**4.35p**	7.30p

GOODWILL IMPAIRMENT

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. An impairment review has been undertaken in respect of the goodwill associated with the Advent satellite business. The basis for the review was to assess the strategic plans for the business and to discount the future expected cash flows using the Group's weighted average cost of capital in accordance with IAS 36 "Impairment of Assets". The Board considered the estimated discounted cash flows for the Advent satellite operation from the business plan for the next two years and the Group's strategic plan for the following three years. The Board also reviewed the performance of the Advent business in 2008 against the prior year projections used in the impairment review undertaken the previous year. Having reviewed all the relevant calculations and the sensitivities the Board considered that there had been a £5.0 million impairment in the goodwill associated with the Advent business, and the appropriate non-cash charge has been made in the financial statements.

OTHER EXCEPTIONAL COSTS

Other exceptional costs comprise £0.65 million in respect of aborted acquisition costs and £0.33 million in respect of the cost of the compensation benefit package agreed with the retiring Chief Executive.

FINANCE COSTS

The net interest charge for the year was £0.28 million (2007: £0.24 million). Included within the interest charge is £0.16 million (2007: £0.19 million) in respect of the unwinding of the discounting of the deferred consideration associated with the acquisition of Link, WTS and PMR to their present value. Net interest paid in the year was £0.23 million (2007: £nil).

TAXATION

The tax charge for the year was £2.10 million (2007: £5.03 million). The UK current tax charge was £1.33 million (2007: £1.20 million) and the overseas current taxation in the year was £1.32 million (2007: £3.63 million). Overseas taxation represents Norwegian corporation tax on the taxable profits of Hernis and state and federal taxes in respect of the US business. There was a deferred tax credit of £0.55 million (2007: charge of £0.19 million).

The effective tax rate for the year calculated on the adjusted operating profit was 31.7 per cent (2007: 35.4 per cent) compared with the standard UK corporation tax rate applicable during the year of 28.5 per cent (2007: 30 per cent), which reflects the higher tax rate (40 per cent) that is attributable to the proportion of the Group's taxable profits generated in the US. Current tax payable at December 31, 2008 was £1.82 million (2007: £0.78 million) and tax paid in the year was £1.57 million (2007: £5.20 million).

CASH FLOWS

Group cash and cash equivalents was £9.03 million at December 31, 2008 (2007: £7.00 million).

The Group generated net cash from operating activities of £8.63 million in the year (2007: £9.25 million) after a net absorption of working capital of £1.48 million (2007: £3.80 million) primarily as a result of a reduction in trade creditors. A further £0.02 million was generated from the proceeds of the issue of new ordinary shares (2007: £0.08 million).

A GREAT PARTNERSHIP

Skylogic, which is part of Eutelsat, owns some of the world's largest platforms for satellite-based broadband. The company supplies satellite broadband services to users located beyond the range of terrestrial networks on land, sea or in flight. Its operations span Europe, the Middle East and Africa and the Americas. Skylogic is currently constructing a new antenna Teleport at Cagliari, in Sardinia, which will provide internet and data connectivity to rural communities in the region. As prime contractor for the installation, Vislink is providing systems design, project management and installation services to Skylogic on a turnkey basis for the entire project.

Investing activities absorbed £11.61 million of cash (2007: £5.92 million), comprising £6.32 million for the acquisitions of WTS and MARCOM, £2.95 million for capitalised development costs and a net £2.34 million for property, plant, equipment and investments. The acquisition consideration of PMR included a deferred element of £3.41 million ($7.0 million) that can be earned over the period 2009 to 2012, depending on the performance of the business. The acquisitions were financed by utilisation of the existing revolving credit facility by drawing down a loan of £7.86 million.

Dividend payments in the year amounted to £1.73 million (2007: £1.38 million).

Net debt repayments during the year were £3.52 million (2007: £3.26 million), including the payment of £2.50 million of deferred consideration associated with the acquisition of Link (2007: £1.75 million). Group debt at December 31, 2008 comprised secured bank loans of £7.86 million (2007: £1.0 million) and unsecured loan notes of £nil (2007: £2.5 million) in respect of the Link deferred consideration earned.

At December 31, 2008 the Group had net funds of £1.17 million (2007: £3.50 million).

RETURNS TO SHAREHOLDERS

It is the Group's stated strategy to only recommend a final dividend. The Board is recommending that the dividend be maintained at 1.25 pence per share (2007: 1.25 pence). The payment of the dividend will absorb approximately £1.73 million of cash. Subject to the approval of shareholders, the dividend will be paid on July 17, 2009, to those shareholders on the register at June 26, 2009.

FOREIGN CURRENCY RISK

The largest exchange risk to the Group in terms of its reported results lies in the translation of the results of the US business from US dollars to sterling at the average rate ruling for the year. To a lesser extent the Group's results are also affected by the translation of the results of Hernis, our Norwegian business. If the results for the year to December 31, 2007 had been translated at the 2008 rates then the translation impact on revenue would be to increase prior year sales by £7.0 million and operating profits by £0.99 million. The principal exchange rates used by the Group in translating overseas profits and net assets into sterling are set out in the table below.

Rate compared to £ sterling	**Average rate 2008**	Average rate 2007	**Year end rate 2008**	Year end rate 2006
US dollar	**1.85**	2.00	**1.44**	1.99
Norwegian Krone	**10.30**	11.71	**10.08**	10.80

RISK MANAGEMENT

The Board regularly reviews the full range of business risks facing the Group. The approach adopted is to identify, evaluate and manage the likely impact of risk on the Group's business objectives. Where the risks are unavoidable they are managed through business controls and where appropriate through insurance and treasury activities.

The Group has a programme of regular risk assessment, which incorporates internal control reviews of both a financial and non-financial nature. A process of continuous review has been in place throughout the year at an operating company level to consider the risk environment and the effectiveness of controls. The results of reviews, initiatives and progress on implementing control improvements are regularly reported to the Board.

Notes 3 and 4 to the consolidated financial statements contains a review of the financial risks facing the Group together with a review of the critical accounting estimates and judgements used in preparing the consolidated financial statements.

CONNECTING OFFICERS

The City of San Diego, California in partnership with County, State and Federal agencies operates a vast communications network encompassing over 4,500 sq miles all the way to the Mexican border. This area is home to 3.1 million people. This network referred to as the 3C's (Communication, Command and Control), utilises microwave, optical fibre, coaxial and Ethernet technology to transport all aspects of communication. PMR delivered the project requirement of a county-wide expansion of air-to ground video surveillance capabilities and integration into the existing 3C's network.

POST BALANCE SHEET EVENTS

On January 19, 2009, the Group announced that the Company will be organised into four international Business Units, each of which will be focused on the customers we serve. These will be:

- News and Entertainment (which will comprise the electronic newsgathering and entertainment activities of Link, Advent and MRC);
- Law Enforcement and Public Safety (which will combine the surveillance systems activities of PMR which was acquired in 2008, with those of Link, MRC and Advent);
- Marine and Energy (which will build on the current Hernis business); and
- Services (which will combine the services businesses of MRC and Advent with WTS which was acquired in 2007).

Each of these sectors represents attractive markets experiencing steady and sustainable growth with a degree of resilience to the economic cycle. Research, Development and Engineering of the different Group companies will be brought together into one organisation ("Vislink Technologies"), and led by a newly appointed Chief Technology Officer from within the existing management team. Manufacturing and Distribution will be similarly integrated under one organisation ("Vislink Logistics") across the existing locations, whose remit will be to ensure the Business Units benefit from low-cost, flexible manufacturing and improved customer delivery and support.

PRINCIPAL RISKS AND UNCERTAINTIES

FOREIGN EXCHANGE

The Group's exposure to market risk, liquidity risk, credit risk and cash flow interest rate risk remains largely unchanged from the position at December 31, 2007. The Group's principal risks and uncertainties continue to be the impact of foreign exchange rates on margins for non-domestic sales in each of our businesses. The Group mitigates this risk as far as possible through hedging expected foreign exchange receipts. Borrowings for overseas acquisitions have been hedged using our multi-currency revolving credit facility.

The Group is exposed to the translational risk of fluctuations in the value of sterling when translating overseas results and assets back into sterling. The exchange risk to the Group in terms of its reported results lies in the translation of the results of the US business from US dollars to GBP and on the translation of the results of Hernis, the Norwegian business. The Group's accounting policy is to translate the profits and losses of overseas operations using the average exchange rate for the financial year and the net assets and liabilities of overseas subsidiaries at the year end exchange rate. It continues to be the Group's policy not to hedge the foreign currency exposures on the translation of overseas profits or losses and net assets or liabilities to sterling as they are considered to be accounting rather than cash exposures. In the 2008 financial year the net assets of the Group increased by £9.08 million on the translation of foreign currency net investments (2007: £0.63 million) as a result of the strengthening of the US dollar against sterling.

ACQUISITIONS

The Group expects to gain synergies from the integration of the business of MARCOM and PMR, the benefits of which will be seen in 2009. PMR has a number of opportunities in its markets that will enable the Group to establish a stronger Law Enforcement and Public Safety presence worldwide. We also expect to make progress in the penetration of the US defence satcoms market through Advent during 2009 from the more focused approach to the market.

MARKETS

The Group's revenue is generated from its customer capital expenditure budgets. With 55 per cent of revenue generated in North America the Group remains exposed to the US broadcast market in particular. With the decline of revenue from the 2GHz relocation programme the Group is expecting to replace part of those revenues in 2009 with the installation services from WTS and increased revenue from Law Enforcement and Public Safety customers following the acquisition of PMR.

By reorganising the Group around its markets the Group expects to weather the current economic climate through its renewed focus on its existing customers as well as developing new relationships through expanding its presence in Asia and the Middle East. Improving the operational efficiency combined with cost reductions from the rationalisation under taken in January 2009 will help underpin the Group's underlying performance going forward.

Duncan Lewis
Chief Executive

Duncan Lewis

James Trumper
Group Finance Director

J Trumper.

March 25, 2009

360 VISION
In August 2008 the world's first Fixed Offshore Ice-Resistant Offloading Terminal (FOIROT) was installed on the Arctic shelf in the South-Eastern Barents Sea. The Varandey FOIROT is part of the Varandey Oil-Loading Terminal (VOLT) and is intended for all-year-round contact-free mooring and loading of 20,000-70,000 ton tankers with stock-tank oil piped from the nearby onshore facility SOTF. As the Varandey FOIROT loads the first tanker with stock-tank oil, it is all supervised with the help of an advanced HERNIS CCTV system on board the terminal!

THE BOARD

TIMOTHY HUGH SOUTHCOMBE TROTTER BA, FCIPR, FCIM
(NON-EXECUTIVE CHAIRMAN)

Age 50. Joined the Board in December 2000, and became Chairman in May 2007. He was formerly Chairman and Chief Executive of Ludgate Group Limited and Deputy Chairman of Weber Worldwide, a division of Interpublic. He is the Chairman of h2glenfern Limited, non-executive Chairman of Smithfield Consultants Limited, and non-executive Chairman of Flying Brands Limited.

ROBIN BEATHAM HOWE BSC, FCIM
SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 62. Joined the Board in June 2006. He is also Chairman of MetaSphere Ltd and Waterscan Ltd and a director of three other private companies. Previously he was CEO of UDEX Holdings Ltd and headed the Broadcast Systems Division of VITEC Group plc. He has built a career running successful technology businesses.

DUNCAN LEWIS
CHIEF EXECUTIVE

Age 57. Joined the Board in October 2008. Previously he had held the position of Managing Director of Equant, the global data communications business, and Chief Executive of Mercury Communications (now Cable & Wireless UK). Most recently he has been an adviser on telecommunications, media and technology investments at Carlyle, the global private equity group, and non-executive director of several technology companies. Mr Lewis is a non-executive director of Spirent plc.

JAMES RONALD TRUMPER BSC, FCA
GROUP FINANCE DIRECTOR AND COMPANY SECRETARY

Age 48. Joined the Board in January 2000 and was appointed Company Secretary in October 2000. He previously held the positions of Finance Director of the Mitsubishi Electric Corporation PC Division and Group Finance Director of Bluebird Toys plc.

LEONARD GRAHAM MANN BSC, MIEE, CENG
NON-EXECUTIVE DIRECTOR

Age 57. Joined the Board in November 2005 as an executive director and became non-executive from April 2007. He was previously the Group's Chief Technology Officer, having joined the Group in 2005 as Managing Director of Link Research Limited when the business was acquired. He founded Link in 1992 with his brother and was instrumental in the development of the business. Before founding Link he was Managing Director of Cabletime Limited from1982 to1992, after holding a number of senior technology management positions in the electronics industry.

OLIVER BERNARD ELLINGHAM BA, ACA
INDEPENDENT NON-EXECUTIVE DIRECTOR

Age 52. Joined the Board in October 2007. He was previously Head of Corporate Finance for Europe for BNP Paribas for ten years having previously been a Director of Flemings, the investment bank that is now part of JPMorgan. He is a non-executive director of McCarthy & Stone plc and the Notting Hill Housing Trust.

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited consolidated financial statements for the year ended December 31, 2008, which were approved by the directors on March 25, 2009. The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

1. PRINCIPAL ACTIVITIES, FUTURE DEVELOPMENTS AND REVIEW OF THE BUSINESS

The principal activities of the Group are the provision of secure communication to selected markets around the world. The Group specialises in the design and manufacture of microwave radio, satellite transmission, wireless camera and marine CCTV systems and the provision of technical services. An overview of the Group's activities is given on pages 1 to 13 of this Annual Report, which are incorporated in this report by reference.

A review of the Group's trading and an indication of future developments are contained in the Chief Executive's Strategy Review, the Chairman's Statement, and the Operating and Financial Review on pages 10 to 23. Details of turnover and operating profits for each business are contained in note 5 to the consolidated financial statements. The principal subsidiaries that contribute to the profits and net assets of the Group in the year are listed in note 39 to the consolidated financial statements.

2. RESULTS AND DIVIDENDS

The results for the year ended December 31, 2008 are set out in the Consolidated Group Income Statement on page 39. The Group has reported an operating profit of £0.9 million (2007: £14.2 million). After accounting for interest charges the Consolidated Group Income Statement shows a profit before taxation of £0.6 million (2007: £14.0 million). After taxation the loss attributable to shareholders was £1.5 million (2007: profit of £8.9 million).

The directors are recommending a final dividend of 1.25 pence (2007: 1.25 pence) per ordinary share amounting to £1.73 million payable on July 17, 2009 to shareholders on the Company's register at the close of business on June 26, 2009. The shares will be quoted ex-dividend from June 24, 2009.

3. DIRECTORS

The directors of the Company who served during the year are as follows:

THS Trotter (Non-Executive Chairman)
D Lewis (Chief Executive) (Appointed October 1, 2008)
JR Trumper (Group Finance Director and Company Secretary)
RB Howe (Senior Independent Non-Executive Director)
LG Mann (Non-Executive Director)
OB Ellingham (Non-Executive Director)
IH Scott-Gall (Chief Executive) (Retired September 30, 2008)
A Finizio (Executive Director) (Retired December 31, 2008)

Short biographies of each director are provided on pages 24 and 25. Mr RB Howe and Mr LG Mann retire by rotation and, in accordance with the Articles of Association and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

The Company's Articles of Association require any new directors appointed by the Board to retire from office and offer themselves for election by shareholders at the next Annual General Meeting following their appointment. Mr Duncan Lewis was appointed by the Board as Chief Executive and Executive Director with effect from October 1, 2008 and is therefore now seeking election by shareholders.

Details of the directors' service contracts are given in the Directors' Remuneration Report on pages 33 to 37.

Disclosure of the directors' interests in shares, including share options, is also given in the Directors' Remuneration Report. During the year the Group maintained insurance providing liability cover to its directors and officers.

4. MATERIAL INTEREST IN CONTRACTS

Mr LG Mann has a material interest in the Acquisition Agreement between the Company and Link Research Limited. This contract was entered into prior to Mr Mann becoming a director of the Company. The details of the agreement were in the circular sent to all shareholders on January 14, 2005. On February 9, 2005, shareholders approved the acquisition at an Extraordinary General Meeting. Details of amounts due and paid to Mr Mann under the agreement are contained in note 37 to the consolidated financial statements.

There were no other contracts in which any director of the Company had a material interest other than directors' service contracts.

5. SUBSTANTIAL HOLDINGS

The Company is aware of the following substantial holdings in the Company's share capital at the date of this report:

	Number of shares	per cent
Southwind Ltd	15,686,789	11.3
Hermes Investment Management	11,524,490	8.3
JP Morgan Investment Management	9,424,721	6.8
Mr A L R Morton	4,980,921	3.6
Gartmore Investment Management	4,878,163	3.5
Venaglass Limited	4,708,414	3.4
Seraffina Holdings Limited	4,678,189	3.4

6. FIXED ASSETS

In the opinion of the directors the current open market value of the Group's interest in land and buildings exceeds the book value by approximately £1.0 million. There would be no tax liability if the land and buildings were sold at that value.

7. RESEARCH AND DEVELOPMENT

The Group recognises the importance of investing in research and development programmes that result in innovative new products for the Group as well as improvements to existing products. Expenditure on research and development in 2008 amounted to £6.15 million (2007: £4.76 million), excluding amortisation of capitalised costs. In addition development costs of £2.95 million (2007: £2.84 million) were capitalised.

8. FINANCIAL RISK MANAGEMENT

The Group's policies on financial risk management are set out in note 3 to the financial statements.

9. SOCIAL RESPONSIBILITY

The Board takes regular account of the significance of social, environmental and ethical matters. The following specific matters fall under the broad definition of Social Responsibility.

EMPLOYEES

The Group recognises the role that its employees play in its success. Each operating company within the Group has lines of communication in place to ensure that employees are consulted with and kept informed of issues relevant to them. The Chief Executive's weekly letter, staff notices, emails and staff meetings are used to communicate immediate issues to them. In addition the operating companies produce their own newsletters for both internal and external purposes.

The Group provides employees with access to training carried out both within the organisation and on external accredited courses that are relevant to an employee's role and development.

It is the policy of the Group not to discriminate between employees or potential employees with disabilities or on the grounds of age, race, religion, sex or political belief and to offer the same employment opportunities, training, career development and promotion prospects to all.

Applications for employment by disabled persons are always fully considered bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person, so far as possible, be identical with that of other employees.

EMPLOYEE SHARE SCHEME INCENTIVES

Vislink plc operates a number of share-based incentive schemes on an all UK employee and discretionary basis for the benefit of the Group's employees and its senior management. The aim of the share-based incentive schemes is to align the interests of the employees with those of the Company's shareholders. To encourage employee interest and participation in the financial performance of the Group, a Vislink plc Share Incentive Plan was introduced in September 2008 in addition to the existing savings related share option schemes (SAYE) that had been previously introduced.

At December 31, 2008 the Employee Share Ownership Plan (ESOP) held 840,000 (2007: 840,000) shares in the Company representing 0.60 per cent of the issued share capital (2007: 0.60 per cent). The ESOP has waived its rights to receive dividends.

HEALTH AND SAFETY

It is the policy of the Group to ensure the health and welfare of employees by maintaining a safe place and system of work. This policy is based on the requirements of employment legislation, including the Safety, Health and Welfare at Work Act, 1989.

ENVIRONMENTAL MANAGEMENT

The Group is committed to environmental management through a process of continuous improvement. As manufacturers of electronic equipment the Group's businesses are compliant with the latest legislation for the European Union (EU) directives regarding Waste Electrical and Electronic Equipment (WEEE) and the Restriction of Hazardous Substances (RoHS).

During 2008, Advent, our satellite business, has achieved the international environmental management system standard of ISO 14001 for its operations in the UK. This follows on from the successful implementation of ISO 14001 at Hernis in our Norwegian facilities in 2007. Our US factory is registered with the environment agency and has a producer compliance scheme for the recycling of all electrical and electronic waste produced on site. All our businesses are conscious of the need to reduce their waste and carbon footprint through energy management and recycling schemes.

The Group actively encourages all shareholders to contribute towards a greener countryside by registering for our registrar's eTree service under which we dedicate a tree to be planted on each registered shareholder's behalf in a UK reforestation area. This can be accessed through the investor relations page on the Group website at www.vislink.com.

REPORT OF THE DIRECTORS

CREDITOR PAYMENT POLICY

The Group operates a decentralised supplier payment system. It is the Group's policy that payments to suppliers are made in accordance with those terms agreed between each operating company and its suppliers, provided that all trading terms and conditions have been complied with. The aggregate creditor days for the UK subsidiaries is 56 days (2007: 48 days).

The Company is a holding company and has minimal trade purchases; therefore, its numbers of days purchases outstanding is not meaningful.

CHARITABLE AND POLITICAL DONATIONS

The Group made a number of charitable donations in support of local communities totalling £1,850 through its UK and overseas subsidiaries during the year (2007: £8,500). No political donations were made (2007: nil).

10. ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 29 Cloth Fair, London EC1A 7NN on Wednesday May 20, 2009 at 12.00 noon. Share capital resolutions will be proposed at the Annual General Meeting to renew for a further year the directors' authority to allot equity securities for cash other than to existing shareholders on a pro rata basis and to authorise purchases by the Company of its own shares.

An explanation of these Special Business resolutions is given in the accompanying notice of the Annual General Meeting on pages 82 to 86.

11. STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

In the case of the individuals who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- each of the directors has taken all the steps they ought to have taken individually as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

12. INDEPENDENT AUDITORS

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

13. STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare consolidated financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the results of the Group for that period. In preparing the consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the consolidated financial statements comply with IFRS as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the consolidated financial statements.

The directors are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the consolidated financial statements and Directors' Remuneration Report comply with the Companies Act 1985 and, as regards to the Group financial statements, Article 4 of IAS regulations. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are also responsible for the maintenance and integrity of the Vislink plc website. Legislation in the United Kingdom governing the preparation and dissemination of consolidated financial statements may differ from legislation in other jurisdictions.

By order of the Board

JR Trumper
Company Secretary

March 25, 2009

CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that high standards of corporate governance are maintained throughout the Group and has a formal corporate governance policy in place that clarifies the Group's position on all significant matters. The Board believes that maintaining high standards in this area is a fundamental part of discharging its responsibility for leading, controlling, protecting and growing the value of the Group for shareholders.

This report shows how the principles of corporate governance contained in the Combined Code on Corporate Governance, which is appended to the Listing Rules of the Financial Services Authority ("the Combined Code 2003") have been applied to the Group. The Board has also adopted the requirements of the revised Code that was issued in June 2006 and applies to reporting periods commencing after November 1, 2006. References to the Combined Code below refer to both the Combined Code (2003) and the Combined Code (2006). For the purpose of applying the 2006 Code the Group qualifies as a smaller company.

STATEMENT OF COMPLIANCE WITH THE COMBINED CODE

Throughout the year ended December 31, 2008 the Group has been in compliance with the Combined Code of provisions on Corporate Governance except for the matters referred to below.

Tim Trotter, the Group's Chairman, was a member of the Audit Committee up until May 21, 2008. Notwithstanding the provisions of the Combined Code the Board was entirely satisfied as to his independence whilst serving on the Committee, as he had no day-to-day involvement in the business and brought wholly independent judgement to the Committee. However the Group has followed the recommendation of the Code and realigned the composition of the Audit Committee accordingly.

Further explanation of how the principles have been applied is set out below and, in connection with directors' remuneration, in the Directors' Remuneration Report on pages 33 to 37.

DIRECTORS

BOARD EFFECTIVENESS

During the 2008 financial year the Board comprised of a non-executive Chairman, three executive directors, two independent non-executive directors and a non-independent non-executive director. The size of the Board and the balance between executives and non-executives is considered to be appropriate to the Company's size and scope of activities and provides for effective operation.

A schedule of formal meetings of the Board, Audit Committee, Remuneration and Nomination Committee is arranged each year in line with the Company's management reporting, and interim and annual reporting cycles. During the year the Board met formally eleven times. Attendance at meetings was as follows:

	Board (11 meetings)	Audit (3 meetings)	Remuneration (5 meetings)	Nomination (1 meeting)
Tim Trotter	11	3 (note 1)	5	1
Duncan Lewis (note 3) (Appointed October 1, 2008)	2	–	–	–
Robin Howe	11	3	5	1
James Trumper	11	3 (note 2)	–	1 (note 2)
Len Mann	11	–	–	1
Oliver Ellingham	10	2	4	1
Ian Scott-Gall (note 3) (Retired September 30, 2008)	9	3 (note 2)	5 (note 2)	1
Tony Finizio (note 3) (Retired December 31, 2008)	11	–	–	–

Note 1: Attended the first two meetings of the year; in attendance for part of the third meeting.

Note 2: In attendance for part of the meeting.

Note 3: Duncan Lewis was appointed during the year and has attended all meetings since his appointment. Ian Scott-Gall and Tony Finizio attended all meetings up to their retirement.

In addition to the formal schedule of meetings the Board held discussions with executive directors and senior operational managers on strategy, business development and other topics important to the Group's progress.

The Chairman is responsible for the running of the Board. Through the executive management he ensures that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. The Chief Executive's responsibilities focus on co-ordinating the Company's business and implementing Group strategy as set by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with. All directors are able to take independent professional advice in furtherance of their duties if necessary and have access to the Company Secretary.

CORPORATE GOVERNANCE STATEMENT

The Board has a formal schedule of matters reserved to it. It is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financial matters. It monitors the exposure to key business risks and reviews the strategic direction of individual trading subsidiaries, their codes of conduct, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes. The Board also considers environmental and employee issues, Board and key appointments. It ensures that all directors receive appropriate training on appointment and then subsequently as appropriate.

In accordance with the Company's Articles of Association, all directors are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one third of the directors are subject to re-election by rotation at each Annual General Meeting.

Biographical details of the directors are set out on pages 24 and 25.

The Board has established three permanent committees, the Audit Committee, the Nomination Committee and the Remuneration Committee. These operate within defined terms of reference, which are reviewed by the Board annually. Full details of the terms of reference are provided on the Group website at www.vislink.com.

CHAIRMAN AND CHIEF EXECUTIVE

There is a clear division of responsibilities between the running of the Board and the executive responsibility for running the Group's businesses. The Company is in compliance with Combined Code by separating the roles of Chairman and Chief Executive. The Chairman met the independence criteria on his appointment.

BOARD BALANCE AND INDEPENDENCE

The recognised senior independent non-executive director is Robin Howe. The Board has a second independent non-executive director in Oliver Ellingham in order to retain the appropriate Board balance. Len Mann is not considered to be independent because he previously served as an executive director.

BOARD PERFORMANCE EVALUATION

The recognised senior independent non-executive director, Robin Howe, has undertaken a formal review of the operation of the Board and its Committees. This has included individual discussions with the executive directors and the Chairman. His findings and recommendations were reported to the Company Secretary. The evaluation in respect of the period under review found no significant weaknesses in the operation of the Board and its Committees.

RE-ELECTION

As reported in the Directors' Report on page 26, Robin Howe and Len Mann retire by rotation and, in accordance with the Articles of Association and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting. Duncan Lewis was appointed by the Board as a non-executive director with effect from October 1, 2008 and is therefore now seeking election by shareholders.

THE AUDIT COMMITTEE

MEMBERSHIP AND DUTIES

The Audit Committee consists of the two independent non-executive directors under the chairmanship of Oliver Ellingham, the other member being Robin Howe. As a qualified Chartered Accountant Oliver Ellingham has the relevant financial experience as required by the Combined Code. Tim Trotter was also a member of the Committee up to May 21, 2008. The Group Chairman, Chief Executive and Finance Director are normally invited to attend each meeting as are the external auditors, who have direct access to the Chairman of the Committee at all times. The Audit Committee also meets with the external auditors without the presence of executive directors, for independent discussions.

The duties of the Audit Committee include the review of the Group's financial controls and accounting policies, the review of the findings of the external auditors, assisting the Board in ensuring that the published consolidated financial statements give a true and fair view, and in securing reliable internal financial information for decision making.

Any significant non-audit work undertaken by the external auditors is approved by the Audit Committee to ensure that the auditors' independence is not compromised. In addition the Audit Committee reviews the need for an internal audit department at least annually.

ACTIVITIES

The Committee meeting held in February 2008 was principally concerned with the fee proposal from the auditors for a proportion of the assurance work associated with the proposed (and subsequently aborted) acquisition, disclosed in note 6 to the financial statements. The Committee concluded that the fee proposal for non-audit work did not compromise the independence of the auditors.

The Committee meeting held in March 2008 was principally concerned with the draft financial statements for the year ended December 31, 2007, together with the draft preliminary results announcement. The Committee considered the report of the external auditors on the full-year audit, concentrating on issues of judgement and audit focus identified in the audit plan.

The Committee meeting held in August 2008 was principally concerned with the draft interim financial statements for the period ended June 30, 2008, together with the draft interim results announcement. The Committee considered the report of the external auditors on the half-year review, concentrating on key areas of work including the consistency of the application of accounting policies.

At the Board meeting in October 2008 the Finance Director and Audit Committee Chairman reviewed with the Board the plan and approach for the audit for the year ended December 31, 2008. In addition the audit fees for 2008 were agreed, the auditors' independence was reviewed and engagement letters were approved.

THE NOMINATIONS COMMITTEE

The Nomination Committee reviews the structure, size and composition of the Board. It also ensures that there is adequate succession planning in regard to the Board and senior appointments. During the year under review the Committee met to consider the membership of the Board, and was responsible for the appointment of Duncan Lewis as the new Chief Executive, effective from October 1, 2008. The Committee used external consultants to assist in locating suitable candidates for the appointment.

Tim Trotter chairs the Committee. The other members are the non-executive directors and the Chief Executive. The Group Company Secretary also attends the meetings.

THE REMUNERATION COMMITTEE

Robin Howe chairs the Remuneration Committee. Tim Trotter and Oliver Ellingham serve on the Committee. Its responsibilities are to advise upon and make recommendations to the Board on the Group's remuneration policies and, within the framework established by the Board, to recommend the remuneration of the executive directors. The Chief Executive is also invited to attend meetings to discuss remuneration packages and bonus schemes for senior executives within the Group.

DIRECTORS' REMUNERATION

The Remuneration Committee will measure the performance of the executive directors and key members of senior management as a prelude to recommending their annual remuneration, bonus awards and share plan awards to the Board for final determination. The remuneration of the non-executive directors is recommended by the executive directors and takes account of the time spent on Board and Committee matters. The Board as a whole will make the final determination but no director plays a part in any discussion about his own remuneration. The Committee may consult the Chief Executive about its proposals and has access to professional advice from inside and outside the Company.

The Group's compliance with the requirements of the Combined Code are detailed further in the Directors' remuneration report as set out on pages 33 to 37.

RELATIONS WITH SHAREHOLDERS

The Board welcomes enquiries from both institutional and private investors throughout the year and responds quickly either verbally or in writing to queries received from both. The Chief Executive and the Group Finance Director meet at regular intervals with institutional investors to discuss the Group's performance and objectives. The Chairman, non-executive directors and other executive directors are available to attend meetings with shareholders if they are requested to do so.

The Group, via its website at www.vislink.com provides up to date information on the Company and its operating subsidiaries, including all stock exchange announcements and downloadable copies of the most recent report and accounts and interim statements. The website also provides a communication channel to the Group via email. Shareholders may now elect to receive all shareholder documents electronically by registering with the Group's registrars.

The Company uses its Annual General Meeting as an opportunity to communicate with its shareholders and encourages their participation. As in previous years, it is the intention of the Board to incorporate a presentation reviewing the Group's objectives and strategy, followed by a question and answer session with members of the Board at the next Annual General Meeting on May 20, 2009. The notice of the Annual General Meeting is sent to shareholders at least 20 working days in advance of the date of the meeting and contains details of the separate resolutions that are proposed for shareholder approval. The notice of the Annual General Meeting is set out on page 82.

FINANCIAL REPORTING

Reviews of the performance and financial position of the Group are included in the Chief Executive's Strategy Review, the Chairman's Statement, and the Business and Financial Review on pages 10 to 23. The Board uses these, together with the Report of the directors on page 26, to present a balanced and understandable assessment of the Group's position and prospects.

The directors' responsibilities in respect of the consolidated financial statements are described in the Report of the directors on page 28.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Group has an internal control system in place, in line with the Turnbull guidance, which is designed to protect shareholders' investments by safeguarding the assets of the Group and facilitating its efficient operation. The Board considers that strong internal controls are integral to the sound management of the Group, and it is committed to maintaining strict financial, operational and risk management control over all its activities.

The directors are 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 provide only reasonable and not absolute assurance against material misstatement or loss. There is an ongoing process for identifying, evaluating and managing risks that are faced by the Group through the management reporting structures, which have been in place during 2008 and up to the date of approval of the Annual Report and Accounts.

The Board regularly reviews the strategy for the Group together with its medium term objectives. A risk assessment has been undertaken relative to these objectives to ensure that there are appropriate controls and reporting mechanisms in place in order that the Board can manage the risk of failing to meet these objectives.

The Board has reviewed the effectiveness of the system of internal control for the period covered by the accounts in accordance with the requirements of the Combined Code. During the year no significant weaknesses have been found.

The key elements of internal control within the Group to monitor the key risks are described below.

CORPORATE GOVERNANCE STATEMENT

CONTROL ENVIRONMENT

There is a clear organisation structure in place, levels of authority are well defined and responsibility for operational control of the overseas subsidiaries is delegated to local general managers. Whilst management guidelines and a comprehensive management reporting package are in place for all subsidiaries, the Group also monitors these controls by a number of means including regular internal review.

IDENTIFICATION AND EVALUATION OF RISKS AND CONTROL OBJECTIVES

The Board has the primary responsibility for identifying and evaluating the major risks facing the Group and developing appropriate policies and procedures to manage them. It identifies the key risks faced by the Group, and delegates responsibility for managing those risks to senior management. The effectiveness of the risk control procedures in place is reported at least annually to the Board.

FINANCIAL REPORTING

The Group operates a comprehensive budgeting, financial reporting and forecasting system. Each subsidiary is required to complete divisional management accounts on a monthly basis which compare actual results with budget and with prior year results, these are reviewed at both executive and board level meetings to ensure that variances and discrepancies are identified on a timely basis. Towards the end of each financial year the operating businesses prepare budgets for the following year. The Board reviews budgets before they are formally adopted. The Group reports to its shareholders at the half year and full year ends as well as through Interim Management Statements.

MAIN CONTROL PROCEDURES

There are a number of key control procedures in place that are reviewed on an annual basis by the Board. These cover the key risks faced by the Group and are predominantly of an operational and financial nature.

MONITORING SYSTEMS USED BY THE BOARD

The Group finance department consolidates and monitors the Group information monthly, and a full financial review is presented at each Board meeting, accompanied by relevant divisional and Group accounts and appropriate Key Performance Indicators for each subsidiary. Each Group company compiles forecasts of profits and cash flows reflecting their current expectations, which are also monitored by the Board. In addition the Board considers the following matters:

- **Commercial risk.** All significant commercial contracts are reported to the Board and are controlled by the use of appropriate vetting processes and authorisation levels.
- **Investment appraisal.** The Group has a clearly defined framework for controlling and reporting acquisitions, disposals and capital expenditure including the use of appropriate authorisation levels.
- **Legal matters.** Significant litigation and legal matters are reported to the Board.
- **Operating business financial controls.** The executive has defined the financial controls and procedures that each operating business is required to comply with. Key controls over major business risks include reviews against key performance indicators and exception reporting. The operating businesses make periodic assessments of their exposure to major business risks and the extent to which these risks are controlled. These are reviewed by the executive and reported to the Board.
- **Strategic planning.** The executive management are responsible for keeping the Board appraised of the Group strategy. The Board reviews strategic plans as part of the ongoing business planning process.
- **Computer systems.** Much of the Group's financial management information is processed by and stored on computer systems. Accordingly the Group has established controls and procedures over the security of data held on computer systems.
- **Internal Audit.** The Group does not have an internal audit function although the head office team fulfils some functions of an internal audit department and has undertaken internal audit work throughout the financial year. The directors believe the Group falls into the category of small for this purpose. The Audit Committee reviews the need for an internal audit department at least annually.

GOING CONCERN

The directors confirm that, after making enquiries, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated financial statements.

By order of the Board

JR Trumper
Company Secretary

JTrumper

March 25, 2009

DIRECTORS' REMUNERATION REPORT

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985 ("the Act") and also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors' remuneration. As required by the Act, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the consolidated financial statements will be approved.

The Act requires the auditors to report to the Company's members on the "auditable part" of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Act. The report has therefore been divided into separate sections for the audited and unaudited information.

UNAUDITED INFORMATION

REMUNERATION COMMITTEE

The Company has a Remuneration Committee, which is constituted in accordance with the recommendations of the Combined Code. The current members of the Remuneration Committee are Robin Howe, who chairs the Committee, Tim Trotter and Oliver Ellingham who are independent non-executive directors.

No member of the Committee has any personal financial interest (other than as a shareholder), conflicts of interest arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No director plays any part in discussions about his own remuneration.

The Remuneration Committee has access to both internal and external advice including, where appropriate, information on the remuneration of similar executives in comparable organisations.

REMUNERATION POLICY

It is the policy of the Board to ensure that remuneration packages offered to executive directors and senior management are designed to be competitive to attract, motivate and retain executives of the high calibre needed for the long term development of the Group and to reward them for enhancing value to shareholders.

There are four main elements of the remuneration package for executive directors and senior management:

- Basic annual salary (including directors' fees) and benefits;
- Annual bonus payments;
- Share incentive schemes; and
- Pension arrangements.

The Group's policy is that a substantial and increasing proportion of the remuneration of executive directors and senior management should be performance related. As described below, executive directors and senior management may earn annual incentive payments in addition to their basic salary together with the benefits of participation in share incentive scheme arrangements.

Following a period of consultation with its principal shareholders and main shareholder representative bodies in the course of 2007, the Committee proposed three new incentive schemes to shareholders in a circular dated February 21, 2008. At a General Meeting held on March 7, 2008 all three proposals were approved by shareholders.

The proposals comprised the creation of the following:

- A Long-Term Incentive Plan ("LTIP") – a share plan under which conditional awards (or nil-cost options) of shares with performance conditions attached are made at no cost to participants.
- A Share Incentive Plan ("SIP") – a share plan under which all employees can purchase shares which, subject to the retention of those shares and continued employment with the Company for three years, will be matched by the Company.
- A US Share Purchase Plan – an employee share purchase plan established as a sub-plan to the SIP that will allow US employees to participate on similar terms to their UK counterparts.

The Remuneration Committee has kept these incentives under review throughout the past year, and has in particular re-considered them in the light of the re-direction of the company announced on January 19, 2009 following the appointment of Duncan Lewis as Chief Executive.

BASIC SALARY AND BENEFITS

Each executive director's basic salary and benefits are reviewed annually having regard to performance and are intended to be competitive but fair using information provided from both internal and external sources. Whilst salaries will continue to be benchmarked against an appropriate peer group by the Remuneration Committee's advisors, the Committee intends in future that basic salaries should normally be increased by not more than the rate of inflation each year whilst progressively increasing the performance related element of pay. Benefits include the provision of a car allowance, private medical insurance, life assurance and permanent health insurance.

Ian Scott-Gall's salary of £240,000 was set on April 1, 2008. Mr Scott-Gall retired from the company on September 30, 2008, and in fulfilment of his contract with the Group, Mr Scott-Gall received £300,028 compensation for loss of office. Duncan Lewis was appointed Chief Executive on October 1, 2008 on an annual salary of £280,000, which will not be reviewed until April 1, 2010. James Trumper's current salary of £160,000 was set on April 1, 2008 and will increase to £175,000 per annum with effect from April 1, 2009 which recognises his extended responsibilities in the new organisation. Mr Tony Finizio retired from the Board and left the Group on December 31, 2008. Mr Finizio received an annual salary of US$360,000 in respect of his position as Chief Operating Officer of the US businesses with effect from April 1, 2008. Mr Finizio was not entitled to any additional remuneration or a director's fee in respect of his position as a director of the Company.

The Chief Executive recommends the salaries of senior managers to the Remuneration Committee. These are also benchmarked against an appropriate peer group, and will be subject to the same cost-of-living increase constraints as the executive directors in the future. The amount of performance related pay would also increase over time.

DIRECTORS' REMUNERATION REPORT

PERFORMANCE RELATED BONUS

The Remuneration Committee establishes the objectives that must be met for each financial year for a cash bonus to be paid. Bonus parameters address the financial performance of the Group as well as key goals and strategic objectives. The executive directors are entitled to an annual bonus agreed by the Remuneration Committee. The bonus is capped at 100% of basic annual salary.

For the financial year beginning January 1, 2008 the cash bonuses earned were based on two criteria set by the Committee, subject to a maximum award of 100% of basic annual salary, as follows:

- A bonus of up to 50 per cent of basic annual salary based on satisfying earnings per share growth targets;
- A bonus of up to 50 per cent of basic annual salary based on satisfying revenue growth targets.

For the year under review James Trumper was awarded performance related bonuses of £25,156, Tony Finizio US$56,602. Duncan Lewis was awarded £11,006 on the same performance criteria, the bonus being pro rata to the length of service in 2008.

Following the reorganisation of the Company that was announced on January 19, 2009, the Remuneration Committee agreed that in 2009, senior managers could earn up to 60 per cent of their base salaries as performance related bonuses. Bonuses are only payable if the Group achieves certain clearly defined performance targets relating to revenue, gross margin, operating profit and cash, and each participant in turn achieves specific objectives supporting the implementation of the Company's strategy.

SHARE OPTIONS

The Group has historically operated both an Inland Revenue Approved Share Option Scheme and an Unapproved Share Option Scheme. The Group's historic policy was to grant options to executive directors and senior management at the discretion of the Committee taking into account individual performance and according to their position in the Group. Generally, it was the Group's policy to phase the granting of share options rather than to award them in a single block to any individual.

The exercise of options granted to current executive directors under the scheme are not dependent upon performance criteria, since the options were awarded as an incentive or for individual past performance. Details of total options granted during the year can be found in note 27 to the consolidated financial statements.

The Group also operates an Inland Revenue Approved Sharesave Scheme open to eligible employees (including executive directors) in the United Kingdom who have worked for the Group for a minimum qualifying period and agree to save a fixed amount for a period of either three or five years under an approved savings contract. Inland Revenue rules limit the maximum amount that can be saved by a participant to £250 per month. Options in normal circumstances are exercisable for six months following the completion of the savings contract utilising the proceeds of the contract.

As referred to above, the Group also introduced a Share Incentive Plan (SIP) during the year for all qualifying employees. Under the scheme employees can invest a maximum of £1,500 (or local current equivalent) of their salary a year in Company shares and receive awards of matching shares currently at the ratio of one matching share for every employee share purchased, provided that they remain employed by the Company for three years and that they retain the shares that they acquired for this period.

LONG-TERM INCENTIVE PLAN (LTIP)

The Group has introduced an LTIP following approval by shareholders on March 7, 2008. This replaced the historic share option plans. Details of the awards made in the year are in note 27 to the financial statements. The principal performance conditions under the scheme for the initial grant were:

- EPS Growth – the initial grant of awards has an EPS growth performance condition which has to be satisfied for the release of 50 per cent of shares subject to the award.
- Comparative TSR – the grant of awards has a comparative TSR performance condition which has to be satisfied for the release of 50 per cent of shares subject to the award.

The table below sets out the performance conditions used in conjunction with the first awards under the LTIP.

	TSR Part of Award (50%)		EPS Part of Award (50%)	
Performance Level	Comparative TSR at the end of Holding Period	Percentage of Award Released	Average EPS Growth (over 3 year Holding Period)	Percentage of Award Released
Threshold	Median	20%*	3%	10%*
Maximum	Upper Quartile	100%*	10%	100%*

*Straight-line release between points.

PENSION ARRANGEMENTS

The Group operates a defined contribution pension scheme and it is the Group's policy that only basic salaries are pensionable for executive directors. For Duncan Lewis and James Trumper the Company contributes 20 per cent of their basic salary. MRC matched Tony Finizio's annual contribution to the MRC 401K pension scheme of US$2,500. For Ian Scott-Gall the Company also contributed 20 per cent of basic salary up to the date of his retirement. There are no pension arrangements for non-executive directors. There are no unfunded pension promises or similar arrangements for current or past directors.

REVIEW OF REMUNERATION POLICY IN THE LIGHT OF THE STRATEGIC REDIRECTION OF THE COMPANY

The Remuneration Committee has reviewed the Company's Remuneration policy in the light of the re-direction of the Company announced on January 19, 2009. Historically, the Company has been run as a holding Company, and senior management remuneration has been tailored to the individual performance targets of each of the Group's individual companies. In the future, the Company will be strategically managed, focused on selling secure communications to selected industrial sectors. As a consequence, the executive directors and the senior management team are collectively responsible for the overall success of the Company, as well as individually responsible for achieving specific performance objectives for their areas of responsibility that will contribute to the total performance of the Group.

Certain marginal changes to remuneration policy have been outlined above, and are summarised here for clarity:

- The Remuneration Committee has reviewed the salaries of senior managers and made adjustments to reflect their new responsibilities and in line with peer groups. The remuneration of James Trumper has been reviewed to take into account his role and responsibilities within the new organisation. The salary of Duncan Lewis will not be reviewed until April 2010.
- In the future, whilst the Remuneration Committee will ask its advisors to keep senior management salaries under review against their peer group and will make adjustments in the event of large disparities in order to retain and recruit the best possible people, base salaries will normally only be increased by the cost of living.
- The amount of performance related pay will form an increasing element of the senior management's pay. In 2009, senior managers will be able to earn up to 60 per cent of their base pay in bonuses for the achievement of specific objectives relating to their areas of responsibility for the implementation of the Company's strategy. However, the bonus potential is only released when the Group as a whole meets certain financial targets in respect of sales, gross margin, operating profit and cash.
- The Group contributes to pensions of senior managers, and pays a car allowance, healthcare and life insurance.
- The Remuneration Committee will have particular regard to the effectiveness of the LTIP in providing an appropriate long-term incentive to senior management of the Company.

PERFORMANCE GRAPH

Vislink shares are quoted within the TechMARK index, and the directors believe that this provides the most appropriate comparative performance measure. The following graph shows the Group's performance, measured by total shareholder return, compared with the performance of the TechMARK. The chart shows the theoretical change in value of a shareholding in the Company over the last five years, assuming that dividends are reinvested to purchase additional units of equity at the closing price on the ex-dividend date.

DIRECTORS' SERVICE CONTRACTS

Duncan Lewis and James Trumper each have a rolling 12-month service contract with the Company, which requires one year's notice for termination. On termination of these executive directors' service contracts there is entitlement to predetermined compensation, linked to annual salary and contractual benefits. Mr Lewis's contract is dated October 1, 2008 and that of Mr Trumper is dated March 23, 2000.

CHANGE OF CONTROL

The Remuneration Committee had previously approved the creation of an Executive Exit Bonus Plan for the executive directors and other senior management in the Group. This scheme was terminated following the approval of the new remuneration policy by shareholders on March 7, 2008.

The Remuneration Committee have approved a Senior Management Bonus Scheme for the senior management of Hernis Scan Systems. The scheme is intended to provide a reward to the senior management of Hernis in the event that Hernis is disposed of to a third party outside of the Group. The bonus pool would be 20% of the capital appreciation in the value of Hernis, after the associated costs of such a sale, above Norwegian krone 96.0million (£9.5 million). The scheme is capped at a gross sale consideration of Norwegian krone 165.0million (£16.4 million) giving a maximum bonus pool of Norwegian krone 13.8 million (£1.4 million). The scheme expires on December 31, 2011.

DIRECTORS' REMUNERATION REPORT

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

Tim Trotter was appointed a non-executive director of the Company by way of a letter of appointment dated December 28, 2000. The initial term of appointment was for a period of five years subject to re-election at annual general meetings of the Company at which he is required to retire by rotation. On March 1, 2005 Mr Trotter's appointment was extended for a second term of five years with effect from January 1, 2005. The contract is subject to a notice period of six months. There is no provision within the contract for compensation for early termination of office.

Robin Howe was appointed a non-executive director of the Company by way of a letter of appointment dated April 4, 2006. The initial term of appointment is for a period of five years from June 1, 2006 subject to re-election at annual general meetings of the Company at which he is required to retire by rotation. There is no provision within the contract for compensation for early termination of office. Len Mann and Oliver Ellingham have similar letters of appointment dated March 27, 2007 and September 26, 2007.

The remuneration of the non-executive directors is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies.

The non-executive directors cannot participate in the Company's share option schemes, do not participate in any performance related bonus schemes and are not eligible to join the Company's pension scheme.

AUDITED INFORMATION

AGGREGATE DIRECTORS' REMUNERATION

Directors' emoluments and pension contributions for the year ended December 31, 2008 were as follows:

	Basic salary and fees £	Performance related bonus £	Benefits £	Emoluments before pension contributions £	Pension contributions £	Compensation for loss of office	**2008 Total £**	2007 Total £
Executive directors								
D Lewis (from October 1, 2008)	70,000	11,006	4,811	85,817	14,000	–	**99,817**	–
J R Trumper	157,500	25,156	17,009	199,665	31,500	–	**231,165**	244,138
I H Scott-Gall (to September 30, 2008)	177,500	–	18,302	195,802	35,500	300,028	**531,330**	370,435
A Finizio (to December 31, 2008)	192,930	30,546	3,805	227,281	1,349	–	**228,630**	229,100
L G Mann (to March 31, 2007)	–	–	–	–	–	–	**–**	30,179
Non-executive directors								
T H S Trotter	60,000	–	–	60,000	–	–	**60,000**	47,500
R B Howe	30,000	–	–	30,000	–	–	**30,000**	29,167
L G Mann (from April 1, 2007)	28,000	–	–	28,000	–	–	**28,000**	21,643
O B Ellingham (from October 1, 2007)	30,000	–	–	30,000	–	–	**30,000**	7,500
	745,930	66,708	43,927	856,565	82,349	300,028	**1,238,942**	979,662

Benefits include the provision of a car allowance and non-cash benefits relating to private medical insurance, life insurance and permanent health insurance for each executive director.

Duncan Lewis received fees of £9,000 in respect of his non-executive directorship, and he was permitted to retain these fees. Ian Scott-Gall received fees of £13,500 (2007: £12,675) in respect of his non-executive directorship, and he was permitted to retain these fees.

Payments totalling £25,000 (2007: £nil) were made during the year to Blackfyne Limited for management consultancy services rendered by Mr Howe outside of his work as a non-executive director during the transition period between Chief Executives.

DIRECTORS' SHARE OPTIONS

Details of share options granted to the executive directors under the Company share option schemes are as follows.

	Date of grant	December 31, 2007	Granted/ (exercised)	Lapsed	December 31, 2008 or date of retirement if earlier	Exercise price	Date from which excercisable	Expiry date
I H Scott-Gall	June 17, 1999	530,000	(60,000)	–	470,000	26.5p	June 17, 2002	June 16, 2009
J R Trumper	April 7,2000	300,000	–	–	300,000	84.0p	April 7,2003	April 6,2010
	April 14, 2005	500,000	–	–	500,000	27.3p	April 14, 2008	April 13, 2015
A Finizio	March 29,2001	40,000	–	–	40,000	52.0p	March 29,2004	March 28,2011
	April 7, 2004	120,000	–	–	120,000	34.5p	April 7, 2007	April 6, 2014
	April 14, 2005	340,000	–	–	340,000	27.3p	April 14, 2008	April 13, 2015

The market price of the share options granted at the date of grant equates to the exercise price as the exercise price was based on the average price for the three days immediately preceding the grant.

On March 28, 2008 Ian Scott-Gall exercised 60,000 options at 26.5 pence. Directors exercised no other options during the year.

The highest and lowest market prices of the shares during the year were 57.25 pence and 15.25 pence respectively. The mid-market price at the year end was 16.0 pence. At the date of this report it was 22.75 pence.

DIRECTORS' INTEREST IN LTIP SHARES

The director's beneficial interest in the LTIP is shown below.

	Award date	Vesting date	Market price of a share on award	December 31, 2007	Awards made in year	Interest at December 31, 2008
D Lewis	October 2, 2008	October 2, 2011	30.5p	–	1,866,666	1,866,666
J R Trumper	April 7, 2008	April 7, 2011	29.8p	–	1,075,630	1,075,630

SHARESAVE SCHEME

The Vislink plc Sharesave Scheme was introduced in 2000 following approval by the shareholders. Details of share options granted to the executive directors under these schemes are as follows:

	Date of grant	December 31, 2007	Granted/ (exercised)	Lapsed	December 31, 2008 or date of retirement if earlier	Exercise price	Date from which excercisable	Expiry Date
I H Scott-Gall	May 20, 2003	121,667	(121,667)	–	–	13.5p	May 20, 2008	November 19, 2008

The remainder of the Remuneration Report is unaudited.

DIRECTORS' INTERESTS IN SHARES

The beneficial and non-beneficial interests of the directors in office at the year end in the share capital of the Company at December 31, 2007 (or date of appointment if later), December 31, 2008 and at the date of this report were as follows:

	Number of shares			LTIP awards		Number of options	
	December 31, 2007 or date of appointment if later	December 31, 2008	Report date	December 31, 2007 or date of appointment if later	December 31, 2008 and report date	December 31, 2007 or date of appointment if later	December 31, 2008 and report date
D Lewis	–	–	–	–	1,866,666	–	–
J R Trumper	316,000	420,690	424,760	–	1,075,630	800,000	800,000
L G Mann	2,405,567	2,405,567	2,405,567	–	–	–	–
T H S Trotter	30,000	30,000	30,000	–	–	–	–
R B Howe	70,000	1,132,578	1,132,578	–	–	–	–
O B Ellingham	100,000	100,000	100,000	–	–	–	–

TRANSACTIONS WITH DIRECTORS

Mr LG Mann has a material interest in the Acquisition Agreement between the Company and Link Research Limited. This contract was entered into prior to Mr Mann becoming a director of the Company. The details of the agreement were in the circular sent to all shareholders on January 14, 2005, and on February 9, 2005, shareholders approved the acquisition at an Extraordinary General Meeting. Details of amounts due and paid to Mr Mann under the agreement are contained in note 37 to the consolidated financial statements.

No director is, or has been, interested in any transaction which is, or was, unusual in its nature or conditions, or significant to the business of the Group other than those referred to above.

SHAREHOLDER APPROVAL OF THE REMUNERATION REPORT

As required by the Companies Act 1985, the Company is proposing an ordinary resolution to its shareholders approving this Remuneration Report.

On behalf of the Board

Robin Howe
Chairman of the Remuneration Committee

March 25, 2009

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF VISLINK PLC

We have audited the Group financial statements of Vislink plc for the year ended December 31, 2008, which comprise the Group Income Statement, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Change in Shareholders' Equity and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Vislink plc for the year ended December 31, 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report and the Group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Group financial statements give a true and fair view and whether the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the Group financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2006) specified for our review by the Listing Rules of the Financial Services Authority, 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 other information contained in the Annual Report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Group financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Group 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 Group 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 Group financial statements.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at December 31, 2008 and of its loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the Group financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
31 Great George Street, Bristol BS1 5QD

March 25, 2009

CONSOLIDATED GROUP INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	2008 £000	2007 £000
Revenue	5	**101,025**	98,580
Cost of sales		**(62,573)**	(58,425)
Gross profit		**38,452**	40,155
Sales and marketing expenses		**(12,107)**	(9,993)
Research and development costs		**(7,901)**	(5,835)
Administrative costs		**(11,353)**	(9,951)
Other expenses		**(6,226)**	(160)
Operating profit	6	**865**	14,216
Operating profit is analysed as:			
Adjusted operating profit		**9,052**	15,797
Amortisation of acquired intangibles		**(1,961)**	(1,462)
Goodwill impairment	12	**(5,000)**	-
Share-based payments	28	**(249)**	(119)
Other exceptional costs	6	**(977)**	-
Finance costs	8	**(494)**	(437)
Investment income	8	**215**	192
Share of loss in associate	15	**(1)**	(15)
Profit before taxation		**585**	13,956
Taxation	9	**(2,097)**	(5,026)
(Loss)/profit for the year being profit attributable to equity shareholders		**(1,512)**	8,930
Earnings per share expressed in pence per share:			
– basic	11	**(1.10)p**	6.47p
– diluted	11	**(1.10)p**	6.44p

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	2008 £000	2007 £000
Opening shareholders' equity		**51,164**	42,963
(Loss)/profit for the financial year		**(1,512)**	8,930
Share options – value of employee services	28	**249**	119
Dividends	10	**(1,726)**	(1,381)
Disposal of investment in own shares		-	19
Acquisition of own shares		-	(169)
Movements in the profit and loss account		**(2,989)**	7,518
Translation difference on foreign currency net investments		**9,082**	627
Shares issued		**17**	56
Total movement in shareholders' equity		**6,110**	8,201
Closing shareholders' equity		**57,274**	51,164

CONSOLIDATED GROUP BALANCE SHEET

AS AT DECEMBER 31, 2008

	Notes	2008 £000	2007 £000
Assets			
Non-current assets			
Goodwill	12	**26,293**	24,370
Intangible assets	13	**14,981**	7,283
Property, plant and equipment	14	**6,972**	5,220
Investment in associates	15	**204**	191
Deferred tax assets	26	**770**	630
		49,220	37,694
Current assets			
Inventories	16	**19,468**	15,847
Trade and other receivables	18	**23,087**	23,682
Derivative financial instruments	24	**-**	25
Cash and cash equivalents	19	**9,032**	7,004
		51,587	46,558
Liabilities			
Current liabilities			
Financial liabilities – borrowings	22	**3**	2,522
Trade and other payables	20	**24,188**	24,040
Current tax liabilities	21	**1,818**	779
Derivative financial instruments	24	**257**	11
Provisions for other liabilities and charges	25	**771**	902
		27,037	28,254
Net current assets		**24,550**	18,304
Non-current liabilities			
Financial liabilities – borrowings	22	**7,864**	1,000
Deferred tax liabilities	26	**2,016**	2,226
Other non-current liabilities	23	**6,026**	1,332
Provisions for other liabilities and charges	25	**590**	276
		16,496	4,834
Net assets		**57,274**	51,164
Shareholders' equity			
Ordinary shares	27	**3,465**	3,463
Share premium account	29	**4,900**	4,885
Merger reserve	30	**30,565**	30,565
Translation reserve	30	**5,843**	(3,239)
Retained earnings	31	**12,501**	15,490
Total shareholders' equity		**57,274**	51,164

The financial statements on pages 39 to 72 were approved by the Board of directors on March 25, 2009 and were signed on its behalf by:

D Lewis
Director

J R Trumper
Director

CONSOLIDATED GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	2008 £000	2007 £000
Cash flow from operating activities			
Cash generated from operations	33	**10,426**	14,451
Interest received		**215**	192
Interest paid		**(446)**	(192)
Taxation paid		**(1,567)**	(5,198)
Net cash generated from operating activities		**8,628**	9,253
Cash flows from investing activities			
Acquisition of subsidiary (net of cash acquired)	34	**(6,318)**	(1,291)
Proceeds from sale of property, plant and equipment		**8**	1
Purchase of property, plant and equipment		**(2,348)**	(1,790)
Expenditure on capitalised development costs		**(2,947)**	(2,839)
Net cash (absorbed by) investing activities		**(11,605)**	(5,919)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**17**	56
Net proceeds from sale of own shares		**–**	19
Acquisition of own shares		**–**	(169)
Repayment of borrowings – finance leases		**(19)**	(9)
Repayment of borrowings – secured		**(1,000)**	(2,500)
Repayment of borrowings – unsecured		**(2,500)**	(1,750)
Net proceeds from issue of new bank loan		**7,864**	1,000
Dividend paid to shareholders		**(1,726)**	(1,381)
Net cash generated from/(absorbed by) financing activities		**2,636**	(4,734)
Net (decrease) in cash and cash equivalents		**(341)**	(1,400)
Effect of foreign exchange rate changes		**2,369**	245
Cash and cash equivalents at 1 January		**7,004**	8,159
Cash and cash equivalents at December 31	19	**9,032**	7,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Vislink plc ("the Company") and its subsidiaries (together "the Group") design and manufacture microwave radio, satellite transmission, wireless camera and marine CCTV systems. Our products provide secure data and video communications to professional television broadcasters, defence law enforcement and security agencies and to the marine, oil and gas industries around the world. The Group has manufacturing subsidiaries in the UK, Norway and the USA.

The Company is a public limited company that is listed on the London Stock Exchange. The Company is registered and domiciled in the UK and its registered office is Marlborough House, Charnham Lane, Hungerford, Berkshire.

The registered number of the Company is 4082188.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the income statement.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

New accounting standards and interpretations have been issued during the year. The Group's approach to these is as follows.

(a) Standards, amendments and interpretations effective in 2008
The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2008 but are not relevant to the Group or the Company's operations, or have no significant impact:

- IFRIC 11, "IFRS 2 – Group and treasury share transactions".
- IFRIC 12, "Service concession arrangements".
- IFRIC 14, "IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction".

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group
The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning January 1, 2008 and have not been early adopted:

- IFRS 8, "Operating segments", effective for annual periods beginning on or after January 1, 2009. IFRS 8 replaces IAS 14, "Segment reporting", and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail, but it appears likely that the number of reported segments may increase in line with the Group's new organisational structure.
- IAS 23 (amendment), "Borrowing costs", effective for annual periods beginning on or after January 1, 2009. This amendment is not relevant to the Group.
- IFRS 2 (amendment) "Share-based payment", effective for annual periods beginning on or after January 1, 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's SAYE schemes.
- IFRS 3 (amendment), "Business combinations" and consequential amendments to IAS 27, "Consolidated and separate financial statements", IAS 28, "Investments in associates" and IAS 31, "Interests in joint ventures", effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after July 1, 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group. The Group does not have any joint ventures.
- IAS 1 (amendment), "Presentation of financial statements", effective for annual periods beginning on or after January 1, 2009. Management is in the process of developing pro forma accounts under the revised disclosure requirements of this standard.
- IAS 32 (amendment), "Financial instruments: presentation", and consequential amendments to IAS 1, "Presentation of financial statements", effective for annual periods beginning on or after January 1, 2009. This is not relevant to the Group, as the Group does not have any puttable instruments.
- IFRIC 13, "Customer loyalty programmes", effective for annual periods beginning on or after July 1, 2008. This is not relevant to the Group, as the Group does not have any customer loyalty programmes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

BASIS OF CONSOLIDATION

(a) Subsidiaries

The Group consolidated financial statements include the results of the Company and its subsidiary undertakings. Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than 50 per cent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

The financial statements of the subsidiaries and the Company are prepared for the same reporting year as the Group, in accordance with UK Generally Accepted Accounting Principles (UK GAAP). Adjustments are made on consolidation to bring into line any dissimilar accounting policies that may exist.

(b) Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights.

The results and assets and liabilities of the associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of identifiable net assets of the associate at the date of acquisition is recognised as goodwill.

SEGMENTAL REPORTING

The Group's internal organisational and management structure and its system of internal financial reporting to the Board of Directors is based on the geographical location of its businesses where its products are produced and its service delivery activities are based. These comprise three regions, the United Kingdom (UK), the United States of America (US) and Norway. The UK comprises the businesses of Advent Communications (satellite products), CML International Projects and the wireless camera systems of Link Research. The US comprises the microwave radio broadcast business of MRC, the microwave business of PMR, and the technical services business of WTS. Norway comprises the marine CCTV business of Hernis. These businesses comprise the basis for the Group's primary segmental reporting.

Segment revenue, expenses and results include transactions between businesses. Such transactions are accounted for at competitive market prices charged to unaffiliated customers for similar products. Inter-segmental transactions are eliminated on consolidation.

Secondary segmental reporting is provided by reference to revenue by product category and markets.

FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in pounds sterling (GBP), which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions in the Company and its subsidiaries are translated into their functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Other monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and other non-monetary assets at the exchange rates ruling at the dates of the transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Group companies
Trading results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate of exchange prevailing at the balance sheet date;
- income and expenditure for each income statement are translated at the average rates of exchange prevailing during the year; and
- all resulting exchange differences arising from restatement of the opening balance sheets and trading results of overseas subsidiaries are recognised as a separate component of shareholders equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

INTANGIBLE ASSETS

(a) Goodwill
Goodwill represents the excess of the fair value of the purchase consideration for the interest in subsidiary undertakings over the fair value to the Group of the net tangible and intangible assets and any contingent liabilities acquired. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is allocated to each business segment within the Group's segmental reporting.

Goodwill in associates is included in "investments in associates" and is tested for impairment as part of the overall balance.

Prior to January 1, 1997, goodwill was written off to reserves in the year of acquisition. Goodwill arising after January 1, 1997 was amortised over its estimated useful life; under IFRS such amortisation ceased on December 31, 2003. Since January 1, 2004 it has been subject to impairment reviews as above.

(b) Acquired intangibles
Intangible assets acquired as part of business combinations are capitalised at fair value at the date of acquisition. Following the initial recognition, the carrying amount of an intangible asset is its cost less accumulated amortisation and any accumulated impairment losses. Amortisation is charged on the basis of the estimated useful life and the expense is taken to the income statement (note 13).

(c) Research and development costs
Research expenditure is written off as incurred.

Where development expenditure meets the criteria for capitalisation as set out in IAS 38 "Intangible Assets" the costs are capitalised and amortised over its useful economic life from the date of commercial manufacture of the product. The key eligibility criteria for capitalisation relate to:

- The identification of development costs. In general the Group's research and development activities are closely inter-related and it is not until the technical feasibility of a product can be determined with reasonable certainty that development costs are separately identifiable; and
- The generation of future economic benefit. Intangible assets are not recognised unless the resultant product is expected to generate future economic benefit in excess of the amount capitalised.

Development costs are amortised over the estimated useful life of the products with which they are associated. Amortisation commences when a new product is in commercial production. The average amortisation period is three years. If a product becomes unviable the deferred development costs are written off.

INVESTMENTS

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently they are reviewed for impairment on an individual basis, if events or changes in circumstances indicate the carrying value may not be fully recoverable.

PROPERTY, PLANT AND EQUIPMENT

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is calculated in order to write off the cost of property plant and equipment, other than land, over their estimated useful lives by equal annual instalments using the following rates:

Freehold and long leasehold buildings	2%
Leasehold improvements	The remaining term of the lease
Plant, tools, test and computer equipment	10% – 33%
Fixtures and fittings	10%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

LEASES

Operating leases are leases where the risks and rewards of ownership are retained by the lessor. Rentals payable under operating leases are charged to the income statement on a straight-line basis.

CONSTRUCTION CONTRACTS

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

INVENTORY AND WORK IN PROGRESS

Inventory is stated at the lower of cost and net realisable value. Cost is based on normal levels of cost and activity and comprises cost of purchase and, where applicable, cost of conversion to current condition. Cost of purchase includes charges such as freight or duty where appropriate. Cost of conversion includes direct labour, direct expenses and fixed and variable production overhead expenditure.

Net realisable value comprises the actual or estimated selling price (net of trade but before settlement discounts), less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution.

Work in progress is stated net of amounts taken to cost of sales under long term contracts. The amount by which turnover exceeds a payment received on account is included in debtors as amounts recoverable on long term contracts. Payments on account in excess of work in progress are included in creditors as payments received on account.

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value, being the original invoice amount, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor and default or delinquency in payments (more than 30 days overdue) are considered indicators that a trade receivable is impaired. The amount of the provision is the difference between the asset's carrying value and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within "sales and marketing costs". When a trade receivable is uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against "sales and marketing costs" within the income statement.

CASH AND CASH EQUIVALENTS

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of less than three months, reduced by overdrafts to the extent that there is a right of offset against other cash balances.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short term deposits as defined above net of outstanding bank overdrafts.

SHARE CAPITAL

Ordinary shares are classified as equity. Proceeds in excess of the nominal value of shares issued are allocated to the share premium account and are also classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are deducted from the share premium account.

Where shares are issued in part or full consideration for the acquisition of more than 90 per cent of the issued share capital of another company, the excess of value attributed to the shares over the nominal value of shares issued is allocated to the merger reserve. The merger reserve is also classified as equity.

Where any group company purchases the Company's equity share capital (treasury shares) the consideration paid, including any directly attributable incremental costs is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are reissued, any consideration received, net of any directly attributable incremental transaction costs, is included in equity attributable to the Company's equity holders.

TRADE PAYABLES

Trade payables are recognised at fair value. Payables are discounted to their present value using the effective interest method only where the impact is significant.

BORROWINGS

Borrowings are recognised at the fair value of proceeds received. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed in the income statement under the heading "finance costs". Arrangement and facility fees together with bank charges are charged to the income statement under the heading "administrative costs".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

CURRENT AND DEFERRED TAXATION

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred corporation tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be suitable taxable profits against which the future reversal of the underlying temporary differences can be deducted. The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred corporation tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted at the balance sheet date.

EMPLOYEE BENEFITS

(a) Pension obligations
The Group employees are members of defined contribution money purchase schemes where the obligations of Group companies are charged to the profit and loss account as they are incurred. The Group has no further obligations once the contributions have been paid.

(b) Share-based compensation
The Group operates a number of equity-settled, share-based compensation plans. The fair value of employee share plans is calculated using an option-pricing model. In accordance with IFRS 2 "Share-based payments" the resulting cost is charged to the income statement over the vesting period of the plans. The value of the charge is adjusted to reflect the expected and actual levels of options vesting.

(c) Employee Share Ownership Plan
The Group's Employee Share Ownership Plan (ESOP) is a separately administered trust. The Company guarantees liabilities of the ESOP, and the assets of the ESOP mainly comprise shares in the Company. The assets, liabilities, income and costs of the ESOP have been included in the consolidated financial statements of the Group.

PROVISIONS

Provisions are made in respect of residual onerous long leasehold properties where expected future rental costs are in excess of expected income from subletting.

Provision is made for product warranty claims to the extent that the Group has a current obligation under warranties given. Warranty accruals are based on historic warranty claims experience. Provisions are discounted to their present value where the impact is significant.

REVENUE RECOGNITION

(a) Sale of goods and services
Revenue represents net amounts receivable from outside customers for goods sold by Group companies in the ordinary course of business and excluding value added tax. Sales are recognised in accordance with IAS 18 "Revenue", when the significant risks and rewards of ownership of the goods are transferred to the customer, the sales price agreed and the receipt of payment can be assured.

Long term contracts are recognised in revenue on the basis of the sales value of work performed during the year by reference to expenditure to date as a percentage of total expected costs to complete on a contract-by-contract basis.

(b) Interest income
Interest income is recognised on a time apportionment basis.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses forward foreign currency contracts and currency swaps to reduce its exposure to foreign exchange rates. These financial instruments are recognised as assets and liabilities measured at their fair values at the balance sheet date. Any changes in fair value are charged to the profit and loss account.

The Group's policy prohibits the use of derivatives for speculation. The Group does not hold or issue financial instruments for trading purposes.

None of the Group's derivative contracts qualify for hedge accounting and are valued (i.e. by marking to market) at the balance sheet date and any resulting profits or losses are taken to the income statement.

3. FINANCIAL RISK MANAGEMENT

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (currency risk and cash flow interest rate risk) credit and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise the potential adverse effects on the Group's financial performance.

Risk management policy is carried out through a central treasury function within the executive management team at the Group's head office. The treasury function identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management whilst the central treasury function provides specific policy guidance for the operating units in terms of managing foreign exchange risk, credit risk, cash and liquidity management and the use of hedging instruments.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily between the US dollar and GBP and to a lesser extent between the Norwegian Krone and GBP. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

At a transactional level the UK business units have a broadly neutral exposure to foreign currency transactions, in that their revenues in Euros and US dollars match their purchases. Foreign currency bank accounts are maintained to minimise exchange risk by trading currencies into sterling only when forecast surpluses or deficits are expected to arise. Hernis, the Group's Norwegian subsidiary has a net exposure to revenues in US dollars and enters into forward contracts to fix its income from predicted future currency inflows. Approximately 35% of Hernis' sales are in US dollars. The US business of MRC has an exposure to purchases from the UK subsidiaries in GBP. Approximately 35% of MRC's cost of goods sold comes from its fellow subsidiaries in the UK. The flow of cash from MRC to the UK businesses is managed by central treasury through forward contracts and swaps in order to minimise the risk to both MRC and the Group.

The exchange risk to the Group in terms of its reported results lies in the translation of the results of the US business from US dollars to GBP and to a lesser extent on the translation of the results of Hernis, the Norwegian business. The Group's accounting policy is to translate the profits and losses of overseas operations using the average exchange rate for the financial year and the net assets and liabilities of overseas subsidiaries at the year end exchange rate. It continues to be the Group's policy not to hedge the foreign currency exposures on the translation of overseas profits or losses and net assets or liabilities to sterling as they are considered to be accounting rather than cash exposures.

The principal exchange rates used by the Group in translating overseas profits and net assets into GBP are set out in the table below.

Rate compared to GBP	**Average rate 2008**	Average rate 2007	**Year end rate 2008**	Year end rate, 2007
US dollar	**1.85**	2.00	**1.44**	1.99
Norwegian Krone	**10.33**	11.72	**10.08**	10.80

If the average rate for the US dollar was 5 cents (2.7%) lower against the GBP with all other variables held constant, pre tax profits for the year would have been £72,000 lower (2007 lower by £216,000) as a result of foreign exchange losses on translation of US dollar denominated profits and GBP based liabilities in the books of US subsidiaries. Profit is less sensitive in 2008 than in 2007 due to the lower level of dollar denominated trading. If the year end US dollar was 5 cents (3.5%) lower against the GBP equity would have been £782,000 lower (2007: £401,000 lower) due to foreign exchange losses on the translation of the net investments in dollar denominated overseas operations.

(ii) Cash flow and interest rate risk

The Group has no significant interest bearing assets; the Group's income and operating cash flows are substantially independent of changes in market interest rates.

At December 31, 2008 the undrawn balance on the three-year revolving credit facility was £9.1 million. The loan represents the Group's most significant exposure to interest rate risk. The Board reviews and agrees the policy for managing interest rate risk, and the policies have not changed during the financial year or since. Full details of the Group's borrowings are given in note 22 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. FINANCIAL RISK MANAGEMENT CONTINUED

Had the average interest rate been 100 basis points higher or lower in 2008 then the Group's post tax profits would not have been materially different due to the relatively low level of net borrowings during the year.

The Group's policy in relation to the finance of its overseas operations requires that sufficient liquid funds be maintained in each of its territory subsidiaries to support short and medium term operational plans. Where necessary short term funding is provided by the holding company. In the UK the working capital bank facility and the management of liquid funds in excess of operational needs are controlled centrally. Typically excess funds are placed as short term deposits, to provide a balance between interest earnings and flexibility.

Where acquisitions overseas are made its is the Group policy to hedge any borrowings required. In the current year the acquisitions of PMR and MARCOM were financed by drawing down £7.86 million (US$11.3 million) on the multi-currency revolving credit facility in US dollars. This loan will be repaid out of cash flows generated in the US.

It is the Group's policy not to trade in financial instruments. The Group does not use interest rate swaps. The Group does not speculate in foreign currencies and no operating company is permitted to take unmatched positions in any foreign currency. The Group will use borrowings in currencies other than GBP where appropriate to specific transactions, such as overseas acquisitions. This policy has been in force throughout the financial year and remains so.

(b) Credit risk
Credit risk arises from the sale of goods and services to customers. It is the Group policy to obtain deposits from customers where possible, particularly overseas customers. In addition the Group will seek confirmed letters of credit for the balances due. The nature of the customer base (for example national TV stations, government procurement agencies) makes the use of credit insurance inappropriate. Credit risk is managed at the operating business unit level and monitored at the Group level to ensure adherence to Group policies.

(c) Liquidity risk
The Group's liquidity risk management policy is to maintain sufficient cash and available funding through an adequate amount of committed credit facilities from its bankers. Due to the dynamic nature of the underlying businesses, central treasury aims to maintain flexibility in funding by keeping committed credit lines available, as disclosed in note 24.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other businesses the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is the sum of net debt plus equity.

The Group is currently ungeared, having net cash. It is the stated strategy of the Group to grow both organically and through acquisition. Acquisitions would be funded through an appropriate combination of equity and borrowings. Future gearing would not be expected to exceed 50 per cent.

FAIR VALUE ESTIMATION

The carrying value less impairment provision of trade receivables and payables are assumed to approximate to their book value. In the case of bank loans due in more than one year the fair value of the financial liability is also assumed to be the current book value by virtue of the fact that any discounting applied would not be at a significantly different discount rate as the current rate of interest being paid on the loans. In the case of other non-current liabilities due after more than one year the future cash flows are discounted in arriving at the book value and therefore book value equates to fair value. The fair value of forward exchange contracts is determined by using quoted forward exchange rates at the balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management has made accounting judgements in the determination of the carrying value of certain assets and liabilities. Due to the inherent uncertainty involved in making assumptions and estimates, actual outcomes will differ from those assumptions and estimates. The following judgements have the most significant effect on the amounts recognised in the financial statements.

ACQUIRED INTANGIBLES

Intangible assets (intellectual property rights, brands and customer relationships) were deemed to have been acquired as part of the net assets of Link Research Limited in 2005, Western Technical Services in 2007 and Pacific Microwave Research in 2008. These intangible assets were capitalised at their fair value at the date of acquisition. Determining the value of acquired intangibles required the calculation of estimated future cash flows expected to arise from the intangible assets at a suitable discount rate in order to calculate their present value. In addition an estimate of the useful life of the intangible asset has to be made, over which period the cash flows were expected to be generated. The carrying amount of acquired intangibles at the balance sheet date was £9.3 million (note 13).

IMPAIRMENT OF GOODWILL

Determining whether goodwill is impaired requires the estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate future cash flows expected to arise from the cash-generating unit at a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the balance sheet date was £26.3 million. Details of the impairment review are provided in note 12. During the year an impairment charge of £5.0 million was made against the goodwill associated with the satellite business of Advent.

DEFERRED TAX ASSETS

The carrying value of deferred tax assets is dependent on sufficient taxable profits being generated in certain territories in future periods. The carrying amount of deferred tax assets at the balance sheet date was £0.8 million (note 26). In addition there were £3.1 million of deferred tax assets not recognised.

WARRANTY PROVISIONS

Included within the balance sheet are warranty provisions amounting to £1.4 million (2007: £1.2 million) (note 25). Management believes that these provisions are adequate to cover the future risk of product warranty claims based on historic claims history applied to the current revenue levels.

IMPAIRMENT OF TRADE RECEIVABLES

The carrying amount of receivables at year-end was £22.1 million (2007: £22.0 million), against which there was an impairment provision of £1.1 million (2007: £0.5 million) (note 18). Trade receivables that are less than three months past due are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. Older debts are considered to be impaired unless there is sufficient evidence to the contrary that they will be settled. Management believe that the provision is adequate to cover the risk of bad debts.

INVENTORY PROVISIONS

The carrying amount of inventory at year end was £19.5 million (2007: £15.8 million) after a provision for excess and obsolete inventory of £3.0 million (2007: £2.3 million) (note 16). During the year £1.2 million of the provision was utilised following the scrapping and sale of obsolete inventory. The provision was increased by £1.9 million as part of the on-going provisioning review with the charge being made to cost of sales in the income statement. Management believe that the provision is adequate to cover the risk of obsolete and excess inventory.

SHARE-BASED PAYMENTS

A number of accounting estimates and judgements are incorporated within the calculation of the charge to the income statement in respect of share-based payments. These are described in more detail in note 28.

DEFERRED CONSIDERATION

Deferred consideration associated with acquisitions is disclosed in note 23. It is assumed that deferred consideration will be earnt in full unless there is evidence to the contrary that earnout targets will not be met.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENTAL REPORTING

In 2008 the Group has managed its business segments on a global basis. The Group's primary segmental analysis is by the geographic location of the operations where its products are produced and its service delivery activities are based. The UK is the home country of the parent company.

	UK £000	US £000	Norway £000	Inter-segmental transactions £000	Central £000	**Total £000**
Year ended 31 December 2008						
Income statement:						
External revenue	21,033	57,637	22,355	–	–	**101,025**
Inter-segmental revenue	10,065	689	–	(10,754)	–	**–**
Total revenue	31,098	58,326	22,355	(10,754)	–	**101,025**
Operating profit/(loss)	(1,664)	3,684	2,805	(105)	(3,855)	**865**
Operating profit is analysed as:						
Adjusted operating profit	4,704	4,277	2,805	(105)	(2,629)	**9,052**
Amortisation of acquired intangibles	(1,368)	(593)	–	–	–	**(1,961)**
Goodwill impairment	(5,000)	–	–	–	–	**(5,000)**
Share-based payments	–	–	–	–	(249)	**(249)**
Other exceptional costs	–	–	–	–	(977)	**(977)**
Finance costs	(107)	(128)	(21)	–	(238)	**(494)**
Investment income	–	161	54	–	–	**215**
Share of loss in associate	–	–	(1)	–	–	**(1)**
Profit/(loss) before taxation	(1,771)	3,717	2,837	(105)	(4,093)	**585**
Taxation	(966)	(1,323)	(709)	29	872	**(2,097)**
(Loss)/profit for the year being net (loss)/profit attributable to equity shareholders	(2,737)	2,394	2,128	(76)	(3,221)	**(1,512)**
Segment assets	30,593	56,814	16,123	–	–	**103,530**
Central assets – property plant and equipment	–	–	–	–	378	**378**
Central assets – current assets/(liabilities)	–	–	–	–	(3,101)	**(3,101)**
Consolidated Group assets	30,593	56,814	16,123	–	(2,723)	**100,807**
Segment liabilities	7,316	28,539	6,989	–	–	**42,844**
Central liabilities – corporate borrowings	–	–	–	–	–	**–**
Central liabilities – other current liabilities	–	–	–	–	689	**689**
Consolidated Group liabilities	7,316	28,539	6,989	–	689	**43,533**
Consolidated Group net assets/(liabilities)	23,277	28,275	9,134	–	(3,412)	**57,274**
Other segment items						
Capital expenditure	511	1,203	631	–	3	**2,348**
Capitalised development expenditure	1,682	1,122	143	–	–	**2,947**
Depreciation	710	862	216	–	19	**1,807**
Amortisation of intangibles	2,052	1,589	69	–	–	**3,710**

5 SEGMENTAL REPORTING CONTINUED

	UK £000	US £000	Norway £000	Inter-segmental transactions £000	Central £000	Total £000
Year ended 31 December 2007						
Income statement:						
External revenue	22,493	59,244	16,843	–	–	98,580
Inter-segmental revenue	13,328	55	–	(13,383)	–	–
Total revenue	35,821	59,299	16,843	(13,383)	–	98,580
Operating profit	5,248	9,437	1,741	(25)	(2,185)	14,216
Operating profit is analysed as:						
Adjusted operating profit	6,612	9,535	1,741	(25)	(2,066)	15,797
Amortisation of acquired intangibles	(1,364)	(98)	–	–	–	(1,462)
Share-based payments	–	–	–	–	(119)	(119)
Finance costs	–	(359)	(36)	–	(42)	(437)
Investment income	17	115	57	–	3	192
Share of loss in associate	–	–	(15)	–	–	(15)
Profit before taxation	5,265	9,193	1,747	(25)	(2,224)	13,956
Taxation	(1,709)	(3,531)	(458)	8	664	(5,026)
Profit for the year being net profit attributable to equity shareholders	3,556	5,662	1,289	(17)	(1,560)	8,930
Segment assets	38,156	38,623	10,286	–	–	87,065
Central assets – property plant and equipment	–	–	–	–	402	402
Central assets – current assets	–	–	–	–	(3,215)	(3,215)
Consolidated Group assets	38,156	38,623	10,286	–	(2,813)	84,252
Segment liabilities	8,140	16,889	3,259	–	–	28,288
Central liabilities – corporate borrowings	–	–	–	–	3,500	3,500
Central liabilities – other current liabilities	–	–	–	–	1,300	1,300
Consolidated Group liabilities	8,140	16,889	3,259	–	4,800	33,088
Consolidated Group net assets	30,016	21,734	7,027	–	(7,613)	51,164
Other segment items						
Capital expenditure	772	798	216	–	4	1,790
Capitalised development expenditure	1,187	1,581	71	–	–	2,839
Depreciation	644	646	172	–	23	1,485
Amortisation of intangibles	1,794	711	29	–	–	2,534

Central costs represent corporate expenses.

Segment assets include property, plant and equipment, goodwill, intangibles, inventories, trade receivables and operating cash. Segment assets exclude inter-segment investments. Segment liabilities comprise operating liabilities, taxation and segmental provisions for liabilities and charges. Segmental liabilities also include amounts owed to other segments and central.

Segmental capital expenditure comprises additions to property, plant and equipment. It excludes segmental additions resulting from acquisitions through business combinations.

The sales analysis in the table below is based on the geographical location of the customer. The analysis of assets and capital expenditure is not relevant to this table as the geographic location of assets and liabilities follows that of the business segments as shown above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENTAL REPORTING CONTINUED

	UK		US		Norway		Total	
	2008 £000	2007 £000	**2008 £000**	2007 £000	**2008 £000**	2007 £000	**2008 £000**	2007 £000
Geographic external revenue analysis								
By market:								
UK and Ireland	**4,340**	3,869	**195**	233	**1,393**	1,612	**5,928**	5,714
Rest of Europe	**8,106**	7,662	**1,009**	767	**9,257**	6,867	**18,372**	15,296
North America	**494**	221	**53,171**	55,099	**1,806**	1,441	**55,471**	56,761
South America	**1,388**	2,400	**2,397**	2,078	**228**	328	**4,013**	4,806
Middle East	**2,982**	2,351	**1**	7	**329**	480	**3,312**	2,838
Asia	**3,267**	4,351	**665**	871	**8,165**	5,941	**12,097**	11,163
Africa	**125**	1,423	**4**	115	**641**	112	**770**	1,650
Other	**331**	216	**195**	74	**536**	62	**1,062**	352
	21,033	22,493	**57,637**	59,244	**22,355**	16,843	**101,025**	98,580

SECONDARY FORMAT – PRODUCTS AND MARKETS

	2008 £000	2007 £000
Analysis of revenue by product category		
Microwave radio and wireless camera products	**58,966**	59,896
Satellite products	**16,776**	18,859
Technical services	**2,928**	839
Broadcast projects	**–**	2,143
Marine CCTV products	**22,355**	16,843
	101,025	98,580
Analysis of revenue by customer category		
Broadcasters	**73,046**	72,824
Government, military and public safety	**5,800**	9,542
Marine, oil and gas	**22,179**	16,214
	101,025	98,580

6 OPERATING PROFIT

The following items have been included in arriving at operating profit.

	2008 £000	2007 £000
Staff costs (Note 7)	**25,093**	19,809
Depreciation of property, plant and equipment – owned assets (note 14)	**1,789**	1,477
Depreciation of property, plant and equipment – leased assets (note 14)	**18**	8
Amortisation of acquired intangibles (note 13)	**1,961**	1,462
Operating lease rentals – plant and machinery	**161**	56
Operating lease rentals – property	**702**	554
(Profit)/loss on sale of property, plant and equipment	**–**	(1)
Repairs and maintenance expenditure on property, plant and equipment	**182**	196
Exchange (gains) and losses charged to profit and loss	**(817)**	317
Research and development expenditure:		
– Expenditure	**6,152**	4,763
– Amortisation of development costs (note 13)	**1,749**	1,072

SERVICES PROVIDED BY THE GROUP'S AUDITOR AND NETWORK FIRMS

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor at costs detailed below:

	2008 £000	2007 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**55**	53
Fees payable to the Company's auditor and its associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	**102**	111
– Further assurance services pursuant to legislation	**15**	15
– Other services pursuant to legislation	**287**	2
Tax services		
– Compliance services	**24**	18
– Advisory services	**16**	19
	499	218

A description of the work of the Audit Committee is set out in the corporate governance statement on page 30 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

The following items of unusual nature, size or incidence have been charged to operating profit during the period and are described as other exceptional costs.

	2008 £000	2007 £000
Aborted acquisition costs	**646**	–
Compensation for loss of office	**331**	–
	977	–

The Group invested in seeking out growth from entry into the adjacent sectors of the broadcast market by way of a significant acquisition using debt finance during the first quarter of 2008. Given the Directors' caution over the economic outlook the Group decided not to proceed further with the proposed acquisition. The costs represent professional fees incurred up to the date of the process being aborted.

A compensation benefit package was agreed with Mr Ian Scott-Gall on his retirement at September 30, 2008. The total amount payable was £331,000 including employers' national insurance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2008 £000	2007 £000
Wages and salaries	**21,915**	17,392
Social security costs	**2,173**	1,731
Other pension costs	**756**	567
Share-based payment (note 28)	**249**	119
	25,093	19,809

The number of employees employed by the Group was as follows:

	2008 Number	2007 Number
Average number of employees		
UK	**118**	111
US	**280**	253
Norway	**138**	114
Central	**7**	5
	543	483

The average number of employees has been calculated on a pro rata basis from the date of disposal or acquisition of subsidiaries and businesses.

The total number of employees at December 31, 2008 was 533 (2007: 484).

Key management compensation:

	2008 £000	2007 £000
Wages and salaries	**3,574**	3,146
Benefits in kind	**210**	198
Pension costs	**188**	162
Terminations	**331**	43
Share-based payments (note 28)	**249**	119
	4,552	3,668

The analysis of key management compensation above includes executive directors. Key management is defined as the senior management teams in each of the operating subsidiaries of the Group. Details of directors emoluments are included in the remuneration report on pages 33 to 37.

8 FINANCE COSTS – NET

	2008 £000	2007 £000
Interest payable on bank borrowing	**(300)**	(174)
Interest payable on other loans	**(38)**	(78)
Unwinding of interest associated with the discounting of deferred consideration (note 23)	**(156)**	(185)
Interest and similar charges payable	**(494)**	(437)
Investment income	**215**	192
Finance costs – net	**(279)**	(245)

Investment income is derived from cash held on deposit.

9 TAXATION

a) Analysis of the tax charge in period

	2008 £000	2007 £000
Current tax		
UK corporation tax	**1,333**	1,202
Foreign tax	**1,317**	3,633
Total current tax	**2,650**	4,835
Deferred tax		
UK corporation tax	**(998)**	(166)
Foreign tax	**445**	357
Total deferred tax	**(553)**	191
Total taxation	**2,097**	5,026

UK corporation tax is calculated at 28.5 per cent (2007: 30 per cent) of the estimated assessable profit for the year. Foreign corporation taxes for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

There is no tax impact associated with items that have been taken directly to equity. There is no tax impact for the Group associated with the dividend proposed (note 10).

b) Factors affecting tax charge for period

The current tax charge for the period is higher (2007: higher) than the standard rate of corporation tax in the UK (28.5 per cent).

The differences are explained below:

	2008 £000	2007 £000
Profit on ordinary activities before tax	**585**	13,956
Profit on ordinary activities before tax multiplied by the standard rate of UK corporation tax (28.5 per cent) (2007: 30 per cent)	**167**	4,187
Adjustment in respect of prior years	**152**	10
Adjustment for foreign tax rates	**249**	854
Adjustment for goodwill impairment and intangibles	**1,458**	–
Other permanent differences (expenses not deductible for corporation tax purposes)	**126**	(315)
Capital allowances less than depreciation	**–**	52
Other timing differences	**8**	238
Utilisation of losses	**(63)**	–
Total taxation	**2,097**	5,026

c) Factors that may affect future tax charges

The Group will be able to claim capital allowances in excess of depreciation and to utilise the benefit from UK tax losses, which will reduce UK tax payments in respect of future years.

The Group's overseas tax rate is higher than those in the UK primarily because the profits earned in the United States are taxed at a rate of 40 per cent.

UK deferred tax assets and liabilities have been calculated at a tax rate of 28 per cent (2007: 28 per cent) to reflect the future rate of corporation tax at which they are expected to crystallise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 DIVIDENDS

	2008 £000	2007 £000
Final dividend paid of 1.25 pence per share (2007: 1.00p per share)	**1,726**	1,381

In addition the directors are proposing a final dividend in respect of the financial year ending December 31, 2008 of 1.25 pence per share which will absorb an estimated £1.73 million of shareholders' funds. It will be paid on July 17, 2009 to shareholders who are on the register of members on June 26, 2009.

11 EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year, excluding those held in the employee share trust which are treated as cancelled.

For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive shares are those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below:

	2008			2007		
	Earnings £000	Weighted average number of shares 000s	Earnings per share Pence	Earnings £000	Weighted average number of shares 000's	Earnings per share Pence
Basic earnings per share						
Earnings attributable to ordinary shareholders	**(1,512)**	**137,740**	**(1.10)p**	8,930	137,955	6.47p
Dilutive effect of options	**–**	**–**	**0.00p**	–	810	(0.03)p
Diluted earnings per share	**(1,512)**	**137,740**	**(1.10)p**	8,930	138,765	6.44p

Adjusted earnings
The directors believe that adjusted operating profit, adjusted profit before tax, adjusted earnings and adjusted earnings per share provide additional useful information on underlying trends to shareholders. These measures are used by management for internal performance analysis and incentive compensation arrangements. The term "adjusted" is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. The principal adjustments are made in respect of the amortisation and impairment of goodwill and acquired intangibles, share-based payments and other exceptional costs and related tax effects. Share-based payments have been included in the adjustment following the approval of the Vislink plc Long Term Incentive Plan by shareholders on March 7, 2008.

The reconciliation between reported and underlying earnings and basic earnings per share is shown below:

	Year ended December 31, 2008		Year ended December 31, 2007	
	£000	Pence	£000	Pence
Reported earnings	**(1,512)**	**(1.10)p**	8,930	6.47p
Amortisation of acquired intangibles after tax	**1,373**	**1.00p**	1,023	0.74p
Impairment of goodwill	**5,000**	**3.63p**	–	–
Share-based payments	**249**	**0.18p**	119	0.09p
Non-recurring costs after tax	**882**	**0.64p**	–	–
Adjusted earnings	**5,992**	**4.35p**	10,072	7.30p

12 GOODWILL

	Advent £000	Link £000	MRC £000	PMR £000	WTS £000	Total £000
Cost						
At January 1, 2007	16,187	5,906	5,755	–	–	27,848
Additions	–	–	–	–	1,712	1,712
Exchange adjustment	–	–	(95)	–	–	(95)
At January 1, 2008	16,187	5,906	5,660	–	1,712	29,465
Additions	–	–	–	3,521	–	3,521
Exchange adjustment	–	–	2,172	946	657	3,775
At December 31, 2008	**16,187**	**5,906**	**7,832**	**4,467**	**2,369**	**36,761**
Aggregate impairment						
At January 1, 2007	4,121	–	990	–	–	5,111
Exchange adjustment	–	–	(16)	–	–	(16)
At January 1, 2008	4,121	–	974	–	–	5,095
Impairment	5,000	–	–	–	–	5,000
Exchange adjustment	–	–	373	–	–	373
At December 31, 2008	**9,121**	**–**	**1,347**	**–**	–	**10,468**
Net book value						
At December 31, 2008	**7,066**	**5,906**	**6,485**	**4,467**	**2,369**	**26,293**
At December 31, 2007	12,066	5,906	4,686	–	1,712	24,370

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of CGUs are determined from value in use calculations. The key assumptions for value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on managements expectations sourced from the Group's strategic plans, and thereafter a terminal growth rate of 3 per cent is used. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

For Link Research, MRC, PMR and WTS the goodwill was reviewed for impairment as at December 31, 2008 in accordance with IAS 36. The expected cash flows for the next two years, sourced from the Group's business plans for each CGU, exceed the current book value of goodwill. Therefore goodwill is not considered to be have been impaired.

An impairment review has been undertaken in respect of the goodwill associated with the Advent satellite operation. The basis for the review was to assess the strategic plans for the business and to discount the future expected cash flows using the Group's weighted average cost of capital (WACC) in accordance with IAS 36 Impairment of Assets. The Group's estimated WACC was 12.7 per cent. This figure is based on a cost of equity of 12.4 per cent (using the capital asset pricing model and a beta of 0.94 sourced from Bloomberg) and a current cost of debt of 3.85 per cent. The WACC reflects the Group's mix of debt and equity.

The Board considered the estimated discounted cash flows for the Advent satellite operation from the business plan for the next two years and the Group's strategic plan for the following three years. Thereafter growth at the rate of 3 per cent was assumed to be reasonable. The Board also applied various sensitivity analyses to the expected cash flows, paying particular regard to shortfalls in sales growth and anticipated margin improvements. The Board also reviewed the performance of Advent in 2008 against the prior year projections used in the impairment review last year. Having reviewed all the relevant calculations and the sensitivities the Board considered that there had been a £5.0 million impairment in the goodwill associated with Advent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS

	Customer relationships £000	Intellectual property £000	Brand £000	Development costs £000	Total £000
Cost					
At January 1, 2007	3,100	3,720	–	5,427	12,247
Additions	804	–	–	2,839	3,643
Exchange adjustment	–	–	–	(25)	(25)
At January 1, 2008	3,904	3,720	–	8,241	15,865
Additions	5,303	–	605	2,947	8,855
Exchange adjustment	1,782	–	163	2,344	4,289
At December 31, 2008	**10,989**	**3,720**	**768**	**13,532**	**29,009**
Aggregate amortisation					
At January 1, 2007	1,169	1,402	–	3,499	6,070
Charge for the period	718	744	–	1,072	2,534
Exchange adjustment	–	–	–	(22)	(22)
At January 1, 2008	1,887	2,146	–	4,549	8,582
Charge for the period	1,195	746	20	1,749	3,710
Exchange adjustment	203	–	6	1,527	1,736
At December 31, 2008	**3,285**	**2,892**	**26**	**7,825**	**14,028**
Net book value					
At December 31, 2008	**7,704**	**828**	**742**	**5,707**	**14,981**
At December 31, 2007	2,017	1,574	–	3,692	7,283

The estimated useful life for the intellectual property and customer relationships acquired with the business of Link Research Limited has been determined to be five years based on the expected future cash flows that they would generate in arriving at their fair value. The estimated useful life of the customer relationships associated with the business of WTS has been estimated to be four years on the same basis.

The estimated useful life for the brand and customer relationships acquired with the business of PMR has been determined to be ten years and six years respectively based on the expected future cash flows that they would generate in arriving at their fair value. The customer relationships associated with the business contracts of Marcom acquired by WTS during the year are being amortised pro rata to the revenue that they generate; it is expected that the asset will be fully written down by the end of 2010.

Development costs are amortised over the estimated useful life of the products with which they are associated. Amortisation commences when a new product is in commercial production. The average amortisation period is three years.

The amortisation of development costs is included in research and development costs. The amortisation of intellectual property and customer relationships is included in administrative costs and referred to as the amortisation of acquired intangibles.

14 PROPERTY PLANT AND EQUIPMENT

	Freehold land and buildings £000	Leasehold improvements fixtures and fittings £000	Plant, tools, test and computer equipment £000	Total £000
Cost				
At January 1, 2007	3,201	1,020	7,086	11,307
Additions	109	417	1,264	1,790
Additions – through business combinations	–	–	126	126
Disposals	(2)	(97)	(191)	(290)
Exchange adjustment	119	(11)	115	223
At January 1, 2008	3,427	1,329	8,400	13,156
Additions	739	20	1,589	2,348
Additions – through business combinations	–	–	264	264
Disposals	–	–	(55)	(55)
Exchange adjustment	640	238	1,538	2,416
At December 31, 2008	**4,806**	**1,587**	**11,736**	**18,129**
Accumulated depreciation				
At January 1, 2007	1,009	537	5,072	6,618
Charge for the year	124	147	1,214	1,485
Disposals	(1)	(97)	(191)	(289)
Exchange adjustment	33	(7)	96	122
At January 1, 2008	1,165	580	6,191	7,936
Charge for the year	85	186	1,536	1,807
Disposals	–	–	(47)	(47)
Exchange adjustment	264	182	1,015	1,461
At December 31, 2008	**1,514**	**948**	**8,695**	**11,157**
Net book value				
At December 31, 2008	**3,292**	**639**	**3,041**	**6,972**
At December 31, 2007	2,262	749	2,209	5,220

Group depreciation rates and the carrying values of property, plant and equipment are reviewed annually to consider their appropriateness.

There are assets with a net book value of £12,000 held under finance leases or hire purchase contracts at December 31, 2008 (2007: £30,000) within property plant and equipment.

The Group has pledged land and buildings having a carrying amount of approximately £0.98 million (2007: £1.01 million) to secure banking facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INVESTMENT IN ASSOCIATES

	2008 £000	2007 £000
Cost of investment at January 1	**191**	182
Share of post-acquisition loss, net of dividends received	**(1)**	(15)
Exchange adjustment	**14**	24
Cost of investment at December 31	**204**	191

Details of the Group's associate at December 31, 2008 are as follows:

Name of associate	Place of incorporation	Proportion of ownership	Proportion of voting	Principal interest activity
Wireless Power and Communications AS	Norway	34.2%	34.2%	Design and development of electronic equipment

The Group's share of the results of its associate, which is unlisted, and its aggregate assets and liabilities are as follows:

	% interest held	Assets £000	Liabilities £000	Revenues £000	(Loss) £000
Wireless Power and Communications AS:					
December 31, 2008	**34.2%**	**478**	**(222)**	**235**	**(3)**
December 31, 2007	34.2%	238	(97)	72	(46)

16 INVENTORIES

	2008 £000	2007 £000
Raw materials and consumables	**14,257**	11,753
Work in progress	**2,661**	978
Finished goods and goods for resale	**2,550**	3,116
	19,468	15,847

During the year the Group consumed £66.6 million (2007: £58.3 million) of inventories and charged £1.4 million (2007: £0.4 million) to the income statement in respect of inventory write downs.

Inventories with a carrying value of £4.2 million (2007: £5.27 million) have been pledged as security for the Group's bank borrowings.

17 CONSTRUCTION CONTRACTS

	2008 £000	2007 £000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables	**1,578**	1,100
Advances in excess of billings included in trade and other payables	**–**	(900)
Contract costs incurred plus recognised profits less recognised losses to date	**4,100**	1,400
Less: progress billings	**(4,100)**	(1,400)
Work in progress	**–**	–

18 TRADE AND OTHER RECEIVABLES

	2008 £000	2007 £000
Amounts due within one year:		
Trade receivables	**22,134**	21,968
Less: provision for impairment	**(1,073)**	(496)
Trade debtors – net	**21,061**	21,472
Amounts recoverable on contracts	**20**	–
Other debtors	**771**	1,046
Prepayments and accrued income	**1,235**	1,164
	23,087	23,682

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. Due to this management believe there is no further credit risk provision required in excess of the normal provision for doubtful receivables. The value of fully performing receivables at December 31, 2008 is £15.8 million (2007: £13.7 million).

Trade receivables that are less than three months past due are not considered impaired unless there are specific financial or commercial reasons that lead management to conclude that the customer will default. At December 31, 2008 trade receivables of £6.3 million (2007: £8.3 million) were past due but not impaired. The credit quality of the Group's customers is good, being a combination of large broadcast stations (public and private); shipping, oil and gas businesses; government agencies and departments. Controls within Group companies are in place to ensure that appropriate credit limits are in place. The overdue amounts relate to customers with no history of default. The ageing of these receivables is as follows:

	2008 £000	2007 £000
Up to 3 months	**4,399**	7,497
3 to 6 months	**1,841**	756
Over 6 months	**37**	–
	6,277	8,253

At December 31, 2008 trade receivables of £1.4 million (2007: £0.5 million) were impaired and provided for in whole or in part. The provision of £1.1 million (2007: £0.5 million) is set against specific customer debts. In general customer debts that are considered impaired are as a result of contractual disputes rather than as a result of customer cash flow difficulties, although one specific customer, for which the debt has been provided in full, has filed for relief from its creditors under Chapter 11 in the United States. The ageing of these receivables is as follows:

	2008 £000	2007 £000
Up to 3 months	**353**	131
3 to 6 months	**481**	101
Over 6 months	**577**	264
	1,411	496

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2008 £000	2007 £000
Pounds sterling	**1,494**	2,920
US dollars	**16,217**	14,626
Norwegian krone	**1,587**	2,094
Euros	**2,328**	1,586
Other currency	**508**	742
	22,134	21,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 TRADE AND OTHER RECEIVABLES CONTINUED

Movements on the Group provision for impairment of trade receivables is as follows:

	2008 £000	2007 £000
At January 1	**496**	487
Provision for receivable impairment	**821**	185
Receivables written off during the year as uncollectible	**(250)**	(164)
Unused amounts reversed	**(71)**	–
Exchange adjustment	**77**	(12)
At December 31	**1,073**	496

The creation and release of provision for impaired receivables have been included in selling and marketing costs in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

19 CASH AND CASH EQUIVALENTS

	2008 £000	2007 £000
Cash at bank and in hand	**1,467**	1,642
Short term bank deposits	**7,565**	5,362
	9,032	7,004

The effective interest rate on short term deposits was 1.75% (2007: 5.00%) and these deposits have an average maturity of 28 days (2007: 28 days).

The credit quality of the cash and cash equivalents that are not impaired can be assessed by reference to the external credit ratings of the banks where the deposits are held.

Credit rating (S&P)	2008 £000	2007 £000
AA–	**5,719**	4,747
A1+	**3,313**	2,257
Total	**9,032**	7,004

20 TRADE AND OTHER PAYABLES

	2008 £000	2007 £000
Payments received on account	**3,227**	3,922
Trade payables	**10,310**	10,676
Accruals and deferred income	**8,781**	8,575
Other taxes and social security costs	**1,226**	778
Deferred consideration for acquisitions	**634**	–
Other	**10**	89
	24,188	24,040

21 CURRENT TAX LIABILITIES

	2008 £000	2007 £000
UK corporation tax	**998**	683
Foreign corporation tax	**820**	96
	1,818	779

22 FINANCIAL LIABILITIES – BORROWINGS

	2008 £000	2007 £000
Current:		
Unsecured loans	**–**	2,500
Finance leases	**3**	22
	3	2,522
Non-current:		
Bank loans (secured)	**7,864**	1,000
	7,864	1,000

The bank loans and overdrafts are secured by fixed and floating charges over the Group's assets and by cross-guarantees between the Company and certain UK and US subsidiaries. All borrowings are denominated in US dollars. The fair value of borrowings equals their carrying amount as the impact of discounting is not significant. The finance leases are denominated in US dollars.

Bank loans bear interest at floating rates detailed below. No interest is borne on other financial liabilities totalling £1.36 million which comprise provisions for warranty costs as described in note 25. Other than a warranty provision of US$1.1 million (£0.8 million) provisions are denominated in GB pounds sterling.

The Group has a multi-currency revolving facility of £17.0 million drawn on a monthly basis. Interest is charged at 1.0 per cent over sterling or the relevant foreign currency LIBOR.

Unsecured borrowings comprise loan notes issued to the former shareholders in Link Research Limited of £nil (2007: £2.5 million).

The Group does not use interest rate swaps to manage its exposure to interest rate movements on its bank borrowings. The effective interest rates at the balance sheet dates were as follows:

	2008	2007
Bank overdraft	**3.75%**	6.50%
Bank borrowings – revolving credit	**2.57%**	7.11%
Unsecured loan notes	**n/a**	5.50%

23 OTHER NON-CURRENT LIABILITIES

	2008 £000	2007 £000
Deferred consideration for acquisitions	**6,026**	1,332

The vendors of Western Technical Services are entitled to deferred consideration calculated on the basis of the financial trading performance of the business. The maximum deferred consideration that can be earned is $3.0 million (£2.1 million) between 2008 and 2010, with payments being made within three months of the end of each financial year. The deferred consideration has been discounted to its present value at the rate of 6.75%, being the rate applying at the date of the acquisition.

The vendors of Pacific Microwave Research are entitled to deferred consideration calculated on the basis of the sales performance of the business. The maximum deferred consideration that can be earned is US$7.0 million (£4.9 million) between September 2008 and September 2012, with payments being made within three months of the end of each financial year. The deferred consideration has been discounted to its present value at the rate of 3.5% being the rate applying at the date of the acquisition.

During 2008 £156,000 (2007: £185,000) of discount has unwound and has been charged to finance costs in respect of deferred consideration (note 8). Of this, £44,000 relates to the acquisition of PMR, £85,000 for WTS and £27,000 to the acquisition of Link Research Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 FINANCIAL INSTRUMENTS

Numerical financial instrument disclosures are set out below. Additional disclosures are set out in the accounting policies (notes 2 to 4) and also in note 22.

CURRENCY DERIVATIVES

The Group, from time to time, utilises currency derivates in the form of forward contracts and currency swaps to hedge significant future transactions and cash flows. The forward contracts are primarily denominated in the currencies of the Group's principal markets. The accounting policies for financial instruments have been applied to the line items below:

	2008 Assets £000	2007 Assets £000	**2008 Liabilities £000**	2007 Liabilities £000
Forward foreign exchange contracts – cash flow hedges	–	25	**257**	11

Trading derivatives are classified as a current asset or liability as the maturity of the forward contracts are within 12 months.

At the balance sheet date the Group had contracted to sell US dollars and €'s under forward contracts. These contracts are in place to address specific exchange exposures in the first half of 2009. At December 31, 2008 the fair value of the forward contracts was estimated to be £9.0 million (2007: £3.5 million) based on a marked to market valuation at the balance sheet date. The fair value has been charged to "other expenses" in the consolidated income statement.

At the balance sheet date the Group held no currency swaps (2007: nil).

HEDGE OF NET INVESTMENT IN FOREIGN ENTITY

The Group has no foreign currency borrowings which it has designated as a hedge against its investment in its subsidiaries in the USA and Norway.

MATURITY OF FINANCIAL LIABILITIES

The maturity profile of the carrying amounts of the Group's non-current financial liabilities at December 31 was as follows:

			2008			2007
	Debt £000	**Other financial liabilities £000**	**Total £000**	Debt £000	Other financial liabilities £000	Total £000
In more than one year but not more than two years	–	**1,090**	**1,090**	–	291	291
In more than two years but not more than five years	**7,864**	**4,936**	**12,800**	1,000	1,041	2,041
	7,864	**6,026**	**13,890**	1,000	1,332	2,332

BORROWING FACILITIES

The Group has the following undrawn committed borrowing facilities available at December 31 in respect of which all conditions precedent had been met at that date.

	2008 £000	2007 £000
Expiring within one year	**8,500**	3,772
Expiring in more than one year but not more than two years	**3,500**	3,000
Expiring in more than two years but not more than five years	**2,136**	16,000
	14,136	22,772

The facilities expiring within one year comprise the Group overdraft facility that is subject to review during 2009 in the normal course of business.

The Group's facilities comprise a bank overdraft facility of £5.0 million and a multi-currency revolving credit facility of £17.0 million. The revolving credit facility has been provided for the Group to make acquisitions. The facility reduces to £13.5 million on December 19, 2009, to £10.0 million on December 19, 2010 and to zero on December 19, 2011. Interest on the overdraft facility is charged at 1.75 per cent over base rate; interest on the revolving credit facility is charged at 1.0 per cent over sterling or the relevant foreign currency LIBOR.

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Group treasury aims to maintain flexibility in funding by keeping committed credit lines available.

25 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2008 £000	2007 £000
Warranty provisions:		
At January 1	**1,178**	964
Acquired in the year through business combinations	**14**	-
Charged during the year	**876**	754
(Utilised) during the year	**(915)**	(534)
Exchange adjustment	**208**	(6)
At December 31	**1,361**	1,178

Provisions have been analysed between current and non-current as follows:

	2008 £000	2007 £000
Current	**771**	902
Non-current	**590**	276
	1,361	1,178

Warranty provisions are made in respect of the expected future warranty costs in certain businesses based on historic actual costs. Warranty periods on products are generally between one and two years. Other than a warranty provision of $1.1 million (£0.8 million) all provisions are denominated in sterling.

26 DEFERRED TAXATION

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate appropriate to the country in which the deferred tax liability or asset has arisen.

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that they are regarded as recoverable against future profits. No deferred tax is recognised on unremitted earnings of overseas subsidiaries. As the earnings are continually reinvested by the Group no tax is expected to be payable on them in the foreseeable future.

The movement on the deferred tax asset and liability accounts are shown below:

	Accelerated tax depreciation £000	Intangible assets £000	Other £000	Total £000
Deferred tax liabilities				
At January 1, 2008	1,097	1,021	108	**2,226**
(Credited)/charged during the year	(124)	(467)	162	**(429)**
Exchange adjustment	219	-	-	**219**
At December 31, 2008	**1,192**	**554**	**270**	**2,016**

	Accelerated tax depreciation £000	Tax losses £000	Other £000	Total £000
Deferred tax assets				
At January 1, 2008	407	24	199	**630**
(Credited)/charged during the year	(32)	(24)	180	**124**
Exchange adjustment	-	-	16	**16**
At December 31, 2008	**375**	**-**	**395**	**770**

Deferred tax assets are not available for offset against deferred tax liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DEFERRED TAXATION CONTINUED

The movement on net deferred tax assets/(liabilities) in the year was:

	2008 £000	2007 £000
Net (liability) at January 1	**(1,596)**	(1,284)
Liability created on acquisition of WTS	**–**	(108)
Credited/(charged) during the year	**553**	(191)
Exchange adjustment	**(203)**	(13)
Net (liability) at December 31	**(1,246)**	(1,596)

Certain deferred tax assets have not been provided for where they are not regarded as recoverable as follows:

	2008 £000	2007 £000
Accelerated capital allowances	**10**	10
Losses	**2,549**	2,594
Unutilised ACT	**584**	584
	3,143	3,188

27 CALLED UP SHARE CAPITAL

	2008		2007	
	Number 000's	**£000**	Number 000's	£000
Ordinary shares of 2.5 pence each at December 31:				
Authorised	**200,000**	**5,000**	200,000	5,000
Allotted, called up and fully paid				
At January 1	**138,534**	**3,463**	138,403	3,460
Issued on exercise of executive share options	**60**	**2**	121	3
Issued on exercise of SAYE share options	**–**	**–**	10	–
At December 31	**138,594**	**3,465**	138,534	3,463

The total consideration for shares issued under the exercise of executive share options was £15,900 (2007: £51,370). The total consideration for shares issued under SAYE share options was £nil (2007: £5,345).

POTENTIAL ISSUE OF SHARES

The Group has the following share-based payment schemes.

a) Executive share option schemes
Executive share options are granted at a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is ten years. Awards are at the discretion of the Remuneration Committee. Options will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment. There are no performance criteria attached to the options.

Certain senior executives hold options to subscribe for shares in the Company at prices ranging from 26.5 pence to 86.25 pence under the share option schemes approved by shareholders.

The number of shares subject to options and the exercise prices are:

Date of grant	Exercise price	Exercise period	2008 Number 000's	2007 Number 000's
June 17, 1999	26.5p	17/06/02 – 16/06/09	**470**	530
April 7, 2000	84.0p	07/04/03 – 06/04/10	**300**	300
March 29, 2001	52.0p	29/03/04 – 28/03/11	**101**	101
April 5, 2002	27.5p	05/04/05 – 04/04/12	**50**	50
April 7, 2004	34.5p	07/04/07 – 06/04/14	**360**	360
April 14, 2005	27.3p	14/04/08 – 13/04/15	**840**	840
April 13, 2006	53.5p	13/04/09 – 12/04/16	**620**	628
April 27, 2007	86.3p	27/04/10 – 26/04/17	**150**	185
			2,891	2,994

27 CALLED UP SHARE CAPITAL CONTINUED

A reconciliation of executive option movements over the year is shown below.

	2008		2007	
	Number 000's	Weighted average exercise price	Number 000's	Weighted average exercise price
Outstanding at beginning of period	**2,994**	**43.6p**	3,030	41.6p
Granted during the period	**–**	**–**	185	86.3p
Forfeited during the period	**(43)**	**80.2p**	(50)	84.0p
Exercised during the period	**(60)**	**26.5p**	(171)	43.0p
Outstanding at the end of the period	**2,891**	**43.5p**	2,994	43.6p
Exercisable at the end of the period	**2,121**	**37.6p**	1,341	43.2p

The weighted average share price, at the date of exercise, for share options exercised during the period was 26.5 pence (2007: 89.1 pence). The options outstanding at 31 December 2008 had a weighted average exercise price of 43.5 pence (2007: 43.6 pence) and a weighted average remaining contractual life of 3.73 years (2007: 5.14 years).

b) SAYE option plan

The Group also operates an Inland Revenue Approved Sharesave Scheme option scheme open to eligible employees (including executive directors) in the United Kingdom who have worked for the Group for a minimum qualifying period and agree to save a fixed amount for a period of either three or five years under an approved savings contract. Inland Revenue rules limit the maximum amount that can be saved by a participant to £250 per month. Options in normal circumstances are exercisable for six months following the completion of the savings contract utilising the proceeds of the contract.

Eligible employees have been invited to join the Company Sharesave Scheme under the scheme approved by shareholders, and the following options have been granted.

During the year 121,667 options were exercised (2007: 9,808) and 86,193 lapsed (2007: 44,058).

Date of grant	Exercise price	Exercise period	2008 Number	2007 Number
May 20, 2003	13.5p	20/05/08 - 19/11/08	**–**	121,667
May 24, 2006	54.5p	01/08/09 - 31/01/10	**247,027**	327,312
May 24, 2006	54.5p	01/08/11 - 31/01/12	**44,311**	50,219
			291,338	499,198

c) Long Term Incentive Plan (LTIP)

Options have been granted as nil cost options under this scheme. The options granted under this scheme are generally exercisable at the end of the performance period and for six months thereafter. Awards under this scheme are reserved for employees at senior management level and above. If an employee leaves the employment of the Group, a proportion of his award may be deemed to have vested, subject to satisfying any performance conditions and at the discretion of the Remuneration Committee. The Company anticipates making annual awards under this scheme.

Awards under the LTIP scheme are subject to two performance criteria, the scales relating to which will be determined annually by the Remuneration Committee. Details of the performance criteria are disclosed in the Directors' Remuneration Report on pages 33 to 37.

The number of shares subject to the LTIP are:

Date of grant	Share price at award date	Vesting date	2007 Number outstanding	2008 Number Granted	2008 Number Lapsed	2008 Number outstanding
April 7, 2008	29.8p	April 7, 2011	–	**6,253,911**	**(2,490,479)**	**3,763,432**
October 2, 2008	30.5p	October 2, 2011	–	**1,866,666**	**–**	**1,866,666**
			–	**8,120,577**	**(2,490,479)**	**5,630,098**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 SHARE-BASED PAYMENTS

The fair value of options granted in the year and the assumptions used in the fair value calculations are as follows.

The fair value of the options granted during the year was £1.43 million (2007: £0.04 million). The significant assumptions used in the calculation of fair value were as follows:

	2008	2008	2007
Date of grant	**October 2**	**April 7**	April 27
Option type	**LTIP**	**LTIP**	Executive
Weighted average share price at grant	**30.5p**	**29.8p**	86.3p
Weighted average exercise price	**0.0p**	**0.0p**	86.3p
Shares under option	**1,866,666**	**6,253,911**	185,000
Weighted average vesting period (years)	**3.00**	**3.00**	3.00
Expected volatility	**46%**	**45%**	31%
Risk free rate	**4.1%**	**4.1%**	4.8%
Expected dividends expressed as a dividend yield	**4.1%**	**3.6%**	1.2%
Possibility of ceasing employment before vesting	**0%**	**10%**	Not applicable
Expectations of meeting performance criteria	**100%**	**100%**	Not applicable
Fair value per option	**23.0p**	**16.1p**	21.3p

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. The risk free rate of return is the yield on zero coupon UK government bonds of a term consistent with the assumed option life.

The Group recognised total expenses of £249,000 (2007: £119,000) related to equity-settled share-based payment transactions in the year.

29 SHARE PREMIUM ACCOUNT

	2008 £000	2007 £000
At 1 January	**4,885**	4,832
Premium on shares issued in the year from the exercise of executive share options	**15**	48
Premium on shares issued in the year from the exercise of SAYE share options	**–**	5
At 31 December	**4,900**	4,885

30 OTHER RESERVES

	Merger reserve £000	Translation reserve £000	Total £000
At 1 January 2007	30,565	(3,866)	26,699
Exchange differences on translation of overseas operations	–	627	627
At 1 January 2008	30,565	(3,239)	27,326
Exchange differences on translation of overseas operations	–	9,082	9,082
At 31 December 2008	**30,565**	**5,843**	**36,408**

31 RETAINED EARNINGS

	2008 £000	2007 £000
At 1 January	**15,490**	7,972
(Loss)/profit for the financial year	**(1,512)**	8,930
Share options – value of employee services (note 28)	**249**	119
Disposal of own shares	**–**	19
Acquisition of own shares	**–**	(169)
Dividends paid	**(1,726)**	(1,381)
At 31 December	**12,501**	15,490

The investment in the Company's own shares is held by the Trustee of the Employees' Share Ownership Plan (the ESOP). This is a trust which holds shares for the benefit of employees and executive directors. The Trustee may use the shares to meet share requirements when share options are exercised.

At December 31, 2008 the ESOP held 840,000 shares (2007: 840,000) with a market value of £0.13 million (2007: £0.40 million). The net book value of these shares was £199,000 (2007: £199,000), and has been deducted from retained earnings.

32 SHAREHOLDERS' FUNDS AND STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital £000	Share premium account £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 January 2007	3,460	4,832	30,565	(3,866)	7,972	42,963
Retained profit for the year	–	–	–	–	8,930	8,930
Value of employee services	–	–	–	–	119	119
Dividends paid	–	–	–	–	(1,381)	(1,381)
Exchange differences on translation of overseas operations	–	–	–	627	–	627
Proceeds from shares issued in respect of share options	3	53	–	–	–	56
Acquisition of own shares	–	–	–	–	(169)	(169)
Disposal of own shares	–	–	–	–	19	19
At 1 January 2008	**3,463**	**4,885**	**30,565**	**(3,239)**	**15,490**	**51,164**
Retained (loss) for the year	**–**	**–**	**–**	**–**	**(1,512)**	**(1,512)**
Value of employee services	**–**	**–**	**–**	**–**	**249**	**249**
Dividends paid	**–**	**–**	**–**	**–**	**(1,726)**	**(1,726)**
Exchange differences on translation of overseas operations	**–**	**–**	**–**	**9,082**	**–**	**9,082**
Proceeds from shares issued in respect of share options	**2**	**15**	**–**	**–**	**–**	**17**
At 31 December 2008	**3,465**	**4,900**	**30,565**	**5,843**	**12,501**	**57,274**

33 CASH FLOW FROM OPERATING ACTIVITIES

Reconciliation of profit attributable to shareholders to net cash flows from operating activities.

	2008 £000	2007 £000
(Loss)/profit attributable to shareholders	**(1,512)**	8,930
Taxation	**2,097**	5,026
Depreciation	**1,807**	1,485
Impairment of goodwill	**5,000**	–
Amortisation of development costs	**1,749**	1,072
Amortisation of acquired intangibles	**1,961**	1,462
Share options – value of employee services	**249**	119
Investment income	**(215)**	(192)
Net finance costs	**494**	437
Derivative financial instruments	**271**	(14)
Share of loss of associate	**1**	15
(Increase) in inventories	**(185)**	(1,062)
Decrease/(increase) in trade and other receivables	**5,822**	(4,714)
(Decrease)/increase in payables	**(7,074)**	1,666
(Decrease)/increase in provisions	**(39)**	221
Net cash inflow from operating activities	**10,426**	14,451

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 ACQUISITIONS

MARCOM

On July 31, 2008 the Group acquired the assets and contracts of Scotts Valley Group Inc. Trading as MARCOM for a cash consideration, dependent on performance, of US$1.5 million (£0.8 million) before expenses. The fair value in sterling is calculated at the exchange rate ruling at the date of completion of the acquisition.

	Book value US$ 000	Fair value adjustment US$ 000	Fair value US$ 000	Fair value £000
Net assets acquired				
Acquired intangibles – customer relationships	–	1,420	1,420	740
Property, plant and equipment	180	–	180	94
	180	1,420	1,600	834
Purchased goodwill on acquisition			–	–
Total consideration			**1,600**	**834**
Satisfied by:				
Cash consideration (including acquisition costs of £56,000)			1,130	589
Deferred consideration			470	245
			1,600	834
Net cash outflow arising on acquisition				
Cash consideration (including acquisition costs of £56,000)			1,130	589
Less: deposits against contracts retained by vendors			(331)	(172)
Net cash outflow			799	417

The contracts acquired have a revenue value of US$5.7 million (£3.96 million). The revenue contribution from these contracts in the period to December 31, 2008 was £268,000.

PACIFIC MICROWAVE RESEARCH INC

On August 20, 2008 the Group reached agreement to acquire 100% of the issued share capital of Pacific Microwave Research Inc ("PMR"), for a maximum consideration, dependent on performance, of US$17.0 million (£9.1 million) before expenses. PMR, incorporated in the State of California, is a design, engineering and manufacturing technology company specialising in analogue and digital microwave video transmission solutions for law enforcement, Homeland Security, and military applications. PMR products are used for video collection, convert surveillance, unmanned ground vehicles (UGV), unmanned aerial vehicles (UAV), and flight test air-to-ground image transmission.

The fair value in sterling is calculated at the exchange rate ruling at the date of completion of the acquisition.

	Book value US$ 000	Fair value adjustment US$ 000	Fair value US$ 000	Fair value £000
Net assets acquired				
Acquired intangibles	–	9,428	9,428	5,168
Property, plant and equipment	310	–	310	170
Inventories	474	–	474	260
Trade and other receivables	1,012	–	1,012	556
Cash at bank and in hand	325	–	325	178
Trade and other payables	(637)	–	(637)	(349)
Provisions	(25)	–	(25)	(14)
	1,459	9,428	10,887	5,969
Purchased goodwill on acquisition			6,423	3,521
Total consideration			**17,310**	**9,490**
Satisfied by:				
Cash consideration (including acquisition costs of US$584,000)			11,088	6,079
Deferred consideration (discounted to present value)			6,222	3,411
			17,310	9,490
Net cash outflow arising on acquisition				
Cash consideration (including acquisition costs of US$584,000)			11,088	6,079
Cash and cash equivalents acquired			(325)	(178)
			10,763	5,901

34 AQUISITIONS CONTINUED

The deferred consideration of US$7.0 million (£3.8 million) payable over the next four years has been discounted to its present value at a rate of 3.3 per cent to US$6.2 million (£3.4 million) at the date of acquisition. Goodwill arising on acquisition is attributable to the anticipated growth in profitability of the business and the future operating synergies with the current LE&PS strategy within the Group.

In the period to December 31, 2008 an interest charge of £44,000 has been made to reflect the present value of the deferred consideration at December 31, 2008.

PMR contributed revenue of £898,000 and an operating profit of £303,000 to the Group in the period after acquisition. If the acquisition of PMR had been completed on the first day of the financial year, Group revenues for the year would have increased by £1,193,000 and Group profit attributable to equity holders of the parent would have increased by £20,000.

35 CONTINGENT LIABILITIES AND COMMITMENTS

The Group has contingent liabilities of approximately £0.8 million in respect of performance bonds, advance payment guarantees, terminable indemnities, documentary credits and bills of exchange at December 31, 2008 (2007: £1.2 million).

The aggregate future minimum lease payments due under non-cancellable operating leases are as follows:

	2008		2007	
	Land and buildings £'000	**Other £'000**	Land and buildings £'000	Other £'000
Not later than one year	**215**	**12**	701	43
Later than one year and not later than five years	**600**	**25**	1,238	76
Later than five years	**298**	**–**	383	3
	1,113	**37**	2,322	122

The Group leases a number of office and factory premises under operating leases. None of these leases contain contingent rentals.

The Group has capital expenditure contracted for but not provided at December 31, 2008 of £0.1 million (2007: £nil).

Share options granted between April 5, 1999 and April 5, 2002 under unapproved schemes are subject to employers' and employees' national insurance on the gain made on the exercise of such options by UK employees. At December 31, 2008 an accrual of £nil has been made in respect of this liability (2007: £14,000).

36 PENSIONS

DEFINED CONTRIBUTION PLANS

The Group currently operates a Group Personal Pension Plan and funds are invested with AXA Sun Life plc. Certain UK employees are entitled to join the plan to which the Company contributes varying amounts subject to status. In addition the Group operates a Stakeholder pension scheme in the UK. In the US the Group contributes to a 401K plan on behalf of employees up to US$2,500 (£1,700) per employee. The total Group pension charge for the year was £0.76 million (2007: £0.57 million).

The Group has no unfunded pension liabilities.

37 RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Hernis Scan Systems AS, a wholly owned subsidiary of the Company, has entered into a license, production and sales agreement with its associate, Wireless Power and Communications AS ("WPC"), in respect of certain products to which WPC own the commercial rights and that Hernis Scan Systems AS will manufacture and sell in exchange for a royalty payment to WPC at specified amounts per item sold.

The Group has a contract with h2glenfern Limited for the supply of IR services. The annual fee is £30,000. Mr T H S Trotter is Chairman of h2glenfern Limited. The contract was terminated on February 28, 2009.

Other than the transactions set out above, the Group has not entered into any transactions with any related parties who are not members of the Group.

DIRECTOR'S TRANSACTION

Mr LG Mann was a shareholder in Link Research Limited prior to its acquisition. He therefore benefits from the deferred consideration accruing to former shareholders. At December 31, 2008 Mr Mann was the beneficial holder of loan notes to the value of £nil (2007: £909,653).

Payments totalling £25,000 (2007: £nil) were made during the year to Blackfyne Limited for management consultancy services rendered by Mr Howe outside of his work as a non-executive director during the transition period between Chief Executives.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 SUBSEQUENT EVENTS

On January 19, 2009, the Group announced its new strategic direction. The Company has been reorganised into four international Business Units, each of which will be focused on the customers they serve. These are:

- News and Entertainment (which will comprise the electronic newsgathering and entertainment activities of Link, Advent and MRC);
- Law Enforcement and Public Safety (which will combine the surveillance systems activities of PMR which was acquired in 2008, with those of Link, MRC and Advent);
- Marine and Energy (which will build on the current Hernis business);
- Services (which will combine the services businesses of MRC and Advent with WTS which was acquired in 2007).

Each of these sectors represents attractive markets experiencing steady and sustainable growth with a degree of resilience to the economic cycle.

Research, Development and Engineering of the different Group companies will be brought together into one organisation ("Vislink Technologies"), and led by a newly appointed Chief Technology Officer from within the existing management team.

Manufacturing and Distribution will be similarly integrated under one organisation ("Vislink Logistics") across the existing locations, whose remit will be to ensure the Business Units benefit from low-cost, flexible manufacturing and improved customer delivery and support.

39 PRINCIPAL SUBSIDIARY COMPANIES

The following subsidiaries are included in the Group's consolidated results.

	Group holding	Principal activity	Country of incorporation and operation	Registered office
Link Research Limited*	100%	Design and manufacture of wireless camera systems	UK	Hungerford England
Vislink Communications Limited* (incorporating the business of Advent Communications)	100%	Design and manufacture of satellite uplink and downlink equipment	UK	Hungerford England
Continental Microwave Limited*	100%	Broadcast transmission systems integration and project management	UK	Hungerford England
Vislink, Inc. (Incorporating the businesses of Microwave Radio Communications)	100%	Design and manufacture of microwave radio transmission equipment	USA	Delaware USA
Focus Communications, Inc (Incorporating the business of Western Technical Services)	100%	Provision of technical installation services	USA	California USA
Hernis Scan Systems A/S	100%	Design and manufacture of CCTV systems for applications in hazardous and corrosive environments	Norway	Arendal Norway
Pacific Microwave Research Inc	100%	Design and manufacture of microwave radio transmission equipment	USA	California USA
Vislink Holdings Limited*	100%	Management holding company	UK	Hungerford England
Vislink Holdings, Inc.	100%	Management holding company	USA	Delaware USA
Vislink Limited	100%	Management holding company	Ireland	Dublin Ireland

* Owned directly by the parent company, Vislink plc.

40 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The directors approved the consolidated financial statements on March 25, 2009.

COMPANY BALANCE SHEET
AS AT DECEMBER 31, 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	7	**5**	5
Investments	8	**19,990**	25,168
		19,995	25,173
Current assets			
Debtors	9	**18,170**	12,175
		18,170	12,175
Creditors – amounts falling due within one year	10	**4,797**	7,056
Net current assets		**13,373**	5,119
Total assets less current liabilities		**33,368**	30,292
Creditors – amounts falling due after more than one year	11	**7,864**	1,000
Net assets		**25,504**	29,292
Capital and reserves			
Called up share capital	13	**3,465**	3,463
Share premium account	14	**4,900**	4,885
Merger reserve	14	**2,670**	2,670
Profit and loss account	14	**14,469**	18,274
Equity shareholders' funds		**25,504**	29,292

The financial statements on pages 73 to 80 were approved by the Board of directors on March 25, 2009 and were signed on its behalf by:

D Lewis
Director

J R Trumper
Director

Duncan Lewis

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Notes	2008 £000	2007 £000
Opening equity shareholders' funds		**29,292**	12,927
(Loss)/profit for the financial year	2	**(2,328)**	17,721
Share options – value of employee services	6	**249**	119
Share issue in year	13 and 14	**17**	56
Sale of own shares held	–	**–**	19
Acquisition of own shares	–	**–**	(169)
Dividends paid	5	**(1,726)**	(1,381)
Movement in the year		**(3,788)**	16,365
Closing equity shareholders' funds		**25,504**	29,292

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 1985. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on adoption of new accounting standards in the year.

INVESTMENTS

All investments are initially recorded at cost, being the fair value of consideration given including the acquisition costs associated with the investment. Subsequently they are reviewed for impairment on an individual basis, if events or changes in circumstances indicate the carrying value may not be fully recoverable.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is calculated in order to write off the cost of property plant and equipment over their estimated useful lives by equal annual instalments using the following rates:

Plant and computer equipment 10%–33%

DEFERRED TAXATION

Deferred corporation tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised in respect of all temporary differences except where the deferred tax liability arises from the initial recognition of goodwill in business combinations.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and tax losses, to the extent that they are regarded as recoverable. They are regarded as recoverable where, on the basis of available evidence, there will be suitable taxable profits against which the future reversal of the underlying temporary differences can be deducted. The carrying value of the amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part, of the tax asset to be utilised.

Deferred corporation tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted at the balance sheet date.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date and non-monetary assets at the exchange rates ruling at the dates of the transactions.

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used to reduce the exposure to foreign exchange and interest rate risks. Instruments qualify for hedge accounting where the underlying asset or liability has characteristics, which can be directly related to the instrument transacted. The gains and losses on those instruments qualifying for hedge accounting are recognised in the financial statements over the life of the transaction.

Where a derivative financial instrument no longer meets the criteria for a hedge, the instrument is restated at market value and any gains or losses are taken directly to the profit and loss account. The Group excludes all short term debtors and creditors from the derivatives and financial instruments disclosed other than those on currency risk relating to monetary assets and liabilities.

SHARE-BASED PAYMENTS

The fair value of employee share plans is calculated using an option-pricing model. In accordance with FRS 20 "Share-based payments" the resulting cost is charged to the income statement over the vesting period of the plans. The value of the charge is adjusted to reflect the expected and actual levels of options vesting.

DIVIDENDS

Under FRS 21 dividends are not to be recognised as a creditor until the dividend is approved by the Company's shareholders.

PENSIONS

Company employees are members of money purchase schemes where the obligations of the Company are charged to the profit and loss account as they are incurred.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

2 PROFIT FOR THE YEAR

As permitted by section 230 of the Companies Act 1985 the Company has elected not to present its own profit and loss account, statement of total recognised gains and losses and cash flow statement for the year. Vislink plc reported a loss for the financial year of £2.33 million (2007: profit of £17.72 million).

The Company has taken advantage of the exemption in SSAP 25 and no geographical or segmental analysis of results is provided as this analysis is disclosed in note 5 to the Consolidated Group financial statements.

3 SERVICES PROVIDED BY THE COMPANY AUDITOR

During the year the Company obtained the following services from the Company's auditor at costs detailed below:

	2008 £000	2007 £000
Audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**55**	53
Fees payable to the Company's auditor for other services:		
– Further assurance services pursuant to legislation	**15**	14
– Other services pursuant to legislation	**287**	–
Tax services		
– Compliance services	**11**	18
– Advisory services	**15**	14
	383	99

Included above is the Company audit fee of £5,000 (2007: £5,000).

A description of the work of the Audit Committee is set out in the corporate governance statement on page 30 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

4 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

	2008 £000	2007 £000
Wages and salaries	**1,057**	745
Social security costs	**101**	70
Other pension costs	**123**	106
Compensation for loss of office	**331**	–
	1,612	921

The number of employees employed by the Company was as follows:

	2008 Number	2007 Number
Average number of employees	7	5

The total number of employees at December 31, 2008 was seven (2007: five).

Pension contributions of £123,000 (2007: £106,000) have been paid into defined contribution schemes (see note 36 of the Consolidated Group financial statements).

The remuneration of the directors of the Company is detailed in the Remuneration Report on pages 33 to 37. Included within the employee costs above are the salaries and benefits of I H Scott-Gall, D Lewis, J R Trumper and A Finizio. Non-executive directors fees are excluded from the amounts shown.

5 DIVIDENDS

	2008 £000	2007 £000
Final dividend paid of 1.25p per share (2007 – 1.00p per share)	**1,726**	1,381

In addition the directors are proposing a final dividend in respect of the financial year ending December 31, 2008 of 1.25 pence per share which will absorb an estimated £1.73 million of shareholders' funds. It will be paid on July 17, 2009 to shareholders who are on the register of members on June 26, 2009.

6 SHARE BASED PAYMENTS

Details of share based payments are shown in note 28 to the Consolidated Group financial statements.

7 TANGIBLE FIXED ASSETS

	Plant and computer equipment £000
Cost	
At January 1, 2008	88
Additions	3
At December 31, 2008	**91**
Accumulated depreciation	
At January 1, 2008	83
Charge for the year	3
At December 31, 2008	**86**
Net book value	
At December 31, 2008	**5**
At December 31, 2007	5

8 INVESTMENTS

	Investments in subsidiaries unlisted shares £000
Cost	
At January 1, 2008	32,966
Additions	-
At December 31, 2008	**32,966**
Provisions	
At January 1, 2008	7,798
Charge for the year	5,178
At December 31, 2008	**12,976**
Net book value	
At December 31, 2008	**19,990**
At December 31, 2007	25,168

NOTES TO THE COMPANY FINANCIAL STATEMENTS

9 DEBTORS

	2008 £000	2007 £000
Amounts due within one year		
Deferred taxation	**10**	8
Amounts owed by Group undertakings	**17,279**	11,527
Corporation tax	**640**	450
Other debtors	**77**	3
Prepayments and accrued income	**164**	187
	18,170	12,175

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences to the extent that they are regarded as recoverable against future profits. The movement on deferred tax assets in the year relates to the utilisation of timing differences associated with capital allowances.

10 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008 £000	2007 £000
Bank overdraft	**3,475**	3,459
Trade creditors	**102**	22
Accruals and deferred income	**315**	437
Other taxes and social security costs	**58**	28
Unsecured loan notes	**–**	2,500
Amounts owed to Group undertakings	**847**	610
	4,797	7,056

11 CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008 £000	2007 £000
Bank loans (secured)	**7,864**	1,000
	7,864	1,000

12 BANK AND OTHER BORROWINGS

	2008 £000	2007 £000
Due in one year or less	–	2,500
Due between two and five years	**7,864**	1,000
	7,864	3,500

The bank loans and overdrafts are secured by fixed and floating charges over the Group's assets and by cross-guarantees between the Company and certain UK and US subsidiaries.

Bank loans bear interest at floating rates detailed below. There were no outstanding finance leases at December 31, 2008.

The Group has a multi currency revolving facility of £17.0 million drawn on a monthly basis. Interest is charged at 1.0 per cent over sterling or the relevant foreign currency LIBOR.

Unsecured borrowings comprise loan notes issued to the former shareholders in Link Research Limited of £nil (2007: £2.5 million).

The effective interest rates at the balance sheet dates were as follows:

	2008	2007
Bank overdraft	**3.75%**	6.50%
Bank borrowings – revolving credit	**2.57%**	7.11%
Unsecured loan notes	**n/a**	5.50%

13 CALLED UP SHARE CAPITAL

	2008		2007	
	Number 000's	£000	Number 000's	£000
Authorised ordinary shares of 2.5 pence each at December 31:	**200,000**	**5,000**	200,000	5,000
Allotted, called up and fully paid				
At January 1	**138,534**	**3,463**	138,403	3,460
Issued on exercise of executive share options	–	**2**	121	3
Issued on exercise of SAYE share options	–	–	10	–
At December 31	**138,534**	**3,465**	138,534	3,463

POTENTIAL ISSUE OF SHARES

Details of the potential issue of shares are shown in note 27 to the Consolidated Group financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

14 RESERVES

	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
Company				
At January 1, 2008	4,885	2,670	18,274	25,829
Retained loss for the year	–	–	(2,328)	(2,328)
Value of employee services	–	–	249	249
Dividends paid	–	–	(1,726)	(1,726)
Premium on shares issued in the year from the exercise of executive share options	15	–	–	15
At December 31, 2008	**4,900**	**2,670**	**14,469**	**22,039**

At December 31, 2008 the trustee of the Employees Share Ownership Plan (ESOP) held 840,000 shares (2007: 840,000) with a market value of £134,000 (2007: £395,000). The net book value of these shares was £199,000 (2007: £199,000) and has been deducted from the profit and loss account.

15 CONTINGENT LIABILITIES AND COMMITMENTS

The Company is party to a cross guarantee to secure bank borrowings of certain members of the Vislink plc Group which amounted to £7.6 million (2007: £1.0 million).

The Company has no capital expenditure contracted for but not provided at December 31, 2008 (2007: £nil).

Share options granted between April 5, 1999 and April 5, 2002 under unapproved schemes are subject to employers' and employees' national insurance on the gain made on the exercise of such options by UK employees. At December 31, 2008 an accrual of £nil has been made in respect of this liability (2007: £14,000).

16 RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with entities that are part of the Vislink plc Group or investees of Vislink plc under Financial Reporting Standard 8. There are no other related party transactions other than those relating to directors that have been disclosed in note 37 to the Consolidated Group financial statements.

17 COMPANY PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company are listed in note 39 to the Consolidated Group financial statements of the Group.

18 APPROVAL OF THE COMPANY FINANCIAL STATEMENTS

The directors approved the financial statements on March 25, 2009.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VISLINK PLC

We have audited the parent company financial statements of Vislink plc for the year ended December 31, 2008 which comprise the Balance Sheet, the reconciliation of movement in shareholders' funds and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on the Consolidated Group financial statements of Vislink plc for the year ended December 31, 2008.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the information given in the Directors' report is consistent with the parent company financial statements. In addition we report to you if, in our opinion, the Company 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 regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' remuneration report to be audited 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 parent company financial statements and the part of the Directors' remuneration report to be audited.

OPINION

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at December 31, 2008; and
- the parent company financial statements and the part of the Directors' remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the parent company financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
31 Great George Street, Bristol BS1 5QD

March 25, 2009

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company will be held at 29 Cloth Fair, London EC1A 7NN on Wednesday May 20, 2009 at 12.00 noon for the following purposes:

ORDINARY BUSINESS

1. To receive the financial statements for the year ended December 31, 2008 and the reports of the directors and auditors thereon as set out in the Annual Report and Accounts.
2. To approve the Directors' Remuneration Report for the year ended December 31, 2008.
3. To declare a final dividend of 1.25 pence per ordinary share for the financial year ended December 31, 2008.
4. To re-elect Mr LG Mann as a director.
5. To re-elect Mr RB Howe as a director.
6. To elect Mr D Lewis as a director.
7. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which audited accounts are laid before the Company and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider, and if thought fit, pass resolution 8 as an ordinary resolution and resolutions 9 to 11 as special resolutions.

AUTHORITY TO ALLOT SHARES

8. THAT, in substitution for all existing authorities, the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £1,154,946 for the period expiring on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and June 30, 2010 unless renewed or extended prior to such expiry, except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

DISAPPLICATION OF PRE-EMPTION RIGHTS

9. THAT, in substitution for all existing authorities, the directors be and they are hereby generally and unconditionally authorised pursuant to section 95 of the Companies Act 1985 (the "1985 Act") to allot equity securities (as defined in section 94 of the 1985 Act) for cash pursuant to the authority conferred upon them at the Extraordinary General Meeting held on February 9, 2005 as if section 89(1) of the 1985 Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

   (a) the allotment of equity securities in connection with a rights issue or any other pre-emptive offer in favour of the holders of equity securities where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be) to the respective numbers of equity securities held by them subject only to such exclusions or other arrangements as the directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory or otherwise; and

   (b) the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £173,241;

   and shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and June 30, 2010, unless renewed or extended prior to such expiry, except that the Company may, before the expiry of any power contained in this resolution, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

   This power applies in relation to a sale of treasury shares which is an allotment of equity securities by virtue of section 94 (3A) of the 1985 Act as if in the first paragraph of this resolution the words "pursuant to the authority conferred upon them at the Extraordinary General Meeting on February 9, 2005" were omitted.

AUTHORITY FOR MARKET PURCHASES

10. THAT the Company is hereby generally and unconditionally authorised to make market purchases (within the meaning of section 163 of the 1985 Act) of ordinary shares of 2.5 pence each in the capital of the Company ("ordinary shares") provided that:

    (a) the maximum number of ordinary shares hereby authorised to be purchased shall be 13,859,358 (representing approximately 10 per cent of the Company's issued ordinary share capital);

    (b) the minimum price which may be paid for each ordinary share so purchased shall not be less than 2.5 pence, being the nominal value thereof, exclusive of the expenses of purchase;

    (c) the maximum price which may be paid for each ordinary share so purchased shall not exceed 105 per cent of the average middle market quotation for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days preceding the day of purchase, exclusive of the expenses of purchase; and

    (d) the authority hereby conferred shall expire on whichever is the earlier of the conclusion of the next Annual General Meeting of the Company after the passing of this resolution and June 30, 2010 unless renewed or extended prior to such expiry, except that the Company may, before the expiry of any authority contained in this resolution, make a contract to purchase ordinary shares which will or may be executed wholly or partly after the expiry of such authority and may make purchases of ordinary shares in pursuance of any such contract or contracts.

NOTICE OF GENERAL MEETING

11. THAT the Company be generally and unconditionally authorised to hold general meetings (other than annual general meetings) on 14 clear days' notice from the date of the passing of this resolution, provided that this authority shall expire at the conclusion of the Annual General Meeting or, if earlier, on June 30, 2010.

By Order of the Board

J R Trumper
Secretary

March 25, 2009

Registered office:
Marlborough House
Charnham Lane
Hungerford
Berkshire RG17 0EY

NOTICE OF ANNUAL GENERAL MEETING

NOTES

1. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the Annual General Meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A form of proxy which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid any form of proxy, or amendment to the instructions given for a previously appointed proxy, and any power of attorney or other authority under which the proxy is appointed (or a notarially certified copy of such power or authority), must be received by post or (during normal business hours only) by hand at Vislink plc, c/o Computershare Services plc, PO Box 82, The Pavilions, Bridgwater Road, Bristol BS99 7NH no later than 12.00 noon on May 18, 2009, or 48 hours before the time of any adjourned meeting. Any such power of attorney or other authority cannot be submitted electronically.
3. The return of a completed form of proxy, other such instrument or any CREST Proxy Instruction (as described in paragraph 8 below) will not prevent a shareholder attending the Annual General Meeting and voting in person if he/she wishes to do so.
4. If you are a person who has been nominated under section 146 of the 2006 Act to enjoy nomination rights (a "Nominated Person") you may, under an agreement between you and the member of the Company who has nominated you, have a right to be appointed (or have someone else appointed) as a proxy for the Annual General Meeting. If you do not have such a proxy appointment right, or you do but do not wish to exercise it, you may have a right to give instructions to the member who has appointed you as to the exercise of voting rights.
5. If you are a Nominated Person, the statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 3 above do not apply. The rights described in these paragraphs can only be exercised by registered shareholders of the Company.
6. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
7. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI")'s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 3RA50) by 12.00 noon on May 18, 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
8. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that EUI does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
9. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
10. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered on the Register of Members of the Company as at 6.00 pm on May 18, 2009 ("the specified time") shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register of Members after the specified time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. If the Annual General Meeting is adjourned the shareholders, to be so entitled, must have been entered on the Register of Members at a time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified on that notice.
11. As at March 24, 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 138,593,588 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company are 138,593,588.
12. You may not use any electronic address provided within this notice or any related documents (including the form of proxy) to communicate with the Company other than as expressly stated.
13. Copies of the Directors' service contracts or letters of appointment will be available for inspection between the date of this notice and the Annual General Meeting at the Company's registered office and at the venue of the Annual General Meeting for 15 minutes prior to the commencement of the Annual General Meeting until its conclusion.

EXPLANATORY NOTES
TO THE NOTICE OF THE ANNUAL GENERAL MEETING

RESOLUTION 1: REPORTS AND ACCOUNTS

The directors are required by law to present to the Annual General Meeting the audited accounts and the reports of the directors and the auditors contained in the Annual Report and Accounts.

RESOLUTION 2: DIRECTORS' REMUNERATION REPORT

The Directors' Remuneration Report Regulations 2002 require the Company to produce a yearly report on directors' remuneration and to put an annual resolution to shareholders for approval of that report. The directors' remuneration report for which approval is sought is set out on pages 33 to 37 of the Annual Report and Accounts. In line with the Regulations, this vote will be advisory.

RESOLUTION 3: DECLARATION OF DIVIDEND

Final dividends must be approved by shareholders but cannot exceed the amount recommended by the directors. If the Annual General meeting approves resolution 3, the final dividend in respect of 2008 of 1.25 pence per ordinary share will be paid on July 17, 2009 to holders of ordinary shares who are on the register of shareholders on June 26, 2009 in respect of each ordinary share.

RESOLUTIONS 4 – 6: ELECTION AND RE-ELECTION OF DIRECTORS

Under the Company's Articles of Association one third of the directors must retire at each Annual General Meeting. All retiring directors are eligible to seek re-election by shareholders if they so wish. Mr LG Mann and Mr RB Howe retire by rotation and, in accordance with the Articles of Association and being eligible, offer themselves for re-election.

In addition, the Company's Articles of Association require any new directors appointed by the Board to retire from office and offer themselves for election by shareholders at the next Annual General Meeting following their appointment. Mr D Lewis was appointed by the Board as a non-executive director with effect from October 1, 2008 and is therefore now seeking election by shareholders.

Biographical details of the directors standing for election are set out on page 24 of the Annual Report and Accounts and re-election details are on page 26. In compliance with the combined code, Messrs Mann, Howe and Lewis have not participated in discussions on their own re-election or election; the remainder of the Board have, however, reviewed their positions and wholeheartedly support their election and re-election as directors. In the case of the non-executive directors, the Board has reviewed their independence and confirms that they remain fully independent of management.

RESOLUTION 7: RE-APPOINTMENT OF AUDITORS

The Company is required to appoint auditors at each general meeting at which accounts are laid before the Company, to hold office until the end of the next such meeting. PricewaterhouseCoopers LLP have indicated that they are willing to continue in office as the Company's auditors for another year. Accordingly, this resolution proposes their reappointment and, in accordance with standard practice, gives authority to the directors to determine their remuneration.

RESOLUTION 8: AUTHORITY TO ALLOT SHARES

Under section 80 of the Companies Act 1985, the directors of a company may only allot unissued shares and other "relevant securities" if authorised to do so. This resolution, if passed, will continue the directors' flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares, and renews the section 80 authority given on February 9, 2005.

This authority will allow the directors to allot new shares up to a nominal value of £1,154,946 which is equivalent to 33.3 per cent of the total issued ordinary share capital as at March 24, 2009. The directors have no current intention of exercising this authority.

This authority will expire at the conclusion of the Annual General Meeting in 2010 or on June 30, 2010, whichever is the earlier.

RESOLUTION 9: DISAPPLICATION OF PRE-EMPTION RIGHTS

If equity securities are to be allotted for cash, section 89(1) of the 1985 Act requires that those equity securities are offered first to existing shareholders in proportion to the number of shares held by them at the time of the offer and then in compliance with the technical requirements of the 1985 Act. Those pre-emption provisions also apply to the sale of treasury shares by the Company.

This resolution, if passed, will allow the directors to allot shares and/or sell treasury shares for cash without the need to first offer them to existing shareholders in accordance with the 1985 Act. This power is limited to the allotments of equity securities and/or sale of treasury shares for cash up to a maximum nominal amount of £173,241, which is equivalent to 5 per cent of the total issued ordinary share capital of the Company as at March 24, 2009 and allotments of equity securities and/or sale of treasury shares in connection with a rights issue or other offer to shareholders, subject to the directors' ability to make arrangements to deal with certain legal or practical problems arising in connection with such offer. This power will expire at the conclusion of the Annual General Meeting in 2010 or on June 30, 2010, whichever is the earlier.

EXPLANATORY NOTES
TO THE NOTICE OF THE ANNUAL GENERAL MEETING

RESOLUTION 10: PURCHASE OF OWN SHARES

The directors believe that it is in the interests of the Company and its shareholders to continue to have the flexibility to purchase its own shares and this resolution seeks authority from shareholders to do so. The Board has no immediate intention of using this authority, moreover the directors would only intend to exercise this authority where, after considering market conditions prevailing at the time, they believed that the effect of such exercise would be to increase the earnings per share and be in the best interests of shareholders generally.

The effect of such purchases would either be to cancel the number of shares in issue or the directors may elect to hold them in treasury pursuant to the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations"), which came into force on December 1, 2003.

The Regulations enable certain listed companies to hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by a company in accordance with the 1985 Act. Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under an employee share scheme. Once held in treasury, a company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the company's assets may be made to the company in respect of the treasury shares. The Company would consider holding any of its own shares purchased as treasury shares as this would give the Company the ability to re-issue treasury shares quickly and cost effectively and would provide additional flexibility in the management of its capital base.

This resolution if passed would renew the authority given at the Annual General Meeting held on May 21, 2008 and would be limited to 13,859,358 ordinary shares, representing approximately 10 per cent of the issued share capital as at March 24, 2009. The directors intend to seek renewal of this power at each subsequent Annual General Meeting.

As of March 24, 2009 there were options outstanding over 3,182,338 shares, representing 2.3 per cent of the Company's issued share capital (excluding treasury shares). If the authority to buy back shares given by this resolution were exercised in full, this would represent 2.5 per cent of the Company's issued share capital (excluding treasury shares). As of March 24, 2009 there were awards outstanding over 5,630,098 shares in respect of the Long Term Incentive Plan (LTIP), representing 4.1 per cent of the Company's issued share capital (excluding treasury shares). If the authority to buy back shares given by this resolution were exercised in full, this would represent 4.5 per cent of the Company's issued share capital (excluding treasury shares).

RESOLUTION 11: NOTICE OF GENERAL MEETINGS

Resolution 11 will be proposed as a special resolution to approve the holding of general meetings, other than annual general meetings, on 14 days' notice. The Company's Articles of Association currently permit general meetings to be held on 14 days' notice. However, regulations are due to come into force on August 3, 2009 to implement the Shareholder Rights Directive in the UK (the "Regulations") which, as currently drafted, will require a shareholder resolution to be passed before general meetings can be held on 14 days' notice. Without the passing of resolution 11, the minimum notice period for general meetings under the Regulations would be increased to 21 days. If resolution 11 is passed, the Regulations as currently drafted would allow the Company to call a general meeting on 14 days' notice as is currently the case. Although the final form of the Regulations will not be known before the Annual General Meeting, the directors nevertheless consider it to be in the best interest of shareholders to propose resolution 11 in order to prevent being constrained by the Regulations once they come into force.

FIVE YEAR FINANCIAL HISTORY

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Revenues					
Total revenue	**101,025**	98,580	100,498	85,072	67,831
Operating profit is analysed as:					
Adjusted operating profit	**9,052**	15,797	14,425	8,423	2,596
Amortisation of acquired intangibles	**(1,961)**	(1,462)	(1,364)	(1,207)	-
Amortisation and impairment of goodwill	**(5,000)**	–	–	–	(817)
Share-based payments	**(249)**	(119)	(122)	(75)	(47)
Exceptional items	**(977)**	–	–	–	(1,539)
Operating profit	**865**	14,216	12,939	7,141	193
Net financial costs	**(280)**	(260)	(264)	(776)	(498)
Profit/(loss) before tax	**585**	13,956	12,675	6,365	(305)
Tax on profit/(loss)	**(2,097)**	(5,026)	(4,968)	(2,883)	(827)
Profit/(loss) for the year attributable equity shareholders	**(1,512)**	8,930	7,707	3,482	(1,132)
Earnings per 2.5p ordinary share					
Adjusted	**4.35p**	7.30p	6.44p	3.36p	1.26p
Basic	**(1.10)p**	6.47p	5.65p	2.66p	(1.12)p
Dividend per ordniary share	**1.25p**	1.25p	1.00p	0.50p	0.20p
Average exchange rate £:US$	**1.85**	2.00	1.84	1.82	1.83

Notes

1) Adjusted operating profit is defined as operating profit before the amortisation and impairment and acquired intangibles, share-based payments and exceptional costs.

2) Adjusted earnings per share are calculated by adjusting reported earnings for the amortisation and impairment of acquired intangibles and goodwill after tax, share-based payments and other exceptional costs adjusted for tax.

ANALYSIS OF SHAREHOLDERS

AS AT DECEMBER 31, 2008

Holding size range	Number of shareholders	Percentage of total shareholders	Number of shares ('000)	Percentage of issued share capital
1 – 1,000	4,001	52.8	1,864	1.3
1,001 – 5,000	2,656	35.0	6,163	4.5
5,001 – 10,000	429	5.7	3,209	2.3
10,001 – 100,000	375	4.9	11,102	8.0
Over 100,000	123	1.6	116,256	83.9
	7,584	100.0	138,594	100.0

SHAREHOLDER INFORMATION

BOARD OF DIRECTORS

T H S Trotter*
Chairman

D Lewis
Chief Executive

J R Trumper
Group Finance Director

R B Howe*
Senior Independent non-executive director
Remuneration Committee Chairman

LG Mann*

OB Ellingham*
Audit Committee Chairman

SECRETARY
J R Trumper

REGISTERED OFFICE
Marlborough House
Charnham Lane
Hungerford
Berkshire RG17 0EY

COMPANY REGISTRATION
Number 4082188

* Non-executive

AUDITORS

PricewaterhouseCoopers LLP
31 Great George Street
Bristol BS1 5QD

BANKERS

The Royal Bank of Scotland
Abbey Gardens
4 Abbey Street
Reading RG1 3BA

LEGAL ADVISERS

Pinsent Masons LLP
3 Colmore Circus
Birmingham B4 6BH

REGISTRARS

Computershare Services plc
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH

STOCKBROKERS AND FINANCIAL ADVISERS

Evolution Securities
100 Wood Street
London EC2V 7AN

SHAREHOLDER QUERIES

All queries regarding shareholdings, dividends, lost share certificates or changes of address should be communicated in writing to Vislink plc, c/o Computershare Services plc, PO Box 82, The Pavilions, Bridgewater Road, Bristol BS99 7NH stating the registered shareholder's name and address.

Telephone: 0870 707 1389.

Shareholders may also check their shareholding, dividend payments or update their personal details via the Investor Services section of the Registrar's website at www.computershare.com. This is a secure section of the Computershare website. To access your details you will require the unique Shareholder Reference Number, found on the corresponding share certificate.

SHAREHOLDER ECOMS

Web site
For further up to date shareholder information please visit www.vislink.com/financial_news .
News alerts
To receive the latest news announcements and press releases by email please visit www.vislink.com and follow the link to the contacts page to register your details.

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