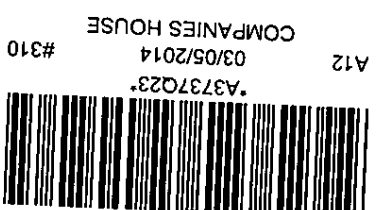


VISLINK
ANNUAL REPORT & ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2013
WWW.VISLINK.COM
STOCK CODE: VIX

SATURDAY



FROM SCENE TO SCREEN

HIGHLIGHTS 2013

FROM SCENE TO SCREEN

VISLINK'S CORE COMPETENCE IS:
THE COLLECTION OF HIGH QUALITY LIVE VIDEO
AND DATA – WIRELESSLY – FROM THE FIELD TO
THE POINT OF USAGE.

REASONS TO INVEST

- 1 We enjoy long term relationships, through international sales channels with our customers globally
- 2 We are focused on the growing segments of the Broadcasting and Surveillance markets
- 3 We offer Product Leadership and provide Complete Customer Solutions
- 4 Our strategy for the Group, announced in November 2011, is on track

CAUTIONARY STATEMENT

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Company's strategies and the potential for those strategies to succeed

The Strategic Report contains certain forward looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors underlying any such forward-looking information

The directors in preparing the Strategic Report have complied with s414c of the Companies Act 2006. This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Vislink plc and its subsidiary undertakings when viewed as a whole

This Strategic Report discusses the following areas

- The business model
- Strategy and objectives
- Fair review of the Group's business
- Key performance indicators
- Future developments
- Principal risks and uncertainties

www.vislink.com

PROFITABLE GROWTH

Broadcast and Surveillance both delivered revenue growth
Leading brand presence in core and emerging markets
Substantial increase in year-on-year profit

REVENUE
(£m)

SUCCESSFUL EXECUTION

Acquisition of Amplifier Technology
Investment continued in market-leading Research and Development
Global sales channels capture business

TECHNOLOGICALLY AGILE

Industry leading portfolio of products
Expanded "MSAT" Man Portable Satcom systems
Investment in IP (Internet Protocol) and cellular solutions

ADJUSTED
OPERATING
PROFIT
(£m)

STRATEGY ON TRACK

Group has funding capacity for investment
Acquisition of Pebble Beach Systems announced March 2014
Confident that our stated strategy is on track to meet targets

ADJUSTED
EARNINGS
PER SHARE
(pence)

THESE ICONS INDICATE

See further information within this report

Additional information online at
www.vislink.com

INSIDE OUR REPORT

CHAIRMAN'S STATEMENT

2013 was another year of sustained profitable growth for the Group. We achieved our objective of sustaining half on half growth in revenues and profits. 2013 also saw a substantial investment in new products. The acquisition of Amplifier Technology in the summer allowed us to increase our product range further and in March 2014 we announced the acquisition of Pebble Beach Systems, which is a world leader in the provision of software for automation.

Read the Chairman's Statement on pages 02 to 05

VISLINK AT A GLANCE

The core competence of Vislink is the collection of high quality, live video and associated data – wirelessly – from the field to the point of usage.

We provide solutions to two core markets: Broadcast, and Surveillance and Secure Communications. We manage our business through our six main operational sites in the UK and the USA and our international sales offices.

Read Vislink at a glance on pages 08 and 09

BROADCAST WHAT WE DO

Shipping a strong future for video and beyond requires finding new ways of collecting and disseminating live content in the most cost-effective manner possible. With over fifty years of experience we are continuously exploring the workflows of broadcasters worldwide. This innate understanding of live video has shaped our development roadmap creating a new multi-mode approach to live video contribution and distribution.

Read Broadcast what we do on pages 14 to 21

SURVEILLANCE AND SECURE COMMUNICATIONS WHAT WE DO

At the core of every mission critical situation, is the need for rapid deployment of highly reliable communications. Vislink understands this need and plays a critical role in supplying systems for military, defence, public safety and satellite telecommunications worldwide.

We provide complete solutions to support real time video surveillance on the ground, on the water and in the air.

Read Surveillance and Secure Communications
what we do on pages 22 to 29

STRATEGIC REPORT

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CHAIRMAN'S STATEMENT

INTRODUCTION

The core competence of Vislink is the collection of high quality live video, wirelessly, from the scene to the screen. We provide solutions to two core markets: the broadcast market for the collection of live news, sport and live entertainment events, and the video, secure communications and surveillance markets such as military, law enforcement and public safety.

2013 was another year of sustained profitable growth for the Group. We achieved our objective of sustaining half on half growth in revenues and profits.

2013 saw a substantial investment in new products as we launched the new miniaturised wireless camera back, extended our range of new lightweight satellite terminals and began the introduction of new hybrid systems, integrating cellular and microwave technologies allowing our customers the flexibility of capturing high definition video or data wirelessly anywhere in the world from one device.

The acquisition of Amplifier Technology in the summer allowed us to increase our product range into military applications. Amplifier Technology produces amplifiers and jamming technology which prevents unmanned incendiary devices to be activated by using mobile signals. It is vital in the protection of citizens, equips the modern soldier with protection, and complements the world-class lightweight communications offered by our lightweight MSAT satellite terminals.

As we stated in our November 2011 strategy document, Vislink is the market leader in the broadcast market with its range of wireless video contribution products representing around 20 per cent of the available market. We announced further delivery of this strategy in March 2014 with the acquisition of Pebble Beach Systems.

"WE CONTINUE TO DELIVER ON OUR SHORT TERM OBJECTIVES OF PROFITABLE GROWTH WHILST DELIVERING AGAINST OUR PLAN, SET IN 2011, OF ACHIEVING REVENUES OF £80 MILLION AND ADJUSTED OPERATING PROFIT OF £8 MILLION"

Pebble Beach Systems is a world leader in the provision of software for automation, Channel in a Box and content management solutions for TV broadcasters, cable and satellite operators.

The key benefits of Pebble Beach Systems are

- Leading software technology within the sector as demonstrated by its worldwide customer base

- Next generation products recently developed
- Growing customer base — 50 per cent of its top ten customers last year were new
- Strong cash generation and growth prospects

The acquisition fits perfectly with Vislink's desire for growth, recurring revenues, extending its reach and providing customers with synergies from capturing video to interactive programming, including acquisition and revenue generation. Vislink plans to grow its software capability around the Pebble Beach Systems and management team.

Pebble Beach Systems was acquired in March 2014 for a total consideration of £14.9 million comprising £12.9 million in cash and £2.0 million represented by the issue of new Vislink Ordinary Shares. The cash consideration was funded out of existing Group resources and a new £10.0 million debt facility. The facility has a three year tenor and is split £3.0 million amortising term loan and £7.0 million flexible revolving credit facility.

Upon completion the Group cash balance was strengthened by £5.9 million of cash retained in Pebble Beach Systems balance sheet.

The acquisition transitions Vislink into a market leading full service video capture and playback provider to the broadcast industry.

"THE BOARD WERE PLEASED TO ANNOUNCE THE ACQUISITION OF PEBBLE BEACH SYSTEMS, A WORLD LEADER IN SOFTWARE FOR PLAYOUT AUTOMATION AND CONTENT MANAGEMENT SOLUTIONS FOR BROADCASTERS"

After adjusting for amortisation and impairment of acquired intangibles the Group's adjusted earnings per share was 4.2 pence (2012 adjusted earnings per share of 2.5 pence)

DIVIDENDS

The Board is proposing that the full year dividend be maintained at 1.25 pence per share (2012 1.25 pence per share)

ACQUISITIONS

In 2013 we primarily concentrated on organic growth although we did complete the "bolt on" acquisition of Amplifier Technology which we funded from operating cash flows. The total consideration for Amplifier Technology was £4.0 million (£2.0 million on completion and a further £2.0 million if the company achieves earnings before interest, taxation, depreciation and amortisation (EBITDA) of £3.0 million by June 2014, and achieves cash generated from earnings of £2.4 million)

The acquisitions of Pebble Beach Systems completed in March 2014 and Amplifier Technology completed in August 2013 will contribute to the strategy of achieving higher recurring services revenues and achieving our financial objectives of £80.0 million revenue and £8.0 million adjusted operating profit by the end of FY 2014. Further "bolt on" acquisitions will be considered throughout 2014 to achieve our short term and longer term growth aspirations

Early in 2014 we have won a multi-million pound contract in public safety in the UK which will significantly contribute to our declared strategy of having at least 25 per cent of our revenues being derived from the secure communication and surveillance markets by the end of the financial year 2014

Our markets continue to be tough but as long as we continue to better balance our business and maintain our product leadership, the Group will grow in profitability

FINANCIAL RESULTS

Group revenues were £39.9 million (2012 £57.2 million) which was up 4.7 per cent on last year (including four months' contribution from Amplifier Technology)

EARNINGS PER SHARE

The reported basic undiluted earnings per share for the year was 3.1 pence (2012 1.9 pence)

CHAIRMAN'S STATEMENT

CONTINUED

WE ARE WHOLLY IN LINE WITH EXECUTING OUR STRATEGY AND REMAIN COMPLETELY ALIGNED TO OUR SHAREHOLDERS' OBJECTIVES OF DELIVERING SHORT AND LONG TERM PROFITABLE GROWTH

Find out more on our website Vslink.com

STRATEGY MOVE TO ALTERNATIVE INVESTMENT MARKET (AIM)

On 20 January 2014 the Group moved from a listing on the main market, to AIM. The primary reason for this, as announced in our circular, was to simplify and reduce the financial burden of making acquisitions. As part of the transformation of the Group, "bolt on" acquisitions were a key part of our three-year plan, 2011–2014.

We will continue to seek growth opportunities both organically and through acquisitions, whilst with a clear underlying objective of continuing to grow shareholder value.

We will continue to develop our core competences in wireless video contribution for both broadcast and surveillance and secure communications markets.

We will expand our capability in delivering recurring revenues by exploring our newly acquired software capability in video playback and will grow our services offering by developing our network capabilities in cellular and hybrid application areas.

We will also actively seek opportunities to expand our military, law enforcement and public safety presence both organically and through acquisitions.

THE BOARD, MANAGEMENT AND EMPLOYEES

We continue to see a strengthening of our capabilities and expertise as we acquire new businesses.

On behalf of the Board I would like to thank all our people both newly joining us through acquisition and those that have got behind our vision for growth and who have all contributed to our success in 2013.

CURRENT OUTLOOK TRADING

Our markets continue to be challenging. However, the Group enters 2014 with renewed confidence

buoyed by the introduction of new products and the added momentum which has come from the synergistic "bolt on" acquisitions.

We are confident of the opportunities that will come from our enlarged footprint in both broadcast and the secure communication and surveillance markets.

We are executing "to the letter" on our strategy and remain completely aligned to our shareholders' objectives of delivering short term and long term profitable growth.

John Hawkins
Executive Chairman

OUR STRATEGY

ANNOUNCED IN NOVEMBER 2011 — ON TRACK

DELIVER SUSTAINED, PROFITABLE GROWTH

MILESTONES ACHIEVED

FOCUS FOR 2014

FIND OUT MORE

11 GROW OUR BROADCAST REVENUE AND MARKET SHARE BY LEVERAGING OUR BRAND PRESENCE

- Launched new Wireless Camera Systems to provide industry leading product
- Launched LiveGear cellular products into US market
- Integrated Broadcast Satellite Newsgathering with new Mantus MSAT design into our family of satellite products

- Develop market-leading hybrid Wireless Camera Systems
- Expand our cellular solutions to international markets
- Leverage strategic partnerships with other industry leading brands

Broadcast revenue growth
see page 30
Broadcast revenue share
see page 9

12 GROW OUR SURVEILLANCE AND SECURE COMMUNICATIONS BUSINESS BY LEVERAGING OUR TECHNOLOGY AND PARTNERSHIPS

- Strengthened our routes to market for surveillance products outside of our core USA and UK markets
- Leveraged our key customer partnerships to deliver compelling surveillance products globally
- Strengthened our ability to deliver integrated solutions

- Utilise WGS certification to leverage SATCOMS opportunities
- Leverage Amplifier Technology relationships to access new customer segments
- Focus on growth segments including Police, Homeland Security and Special Forces

Surveillance revenue growth
see page 30
Surveillance revenue share
see page 9

13 STRENGTHEN OUR INTERNATIONAL BUSINESS BY FOCUSING ON HIGH GROWTH EMERGING MARKETS

- Capitalised on increased defence and security spending
- Opened a sales office in Brazil
- Benefited from broadcast and surveillance opportunities from major sporting events in emerging markets

- Expand our channels in Latin America
- Capitalise on continued growth in high-quality video and global roll-out of HD solutions

International revenue growth
see page 30
International sales offices
see page 9

14 DEVELOP RECURRING REVENUE STREAMS FROM PRODUCTS, SOFTWARE AND SERVICES

- Executed the LiveGear product roll-out
- Engaged a broader range of customers for broadcast products with hybrid cellular/microwave products
- Continued to expand our "IP" transport based technologies

- Acquisition of software business
- Expansion of cellular and IP offering into new geographical markets
- Develop and leverage strategic partnerships

Pebble Beach Systems
see page 13

GOAL AND ROADMAP FOR OUR STRATEGY

OUR GOAL TO ACHIEVE PROFITABLE GROWTH TO REVENUE OF £80 MILLION WITH AN ADJUSTED OPERATING PROFIT MARGIN OF 10% BY THE END OF 2014				
	2011		2012	
	2013		2014	
CELLULAR PRODUCTS AND SERVICES	RECURRING REVENUES		REVENUE OF £80 MILLION Minimum adjusted operating profit margin of 10%	
SOFTWARE PRODUCTS AND SERVICES	SURVEILLANCE REVENUES TARGET 25% OF SALES		Develop recurring revenues	

Restructuring and cost
reduction with margin
improvements
Improve service & support
Return to quarterly profits
Acquisition of Gigawave

Profitable organic growth
through focus on specific
geographic regions
Bolt-on acquisitions
Partnerships to expand
vertical exploitation of
technology

Bolt-on acquisitions
Leveraging partnerships
Cellular & IP products
launched
Maintain focus on organic
growth
Develop recurring revenue

Revenue of £80 million
Minimum adjusted
operating profit margin
of 10%
Move into software
Develop recurring revenues

Find out about our strategy on
pages 2 to 5 (Chairman's Statement)

VISLINK AT A GLANCE

OUR BUSINESS

The core competence of Vislink is the collection of wireless high quality, live video and associated data from the field to the point of usage

We provide solutions to two core markets: Broadcast, and Surveillance and Secure Communications. The broadcast market for the collection of live news, sport and entertainment events, and the video surveillance markets such as law enforcement and public safety. By creating new products through five development centres, four in the UK and one in the US, our sales are made through partnerships and direct sales globally

BROADCAST

LIVE TV COVERAGE CONTINUES TO BE A MAJOR SUCCESS STORY

The growing importance of "Live" TV and delivering content over multiple channels (TV, personal computers and smartphones). This new multi-screen environment has driven broadcasters to focus on live content production driving demand for Vislink broadcast products

KEY MARKET DRIVERS

Image Quality Migration

- High Definition (HD) broadcast — only a minority of global broadcasters have currently transitioned to HD
- Beyond HD — taking advantage of new technologies such as 4K ultra high-definition TV and High Efficiency Video Coding (HEVC)

Spectrum Change

- Digital switchover and spectrum dynamics will continue to generate opportunities
- 2015 is the date generally viewed as an internationally mandated analogue switch-off date. There are a number of broadcasters worldwide still in transition

Cellular and IP Products

- Workflows utilising IP (Internet Protocol) technologies simplifying delivery of content from scene to screen is accelerating
- Transition to file-based/IP production tools

Emerging Markets

- Increased global demand for "high-quality" transmission (major sporting, entertainment and political events)

Increased Demand

- 2nd and 3rd screen (PCs and mobile devices) content delivery Live broadcasts are extending the market reach for broadcasters, monetising content and making it easier and more engaging for consumers to access

SURVEILLANCE AND SECURE COMMUNICATIONS

HOMELAND SECURITY IS TOP OF THE AGENDA FOR MOST NATIONS AND THE THREATS ARE GREATER THAN EVER, PLACING IMMENSE FOCUS ON THE ABILITY TO TAKE DECISIVE ACTION BASED ON REAL-TIME INFORMATION.

KEY MARKET DRIVERS

- Increasingly the tactical information of choice is video. A picture may be a thousand words but high quality real-time video is several orders of magnitude more. The ability of news organisations and social networks to capture high quality video and distribute it widely has not gone unnoticed by authorities trying to keep tabs on situations on their borders or within. It is this dynamic that places Vislink at the centre of the homeland security market opportunity

KEY MARKET DRIVERS

- Distributing tactical information via video, voice or data is an opportunity for Vislink's mobile, portable and airborne solutions to expand secure communications on a worldwide scale.

KEY MARKET DRIVERS

- Linking both deployed headquarters and teams of field personnel in active theatre with national command authorities for safer, real-time tactical decision making
- Integrating commercial off-the-shelf (COTS) components and systems, and those purpose built for military use to address defence requirements
- Replacing manned reconnaissance and response aircraft with Unmanned Aerial Vehicles (UAV)
- Develop true integration of technologies (Command, Control, Communications Computers, Intelligence, Surveillance and Reconnaissance)

OUR LOCATIONS

We manage our business through our six main operational sites in the UK and the US

Our business is becoming more international in focus so the sales offices we have in Florida, California, Dubai, Singapore, and Brazil are becoming increasingly important

We are backing up our sales presence by moving our customer support closer to our customers

OUR BUSINESS MODEL

Visalink plc is a global technology business specialising in the collection and delivery of high-quality video and associated data, wirelessly, from the field to the point of usage

Our business model is built around our core strategic themes of supporting our global customers and channels, innovation and cost-efficient operations to deliver profitable growth

Continuous investment in innovation delivers better products and services on behalf of customers. This allows us to meet their needs and grow profitably to the benefit of our shareholders

Around the core strategic themes of the model we view our business as follows

FINANCIAL GOALS

Our financial goals are to achieve profitable growth to revenue of £80 million with an adjusted operating profit margin of 10% by the end of 2014

PRODUCT LEADERSHIP AND COMPLETE CUSTOMER SOLUTIONS

WE OFFER OUR CUSTOMERS PRODUCT LEADERSHIP WITH INDUSTRY-LEADING PRODUCTS DIFFERENTIATED BY THE INTEGRATION OF DISPARATE TECHNOLOGIES TO PROVIDE COMPLETE CUSTOMER SOLUTIONS AND A TIERED PRODUCT AND TECHNOLOGY PORTFOLIO

Our strategic portfolio of brands offer world-class turnkey video systems using a blend of our core technologies and systems engineering expertise. To stay on the pulse of customer needs our marketing and business development teams use their research and industry knowledge to create product roadmaps. This drives our in-house engineering and development teams allowing them to create platforms which address the unique challenges of the rapidly changing video landscape. This model has created a competitive mix of complementary technologies including Microwave radio, Satellite transmission, Cellular, IP, Mesh and Video Server Play out. This unique combination sets us apart from our prime competitors who are generally pure play suppliers (microwave or IP).

Our products include enhanced proprietary technology

- High reliability for mission critical delivery of video and associated data
- Proven experience in maturation and ruggedisation for challenging environments
- Proven experience in custom engineering for special projects/solutions
- Ability to leverage technology platforms for market synergies

Find out more on page 31

CUSTOMERS & CHANNELS

WE OFFER WORLDWIDE SALES AND ORGANISATIONAL SUPPORT

In 2013, the Group operated through four key sales regions

UK & EUROPE AMERICAS ASIA/PACIFIC MIDDLE EAST & AFRICA

For 2014, this will change to five regions, with the focus on Latin America supported by the opening of a new sales office in Sao Paulo in Brazil. This new office in Brazil, adds to our sales offices in the UK, USA, Dubai, and Singapore. These offices provide both sales and solution engineering

TECHNOLOGY & INNOVATION

INNOVATION REMAINS AN IMPORTANT DIFFERENTIATOR TO OUR CUSTOMERS

The Group has over 80 engineers, with both the professional service and technical expertise to design, integrate and deliver new products and complete solutions. Our development teams design products under a number of brands, which include

- Link Research's products which are the industry-leading communications platforms and wireless camera systems that power tomorrow's high-definition television applications. They include low-delay encoder/modulators and wireless camera links
- Advent Communications designs end-to-end satellite communications solutions — ranging from fixed earth stations to up-link trucks and now offers compact portable antenna systems providing the latest in remote connectivity
- LiveGear products are designed to meet the needs of online media professionals on the move
- LiveGear puts the power of a news van into a compact cameraback or portable package. Stream live, anytime, anywhere, with LiveGear
- MRC provides portable, fixed, mobile and point-to-point microwave, cellular, MESH and IP technologies that play a critical role in systems for worldwide television

broadcasting, government, law enforcement, emergency services and telecommunications worldwide

- Gigawave develops specialised RF equipment and customised on-board solutions for the latest motorports, news gathering and enhanced security applications
- Amplifier Technology, acquired in August 2013 designs and manufactures leading edge RF High Power Amplifiers for a wide variety of applications, primarily in the defence, homeland security, commercial, industrial, scientific and medical sectors
- Pebble Beach Systems was acquired in March 2014. They offer a portfolio of market-leading software products which have the flexibility to support a wide range of broadcast applications. Its automation products are sustainable for multichannel live programming environments such as news or sports, whilst supporting new technologies such as high definition, internet TV and interactive TV

Find out more on page 31

OPERATIONS MANAGEMENT

OUR OPERATING MODEL FOCUSES ON OPTIMISING COSTS SO THAT WE CAN GENERATE THE FUNDS WE NEED TO DELIVER INNOVATIVE PRODUCTS AND SOLUTIONS THAT ADD VALUE FOR OUR CUSTOMERS

We carry out design and manufacturing at our operational units. We have four operational sites in the UK in Hemel Hempstead, Colchester, Yate and Weybridge, and two in the USA, at Billerica outside Boston and Broomfield, Colorado. These sites also provide sales, customer support and solutions engineering for our five sales regions

Pebble Beach Systems' software development, sales and operations consists of 56 people headquartered in the UK with offices in the USA, Dubai and Singapore

Our intention is to grow our software business and capabilities with the management of Pebble Beach Systems and maintain it as a separate software competence centre

OUR PEOPLE

OUR BUSINESS CULTURE AIMS TO FOSTER INNOVATION, COLLABORATION AND A DESIRE TO MEET GOALS

Developing a strong management team and an enthusiastic international sales alongside our technical expertise helps to create an environment that not only delivers success but is also an enjoyable place to work

We employ more than 300 people worldwide in a range of disciplines and recruit from a variety of backgrounds and experiences. We are pleased to be able to grow and provide opportunities ranging from industry experts to new graduate engineers

Find out more on
pages 20–21 and 28–29

MARKETPLACE

OUR MARKETS BROADCAST

- News & Entertainment
- Television, Radio & Media
- Sports & Events
- Film Assist & Production

OUR SPECIALISED LIVE VIDEO SOLUTIONS — BROADCAST

- Electronic Newsgathering
- Outside Broadcast
- Fixed and Long Haul
- Mobile & Vehicle
- Portable
- Airborne
- Live Video Streaming
- On Board Systems
- Wireless Camera Systems
- Satellite Newsgathering
- Remote Control, Monitoring & Network Management

MARKET SIZE

- We believe the addressable global market for our broadcast products and solutions is *circa* £230 million
- We have an estimated 20 per cent share of the global media contribution market

MARKET TRENDS

- Increasing global demand for video contribution
- Increasing use of Wi-Fi and 3G/4G/LTE for delivery of required volume of content along side "high-end" solutions
- Demand for lower cost solutions for growing markets e.g. citizen journalism, Internet news and other niche broadcasters

OUR MARKETS SURVEILLANCE AND SECURE COMMUNICATIONS

- Police and Counterterrorism
- Maritime and Ports
- Fire and Rescue
- Defence & Military

OUR SPECIALISED MISSION CRITICAL SOLUTIONS — SURVEILLANCE AND SECURE COMMUNICATIONS

- Covert Operations
- Mobile Command
- Tactical Operations
- Body Worn Video
- Airborne Video Downlinks
- Command Centre Monitoring & Control
- Customised Amplification Systems
- Wide Area Surveillance
- Satellite Communications
- Unmanned Systems

MARKET SIZE

- We believe the addressable global market for our Surveillance products is *circa* £200 million

MARKET TRENDS

- Linking deployed personnel and field headquarters with central command authorities
- Integration of off-the-shelf (COTS) solution
- True integration of technologies

OUR SOFTWARE SOLUTIONS

- Marina – Next generation automation platform targeted at larger scale systems
- Dolphin – Multi-format integrated channel solutions, replacing traditional hardware devices at a fraction of the cost
- Sunguy – Cost-effective self-contained Channel-in-a-Box for all channel types

OUR MARKETS SOFTWARE

MARKET SIZE

- It is estimated that the integrated play-out, automation solutions and Channel in a Box market is in excess of £200 million

- Ciab projected to grow significantly (estimated CAGR of 27.4 per cent from 2012 to 2017)
- Pebble Beach Systems is a leading vendor in Europe, Middle East and Brazil

MARKET TRENDS

- National broadcasters are largest adopters but regional national broadcasters in the future
- Transition to IT file-based workflow
- Significant growth in USA and Africa

PEBBLE BEACH SYSTEMS

Q
WHAT DOES PEBBLE BEACH SYSTEMS DO AND WHAT ARE THE COMPANY'S STRENGTHS?

A
Pebble Beach Systems is a software company that develops software solutions for TV broadcasters. The main strengths of the company are in the area of play to air systems and the management of media assets. The company is recognised internationally as a world leader in this field

**Q&A WITH
PETER HAJITTOH
MANAGING DIRECTOR,
PEBBLE BEACH SYSTEMS**

Q
WHAT ARE THE CURRENT TRENDS IN YOUR SECTOR OF THE BROADCAST INDUSTRY?

A
There is an increase in the volume of channels, partly because of new thematic launches and specialist channels but also because of the introduction of High Definition, Mobile, IP TV, 4G and Over The Top (OTT) services. At the same time there is pressure on broadcasters to improve efficiencies and reduce costs. Many are looking to make savings by operational optimisations, reducing capital investment, running costs, space and power usage. Much of this is made possible by advances in computer technology and we

are now seeing the proliferation of lower cost software solutions which are replacing traditional hardware products. One other important trend is that viewing habits are beginning to change especially with younger viewers, whose consumption of video is not limited to a single TV screen. Instead they are watching content via web on PCs or tablets, sometimes as the primary viewing device but also as a 2nd screen. This creates new challenges and opportunities for broadcasters and technology companies alike

Q
WHAT WILL THE ACQUISITION WITH VISLINK BRING TO EACH PARTY?

A
For Pebble Beach Systems, the acquisition with Vislink gives us scale and will help us become more established globally, especially with tier 1 customers who have a reluctance to do business with smaller companies. For Vislink, our experience in software development in the broadcasting sector will be a platform for profitable growth and opens up more of the addressable market

Q
WHAT ARE THE CHALLENGES MOVING FORWARD AND HOW ARE PEBBLE BEACH SYSTEMS PLACED TO DEAL WITH THOSE CHALLENGES?

A
One of the main challenges for technology companies in this sector is to keep abreast of the rapid rate of change within the industry and be able to adapt to the new technologies as they present themselves. Video and audio processing is moving from dedicated hardware into standard software and standard IT hardware is being replaced with virtualised solutions or "cloud" technology. Software companies such as Pebble Beach Systems are ideally positioned to grow within this rapidly changing market as they are agile enough, as well as having the experience, technology and established presence within the market to be able to deliver the very latest solutions

THE ACQUISITION OF PEBBLE BEACH SYSTEMS WILL MOVE VISLINK INTO THE PROVISION OF SOFTWARE SOLUTIONS FOR PLAYOUT WITH ADVANCED SOFTWARE TECHNOLOGY

Pebble Beach Systems is a leading developer and supplier of automation, "Channel in a Box" and content management solutions for TV broadcasters, cable and satellite operators. The business is headquartered in Weybridge, Surrey with offices in the USA, Dubai and Singapore

Pebble Beach Systems has developed a portfolio of market leading software products, which have the flexibility to support a wide range of broadcast applications. Its automation products are suitable for multichannel playout as well as high pressure live programming environments such as news or sports, whilst supporting new technologies such as HD, IPTV and interactive television. Clients include TV Globo Brazil, MBC UAE, Fox News, KCET USA, Banderaimes Brazil, OSN UAE, Viastat UK and ZDF Germany, with installations in over 60 countries

Vislink will now be able to offer broadcasters a complete "scene to screen" solution

WE ARE DELIGHTED TO BE JOINING VISLINK, WHICH HAS A FANTASTIC GLOBAL CLIENT BASE THAT WILL GIVE US AN EXCELLENT PLATFORM FOR ACCELERATED GROWTH"

Find out more on our website Vislink.com

PHOTOGRAPHY
01 Pebble Beach Systems in action

WHAT WE DO BROADCAST

WE OPERATE IN THE 'HIGH-END' BROADCAST MARKET FOR
LIVE NEWS, SPORTS & ENTERTAINMENT EVENTS

BROADCAST — CONTENT DELIVERY

News bureaus, broadcasters, and online media professionals are faced with an interesting predicament. Find ways to cut the cost of live video, while simultaneously generating more of it. To accomplish this, media organisations need a variety of video tools that are able to operate in diverse environments with varying types of transmission infrastructure.

At the same time video equipment manufacturers are not only being challenged by the new workflow requirements of their customers but also by the shift in the video environment. From advanced modulation schemes to spectrum changes, the broadcast and media industries are at a pivotal crossroad of technology challenges and technical innovation.

Shaping a strong future for video and beyond requires finding new ways of collecting and disseminating live content in the most cost-effective manner possible. With over fifty years of experience, Vislink understands the dynamics of the shifting industry. We are continuously exploring the workflows of broadcasters worldwide through our market research and collaboration in conferences, industry events, focus groups, and collaborative meetings; this year. This innate understanding of live video has shaped our development roadmap, creating a new multi-mode approach to live video contribution and distribution.

As the innovators of the industry's first hybrid multi-mode transmission system, NewStream, we are creating platforms which facilitate seamless video without boundaries. The industry recognised the value of this ground-breaking development through numerous industry awards. Our hand-picked team of developers continue to create solutions for even the most difficult video environments. By focusing on the technology it allows our customers to focus on their new business challenges.

SPORTS & EVENTS

MOVE WITH THE ACTION IN A CROWD — OR ON THE OPEN FIELD

With a global television audience, there is no room for error. That is why Vislink wireless transmission systems are chosen for the broadcast of sports and events worldwide. Whether it's on the field, in the crowd, behind the bench or from a bird's eye view, our proven live video solutions provide live video without boundaries.

ACQUISITION OF LIVE VIDEO ANYTIME, ANYWHERE

New transmission tools provide greater efficiency and agility for news, live events, data and VoIP coverage. Vislink Hybrid Mobility provides highly configurable solutions for HD digital newsgathering and video transmission across diverse terrain and in congested environments.

CONTRIBUTION

Wireless HD broadcast quality live video coverage offers complete flexibility and mobility, without any signal degradation, to ensure the capture of pre and post-game action.

Vislink's portfolio of specialised transmitters provide the next generation of video connectivity, both inside and outside of the venue.

- Available in cameraback, airborne, portable and mobile configurations including vehicles, motorbikes and boats.
- Live Dynamic Impromptu Content Enhance the depth of video content with interviews, supporter-cam shots, performances on stage and special commentary with cost-effective cellular transmitters.

Vislink's best in class transmitters provide the video quality, portability and the ultra-low latency required for breaking news and live video. New multi-mode platforms combine microwave, cellular and Wi-Fi for seamless video capture.

HYBRID MOBILITY

The latest Vislink Hybrid Solutions remove restrictions such as wires, trucks, or tripods, which allows for complete mobility throughout the venue

At sporting events, large venues and high visibility broadcasts, reliability is key. Vislink solutions are designed to provide the versatility and optimal performance needed to broadcast from in and around the stadium, anywhere at anytime. This is achieved by combining microwave, cellular, satellite, Wi-Fi and IP technologies

Diversity systems extend the coverage area by constructing cellular receive zones. This allows assets to move seamlessly from one receive cell to the next and the system tracks them automatically — no manual switching or panning of antennas is required

IP CONNECTIVITY

Vislink blends portable transmit and diversity receive systems to capture multiple video transmissions from the ground which are then relayed to ground station satellite terminals or fixed microwave sites

The addition of an IP-based video network provides options to enhance real-time or non-real-time video content collection activities. IP-based systems are a key element of a successful equipment portfolio. Migrating to an IP-based system creates a high value proposition for the operation

All systems are designed with ease of operation in mind and our engineers have a wealth of experience applying and operating these systems in the broadcast environment

DISTRIBUTION

Vislink solutions provide connectivity that enables full high-definition viewing of the action for millions of fans around the world

Achieve Hybrid Mobility with simultaneous bonded cellular and microwave transmissions

- Establish a cellular link while en-route to breaking news, go live before you arrive
- After arriving at the scene, establish a microwave link and go live with a second camera

Increase connectivity via dual band microwave (ENG), bonded cellular (CNG) and satellite (SNG) all from one user-friendly platform

Two-way IP connectivity provides remote control, file transfer and editing in the field, LAN extension and VoIP communications

Vislink revolutionary technology creates Hybrid Bonded Networks enabling IP-based live video solutions. This new collection of platforms utilises both licensed and unlicensed spectrum, providing versatility for the needs of modern broadcasting

- High Capacity Backhaul & Fixed Links via IP or microwave
- Full duplex HD backhauls connect signals from key locations
- Specialised high-gain receive systems provide seamless low-delay contribution of SD/HD video

In the new multi-screen environment, this unmatched product portfolio offers complete HD, MPEG-4 and H.264 solutions to drive your content to its final destination

WHY WE DO IT

WE OPERATE IN THE "HIGH-END" BROADCAST MARKET FOR LIVE NEWS, SPORTS AND ENTERTAINMENT EVENTS

DEMAND

Broadcasters are relying more than ever on the immediacy and audience interaction that comes from live broadcast. Vislink enables live broadcast through satellite news gathering (SNG), electronic news gathering (ENG) and cellular news gathering (CNG).

CELLULAR

Next to quality, cost is the most important consideration for broadcasters. Cellular live video solutions provides lower cost options due to the usage of unlicensed and public infrastructure while making the technology available to a wider range of media professionals including traditional and digital publishers.

INTERNET PROTOCOL

The increasing popularity of file-based content distribution and digitisation of content portfolios is driving the uptake of IP-based connectivity to support next generation broadcast workflows.

Vislink has a deep understanding of the technologies and the systems required to deliver live video broadcasts from any location to anywhere in the world. It has decades of experience building outdoor satellite broadcast and wireless video camera systems.

Our systems are used in situations where reliability and quality of service are paramount. We are specialists in providing solutions for challenging environments and "on-board" applications. Our customers include global broadcasters especially those specialising in news gathering, live entertainment and sports, religious broadcasting and education. We have five key brands:

- Advent Communications for fixed and mobile satellite uplink terminals for satellite news gathering
- Gigawave for microwave products for electronic news gathering and specialist on-board wireless applications for motorsports and other high profile events
- Link Research for wireless camera systems
- Microwave Radio Communications (MRC), the market leader for ENG in the Americas
- LiveGear for wireless cellular broadband 3G/4G long term evolution (LTE) transmission solutions

BROADCAST — WHAT WE DO

The graphic below is just a small snapshot of the elements driving the world of live video. From compression and spectrum challenges, to the merging of news and print organisations, there are unique opportunities for growth. There are new layers of collaboration from areas such as IT and networking that are expanding the role and the shape of not only news organisations but also the way that we are addressing the next generation of workflows.

One underlying factor of importance is seamless connectivity, that is why you see a number of new buzzwords including MESH, MIMO and the newly popular "bonded". What is important to think about here is the applications that are being addressed and using the right "Tool" for the job.

The innovation of hybrid multi-mode systems has changed our definition of a news van and created a Swiss army knife like approach to newsgathering. The Vislink Toolkit combines technologies such as cellular, IP, MESH, MIMO,

microwave and satellite providing new opportunities for stunning live video from places — and in real-time scenarios — that many could not have imagined even a few years ago when telecommunications companies "cut the cord".

In the fast paced industry of news and entertainment having a dynamic toolkit built on a platform that supports future growth and development is extremely valuable to today's broadcaster. From the multi-screen environment to remote connectivity, our unique multi-mode portfolio enables end-to-end solutions which enhance the quality of service and expand mobile connectivity.

The increasing global demand for video contribution comes with the proliferation of broadcasters and content providers, particularly in the emerging markets, together with the increase in video-enabled broadband and mobile devices — all driving demand for contribution technology.

Q
4G SERVICES ARE ROLLING OUT EVERYWHERE AND VIDEO TRAFFIC OVER CELLULAR NETWORKS IS INCREASING DRAMATICALLY WHAT IMPACT DOES THIS HAVE ON VISLINK PRODUCTS?

A
This is a very exciting development in the field of live video. We have a range of cellular products in the US (LiveCast) that are opening up a range of possibilities for producers, however, we mainly see cellular delivery of video as a complementary technology, adding additional flexibility at this stage. Roll-out in most countries is still in the early stages and, for many years, 4G networks will be more suitable for delivery of very short video items — particularly at the quality expected by Broadcasters. This is why we are very excited about the development of hybrid devices that will allow the use of available 4G cellular networks for rapid deployment and then be switched over to traditional methods of distribution for high quality live video. This is of particular value for newsgathering.

Q
WE HEAR ALL THE TIME ABOUT CLOUD AND HOW IT IS TRANSFORMING TECHNOLOGY BASED SERVICES IS THERE AN IMPACT IN THE BROADCAST AND SURVEILLANCE MARKETS?

A
Cloud is actually a very difficult concept to define, however, most of us are beginning to understand that much of our personal information is stored away from the device we are using and accessed from remote storage over the Internet. A good example of this would be Facebook. The Broadcast and Surveillance industries are in the early stages of understanding the benefits to be gained from a Cloud approach and a number of trial services are under way. Vislink products are used to deliver video into networks of any kind and our products are just as capable of delivering over the Internet into Cloud based production systems as they are of feeding into a user's private network. Delivery straight to the Cloud is a very effective way of creating personalised entertainment or surveillance video services on smart devices. For Vislink, this is a terrific opportunity to play an active part in the explosion of video over the Internet.

Q
ARE CHANGES TO THE ALLOCATION OF RADIO SPECTRUM NOW COMPLETE?

A
Not at all. In fact we should expect this to be an aspect of broadcasting that will be in flux for some considerable time. Spectrum is a very scarce resource, with ever-greater demands for allocation, principally driven by the need to expand mobile services in just about every country in the world. At Vislink, we understand that our customers need to be flexible and most of our wireless technology can be updated as frequencies change. We are also committed to delivering solutions that maximise the use of available spectrum and the new frequencies that will be allocated to the industry in years to come.

Q
OUR CUSTOMERS ARE LARGE, TIER 1 BROADCASTERS AND MEDIA COMPANIES THAT TRADITIONALLY PURCHASE HIGH "BROADCAST" QUALITY EQUIPMENT

In these high profile applications customers require the best HD picture quality, the lowest latency and confidence in product reliability. We have market leading brands, experience and customer support to address these demanding requirements. However, we recognise that our customers are now looking for combinations of innovative high-end solutions coupled with lower-cost devices allowing them to address the increasing demand for content. By creating hybrid platforms we are able to blend the newer cellular technology along with satellite and microwave providing customised solutions which address the dynamically changing video environment. Our strategy is to maintain our strong market position by preserving our relationships with broadcast leaders. We will continue to improve service and support and develop revenue opportunities and increase our "on-board" coverage for sport and event broadcasting.

**Q&A WITH
JOHN VARNLEY
INDEPENDENT NON-
EXECUTIVE DIRECTOR**

WHAT WE OFFER OUR CUSTOMERS

CASE STUDY — COMPLETE COVERAGE — FROM SCENE TO SCREEN

VISLINK & VIDEO BROADCAST DELIVER NEXT GENERATION VIDEO NETWORK THROUGHOUT PERU

THE APPLICATION

- Complete HD digital upgrade of broadcast, video and data network throughout Peru for Instituto Nacional de Radio y Televisión del Perú (IRTP)
- The project began when Peru adopted the ISDB-T standard, requiring an analog to digital conversion throughout the country

THE CHALLENGE

- Provide a comprehensive digital video transmission network across the diverse terrain of the entire Peruvian territory
- Create a robust system addressing many applications while still adhering to a strict budget
- The complete project scope required both the migration of the analog equipment, as well as the transition of mobile SNG/ENG equipment, installation of two central receive systems, portable ENG, wireless camera systems, and fixed links from main government buildings such as the Presidential Palace and Congressional Building

THE SOLUTION

- Video Broadcast S A, Vislink's Value Added Reseller in Peru, utilised Vislink's extensive suite of products to design a complete

and customised solution for IRTP that provides greater efficiency and agility for news, live events, data and VoIP coverage country wide

- The high-capacity video and data network, encompasses the following applications

- Electronic Newsgathering (ENG) Two mobile ENG vehicles utilising MTX5000 transmission systems, for full 1080i HD Programming and live news coverage
- Two Central Receive Sites
- Specialised high-gain receive systems were installed for seamless low-delay contribution of SD/HD video
- High Capacity Backhaul & Fixed Links Full duplex HD digital MRC DXL series backhails connect signals for key locations
- Satellite Newsgathering (SNG) A mobile, dual-mode SNG/ENG vehicle was outfitted with both Advent SNG and Gigawave ENG Systems
- Portable Flyways Two additional Advent Mantis SNG portable flyway systems
- Portable Tripod Systems Tripod mounted MRC PTX-PRO quick deploy systems
- Wireless Camera Systems Gigawave Clip-On 4 wireless cameraback transmitter for on-the-go newscasting

In February 2014, Vislink and Video Broadcast System engineers were on-site for the final installation, commissioning, testing and acceptance of the system IRTP was the first in country to broadcast in HD, beginning with transmissions in the capital city of Lima

"LIVE VIDEO WITHOUT BORDERS"

CASE STUDY — SPORTING EVENTS

VISLINK INNOVATIONS ENSURE FANS WON'T MISS A MILLISECOND

*Official MotoGP Partner since
2002 — Collaborative On-board
Video Solutions*

THE APPLICATION

- Dorna's 2014 season is shaping up to be an exciting one, with 19 races over four continents and 13 countries, including two races in the US

- In the world of high-speed racing, nothing is more important than delivering live action viewing to the fans, with low latency and crystal clear pictures

- Dorna Sports, administrator of MotoGP, required a complete customised video and data solution of next generation, high quality event broadcasting in a dynamic sporting environment

THE CHALLENGE

- Dorna Sports is dedicated to providing fans with the most dynamic race experience while experiencing some unique video conditions including
 - Harsh and RF-hostile nature of the racetrack
 - Required low latency, dependable solution that provided high quality video in a specialised environment

THE SOLUTION

- Complete wireless video broadcast system
 - The user experience: Digital HD transmitters on-board cameras, which can remotely colour correct via telemetry, and also provides a data stream with the video transmission which is used to produce onscreen graphics of the bike's rpm, speed, etc
- Broadcast entire event
- Complete diversity receive system including data links
- Extending the network: Digital wireless camera options for use in the Paddock and Pit Lane

- Due to the harsh conditions of the track and the need to effectively manage RF usage, Vislink's products were a great match for the MotoGP environment

As the official RF supplier to the MotoGP all the on-board and pit lane action was delivered via the Gigawave camera transmitters, including cameraback, airborne and mobile configurations, delivering full high definition action to the millions of fans around the world

CASE STUDY — LIVE NEWS

VISLINK PAVES THE PATH FOR LIVE VIDEO WITHOUT BOUNDARIES

As the innovators of the industry's first hybrid multi-mode transmission systems, Vislink understands the ever escalating demands of live news and video production

THE APPLICATION

- Crowds of fans and news crews from around the nation lined the streets for the World Series parade
- AirCam Max in Downtown Boston during the 2013 Red Sox World Series Celebratory Rolling Rally

THE CHALLENGE

- Camera crews jockeyed for position on press risers with tripod mount cameras and cables connected back to their truck required them to remain stationary
- Rapidly increasing cellular congestion

THE SOLUTION

- The AirCam Max, the industry's first hybrid wireless transmitter, and all-in-one newsgathering system which provides the power of a news van in a compact cameraback unit
- The team was set up and able to stream immediately and walking through the crowds chatting

with attendees during the event, all while transmitting live, HD quality video back to the receiver, located at a fixed location over 50 miles from the event. The AirCam Max allowed for mobility, flexibility and live HD quality live video over 3G/4G LTE networks and licensed microwave

- Ability to seamlessly switch between transmission technologies
- The freedom to leave the press riser and walk in and among the revellers for "ground view" video coverage in either cellular or microwave mode

THE ADDITION OF PEBBLE BEACH SYSTEMS

The acquisition of Pebble Beach Systems will move Vislink into the provision of software solutions for payout with advanced software technology

The Company's existing capability of offering broadcasting wireless communication systems for the capture of live TV coverage of news entertainment and sports events will now be complemented with world class television automation and media management services for broadcast studios

Vislink will now be able to offer broadcasters a complete "scene to screen" solution

Find out about Pebble Beach Systems on page 13
Find out more on our website Vislink.com

WHAT WE DO SURVEILLANCE AND SECURE COMMUNICATIONS

WE CAPTURE AND DELIVER LIVE FOOTAGE TO SUPPORT POLICE
DOWNLINKS, SATELLITE COMMUNICATIONS AND SPECIAL
FORCES SURVEILLANCE

SURVEILLANCE AND SECURE COMMUNICATIONS VALUE CHAIN

SECURITY & SURVEILLANCE — CONTENT DELIVERY

At the core of every mission critical situation, is the need for rapid deployment of highly reliable communications. Vislink understands this need and plays a critical role in supplying systems for military, defence, public safety and satellite telecommunications worldwide. We have now taken integrated solutions to the next level by incorporating the industry's most comprehensive secure communications product portfolio from our collection of leading brands: Advent, Amplifier Technology, Gigawave, Link, LiveGear and MIRC. We provide complete solutions to support inter-agency sharing and cooperation of mission critical real time video surveillance on the ground, in the water and in the air. With thousands of digital microwave radio systems deployed, Vislink is the de facto standard.

With over 50 years of experience, Vislink provides proven live video solutions. Our unique blend of video transmission technologies bridge the microwave and IP environments to provide a seamless collection and distribution of mission critical video.

FUTURE PROOF SOLUTIONS — WITH PROVEN RESULTS

Vislink has a proven track record of reliable secure communications solutions. In 1963, development of lightweight, solid-state microwave systems by Microwave Associates Communications Equipment Division (M/A) marked the beginning of live airborne video for the public safety and military community. NYPD installed Microwave Associates airborne transmitters in the late 1960s and broadcast live video to receive antennas on the 81st floor of the Empire State building. M/A portable radios were deployed by the USMC on helicopter drones in Vietnam and live video from US Navy helicopters broadcast the Mercury and Apollo recovery missions using rugged M/A transmitters. M/A-Com was established in 1978 and a select group of M/A-Com employees founded Microwave Radio Communications (MRC) in 1986. Now MRC is a critical brand of Vislink and over the course of fifty years, Vislink/MRC has furthered downlink technology in conjunction with the airborne manufacturers, integrators and suppliers of gyro stabilized electro optical and infrared camera solutions. As the worldwide leader in video-centric microwave systems, Vislink's collective engineering skills deliver the broadest range of advanced video products. Only one company has the breadth of knowledge and experience, engineering resource, commitment to excellence, and the financial backing to continue to be the leader in secure video communications. Vislink

SECURITY & SURVEILLANCE

IN THE AIR, ON THE GROUND, ON THE WATER, OR UNDERCOVER

Vislink technology integrates mobile, fixed and covert intelligence assets into a seamless flow of information. The Vislink Hybrid solutions allow emergency response professionals to provide the highest possible level of crisis management by combining critical real-time video from a variety of deployed assets. Our latest platform developments integrate microwave, IP, 3G/4G, LTE, satellite and MESH networks into an optimized solution.

CONTRIBUTION

This integrated solution provides complete situational awareness by collecting imagery from multiple locations such as airborne, body worn, unmanned systems or concealments. New MESH products integrate with our digital COFDM aircraft downlink and covert video collection systems.

HYBRID MOBILITY

Combine Vislink's field deployable satellite systems, high capacity point-to-point microwave, MESH, and 3G/4G LTE beyond line-of-sight technologies for a comprehensive video collection, management, and distribution network

IP CONNECTIVITY

Vislink's IP-based technology portfolio incorporates key communications tools into a single system, enabling multiple agencies or divisions to share and receive standard and high-definition video and data in real time from multiple locations

DISTRIBUTION

Video is distributed via an Internet Protocol (IP) network to first responders, command staff, and EOC personnel at multiple locations. The encrypted video may be received by computers, tablets, and smartphones

WHY WE DO IT

WE CAPTURE AND DELIVER LIVE MISSION CRITICAL VIDEO TO SUPPORT WORLDWIDE LAW ENFORCEMENT, GOVERNMENT AND PUBLIC SAFETY OPERATIONS

Broadcast quality visual intelligence for essential tactical decision making. Vislink provides reliable solutions that are deployed on the ground and in the air providing seamless overt and covert coverage.

SATELLITE

Uplinking video intelligence, or providing two-way broadband connectivity, from anywhere in the world is easier with a wide range of portable satcom terminals from Vislink. The 12.5kg Mannis MSAT can be deployed in under five minutes and operated by one person.

INTERNET PROTOCOL

Integration with secure IP networks is an essential part of any surveillance solution today. Vislink's portfolio of microwave, cellular and satellite products support IP network connectivity and encryption protocols.

TODAY THE TACTICAL INFORMATION OF CHOICE IS VIDEO

Digital technology is improving communications at all levels of law enforcement. Vislink understands the importance of highly reliable and innovative products for strategic communications. Vislink's digital technology incorporates key communications tools into a single system, enabling multiple agencies or divisions to share and receive standard and high-definition video and data in real time from multiple locations.

Vislink understands this need and has developed streamlined solutions which integrate mobile, fixed and covert intelligence assets into a seamless flow of information. The hybrid systems allow emergency response professionals to provide the highest possible level of crisis management by combining critical real-time video from a variety of deployed assets. The integrated solutions now provide complete situational awareness by collecting imagery from multiple locations such as police and fire aircraft and watercraft, then distributing it via an Internet Protocol (IP) network to first responders, command staff, and EOC personnel at multiple locations. The encrypted video may be received by computers, tablets, and smartphones anywhere on the network. Our latest platform developments integrate microwave, IP, 3G/4G LTE, and MESH networks into an optimised solution.

TECHNOLOGY APPLICATION

"AERIAL DOWNLINKS"

Each customer has specific needs which is why each solution has a bespoke application, uniquely built to high specification.

Aerial downlinks

Remove broadband communications

Tactical information for instantaneous decision making

Find out more on our website Vislink.com

Q HOW WILL THE WITHDRAWAL OF TROOPS FROM AFGHANISTAN IMPACT THE MARKET FOR ELECTRONIC WARFARE (EW) PLATFORMS POST-2014?

**Q&A WITH
SIMON TAYLOR
MANAGING DIRECTOR AT
AMPLIFIER TECHNOLOGY (ATL)**

A

The withdrawal from Iraq and Afghanistan will not change the general trends towards asymmetric warfare and the use of IEDs will continue to proliferate. Homeland security services will also have to equip themselves to meet the challenge of protecting public safety in a world where the threats are becoming more prolific and real. Thus it is anticipated that the overall market for EW platforms will increase with a shift in focus to civil area protection i.e. building jamming systems and other non-military force protection. Further, the platforms remaining in service in Iraq and Afghanistan with white vehicle forces will require upgrading to counter new threats in new frequency bands providing an ongoing market funded by global powers.

Q ATL IS A LEADER IN PROVIDING GALLIUM NITRIDE (GAN) POWERED AMPLIFIERS FOR MILITARY MARKETS. HOW SIGNIFICANT WILL THIS TECHNOLOGY BE GOING FORWARD?

A

Military forces are demanding greater flexibility, bandwidth, power, and portability for ground/hand-based EW systems. GaN is the key enabling technology to this drive. The GaN based amplifier systems designed at ATL provide more power and efficiency than previous technologies and due to their high power density can incorporate more functionality and system protection than was previously possible. The extended bandwidths offered by GaN technology also means that multiple threat frequencies can be tackled through one device, reducing system and antenna complexity and increasing portability.

Q COMPETITION IN THE AMPLIFIER MARKET IS HIGH AND COST FOCUSED. HOW WILL ATL CONTINUE TO DIFFERENTIATE ITSELF FROM LOW-COST FAR EASTERN SUPPLIERS?

A

ATL will continue to invest in its range of core amplifiers to cover the EW spectrum of operation between 20MHz and 6GHz and differentiate by offering customised solutions to match the demands of its customers, i.e. The Defence Primes. Initially these customers are attracted by price and functionality, but this evaporates when the real requirements emerge through the project development stage. This results in a capability gap that ATL is uniquely positioned to close through its trusted relationships, secure resources, excellent delivery record and core technical skills. The ability to modify proven standardised product integrate system functionality and build the tested finished system is how ATL differentiates itself from low-cost Eastern competition.

WHAT WE OFFER OUR CUSTOMERS

OUR CLIENTS

OUR SURVEILLANCE SOLUTIONS PROVIDE SECURE, WIRELESS, VIDEO AND DATA COMMUNICATIONS SYSTEMS, FOR WORLDWIDE MILITARY FORCES, LAW ENFORCEMENT AGENCIES, FIRST RESPONDERS AND PUBLIC SAFETY PERSONNEL

We are specialists in airborne applications with downlinks to mobile command and control centres and we have an established base in the law enforcement community. Visalink plays a critical role in supplying robust systems for military, public safety and satellite telecommunications worldwide

We provide complete solutions to support inter-agency sharing and cooperation of mission critical real-time video surveillance both on the ground and in the air

CASE STUDY — PUBLIC SAFETY

SECURE, RELIABLE AND SCALABLE MISSION CRITICAL VIDEO

Linking Airborne, Mobile and Portable Assets with Wireless MESH

THE APPLICATION

- Police Department required a rapidly deployable, secure and scalable mobile MESH network capable of delivering greater than 20 mbps of connectivity between mobile command vehicles for tactical video sharing

THE CHALLENGE

- Need to integrate airborne downlink video focusing on incident command vehicles, tactical IP video viewing in SWAT vehicle wireless robot video viewing from the bomb squad vehicle, and throw-phone video from the hostage negotiation vehicle

THE SOLUTION

- Visalink provided an integrated mobile MESH video distribution network that is expandable, secure and scalable as the customer's requirement grows
- All IP video sources can be viewed inside each vehicle via wired laptop PC, or outside vehicle via Wi-Fi connection to each MESH node

"VISILINK DEVELOPED A MESH SYSTEM THAT FEEDS VIDEO FROM SEVERAL DIFFERENT SOURCES TO ONE CENTRAL COMMAND LOCATION. THIS GIVES OUR COMMANDERS FROM SWAT, HOSTAGE CRISIS, AND EXPLOSIVE ORDNANCE DISPOSAL THE ABILITY TO VIEW VIDEO FEEDS FROM HELICOPTERS, ROBOTS, CAMERAS, AND PHONES ALLOWING THEM TO MAKE MORE INFORMED DECISIONS."

Sgt. Garry Arnold
Air Support/Rapid Response Team
Tucson Police Department

OUR SURVEILLANCE SOLUTIONS PROVIDE SECURE WIRELESS, VIDEO AND DATA COMMUNICATIONS SYSTEMS FOR WORLDWIDE MILITARY FORCES, LAW ENFORCEMENT AGENCIES, FIRST RESPONDERS AND PUBLIC SAFETY PERSONNEL

We are specialists in airborne applications with downlinks to mobile command and control centres and we have an established base in the law enforcement community. Vislink plays a critical role in supplying robust systems for military, public safety and satellite telecommunications worldwide

We provide complete solutions to support inter-agency sharing and cooperation of mission critical real-time video surveillance both on the ground and in the air

Find out more on
our website Vislink.com

BUSINESS REVIEW — REGIONS & MARKETS

FOR THE YEAR ENDED 31 DECEMBER 2013

REVENUE BY MARKET

Revenue by Market	Broadcast			Surveillance and Secure Communications		
	2013 £m	2012 £m	Change %	2013 £m	2012 £m	Change %
UK	3.2	3.9	-19.8	2.5	2.8	-7.8
Rest of Europe	8.4	8.3	+1.4	1.1	0.6	+85.8
Americas	18.3	20.4	-10.0	6.5	6.3	+0.6
Middle East & Africa	12.1	8.1	+49.1	1.6	0.1	+1,697.7
Asia/Pacific	6.1	6.4	-3.6	0.1	0.3	-59.0
Total Revenue	48.1	47.1	+2.2	11.8	10.1	+16.1

BROADCAST

Total revenue in Broadcast was £48.1 million (2012 £47.1 million)

The Group achieved revenue growth in the Middle East & Africa and the rest of Europe during the financial year and produced a satisfactory performance in challenging economic environments in the UK and the US

The Group opened a sales office in Brazil during 2013 to provide strong local support for our business partners in the region and maximise opportunities in the key South American market. Brazil hosts the World Cup in 2014 and the Olympics in 2016 providing an impetus for further investment in both Broadcast and Surveillance and Secure Communications in the region

REGIONAL OPERATIONS

	2013 £m	2012 £m	Change %
UK business	42.3	37.8	+11.7
US business	24.5	25.3	-2.9
Inter-segmental	(6.9)	(5.9)	+17.6
Total Revenue	59.9	57.2	+4.7
UK business	6.4	4.9	
US business	0.4	0.4	
Central costs	(2.5)	(2.2)	
Total adjusted operating profit	4.3	3.1	

The UK has achieved revenue growth of 11.7 per cent in 2013 supported by large growth in the Middle East region

The UK has also benefited from strong inter-segmental sales, with strong demand for satellite products in South America

UK revenue increased to £42.3 million for 2013. UK adjusted operating profit increased to £6.4 million

The US has seen an overall revenue decline by 2.9 per cent to £24.5 million, adjusted operating profit remained at £0.4 million

SURVEILLANCE AND SECURE COMMUNICATIONS

New products launched at the IBC broadcasting show in Amsterdam in September 2013 (see Technology and Innovation on page 31) will create additional opportunities and ensure the Group is well positioned to increase revenue streams going forward

Total revenue in Surveillance and Secure Communications was £11.8 million (2012 £10.1 million)

The US is still the largest market for the Group for Surveillance and Secure Communications products, with the US Government both directly and indirectly being a key customer. Sales cycles can be long, but the Group is well positioned on a number of initiatives and

programmes and expects this to be an increasingly significant source of revenue going forward

The Group achieved revenue growth in both the Europe and the Middle East & Africa markets during the financial period

The acquisition of Amplifier Technology, a leading RF designer and manufacturer of amplifiers and jammers for the defence and surveillance markets, will further enhance the product portfolio of the Group

The launch of the Advent motorised Mantis MSAT, a fully integrated satellite data terminal (see Technology and Innovation on page 31) will add further revenue streams for the Group

TECHNOLOGY AND INNOVATION

THE GROUP'S CONTINUED PROFITABLE GROWTH HAS ENABLED IT TO GENERATE THE FUNDS WE NEED TO DELIVER INNOVATIVE PRODUCTS AND SOLUTIONS THAT ADD VALUE FOR OUR CUSTOMERS. THE INVESTMENT IN THE DEVELOPMENT OF INDUSTRY LEADING PRODUCTS IS A KEY PART OF THE ORGANIC GROWTH STRATEGY

The business has invested in capitalised development costs of £4.5 million (2012: £2.8 million). Amortisation of development costs were £2.2 million (2012: £2.6 million) and this is included in the reported Research and Development expenses in the consolidated Group income statement. For 2013, these Research and Development expenses were £3.9 million (2012: £5.1 million) representing 6.5 per cent of revenues (2012: 8.9 per cent). The cost reduction is due to a greater proportion of projects in development that have met the criteria to be capitalised in the year.

At the IBC Broadcasting show in Amsterdam in September 2013, Vislink launched three new key products. The Gigawave INCAM-G, the Link LI1700 and the Advent motorised MSAT.

Following the successful launch of the Sony system, the new Grass Valley INCAM-G system meets growing demand from broadcast industry professionals for in-built transmitter and camera control technology. Our collaboration with Grass Valley brings the wireless benefits of our INCAM system to a new breed of camera equipment, creating a range of additional opportunities for both sports events and broadcast scenarios.

Smaller and lighter than previous models, the Link LI1700 enhances the modular design that's made the Link series so popular with broadcast professionals. It is also packed with a range of new features that confirm the position of Link's wireless transmitter technology as a leader in its class.

Vislink's **Advent Motorised MSAT** is a fully integrated satellite data terminal, capable of supporting either a 90cm or 120cm antenna and designed to meet growing demand from the global SNG market for more portable systems with improved data throughput and ease of deployment. It was developed in response to growing demand from broadcasters for an automated version of our successful **Mantis MSAT** product. It is ideal for first on scene reporting, providing the perfect balance between the functionality of a full vehicle mounted satellite terminal, and the speed, mobility and versatility needed to make sure you can deliver the first high-definition video images.

In October 2013, The Society of Broadcast Engineers' Technology Award was given to the **NewStream**, the newest product from Vislink's LiveGear brand. NewStream is a state-of-the-art vehicle system combining Electronic News Gathering (ENG), Cellular News Gathering (CNG) and Satellite News Gathering (SNG) in one compact rack mounted unit. This new multi-mode system is the most comprehensive mobile broadcast system available today and is a first-in-the-industry product that redefines the standard in streaming video solutions.

We are also continuing to expand our "IP" transport based technologies through both organic teams and third party technology partnerships. Our engineering teams remain focused on continuing to strengthen our market, brand and technology presence.

BUSINESS REVIEW — FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013	2012
Revenue	£59.9m	£57.2m
+4.7%		
Adjusted Operating Profit	£4.3m	£3.1m
+40.3%		
Net Assets	£49.6m	£47.4m
+4.7%		
Net Cash	£3.7m	£8.1m
-54.4%		
Reported Earnings per share	3.1p	1.9p
+63.2%		

	2013 £m	2012 £m	Change %
Continuing business			
Revenue	59.9	57.2	+4.7
Gross profit	24.3	22.5	+8.0
Gross margin %	40.7%	39.4%	+1.3pts
R&D expenses	(3.9)	(5.1)	-22.0
SG&A expenses	(16.1)	(14.3)	+11.5
Adjusted operating profit	4.3	3.1	
Amortisation & Impairment of acquired intangibles	(1.4)	(1.6)	
Non-recurring items	0.2	0.7	
Reported operating profit	3.1	2.2	
Net finance costs	—	—	
Profit before tax	3.1	2.2	
Taxation	0.4	(0.1)	
Profit for the year being profit attributable to owners of the parent	3.5	2.1	
Basic earnings per share	3.1p	1.9p	
Adjusted earnings per share ¹	4.2p	2.5p	

¹ Adjusted EPS is calculated on operating profit before the amortisation and impairment of acquired intangibles and other non recurring items after taking account of related tax effects

OPERATING PROFIT

Adjusted operating profit before the amortisation and impairment of intangibles and non-recurring costs has increased from £3.1 million to £4.3 million. The Group reports five continuous halves of adjusted operating profit since 2011 shown in the graph below. The operating profit bridge performance chart reconciles the movement between 2012 and 2013 adjusted operating profit.

NON-RECURRING ITEMS

The Group credited £0.2 million of non-recurring costs to the consolidated income statement. The credit comprised

- £0.3 million credit associated with a contractual dispute, and
- £0.1 million charge in respect of acquisition costs

GOODWILL IMPAIRMENT

In accordance with the requirements of IAS 36 "Impairment of assets", goodwill is required to be tested for impairment on an annual basis, with reference to the value of the cash-generating units in question. The goodwill relating to the Surveillance market was fully written down in 2010. The Group acquired Amplifier Technology in 2013 which is a separate cash-generating unit. Impairment reviews were undertaken in respect of both the Broadcast market and Amplifier

Technology. The carrying value of goodwill at 31 December 2013 is £21.6 million (2012: £20.1 million). Having reviewed all the relevant calculations and the sensitivities the Board concluded that there had been no impairment in the current year (2012: no impairment).

KEY PERFORMANCE INDICATORS

Financial indicators are shown below

KPI Measure	2013	2012	Definition/Calculation
CUSTOMERS			
Order intake	£60.1m	£50.1m	• Order intake is a measure of new business secured during the year and represents firm orders
+20.1%			• Monitoring of revenues provides a measure of business growth for the Group
Revenue	£59.9m	£57.2m	• The Group measures foreign currency revenue at the actual exchange rate prevailing at the date of the transaction
+4.7%			
Material cost margin	£31.0m	£29.3m	• Material margin is defined as revenue less material costs in cost of sales
+5.8%			
Material margin as a percentage of revenue	51.8%	51.2%	• Material margin defined as revenue less material costs in cost of sales divided by revenue
+0.6pts			
PROFITABLE GROWTH			
Adjusted operating profit	£4.3m	£3.1m	• Adjusted operating profit is defined as operating profit before the amortisation and impairment of acquired intangibles, and other non-recurring costs
+40.3%			• Adjusted earnings per share is calculated in the same manner as basic earnings per share except for the adding back of the after-tax effect of the amortisation and impairment of acquired intangibles, and other non-recurring costs
Adjusted earnings per share (pence)	4.2p	2.5p	
+68.0%			

KPI Measure	2013	2012	Definition/Calculation
OPERATIONS			
Trade Receivables	82 Days	72 Days	• Trade receivables at the end of the financial year divided by quarter 4 revenue multiplied by the number of days in quarter 4
+10 Days			
Inventory Days	122 Days	119 Days	• Net inventory at the end of the financial year divided by quarter 4 material costs of sales multiplied by the number of days in quarter 4
+3 Days			
Total Operating Costs	£26.7m	£26.2m	• Operating costs comprise sales and marketing expenses, administration expenses, and the overhead costs associated with Logistics and Research and Development
+1.9%			
Return on Sales	7.2%	5.4%	• Adjusted operating profit in the financial year, divided by revenue for the financial year
+1.8pts			
NWC % Sales	27.3%	22.9%	• Net working capital (NWC) defined as Inventories plus trade and other receivables less trade payables divided by revenue
+4.4pts			
INNOVATION			
R&D Expenditure as a proportion of revenue	10.4%	9.2%	• Calculated as capitalised development costs less amortisation in the period plus R&D expenses charged in the period divided by revenue
+1.2pts			

BUSINESS REVIEW — FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2013 CONTINUED

TAXATION

There was a net tax credit for the year of £0.4 million (2012 charge of £0.1 million). The current tax charge in the year was £0.02 million (2012 £0.2 million). There was a deferred tax credit of £0.4 million (2012 credit £0.1 million).

At 31 December tax payable was £nil (2012 tax payable of £0.01 million).

NET ASSETS

The Statement of Financial Position at 31 December 2013 is summarised as follows

	2013 £m	2012 £m
Intangible assets	33.0	28.7
Property, plant and equipment	2.4	2.7
Other non-current assets and (liabilities)	1.0	—
Current assets and (liabilities)	9.5	7.9
Cash and cash equivalents	45.9	39.3
Net assets	3.7	8.1
	49.6	47.4

The increase in net assets in the year of £2.2 million comprises the profit for the financial year of £3.5 million and the value of employee services of £0.3 million, offset by £1.4 million of dividends paid and a foreign exchange loss on translation of overseas operations of £0.2 million.

WORKING CAPITAL

Our key metrics for managing working capital are days sales outstanding (DSO) for trade receivables and net inventory days. The table below shows that trade receivables have increased to 82 days whilst inventory days have increased to 122 days. Inventory levels were unusually high at year end due to a number of projects which were fully or partially complete awaiting shipment in Q1.

Trade receivables included a delayed payment from a Middle East customer. The majority of which was paid in March 2014. There are no significant adverse trends in debtors. The small increase in days' sales outstanding is impacted by the mix of sales from different regions.

Days (Source: Group management accounts)	2013	2013
Trade receivables – days sales outstanding ¹	82	72
Inventory days ²	122	119

- ¹ Trade receivables at the end of the financial year divided by quarter 4 revenue multiplied by the number of days in quarter 4
- ² Net inventory at the end of the financial year divided by quarter 4 material costs of sales multiplied by the number of days in quarter 4

CASH FLOWS

The Group held cash and cash equivalents of £3.7 million at 31 December 2013 (2012 £8.1 million). The table below summarises the cash flows for the year.

	2013 £m	2012 £m
Cash generated from operating activities	4.2	3.7
Net cash used in investing activities	(7.3)	(4.3)
Returns to shareholders	(1.4)	(1.4)
Effects of foreign exchange	0.1	(0.1)
Net decrease in cash and cash equivalents	(4.4)	(2.1)
Cash and cash equivalents at 1 January	8.1	10.2
Cash and cash equivalents at 31 December	3.7	8.1

There was a net cash inflow from operating activities in the year of £4.2 million (2012 £3.7 million).

The cash outflow from investing activities amounted to £7.3 million (2012 £4.3 million) which comprised £0.1 million in respect of proceeds from the sale of property, plant and equipment (2012 £0.1 million), £0.4 million of deferred consideration paid in respect of previous acquisitions (2012 £1.3 million), £2.0m paid out in respect of the acquisition of subsidiaries (2012 £nil), and £4.8 million in respect of capital expenditure and the capitalisation of development costs (2012 £3.1 million).

RETURNS TO SHAREHOLDERS

Returns to shareholders were in the form of a dividend payment of £1.4 million (2012 £1.4 million).

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 (2012 1.25 pence). The payment of the dividend will absorb approximately £1.5 million of cash. Subject to the approval of shareholders, the dividend will be paid on 18 July 2014 to those shareholders on the register at 27 June 2014.

RISK MANAGEMENT AND INTERNAL CONTROL

—

PRINCIPAL RISKS AND UNCERTAINTIES

The Group places great importance on the identification and effective management of risks. Our approach to enterprise risk management helps us to deliver our objectives and maximise the returns to the Group. The following table describes the risks that the Board considers to have the most material potential impact on the Group. They are specific to the nature of our business notwithstanding that there are other risks that may occur and may impact the achievement of the Group's objectives.

RISK DESCRIPTION	TREND	POTENTIAL IMPACT	MITIGATION
GLOBAL ECONOMIC CONDITIONS			
POSITIVE		Strained global economic conditions and volatility of international markets could result in a general reduction in business activity and consequent loss of income for the Group.	- The Group is mitigating its reliance on its core markets in the UK, US and continental Europe by expanding its activities in the Middle East and Africa and Asia/Pacific. - The Group is developing new relationships and partnerships through expanding its international presence and focus on its existing customers. Improving operational efficiency of the Group, combined with cost reductions already undertaken, will underpin the performance of the Group going forward.
MARKETS AND COMPETITION			
POSITIVE		The markets in which the Group operates are mature and highly competitive with respect to price, geographic distribution, functionality, brand recognition and the effectiveness of sales and marketing.	- The Group focuses on accessing and developing key technologies and service offerings which differentiate us competitively. - The Group is responsive to our customers and is continuously improving the quality, delivery and reliability of our products. - The Group ensures it reviews and develops its key partnerships with suppliers, distributors and customers. In addition, it is developing long term strategic partnerships with others effectively margins and/or market share may decrease.
REPUTATIONAL RISKS			
NEUTRAL		Many of the Group's products are for mission critical services, such as ensuring live news is available in real time or that mission critical video surveillance is uninterrupted. There is a risk that product failure will cause loss of services to Vialink's customers bringing damage to the Group's reputation.	Customer service and support is a key part of the Group's offering to customers to mitigate such damage.
RESEARCH AND DEVELOPMENT			
NEUTRAL		Loss of market share resulting from product obsolescence and failure to innovate to meet customer needs.	- The Group makes significant investment in new product development and best practice is shared between Group companies. - The Group believes this investment enables it to deliver clear "product-leadership" and "complete customer solutions". - Large R&D projects that are capitalised require approval from senior management to ensure that projects are in line with the Group's overall technology strategy.
SENIOR MANAGEMENT AND SENIOR PERSONNEL			
NEUTRAL		The Group is dependent on members of its senior management team and skilled personnel. Its future success will depend in part on its ability to attract and retain highly skilled management and personnel. If the Group does not succeed in attracting and retaining skilled personnel, it may not be able to grow its business as anticipated.	- The Group has over 300 staff including 62 engineers and 70 sales employees. - The Group regularly surveys staff to assess the alignment of individuals with Group values. - The Group recognises that our people are key to its ongoing success and invests in attracting, developing and retaining key staff.

FOREIGN EXCHANGE

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

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. Approximately 30 per cent of the US business's cost of goods sold comes from its fellow subsidiaries in the UK and is priced in US dollars. The flow of cash from the USA to the UK businesses is managed by central treasury in order to minimise the risk to 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. 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 Group's exposure to market risk, liquidity risk, credit risk and cash flow interest rate risk remains largely unchanged from the position at 31 December 2012.

In 2013 the net assets of the Group increased by £0.1m on the translation of foreign currency net investments (2012 decreased by £0.1 million) as a result of the strengthening of the US dollar against sterling.

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 2013	Average rate 2012	Year end rate 2013	Year end rate 2012
US dollar	1.565	1.585	1.653	1.617

If the results for the year to 31 December 2012 had been translated at the 2013 average rate then the translation impact would be to increase prior year revenue by £0.3 million and increase the loss before tax by £0.02 million.

BOARD COMPOSITION

JOHN HAWKINS EXECUTIVE CHAIRMAN

APPOINTED TO THE BOARD
December 2010

INDEPENDENT

No

KEY STRENGTHS

- Optimising value for shareholders
- As Chairman of Genus plc, oversaw growth from OFEX to AIM to a FTSE250 company
- Maximised exit value of Graseby plc through sale to Smiths Industries with a significant cash premium
- Managed exit value of Psion plc through cash sale to Motorola Solutions
- Extensive international experience and diverse business experience in software and hardware with private and public companies
- International experience of growing software and hardware businesses including the "Internet of Things"

IAN DAVIES GROUP FINANCE DIRECTOR AND COMPANY SECRETARY

APPOINTED TO THE BOARD
August 2012

INDEPENDENT

No

KEY STRENGTHS

- Chartered accountant and an engineering graduate
- Extensive international experience in growing business through both organic opportunities and acquisitions
- Customer facing business development roles to secure major long term contracts
- Extensive listed plc experience
- Part of senior team at Patonair, growing business from £15 million to £200 million

CURRENT EXTERNAL COMMITMENTS

None

PREVIOUS ROLES

- Group Finance Director of Victoria PLC
- Chairman of Colin Campbell Financial and Commercial Director of UMECO plc's Patonair Division
- Financial management roles in Continental AG's NTS division
- Started in practice with roles in Audit, Corporate Recovery and Corporate Finance

BOARD COMMITTEE MEMBERSHIPS

Executive Board – Member

ROBIN HOWE BSc, FCIM SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD
June 2006

INDEPENDENT

Yes

KEY STRENGTHS

- 23 years' experience as Chief Executive or Managing Director of multinational technology businesses
- Wide experience in establishing and building international businesses
- Passionate about lean manufacturing/supply chains and continuous improvement
- Broad range of Non-executive Directorships including Chairmanship of two early stage companies
- Relevant domain knowledge as former Divisional Chief Executive of Vitec Group

CURRENT EXTERNAL COMMITMENTS

- Director of MetaSphere Limited
- Director of Spinflow Limited
- Director of Blackdyne Ltd
- Director of Locking & Security Solutions Limited
- Director of Puma Distribution Limited
- Advises and invests in a number of early stage companies

PREVIOUS ROLES

- CEO of UDEX Holdings Ltd
- Headed the Broadcast Systems Division of VITEC Group plc

BOARD COMMITTEE MEMBERSHIPS

- Remuneration Committee – Chairman
- Audit Committee – Member
- Nomination Committee – Member

OLIVER ELLINGHAM BA, ACA
INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD
October 2007

INDEPENDENT

Yes

KEY STRENGTHS

- During a 23-year career in investment banking Oliver advised UK and international businesses on transactions and financing as well as running the teams in Western Europe. Owns a self storage SME

- Chairs the risk committee of NAMA, the "bad" Irish bank with some €21 billion of assets

CURRENT EXTERNAL COMMITMENTS

Director of NAMA (Ireland)
Director of Naafi Pension Fund
Director of Ellingham Limited
Holds Non-executive Directorships in a number of other companies

PREVIOUS ROLES

Head of Corporate Finance (Europe) at BNP Paribas

Senior management roles within Charnehouse Bank and Robert Fleming

Non-executive Director with the Irish Bank Resolution Corporation Limited

Non-executive Director of McCarthy & Stone plc, Norring Hill Housing Trust and Cenkos Securities plc

BOARD COMMITTEE MEMBERSHIPS

Audit Committee – Chairman
Remuneration Committee – Member
Nomination Committee – Member

JOHN VARNEY BA
INDEPENDENT NON-EXECUTIVE DIRECTOR

APPOINTED TO THE BOARD
October 2011

INDEPENDENT

Yes

KEY STRENGTHS

- 35 years' experience in the broadcast industry

- A member of OFCOM's Advisory Committee for England
- Digital Content Technology

- Business transformation and change management

CURRENT EXTERNAL COMMITMENTS

Various early stage company advisory positions and directorships

PREVIOUS ROLES

Director of Technology and Chief Technology Officer for Granada
Global Chief Technology Officer at the BBC

For the last six years has been an adviser and Non-executive Director for emerging technology companies, combined with work across a broad range of organisations inside and outside the Broadcast sector

BOARD COMMITTEE MEMBERSHIPS

Audit Committee – Member
Remuneration Committee – Member
Nomination Committee – Member

DIRECTORS' REPORT

The directors present the annual report of Vislink plc together with the audited Group and Company financial statements for the year ended 31 December 2013, which were approved by the directors on 26 March 2014. The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Company financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

A review of the Group's trading and an indication of future developments are contained in the Executive Chairman's Statement and the Strategic Report on pages 2 to 7. Details of turnover and operating profits for each business unit 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 30 to the Group financial statements.

Vislink plc is incorporated in England (company registration number 4082188) and has its registered office at Marlborough House, Charnham Lane, Hungerford, Berkshire, RG17 0EY.

RESULTS AND DIVIDENDS

The results for the year ended 31 December 2013 are set out in the consolidated income statement on page 62. The Group has reported an operating profit from its continuing activities of £3.1 million (2012: £2.2 million). After accounting for net finance costs the consolidated income statement shows a profit before taxation of £3.1 million (2012: £2.2 million). The directors are recommending a final dividend of 1.25 pence (2012: 1.25 pence) per ordinary share amounting to £1.5 million payable on 18 July 2014 to shareholders on the Company's register at the close of business on 27 June 2014. The shares will be quoted ex dividend from 25 June 2014.

DIRECTORS

The directors of the Company who served during the year and up to the date of approval of the financial statements are as follows:

- John Hawkins (Executive Chairman)
- Ian Davies (Group Finance Director and Company Secretary)
- Robin Howe (Senior Independent Non-executive Director)
- Oliver Ellingham (Non-executive Director)
- John Varney (Non-executive Director)
- Andrew Sleight (Non-executive Director) (resigned 13 May 2013)

Short biographies of each current director are provided on pages 38 and 39.

In accordance with the Company's Articles of Association, John Hawkins will retire by rotation and, being eligible, offers himself 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. No new directors were appointed during 2013. Andrew Sleight resigned from the Board on 13 May 2013.

Details of the directors' service contracts and letters of appointment are given in the Remuneration Report on pages 48 to 59. Disclosure of the directors' interests in shares, including share options, is also given in the Remuneration Report. During the year the Group maintained insurance providing liability cover to its directors and officers.

The Board has noted the change in approach of HMRC towards the officers of companies, including non-executive directors, being treated as self-employed. As a result, from April 2014, the fees for the Executive Chairman will be operated through the Group's payroll, in line with other directors and employees. This does not affect other Board members, executive or non-executive, who are already paid through the payroll.

MATERIAL INTEREST IN CONTRACTS

No director, either during or at the end of the financial year, was materially interested in any significant contract with the Company or any subsidiary undertaking.

SHARE CAPITAL

Details of the Company's share capital are shown in note 23 to the consolidated financial statements.

The Company's share capital comprises one class of ordinary shares and as at 26 March 2014 there were in issue 118,603,134 fully paid ordinary shares of 2.5 pence each. All shares except for those held by the employees' share trust are freely transferable and rank *pari passu* for voting and dividend rights.

The Company has been notified of the following interests in more than 3 per cent of the Company's issued share capital at 28 February 2014 (being the last practicable date before the production of this report):

	Number of shares	per cent
Fertin Nominees Limited	28,539,803	25.06
Barclayshare Nominees Limited	9,184,130	8.06
TTD Direct Investing Nominees (Europe) Limited	4,523,436	3.97
L R Nominees Limited	4,160,422	3.65
HSBC Global Custody Nominee (UK) Limited	3,912,000	3.43

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 charged to the income statement amounted to £3.9 million in the continuing business (2012: £5.1 million). Further details of our development activities are given in the technology review on page 31.

FINANCIAL RISK MANAGEMENT

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

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 business unit within the Group has lines of communication in place to ensure that employees are consulted with and kept informed of issues relevant to them. Staff notices, emails and staff meetings are used to communicate immediate issues to them. The Executive Chairman presents a half yearly review to all staff either in person or via a broadcast link. In addition, the businesses 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 and a savings-related share option scheme (SAVE) are in place.

At 31 December 2013 the Employee Share Ownership Plan (ESOP) held 832,000 (2012: 840,000) shares in the Company representing 0.7 per cent of the issued share capital (2012: 0.7 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 national employment legislation in the countries where the Group operates, 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).

Vislink International has achieved the international environmental management system standard of ISO 14001 for its operations, we are committed to delivering our environmental policy and minimising our impact on the environment by reducing our waste and carbon footprint through energy management and recycling schemes. Our US factory is registered with the Environment Protection 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 a donation will be made to The Woodland Trust. All funds donated to go their many tree-planting programmes. This can be accessed through the investors' page on the Group website at www.vislink.com.

GREENHOUSE GAS (GHG) EMISSIONS REPORTING

Global GHG emissions data for the period 1 January 2013 to 31 December 2013

Emissions from:	Tonnes of CO ₂ e
Scope 1 Combustion of fuel and operation of facilities	317.91
Scope 2 Electricity heat, steam and cooling purchased for own use	815.14
Scope 3 Other transport related activities and electricity transmission and distribution	1,217.76
Emissions reported normalised to per employee	9.22
Emissions reported normalised to per £ million turnover	39.25

DIRECTORS' REPORT

CONTINUED

METHODOLOGY

We have reported on all of the emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. These sources fall within our consolidated financial statements. We do not have responsibility for any other emission sources that are not included in our consolidated statements.

We have used the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064:2006 and emission factors from UK Government's conversion factors for Company Reporting 2013.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at 29 Cloth Fair, London, EC1A 7NN on Wednesday 21 May 2014 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.

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.

CORPORATE GOVERNANCE

The Company's statement on corporate governance can be found in the Corporate Governance Statement on pages 43 to 47 of these financial statements. The Corporate Governance Statement forms part of this directors' report and is incorporated into it by its cross-reference.

GOING CONCERN BASIS

The directors are required to make an assessment of the Group's ability to continue to trade as a going concern. Because of the difficult prevailing economic and market conditions this assessment has been subject to close scrutiny by the Board. The directors have given this matter due consideration in the light of current trading and of its current net cash position and have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

INDEPENDENT AUDITORS

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

By order of the Board



Ian Davies
Group Finance Director &
Company Secretary
26 March 2014

CORPORATE GOVERNANCE STATEMENT

The Group is committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining investors' and other stakeholders' trust in the Group. The Group expects all directors and employees to act with honesty, integrity and fairness. With an international presence, the Group acts in accordance with the laws and customs of the countries in which it operates, adopts proper standards of business practice and procedure, operates with integrity, and observes and respects the culture of every country in which it does business.

Compliance with the UK Corporate Governance Code is not mandatory for companies whose shares are admitted to trading on AIM. The directors recognise, however, the importance of high standards of corporate governance and accordingly have determined that the Group shall have the regard to the Quoted Companies Alliance (QCA) Code on corporate governance. The QCA Code applies key elements of the UK Corporate Governance Code and other relevant guidance to the needs and particular circumstances of small and mid-size quoted companies, including AIM companies, for which the UK Corporate Governance Code may not be entirely relevant due to their size. The directors will review the Group's corporate governance procedures from time to time having regard to the size, nature and resources of the Company to ensure such procedures are appropriate.

The Board does not envisage that there will be any significant alteration to the standards of reporting and governance which the Company currently maintains. The Company will maintain its Audit, Nomination and Remuneration Committees which will be subject to the same terms and conditions.

The Board structure comprises three independent Non-executive Directors and an Executive Chairman and Executive Finance Director.

The role of Chairman and Chief Executive continues to be combined (since May 2011) by John Hawkins under the role of Executive Chairman, who is not considered to be independent.

Andrew Sleigh resigned from the Board on 13 May 2013. No new Directors were appointed during 2013.

THE ROLE OF THE BOARD

BOARD COMPOSITION AND OPERATION

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. The Board currently comprises an Executive Chairman, three Non-executive Directors and an Executive Finance Director. All the Non-executive Directors are considered by the Board to be independent. Robin Howe is the nominated Senior Independent Director and is available to shareholders if they have concerns that cannot be addressed through the normal channels.

The Board has approved a formal schedule of matters reserved for its decision which it reviews annually. The Board makes decisions and reviews and approves key policies and decisions of the Group in particular relating to

- Strategy and values,
- Corporate governance,
- Annual operating and expenditure budgets,
- Treasury policies,
- Significant capital and revenue projects,
- Risk management strategies including approach to/appetite for risk,
- Systems for internal control

- Board and key management appointments,
- Remuneration policies,
- Acquisitions and disposals, and
- Any other matter which has a material consequence for the Group.

The Board has delegated all authorities other than those contained in the schedule of matters reserved to the Executive Directors on the understanding that they will at all times act in accordance with the best interests of the Group, its shareholders and staff and that their actions will be consistent with the Group's financial and strategic plans and objectives and in conformity with relevant legislation and best practice and that they will report regularly to the Board on the execution of these responsibilities.

The Board has also 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.

The Board met ten times during the year, excluding ad hoc meetings convened solely to deal with procedural matters. Attendance at Board and Committee meetings during 2013, expressed as the number of meetings attended compared to the number entitled to attend, was as follows:

	Board		Audit		Remuneration	
	No	Attended	No	Attended	No	Attended
John Hawkins	10/10		3*/3		3*/3	
Ian Davies	10/10		3*/3		2*/3	
Robin Howe	9/10		2/3		3/3	
Oliver Ellingham	10/10		3/3		3/3	
John Varney	10/10		3/3		3/3	
Andrew Sleigh	3/3		1/1		1/1	

In attendance for part of the meeting

At the invitation of the relevant committees, the Executive Chairman and Financial Director usually attend Audit Committee meetings and the Executive Chairman attends the Remuneration Committee meetings other than when his own remuneration is discussed. Where directors are unable to attend Board meetings they are advised of the matters to be discussed in advance of the meeting and given the opportunity to provide their views to the Executive Chairman or Senior Independent Director.

CORPORATE GOVERNANCE STATEMENT CONTINUED

In addition to the formal scheduled meetings the Board held informal discussions with executive directors and senior operational managers on strategy, business development and other topics important to the Group's progress throughout the year. Non-executive Board members were invited to attend the executive management meetings in furtherance of these discussions.

The Executive Chairman is responsible for the running of the Board. He ensures that all directors receive sufficient relevant information on financial, business and corporate issues prior to meetings. In his executive capacity his 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 both the Company Secretary and the Senior Independent Director.

The terms of appointment for the Non-executive Directors are available for inspection at the Company's registered office during normal business hours and for 15 minutes prior to, and during, the Annual General Meeting (AGM). All directors offer themselves for re-election at the first AGM subsequent to their appointment and at least once every three years thereafter. John Hawkins retires from office by rotation and offers himself for reappointment by shareholders. Biographical information and terms of appointment for each of the directors are set out on pages 38 to 39, and page 58. All other directors have been re-elected within the last three years. The Board confirms that having taken into consideration the results of the performance evaluation undertaken in the year, the director being proposed for re-election has demonstrated commitment to his responsibilities and continues to perform effectively.

New directors receive a formal induction on joining the Board appropriate to their level of knowledge and experience and are encouraged to visit different areas of the Group as part of a familiarisation programme. A Board meeting is held at one of the Group's overseas locations at least once every other year to allow all directors to meet with local senior management in their environment.

Appropriate directors' and officers' liability insurance cover has been in place throughout the year and is approved by the Board as part of the global insurance programme.

EXECUTIVE CHAIRMAN

The role of Chairman and Chief Executive was combined under John Hawkins on 18 May 2011. Under the role of Chief Executive John Hawkins commits 166 working days per annum to the role and such additional time as required to ensure that his duties are fully performed.

On 12 November 2013 John Hawkins signed an Executive Chairman Retention Long-Term Incentive Scheme and Share Award Contract.

The three year retention award made to the Executive Chairman during the financial year ended 31 December 2012 which was aimed at growing the Company's business to revenues of £80 million generating a 10 per cent operating profit margin within three years, will vest following the end of the financial year of the Company ending 31 December 2014, subject to the achievement of the performance criteria attaching to that award.

Continued implementation of Group strategy is necessary to achieve the proposed growth of the Company's business in the financial years of the Company following the financial year ending 31 December 2014 and the retention of the Executive Chairman is considered essential for its implementation and execution.

The Committee accordingly determined that the Company and shareholders' interests were best served by the creation of a new special incentive for Mr. Hawkins, linked to his continued retention, and in the form of this share award contract, dated 12 November 2013, and announced on the London Stock Exchange on 13 November 2013.

On 12 November 2013 a conditional nil-cost share award was made to Mr. Hawkins over 2,000,000 shares, pursuant to Listing Rule 9.4.2(2) (the "Retention Award").

The Retention Award was made to facilitate Mr. Hawkins' retention as Executive Chairman of the Company and it is intended it will be released, like the LTIP Award, following the end of a three year holding period subject, generally, to continued employment and the Company's achievement of the same EPS performance conditions measuring the Company's adjusted EPS in the financial year of the Company ending on 31 December 2016, as apply to the LTIP Award.

The Retention Award is based on the principles of the 2012 Award and has been made to secure the continuity of leadership at the Company necessary to achieve the proposed growth of the Company's business.

BOARD PERFORMANCE EVALUATION

The directors confirm that they have conducted an evaluation of the performance and effectiveness of the Board for 2013. The directors met with the Executive Chairman on a one-to-one basis and discussed matters of performance, structure, objectives and process of the Board and its individual members. The results were then reported back to the Board. The Board identified and agreed actions where appropriate. The directors addressed any comments on the Executive Chairman's performance to the Senior Independent Director. The evaluation of the Executive Chairman's performance during the year was led by the Senior Independent Director.

THE AUDIT COMMITTEE

MEMBERSHIP AND DUTIES

The Audit Committee is chaired by Oliver Ellingham. As a qualified Chartered Accountant, Oliver has the relevant financial experience as required by the NVO Code. Robin Howe and John Varney served on the Committee throughout the year. Andrew Sleight served on the Committee until he retired from the Board in May 2013.

The Code allows the company chairman to be a member of the Audit Committee, provided that the company was outside the FTSE350 and the chairman was considered independent on his appointment as chairman.

The Executive Chairman and Financial Director are normally invited to attend each Committee meeting as are the external auditors, who have direct access to the Chairman of the Committee at all times. The Committee also meets with the external auditors without the presence of executive directors, for independent discussions.

The Audit Committee's responsibilities include making recommendations to the Board regarding the appointment of the external auditors based on its review of the scope of work, cost-effectiveness and independence of the external auditors, keeping under review the effectiveness of the Group's system of internal controls and risk management and reporting to the Board its findings, reviewing the internal control review programme, monitoring the financial reporting process, reviewing and challenging the actions and judgements of management in relation to the interim and annual financial statements before submission to the Board, reviewing the Company's arrangements for its employees to raise concerns in confidence about possible wrongdoing, and reviewing the Company's procedures for detecting fraud.

In order to ensure the independence and objectivity of our auditors, PricewaterhouseCoopers LLP, the Committee regularly reviews the remuneration received by them for audit services, audit-related services and non-audit work. These reviews ensure a balance of objectivity, value for money and compliance with our requirement for independence. The outcome of these reviews was that the performance of non-audit work by our auditors was the most cost-effective way of conducting our business and that no conflicts of interest existed between such audit and non-audit work.

There are certain areas in which the Committee considers that the external auditors can add value to the Group, without compromising their independence. In accordance with the Group's policy on non-audit services, the Group received non-audit services during the year related to tax compliance and tax advice. Any significant non-audit work undertaken by the external auditors was approved by the Audit Committee to ensure that the auditors' independence was not compromised. These reviews enabled the Audit Committee to confirm that it continues to receive an efficient, effective and independent audit service.

The Audit Committee confirms that it has conducted an assessment of the external auditors and determined that adequate policies and safeguards are in place to ensure that their independence and objectivity has not been impaired. Audit partners are rotated at least every five years.

ACTIVITIES OF THE AUDIT COMMITTEE

The Audit Committee met three times during the year and once up to the date of this report in 2014 and reported its conclusions to the Board. In these meetings the Audit Committee has

- reviewed the accounting policies,
- reviewed the preliminary announcement of the financial results of the Group for the year ended 31 December 2012, 31 December 2013 and the 2013 interim results prior to approval by the Board,
- considered and reviewed the 2012 and 2013 annual report and financial statements and the 2013 interim report, paying particular attention to critical areas of management judgement, together with the external auditors' reports,
- considered and discussed the audit plan with the external auditor for the 2013 audit,
- considered and recommended to the Board the reappointment of the auditors which will be put to shareholders for approval at the AGM,
- reviewed and considered reports from internal control visits and the external auditors on the effectiveness of the system of internal control, and reported to the Board on the results of the review,
- reviewed the reports from management on the Group's main risks and the assessment and mitigation of those risks
- approved the statutory audit fee for 2013 and reviewed non-audit fees paid to the external auditors to ensure they were in accordance with the Group's policy,
- monitored the independence and undertook an evaluation of the effectiveness of the external auditors,
- reviewed the policies introduced to comply with the UK Bribery Act 2010, and
- reviewed the Code of Conduct which sets out how the Group's employees are able to raise concerns over financial or other irregularities in confidence. This policy was in place throughout the year.

In addition, the Audit Committee reviewed the need for an internal audit department and concluded that there was not a requirement given the present size of the Group and internal control reviews undertaken by the head office function.

THE NOMINATION COMMITTEE

John Hawkins chairs the Nomination Committee. Oliver Ellingham, Robin Howe and John Varney served on the Committee throughout the year. Andrew Sleight served on the Committee until he resigned from the Board on 13 May 2013. The Group Company Secretary also attends the meetings.

The Nomination Committee reviews the structure, size and composition of the Board. It also ensures that there is adequate succession planning in regard to Board and senior management appointments.

There were no formal meetings of the Committee during the year.

THE REMUNERATION COMMITTEE

Details of the Remuneration Committee and the Group's compliance with the requirements of the NVO Code are provided in the Remuneration Report as set out on pages 48 to 59.

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 enquiries received from both. The Executive Chairman and the Finance Director meet at regular intervals with institutional investors to discuss the Group's performance and objectives. The Non-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 elect to receive all shareholder documents electronically by registering with the Group's registrars.

The Company uses its AGM 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 AGM on 21 May 2014. The notice of the AGM is sent to shareholders at least 21 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 AGM separately accompanies the annual report. Separate resolutions are proposed on each substantially different issue and the number of proxy votes cast for each resolution is disclosed by the Chairman at the meeting. Shareholders have the option of submitting their voting instructions electronically or by returning the personalised proxy form which separately accompanies the annual report.

The notice of meeting for the forthcoming AGM separately accompanies the Annual Report and may be viewed on the Company's website (www.vislink.com/news).

Documents relating to the Company's governance and the full terms of reference of its standing Committees are also available on the Company's website (www.vislink.com/investors/governance).

CORPORATE GOVERNANCE STATEMENT

CONTINUED

FINANCIAL REPORTING

Reviews of the performance and financial position of the Group are included in the Executive Chairman's Statement and the Strategic Report on pages 2 to 37. The Board uses these, together with the Directors' Report on pages 40 to 42, to present a balanced and understandable assessment of the Group's position and prospects.

The directors' responsibilities in respect of the Group financial statements are described in the Statement of Directors' Responsibilities on page 60.

RESPONSIBILITY FOR RISK AND INTERNAL CONTROL

The Board has overall responsibility for the Group's system of internal control although it should be recognised that it can provide only reasonable and not absolute assurance against material misstatement or loss. The effectiveness of the Group's system of internal control has been reviewed by the Board during the year having special regard to the structural and cultural changes implemented during the year.

The directors confirm that the internal control framework is consistent with the revised Turnbull Guidance, that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, which is regularly reviewed by the Board, and that this process was in place throughout the year ended 31 December 2013 and up to the date of this report.

The Group has an internal control system in place 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.

It is recognised that there are risks associated with achieving the Company's growth strategy. The Board aims to take business risks in an informed and proactive manner, such that the level of risk is aligned with the potential business rewards. Management regularly reviews risk exposures against current business risk level tolerances. The aim of risk management is to provide reasonable assurance that the risks associated with achieving business objectives are understood and that these risks are being responded to appropriately at all levels within the organisation.

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

CONTROL ENVIRONMENT

There is a clear organisation structure in place, levels of authority are well defined and responsibility for operational control of the business units is delegated to managing directors. 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 executive and senior management. The effectiveness of the risk control procedures in place is reported to the Board on at least an annual basis.

FINANCIAL REPORTING

The Group operates a comprehensive budgeting, financial reporting and forecasting system. Each operating entity is required to complete management accounts on a monthly basis which compare actual results with budget, forecast and prior year; these are reviewed at both executive and Board level meetings to ensure that variances and discrepancies are identified and acted upon on a timely basis.

Towards the end of each financial year the operating entities 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 AND MONITORING SYSTEMS USED BY THE BOARD

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.

The Group finance function consolidates the Group results monthly, and a full financial review is presented at each Board meeting, accompanied by appropriate Key Performance Indicators for the Group. Each Group entity 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 management have defined the financial controls and procedures that each operating entity is required to comply with. Key controls over major business risks include reviews against key performance indicators and exception reporting. The operating entities 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 management and reported to the Board.
- Strategic planning. The executive management are responsible for keeping the Board apprised of the Group strategy. The Board reviews strategic plans as part of the ongoing business planning process and has been closely involved in the review of the strategy undertaken during 2011.

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- **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. The Group operates a Group-wide ERP system. Acquisitions are moved across to this system as part of the post acquisition integration process whilst being careful to ensure that the ability of the business to continue to operate effectively is not impaired
 - **Insurance** The Group's programme of insurance covers the major risks to the Group's assets and business and is reviewed annually by the Board
 - **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 control reviews 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

By order of the Board

Ian Davies
Group Finance Director & Company Secretary
26 March 2014

REMUNERATION REPORT

INTRODUCTION

The information provided in this part of the Directors' Remuneration Report is not subject to Audit.

This report is on the activities of the remuneration committee for the period to 31 December 2013. It sets out the remuneration policy and remuneration details for the Executive and Non-executive Directors of the Company. It has been prepared in accordance with Schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in August 2013. This is the first time the Group has prepared the report in accordance with the amended Regulations.

The report is split into three main areas:

- The statement by the Chair of the Remuneration Committee,
- The annual report on remuneration, and
- The policy report.

The annual report on remuneration provides details on remuneration in the period. Following the move of the company's listing to the AIM market, the report will be subject to an advisory shareholder vote at the 2014 Annual General Meeting.

The Companies Act 2006 requires the auditors to report to the shareholders on certain parts of the Directors' Remuneration Report and to state whether, in their opinion, those parts of the report have been properly prepared in accordance with the Regulations. The parts of the annual report on remuneration that are subject to audit are indicated in that report. The statement by the Chair of the remuneration committee and the policy are subject to audit.

REMUNERATION COMMITTEE

The responsibilities of the Committee 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 Executive Chairman is invited to attend meetings to discuss remuneration packages and bonus schemes for senior executives within the Group.

Robin Howe chairs the Committee. Oliver Ellingham and John Varney served on the Committee throughout the year and Andrew Sleight served on the Committee until May 2013 when he resigned from the Board.

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.

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

The focus is on ensuring that a competitive and appropriate base salary is paid to directors and senior managers, together with incentive arrangements that are:

- aligned with shareholders' interests and with long term business strategies,
- measured against challenging benchmarks, including both absolute financial targets (which are set in advance) and relative share price performance,
- a mix of annual and three year performance periods,
- paid in a combination of cash and shares, and
- transparent and without "soft" non-financial targets which could otherwise allow undue discretion to award bonuses that do not reflect actual financial performance.

CHAIRMAN'S LETTER

Dear Shareholder

The Remuneration Committee's main responsibility is to ensure that payments to Executives are appropriate and aligned with shareholder interests, producing sustainable value creation through the delivery of our business strategy and as Chairman, I am pleased to present the Remuneration Report for the year ended 31 December 2013

This has been a year of strong financial performance, with Group revenue up 4.7 per cent and reported adjusted operating profit up 40.3 per cent, contributing to adjusted earnings per share growth of 68 per cent. The Board has recommended that the full year dividend be maintained at 1.25 pence per share (2012: 1.25 pence). We achieved a shareholder return of 85 per cent for the year ended 31 December 2013.

Market capitalisation increased to £51.7 million from £28.8 million in January 2013 and total executive performance related remuneration was £0.1 million for the year ended December 2013, a 0.4 per cent ratio.

Details of annual bonus payments and Executive remuneration are included later in this report.

Major decisions on directors' remuneration have included:

- The agreement to repeat the 2012 executive bonus scheme using new stretch targets for the five performance criteria
- An agreement to award no fee or salary increases to Non-executive and Executive Directors in 2013
- The announcement to launch a new three-year long term incentive plan (LTIP) scheme (2013-2016) for Executive Directors which helps retain executives and rewards significant growth in shareholder value.

The strong performance has been achieved under the decisive leadership of John Hawkins and his Executive team. The strategy to grow the business to £80.0 million revenue, and £8.0 million adjusted operating profit by the end of FY2014, is on track through a combination of improving international sales, increasing business efficiency and the addition of selective acquisitions which support our declared strategic objectives.

The Board has looked beyond 2014 and believe there is a strong prospect of continuing growth in shareholder value in the years following.

Yours faithfully,

Robin Howe
Senior Non-executive Director, and Chairman
of the Remuneration Committee
26 March 2014

ANNUAL REPORT ON REMUNERATION

The information provided in this part of the Directors' Remuneration Report is subject to audit.

DIRECTORS' EMOLUMENTS

The remuneration of the Executive Directors for the years 2012 and 2013 is made up as follows:

DIRECTORS' REMUNERATION AS A SINGLE FIGURE (2012)

	Salary and fees £	All taxable benefits £	Annual bonuses £	LTIP £	Pension £	Termination payments £	Total for 2012 £
Executive Directors							
John Hawkins	360,000	8,512	76,500	—	—	—	445,012
Ian Davies (from 8 August 2012)	69,776	7,760	14,565	—	—	—	92,101
James Trumper (to 31 August 2012)	123,067	11,232	60,000	—	23,333	175,000	392,632
Non-executive Directors							
Robin Howe	30,000	—	—	N/A	—	—	30,000
Oliver Ellingham	30,000	—	—	N/A	—	—	30,000
John Varney	30,000	—	—	N/A	—	—	30,000
Andrew Sleight	30,000	—	—	N/A	—	—	30,000
Total	672,843	27,504	151,065	—	23,333	175,000	1,049,745

REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION AS A SINGLE FIGURE (2013)

	Salary and fees £	All taxable benefits £	Annual bonuses £	LTIIP £	Pension £	Termination payments £	Total for 2013 £
Executive Directors							
John Hawkins	360,000	6,106	92,904				459,010
Ian Davies	175,000	19,828	45,162		17,500		257,490
Non-executive Directors							
Robin Howe	30,000	—	—	N/A	—	—	30,000
Oliver Ellingham	30,000	—	—	N/A	—	—	30,000
John Varney	30,000	—	—	N/A	—	—	30,000
Andrew Sleigh (to 13 May 2013)	13,192	—	—	N/A	—	—	13,192
Total	638,192	25,934	138,066	—	17,500	—	819,692

TAXABLE BENEFITS

Benefits for John Hawkins include personal fuel expenditure and private medical insurance. Ian Davies' benefits extend beyond that to additionally include the provision of a car allowance, life assurance and permanent health insurance. The individual benefits are not deemed to be significant and are therefore not analysed in any further detail.

ANNUAL BONUSES AND LTIPs

The Remuneration Committee establishes the objectives that must be met 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.

For the financial year beginning 1 January 2013, the Remuneration Committee determined the performance measures and their weighting and the relevant target performance to be as follows:

Performance measure	Maximum % of bonus	Actual performance	Actual bonus award
Adjusted operating profit	50.0%	£4.3 million	13.3%
Orders received	12.5%	£60.1 million	0.3%
Revenue	12.5%	£59.9 million	4.7%
Material margin percentage target	12.5%	51.8%	7.5%
Operating cash flow	12.5%	£4.4 million	0.0%
Total	100.0%		25.8%

There was an overriding condition that no performance related cash bonus could be earned unless the Group achieved

an adjusted operating profit target of £4.2 million (defined as profit before net finance costs, amortisation of acquired intangibles, non-recurring items and taxation). The specific targets for each of the above parameters were set to accelerate the financial performance of the Group, with bonuses being earned in line with the improvement of the Group's performance. The Executive Chairman has agreed to convert any cash bonus received in respect of the Group's performance in 2013 into shares in the Company.

TOTAL PENSION ENTITLEMENTS

The Group operates a defined contribution pension scheme and it is the Group's policy that only basic salaries are pensionable for Executive Directors. Ian Davies is entitled to receive 10 per cent of his basic salary towards a private pension scheme or to contribute to the Group scheme. No payments have been made into either scheme for Ian Davies as he has yet to finalise his arrangement. However, the total amounts owing have been accrued for at 31 December 2013. There are no pension arrangements for the Executive Chairman or the Non-executive Directors. There are no unfunded pension promises or similar arrangements for current or previous directors.

PAYMENT TO PAST DIRECTORS

There were no payments or monies or other assets made during the year ended 31 December 2013 to any person who was not a director of the Company.

PAYMENT FOR LOSS OF OFFICE

There were no payments or monies or other assets for loss of office made during the year ended 31 December 2013 to any person who was not a director of the Company. James Trumper, who left the Company on 31 August 2012, was entitled to predetermined compensation in the form of a retention bonus representing a full year's gross salary and this was paid in July 2012.

DIRECTORS' SHARE INTERESTS

The table below shows the beneficial and non-beneficial interests of the directors in office at the end of the year in the share capital of the Company.

	At 31 December 2012	At 31 December 2013
Executive Directors		
John Hawkins	66,700	214,122
Ian Davies	—	100,000
Non-executive Directors		
Robin Howe	1,132,578	1,132,578
Oliver Ellingham	167,000	167,000
John Varney	32,827	62,229
Andrew Sleigh (to 13 May 2013)	450,000	450,000

The following changes took place in the interests of the Directors between 31 December 2012 and 17 March 2014:

- John Hawkins purchased 81,983 shares at an average price of 30.25 pence per share on 20 June 2013
- John Hawkins purchased 65,439 shares at an average price of 45.5 pence per share on 2 December 2013
- Ian Davies purchased 100,000 shares at an average price of 29.75 pence per share on 20 June 2013
- John Varney purchased 29,402 shares at an average price of 43.95 pence per share on 19 December 2013

The table below shows, in relation to each Director, the total number of ordinary share interests with and without performance conditions, the total number of share scheme options with and without performance measures, those vested but unexercised and those exercised

	Ordinary Shares		Share Scheme Options			
	With performance measures	Without performance measures	With performance measures	Without performance measures	Vested but unexercised	Exercised during the year
Executive Directors						
John Hawkins	—	214,112	4,000,000	—	—	—
Ian Davies	—	100,000	1,154,000	—	—	—
Non-executive Directors						
Robin Howe	—	1,132,578	—	—	—	—
Oliver Ellingham	—	167,000	—	—	—	—
John Varney	—	62,229	—	—	—	—
Andrew Slagh (to 13 May 2013)	—	450,000	—	—	—	—

A) LONG TERM INCENTIVE PLAN (LTIP)

The Vislink plc LTIP was introduced in 2008, and an extension approved on 30 May 2012. It is designed to reward and retain executives over the long term whilst aligning their interests with those of shareholders

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 subject to performance criteria, the scales relating to which are determined by the Remuneration Committee

The table below sets out the awards made during the year to Executive Directors under the LTIP scheme

	Date of grant	Number of shares granted	Share price at grant date	Vesting date
Ian Davies	12 November 2013	750,000	48.5p	12 November 2016

The performance conditions in respect of the awards made under the scheme during the year are as follows

Adjusted EPS ¹ for the Financial Year 2016		Proportion of the number of Award Shares vesting
Less than 6.25 pence	Nil	
6.25 pence	50%	
6.25 pence to 8.40 pence	Between 50% and 100% pro rata on a straight-line basis	
8.40 pence or greater	100%	

¹ Adjusted EPS is defined as the reported basic EPS in the annual report and accounts for the Financial Year 2016, adjusted for the amortisation and impairment of goodwill and acquired intangibles and other non-recurring costs and taking into account tax adjustments relating to these items

EXECUTIVE DIRECTOR RETENTION PLAN

On 28 March 2012, pursuant to Listing Rule 9.4(2), a one-off contingent share award was made to Mr. Hawkins over 2,000,000 shares. The vesting criteria are based on the average adjusted earnings per share for the three financial years beginning on 1 January 2012 and ending on 31 December 2014. If the average adjusted earnings per share over the three years is less than 3.0 pence no shares will vest, if the average is 3.75 pence the shares will vest in full, between 3.0 pence and 3.75 pence the shares will vest pro rata. The award was made to facilitate Mr. Hawkins' retention as Chief Executive and Chairman of the Company and it is intended it should vest following the end of the 2014 financial year on 28 March 2015 subject to the satisfaction of the earnings per share performance conditions which apply to the award and, generally, provided that he is still employed by the Company on that date

In September 2013 a new additional Retention Plan was agreed for Mr. Hawkins over another 2,000,000 shares with the performance period from 1 January 2014 to 31 December 2016 and based on the principles of the existing scheme

The scheme will be based on an EPS growth target of 33 per cent compound annual growth rate (CAGR) achieving the EPS target of 8.4 pence at end of the three year performance period, at which point 2,000,000 nil cost share options will vest. (The EPS would nominally equate to a share price of 100 pence.)

The baseline for the scheme will be an EPS of 6.25 pence (this EPS would nominally equate to a share price of 75 pence). At this point 1,000,000 shares will vest and the scheme will allow a further 1,000,000 shares when the maximum EPS level has been reached at the end of the performance period

The change of control rules will mirror those of the existing scheme (except the share price target will be adjusted to a range from 75 pence to 100 pence)

The financial objectives set in both the Retention Scheme and the LTIP schemes are totally in line with strategic objectives agreed by the Board and furthermore are synchronised with annual performance bonus objectives to ensure consistency

REMUNERATION REPORT

CONTINUED

B) SHARE OPTIONS

The Group has historically operated both an HMRC 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 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.

No options were granted to Executive Directors during the year. 650,000 options were granted to senior management at a price of 29.0 pence on 29 March 2012, 50,000 of these options lapsed in 2013. Details of option grants can be found in note 23 to the consolidated financial statements.

C) SHARE INCENTIVE PLAN (SIP)

The Group also operates a Share Incentive Plan (SIP) for all qualifying employees. Under the scheme employees can invest a maximum of £1,500 (or local currency 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. The Executive Directors choose not to participate in this scheme.

D) SHARESAVE SCHEME

The Vislink plc Sharesave scheme was introduced in 2000 following approval by the shareholders. There are currently no share options granted to the Executive Directors under these schemes.

PERFORMANCE GRAPH

At 31 December 2013, Vislink shares were quoted within the TechMARK index, and the directors believe that this provided the most appropriate comparative performance measure.

The following graph shows the Company'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.

EXECUTIVE CHAIRMAN REMUNERATION

The table below shows John Hawkins' total remuneration for the last three years, being the total time that he has held the position of Executive Chairman, together with annual bonus outcomes. The total remuneration figure is calculated on the same basis as the single figures given earlier in this report.

No LTIP awards have vested during this period.

Year	Executive Chairman single figure of total remuneration (£000s)	Annual bonus pay-out against maximum bonus %
2013	459,010	25.8%
2012	445,012	21.3%
2011	210,000	0.0%

The table below shows the percentage change in remuneration of the Executive Chairman and the Company's employees as a whole between the years 2012 to 2013.

	Percentage increase in remuneration in 2013 compared with the remuneration in 2012
Executive Chairman	0%
Company employees	4.26%
Salary and fees	(28.27%)
All taxable benefits	21.44%
Annual bonuses	3.15%
Total	3.83%

RELATIVE IMPORTANCE OF SPEND ON PAY

The graph below shows the actual expenditure of the Group and change between the current and previous years.

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

The Group intends to implement the approved Directors' remuneration policy by

Ensuring 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. 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 schemes.

REMUNERATION REPORT CONTINUED

CONSIDERATION OF MATTERS RELATING TO DIRECTORS' REMUNERATION

There were three Committee meetings during the year ended 31 December 2013 which considered matters relating to the Directors' remuneration

SERVICE CONTRACTS

John Hawkins, who is proposed for re-election at the next Annual General Meeting, has a contract dated 13 May 2011. For details of the service contracts see page 58

STATEMENT OF VOTING AT GENERAL MEETING

At the last AGM held on 22 May 2013, resolutions of the following kind were moved by the Company in respect of

- A resolution to approve the Directors' Remuneration Report for the year ended 31 December 2012

The Group is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the reasons for any such vote will be sought, and any actions in response will be detailed here

The following table sets out actual voting in respect of the approval of the remuneration report

Number of votes cast for	Percentage of votes cast for		Number of votes cast against		Percentage of votes cast against		Total votes cast		Number of votes withheld
35,717,771	99.61%		139,311		0.39%		35,857,082		16,658

POLICY REPORT

The information provided in this part of the Annual Report on Remuneration is not subject to audit

INTRODUCTION

The date from which it is intended by the Company that the remuneration policy is to take effect is 1 January 2014

The Remuneration Committee determines the remuneration policy for Executive Directors and other senior management with the aim of ensuring that remuneration packages offered 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. The policy is that a substantial proportion of the package should be performance-related

The following table sets out the main elements of the remuneration policy for the year ended 31 December 2014. Each year, the Remuneration Committee reviews the remuneration policy, taking into account both the external market (including environmental, social and corporate governance issues) and the Company's strategic objectives over the short and the medium term. The framework has been designed as an integral part of the Company's overall business strategy

COMPONENT	PURPOSE AND LINK TO STRATEGY	HOW OPERATED	MAXIMUM POTENTIAL VALUE	PERFORMANCE MEASURES	CHANGES FROM PRIOR POLICY
SALARY AND FEES	To attract and retain high-calibre individuals by providing an appropriate level of basic fixed income whilst avoiding excessive risk arising from over-reliance on variable income	Generally reviewed annually (with any change effective 1 January) but exceptionally at other times of year Set with reference to individual performance, experience and responsibilities Benchmarked against appropriate companies by the Remuneration Committee	N/A	N/A	No change in policy
ALL TAXABLE BENEFITS	The basic salary reflects the market rate for the individual, their role, skills and experience	The Remuneration Committee periodically benchmarks salaries based on market assessments, the intention being that basic salaries should not normally be increased by more than the rate of inflation each year whilst progressively increasing the performance-related element of pay. However, for senior managers the amount of performance-related pay, being a combination of cash bonus and long term incentives, is expected to increase over time	N/A	N/A	No change in policy
	To aid retention and be competitive in the market place	Car allowance			
		Fuel			
	Healthcare benefits in order to minimise business disruption	Medical insurance			
		Permanent health insurance			
		Life Assurance			

REMUNERATION REPORT CONTINUED

COMPONENT	PURPOSE AND LINK TO STRATEGY	HOW OPERATED	POTENTIAL VALUE	PERFORMANCE MEASURES	CHANGES FROM PRIOR POLICY
ANNUAL BONUSES	To incentivise the achievement of key financial and strategic targets for the forthcoming year without encouraging excessive risk taking	The Remuneration Committee considers and approves the measures and targets at the start of each year and ensures they are aligned with business strategy and are sufficiently stretching In setting financial parameters, the Remuneration Committee takes into account the Company's internal budgets and, where applicable, investors' expectations. The targets applying to financial measures are based on a sliding scale Paid in cash, or in the case of the Executive Chairman, in shares Not pensionable	Up to 250% of base salary	Adjusted operating profit (defined as profit before net finance costs amortisation of acquired intangibles, non-recurring items and taxation) (50%) Orders received (12.5%) Revenue (10%) Material margin percentage (12.5%) Operating cash flow (15%)	Increased short term bonuses to 250% in 2014 from 2013 to encourage management to achieve in excess of 50% growth
LONG TERM SHARE INCENTIVES PLANS	To reward and retain executive management over the long term against agreed objectives, whilst ensuring the alignment of interests with those of the shareholders	A grant of shares, made at the discretion of the Remuneration Committee, which normally vest after three years subject to continued service and satisfaction of performance targets	LTIIP awards with a face value of up to 300% of base salary	LTIIP performance measured over three years Based on EPS growth	No change in policy
PENSIONS	To aid retention and remain competitive in the marketplace	For Executive Directors, an annual pension allowance of 20% of base salary There is no pension entitlement for Non-executive Directors or the Executive Chairman	N/A	N/A	Increased from 10% to 20% in 2014

The following table provides a summary of the key elements of the remuneration package for Non-executive Directors

Element	Purpose	Operation
Fees	Contracted annual fee	N/A
Additional fees payable for other duties	Additional fee for committee Chair responsibility	N/A
Other items in the nature of remuneration (if any)	None	N/A

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

BASIC SALARIES

Executive Directors' salaries were reviewed at the beginning of 2011 and a decision was taken to freeze them at their 2010 level. This policy was repeated at the beginning of 2012 and 2013

TAXABLE BENEFITS

Benefits include the provision of a car allowance, personal fuel expenditure, private medical insurance, permanent health insurance and life assurance cover for four times annual base salary

ANNUAL BONUSES

The Remuneration Committee establishes the objectives that must be met 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

For the year ended 31 December 2012, the Executive Directors each had a maximum bonus potential capped at 100 per cent of base salary

For the year ended 31 December 2013, the maximum annual cash bonus potential for the Executive Directors remained unchanged, with the same performance metrics disclosed earlier in this report (Adjusted operating profit 50 per cent, orders received 12.5 per cent, revenue 12.5 per cent, material margin percentage 12.5 per cent and operating cash flow 12.5 per cent)

LONG TERM SHARE INCENTIVE PLANS

The LTIP scheme allows for conditional awards over shares to be granted to a participant with a market value of up to 300 per cent of base salary at the date of grant of the award. The vesting of awards are subject to performance conditions set by the Remuneration Committee. For the year ended 31 December 2013, the maximum grant under the LTIP scheme for Executive Directors remained unchanged, with the same basic approach to target-setting to be applied

PENSION ENTITLEMENTS

The Group operates a defined contribution pension scheme and it is the Group's policy that only basic salaries are pensionable for Executive Directors. Ian Davies is entitled to receive 20 per cent of his basic salary towards a private pension scheme or to contribute to the Group scheme

There are no pension arrangements for the Executive Chairman or the Non-executive Directors. There are no unfunded pension promises or similar arrangements for current or previous directors

APPROACH TO RECRUITMENT REMUNERATION

With regard to new appointments, the Remuneration Committee reviews the various components of the remuneration package on a case by case basis

Annual salaries are regularly benchmarked against comparable organisations to ensure competitive salaries are offered and the service of the executive can be retained

Annual performance bonuses are designed to reward management for attainment of agreed objectives for five performance metrics adjusted operating profit, growth in orders received, growth in revenues, growth in material margin and operating cash flow

The percentage weighting for each element is reviewed annually with operating profit usually representing half of the bonus entitlement, but failure to reach an agreed minimum operating profit level cancels the bonuses that can potentially be earned for other performance metrics

REMUNERATION REPORT

CONTINUED

SERVICE CONTRACTS

The following obligations on the Company which would give rise to, or impact on, remuneration payments or payment for loss of office are

John Hawkins was appointed as a Non-executive Director of the Company by way of a letter of appointment dated 17 November 2010. The letter provided for John joining the Board as Non-executive Chairman elect with a fee of £30,000 per annum. He was appointed as Non-executive Chairman pursuant to an agreement for services dated 13 May 2011. The fee for the services is £100,000 per annum. The appointment was for an initial term of three years, subject to re-election by shareholders at the first AGM following appointment and then subsequently at least once every three years. The appointment can be terminated at the discretion of either party upon six months' notice. The agreement does not contain provisions relating to compensation for any early termination of appointment.

John Hawkins was appointed as Chief Executive pursuant to a separate agreement for services dated 13 May 2011. Under the agreement John commits 166 working days per annum to the role and such additional time as required to ensure that his duties are fully performed. The fee for the services is £260,000 per annum and an entitlement to participate in the executive performance related bonus scheme. There is no provision for pension contributions, life assurance, car allowance or cost-of-living increases. The appointment can be terminated at the discretion of either party upon 12 months' notice. The Company reviews in January, on an annual basis, the need to recruit a new Chief Executive, in the event that the Company decides to undertake such recruitment the notice period will be reduced to three months.

Ian Davies has a service contract dated 25 April 2012 which provides for a notice period of six months' written notice.

Robin Howe has a service contract dated 1 June 2006, which provides for a notice period of one month's written notice. On 1 June 2011 his appointment was extended for a second term of five years.

Oliver Ellingham has a service contract dated 1 October 2007, which provides for a notice period of one month's written notice. On 6 April 2011 his appointment was extended for a second term of five years.

Andrew Sleight, who served on the Committee until his retirement from the Board on 13 May 2013, had a service contract dated 1 October 2011, which provided for a notice period of one month's written notice.

John Varney has a service contract dated 1 October 2011, which provides for a notice period of one month's written notice.

The Directors' service contracts are available for inspection during business hours on any weekday between the date of the notice and the Annual General Meeting at the Company's registered office and at the venue of the Annual General Meeting from 15 minutes prior to the commencement of the Annual General Meeting until its conclusion.

ILLUSTRATION OF APPLICATION OF REMUNERATION POLICY

The charts below provide estimates of the potential future reward opportunities for each Executive Director, and the potential split between the different elements of remuneration under three different performance scenarios: "Below threshold", "On target" and "Maximum".

The potential opportunities illustrated above are based on the policy which will apply in the forthcoming financial year, applied to the base salary in force at 1 January 2014.

For the annual bonus, the amounts illustrated are those potentially receivable in respect of performance for the financial year ending 31 December 2014.

It should be noted that LTIP awards do not normally vest until the third anniversary of the grant date. The earliest outstanding LTIP awards will not vest until 2015 and hence they are not included in the illustrations above.

This illustration is intended to provide further information to shareholders on the relationship between executive pay and performance

The following assumptions have been made in compiling the charts on the previous page

Scenario	Fixed pay	Annual Bonuses
Below threshold	Latest disclosed salary, pension and benefits	None
On target	Latest disclosed salary, pension and benefits	100% of the annual cash bonus payable
Maximum	Latest disclosed salary, pension and benefits	250% of the annual cash bonus payable

POLICY ON PAYMENT FOR LOSS OF OFFICE

All payments due will be made in accordance with the Contract of Employment and Service Agreement of the executive concerned and will be sufficiently detailed to ensure transparency, namely:

- The total amount for loss of office paid to or receivable by the person (broken down into each component comprised in that payment and the value of each component)
- Explanation will be given of how each component was calculated
- Disclosure of any other payments paid or received by the person in connection with termination of qualifying services, whether by way of compensation for loss of office or otherwise, including the treatments of outstanding incentive awards that vest on or following termination
- Details of any discretion

STATEMENT OF CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE COMPANY

Employees were not consulted when setting the Directors' remuneration policy

The following remuneration comparison measurements were used when considering the Directors' remuneration

- Reference is made to industry research on executive remuneration, such as the PwC Executive Reward Survey and the Deloitte Directors' Remuneration in Smaller Companies survey to ensure that executive and non-executive remuneration levels are comparable with companies of similar type
- Regular advice is sought from PricewaterhouseCoopers, our adviser on remuneration, particularly regarding the conditions pertaining to LTIP schemes
- Informal benchmarking is made against other small cap technology companies from time to time. Typical fee levels for non-executive directors in FTSE Small Cap companies are between £35,000 and £50,000 with a median of £40,000
- Typical fee levels for the Chairman of a FTSE Small Cap company are between £90,000 and £140,000 with a median of £120,000

STATEMENT OF SHAREHOLDER VIEWS

Shareholders have stated that the bonus policy is aggressive with no bonus due if the minimum profit target is not achieved which each year represents analysts' market consensus

The other market-leading initiative is the fact that the Chairman and the Group Finance Director will use 100 per cent of bonus proceeds to purchase shares in the market and that long term incentives are also linked to aggressive growth

APPROVAL

This report was approved by the Board of Directors on 26 March 2014 and signed on its behalf by

Robin Howe
 Senior Non-executive Director, and Chairman
 of the Remuneration Committee
 26 March 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent,
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed on pages 38 and 39 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group, and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

By order of the Board

Ian Davies
Group Finance Director & Company Secretary
26 March 2014

REPORT ON THE GROUP FINANCIAL STATEMENTS OUR OPINION

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation

This opinion is to be read in the context of what we say in the remainder of this report

WHAT WE HAVE AUDITED

The Group financial statements (the "financial statements"), which are prepared by Vislink plc, comprise

- the Group income statement and statement of comprehensive income for the year then ended,
- the consolidated statement of cash flows for the year then ended,
- the consolidated statement of changes in equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2013 (the "Annual Report") to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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

OTHER MATTER

We have reported separately on the parent company financial statements of Vislink plc for the year ended 31 December 2013 and on the information in the Directors' Remuneration Report that is described as having been audited

M. Ellis

Mark Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Bristol
26 March 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VISLINK PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
Revenue	5	59,879	57,203
Cost of sales		(35,537)	(34,655)
Gross profit		24,342	22,548
Sales and marketing expenses		(10,273)	(8,654)
Research and development expenses		(3,942)	(5,053)
Administrative expenses		(5,791)	(5,751)
Other expenses	6	(1,258)	(883)
Operating profit	6	3,078	2,207
Operating profit is analysed as			
Adjusted operating profit		4,336	3,090
Amortisation and impairment of acquired intangibles	12	(1,420)	(1,589)
Non-recurring items	6	162	706
Finance costs	8	(4)	(4)
Finance income	8	19	29
Profit before tax		3,093	2,232
Tax	9	384	(112)
Profit for the year being profit attributable to owners of the parent		3,477	2,120
Basic earnings per share	11	3.1p	1.9p
Diluted earnings per share	11	3.1p	1.9p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 £000	2012 £000
Profit for the financial year	3,477	2,120
Other comprehensive expense — items that may be reclassified subsequently to profit or loss		
Exchange difference on translation of overseas operations	(200)	(576)
Total comprehensive income for the year attributable to owners of the parent	3,277	1,544

	Notes	2013 £000	2012 £000
Assets			
Non-current assets			
Intangible assets	12	33,033	28,676
Property, plant and equipment	13	2,430	2,695
Deferred tax assets	22	4,150	1,211
Total non-current assets		39,613	32,582
Current assets			
Inventories	14	11,094	9,533
Trade and other receivables	15	11,907	10,214
Cash and cash equivalents	16	3,705	8,131
Total current assets		26,706	27,878
Liabilities			
Current liabilities			
Trade and other payables	17	12,848	10,893
Current tax liabilities	18	12	70
Provisions for other liabilities and charges	21	638	838
Total current liabilities		13,498	11,801
Net current assets		13,208	16,077
Non-current liabilities			
Deferred tax liabilities	22	3,153	700
Provisions for other liabilities and charges	21	66	582
Total non-current liabilities		3,219	1,282
Net assets		49,602	47,377
Equity attributable to owners of the parent			
Ordinary shares	23	2,848	2,848
Share premium account		4,900	4,900
Capital redemption reserve		617	617
Merger reserve		30,565	30,565
Translation reserve		3,954	4,154
Retained earnings		6,718	4,293
Total equity		49,602	47,377

The financial statements on pages 62 to 97 were approved by the Board of directors on 26 March 2014 and were signed on its behalf by:

John Hawkins Ian Davies
DIRECTORS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary shares £000	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total £000
At 1 January 2012	2,848	4,900	617	30,565	4,730	3,398	47,058
Comprehensive income							
Profit for the financial year	—	—	—	—	—	2,120	2,120
Exchange differences on translation of overseas operations	—	—	—	—	(576)	—	(576)
Total comprehensive (expense)/income for the year	—	—	—	—	(576)	2,120	1,544
Transactions with owners							
Share based payments Value of employee services (note 23)	—	—	—	—	—	188	188
Dividends paid (note 10)	—	—	—	—	—	(1,413)	(1,413)
Transactions with owners	—	—	—	—	—	(1,225)	(1,225)
Balance at 1 January 2013	2,848	4,900	617	30,565	4,154	4,293	47,377
Comprehensive income							
Profit for the financial year	—	—	—	—	—	3,477	3,477
Exchange differences on translation of overseas operations	—	—	—	—	(200)	—	(200)
Total comprehensive (expense)/income for the year	—	—	—	—	(200)	3,477	3,277
Transactions with owners							
Share based payments Value of employee services (note 23)	—	—	—	—	—	361	361
Dividends payable (note 10)	—	—	—	—	—	(1,413)	(1,413)
Transactions with owners	—	—	—	—	—	(1,052)	(1,052)
Balance at 31 December 2013	2,848	4,900	617	30,565	3,954	6,718	49,602

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
Cash flow from operating activities			
Cash generated from operations	24	4,352	3,918
Interest paid		(2)	(4)
Taxation paid		(114)	(165)
Net cash from operating activities		4,236	3,749
Cash flow from investing activities			
Interest received		19	29
Acquisition of subsidiary (net of cash acquired)		(2,031)	—
Deferred consideration in respect of acquisition		(405)	(1,312)
Proceeds from sale of property, plant and equipment		64	127
Purchase of property, plant and equipment	13	(473)	(379)
Expenditure on capitalised development costs	12	(4,453)	(2,759)
Net cash used in investing activities		(7,279)	(4,294)
Cash flow from financing activities			
Repayment of borrowings		—	(37)
Dividend paid to shareholders	10	(1,413)	(1,413)
Net cash used in financing activities		(1,413)	(1,450)
Net decrease in cash and cash equivalents		(4,456)	(1,995)
Effect of foreign exchange rate changes		30	(58)
Cash and cash equivalents at 1 January		8,131	10,184
Cash and cash equivalents at 31 December	16	3,705	8,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Vistalink plc ("the Company") and its subsidiaries (together "the Group") is a global technology business specialising in the collection and delivery of high quality video and associated data from scene to screen. Vistalink provides solutions to the broadcast market for the collection of live news, sport and live entertainment events, the video, secure communications and surveillance market including military, law enforcement and public safety. With offices in the UK, USA, UAE and Singapore and manufacturing operations in the UK and the USA we employ over 250 people worldwide and have net assets of £49.6 million. Our solutions include the design and manufacture of microwave radio, satellite transmission and wireless camera systems.

The Company is a public limited company, and up until 20 January 2014 it was listed on the London Stock Exchange. On 20 January 2014 the Company moved to the Alternative Investment Market (AIM). The Company is incorporated and domiciled in the UK. The address of its registered office is Marlborough House, Charnham Lane, Hungerford, Berkshire, RG17 0EY.

The registered number of the Company is 4082188

2 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 ACCOUNTING

The Group financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

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 assumption and estimates are significant to the Group financial statements are disclosed in note 4.

During the current reporting period there were no new standards or amendments which had a material impact on the net assets of the Group. In addition, standards or amendments issued but not yet effective are not expected to have a material impact on the net assets of the Group.

The Group financial statements have been prepared on a going concern basis under the historical cost basis of accounting, except where fair value measurement is required under IFRS as described below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2013. Control is achieved when the Company:

- has the power over the investee,
- is exposed, or has rights, to vary from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from the inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

BUSINESS COMBINATIONS

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of assets transferred, the liabilities assumed and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at the fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Costs directly attributable to an acquisition are charged directly to the income statement as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the profit and loss.

SEGMENTAL REPORTING

The Group's internal organisational and management structure and its system of internal financial reporting to the Board of directors are based on the geographical location of its businesses. These comprise two regions, the UK and the United States of America (US). Each business location has its own managing director who sits on the Executive Management Board, together with the Group Finance Director, under the chairmanship of the Executive Chairman to oversee the running of the Group. The chief operating decision-maker has been identified as the Executive Management Board.

The Executive Management Board reviews the Group's internal financial reporting in order to assess performance and allocate resources. The same information is provided to the Board of directors of Vislink plc. Management have therefore determined that the operating segments for the Group will be based on these reports.

The UK business is responsible for the sales and marketing of all Group products and services outside of the Americas. It is also the product centre for the Advent satcom communication products and Link and Gigawave wireless camera systems. The US business is responsible for the sales and marketing of all Group products and services in North and South America and Canada. It is also the product centre for the MRC and PMR microwave product brands and the services business of WTS.

Group management are focused on developing global revenue growth from the two main markets that the Group serves, Broadcast and Surveillance. Segmental reporting is therefore also provided by reference to revenue by market by geographic region.

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 Group financial statements are presented in pounds sterling (GBP), which is the Company's functional and presentation currency.

(b) **Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such 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.

(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 statement of financial position presented are translated at the closing rate of exchange prevailing at the reporting 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 statements of financial position 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 assets acquired, including acquired intangible assets and any contingent liabilities.

Goodwill is tested annually or more frequently if events or circumstances indicate potential impairment. Impairment losses are recognised for the amount by which an asset's carrying amount exceeds its recoverable amount, that recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Impairments of goodwill are not reversed. Gains and losses on the disposal of an entity will be net of 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.

(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 on a straight-line basis and the expense is taken to the income statement (note 12).

The Group has recognised customer relationships, intellectual property and brands as separately identifiable acquired intangible assets. The useful economic life attributed to each intangible asset is determined at the time of acquisition and ranges from six to ten years.

Impairment reviews are undertaken when the directors consider that there has been a potential indication of impairment.

(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. The key eligibility criteria for capitalisation relate to:

- The identification of development costs. In general the Group's research and development activities are closely interrelated 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 amortisation period ranges from one to three years. If a product becomes unviable the deferred development costs are written off.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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 land and buildings	2 per cent for buildings
	No depreciation on land
Leasehold improvements	The remaining term of the lease
Furniture and fittings	10 per cent
Plant, tools, test and computer equipment	10 per cent – 33 per cent

Group depreciation rates and the carrying values of property, plant and equipment are reviewed annually to consider their appropriateness. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on the disposal of assets are determined by comparing the proceeds with the carrying amount and are recognised in administration expenses in the income statement as they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 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 over the period of the lease.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost represents direct costs incurred and, where applicable, production or conversion costs and other costs to bring the inventory to its existing condition and location. Inventory is accounted for on a standard cost basis. Net realisable value comprises the actual or estimated selling price less all further costs to completion, and less all costs to be incurred in marketing, selling and distribution. Provisions for inventories are recognised when the book value exceeds its net realisable value. The Group makes provision for slow-moving, obsolete and defective inventory as appropriate.

TRADE RECEIVABLES

Trade receivables are initially recognised at fair value, being the original invoice amount, and subsequently measured at amortised cost 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. 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. 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 expenses. 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 expenses in the income statement.

CASH AND CASH EQUIVALENTS

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of less than three months.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and short term deposits as defined above, together with bank overdrafts where applicable.

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.

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

CURRENT AND DEFERRED TAXATION

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company's subsidiaries 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 establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the reporting 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 reporting 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 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 reporting date

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis

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 income statement 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, under which the Group receives services from employees as consideration for equity instruments (options) in the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted

- including any market performance conditions (for example, the Group's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised

(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 Group financial statements

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

Revenue represents amounts receivable from external 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

(b) Construction contracts

From time to time the Group enters into construction contracts that will take a number of months to complete. Customer contracts that are expected to span more than one period end are recognised in revenue in accordance with IAS 11

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date. This is measured by the proportion of contract costs incurred for work performed to date relative 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 contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable such costs 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

GROUP FINANCIALS

(c) Sales of services

Revenue from service contracts that are not accounted for as construction contracts under IAS 11 is recognised in line with the delivery of service to the customer. Related costs are deferred on the statement of financial position and then recorded as a cost of sale when the revenue is recognised

(d) Interest income

Interest income is recognised on a time apportionment basis

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

NON-RECURRING ITEMS

These are material items excluded from management's assessment of profit because by their nature they could distort the Group's underlying quality of earnings. These are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready for use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 FINANCIAL RISK MANAGEMENT FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (foreign exchange risk and cash flow interest rate risk), credit risk 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. 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 has 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. Approximately 30 per cent of the US business's cost of goods sold comes from its fellow subsidiaries in the UK and is priced in US dollars. The flow of cash from the USA to the UK businesses is managed by central treasury in order to minimise the risk to 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. 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 2013	Average rate 2012	Year end rate 2013	Year end rate 2012
US dollar	1.5645	1.5849	1.6528	1.6170

If the average rate for the US dollar was 5 cents (3 per cent) lower against GBP with all other variables held constant, pre-tax losses for the year would have been £0.04 million higher (2012: losses higher by £0.4 million) as a result of foreign exchange losses on translation of US dollar denominated losses.

If the year end rate for the US dollar was 5 cents (3 per cent) lower against GBP, equity would have been £0.01 million higher (2012: £0.4 million higher) due to the foreign exchange gains on the translation of the net investments of the overseas operations.

The rate of 5 cents is used here to illustrate the sensitivity of the Group's results and equity to the value of the US dollar relative to GBP. Management regularly monitor the impact of changes in exchange rates on the forecast results of the Group.

(ii) Cash flow interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates having held net cash throughout the year. The Group looks to maximise its investment returns from its cash balances whilst retaining sufficient flexibility to meet working capital requirements. Full details of the Group's cash position are given in note 16 to the financial statements.

Had the average interest rate been 100 basis points higher or lower in 2013 then the Group's post tax profit would not have been materially different due to the low rates of investment income returns during the year. Similarly there would be no material impact on equity.

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 overseas acquisitions are made, it is the Group's policy to arrange any borrowings required in local currency

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 is managed on a Group basis, except for credit risk relating to accounts receivable balances

Credit risk arises with cash balances and accounts receivables. The Group's cash deposits are held at banks that have been carefully selected taking into consideration their individual external credit ratings (note 16)

Each local subsidiary is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. 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. If there is no independent rating, the finance function assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

(C) LIQUIDITY RISK

A material portion of the Group's net assets are represented by its cash balances. Any material loss of cash through ineffective investment of this resource would undermine our ability to generate growth in shareholder value. Similarly an inability to access these funds would undermine the Group's ability to meet its financial obligations. We have assessed the likelihood of loss to be low but with a high potential impact.

Therefore in mitigation 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, Santander. 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 19.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

	Less than one year	Between 1 and 2 years	Between 2 and 5 years	Total
	£000	£000	£000	£000
At 31 December 2013				
Deferred consideration	2,000	—	—	2,000
Trade and other payables	10,656	—	—	10,656
At 31 December 2012				
Deferred consideration	411	—	—	411
Trade and other payables	10,465	—	—	10,465

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 statement of financial position) less cash and cash equivalents. Total capital is the sum of equity plus net debt (or less net cash) being £45.9 million at 31 December 2013 (2012 £39.2 million).

The Group is currently ungeared, having net cash at 31 December 2013. 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 values of trade receivables (less impairment provision) and payables are assumed to approximate to their fair values.

OUR FINANCIALS

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, brands and customer relationships) have been acquired as part of the net assets of certain subsidiaries. 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 reporting date was £3.9 million (note 12) (2012: £3.1 million).

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 entry 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 reporting date was £21.6 million (2012: £20.1 million). Details of the impairment review are provided in note 12. There was no impairment charge during the year.

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 net deferred tax assets at the reporting date was £1.0 million (note 22) (2012: £0.5 million). In addition, there were £6.3 million of deferred tax assets not recognised (2012: £5.9 million).

PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Included within the statement of financial position are warranty provisions amounting to £0.3 million (2012: £0.3 million), onerous property leases of £0.4 million (2012: £0.8 million) and a provision for contractual disputes of £nil (2012: £0.3 million) (note 21).

Management believe that the warranty provisions are adequate to cover the future risk of product warranty claims based on historic claims history applied to the current revenue levels.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

The onerous property lease provision relates to a vacated leasehold property acquired with Gigawave Limited. The property was sublet during the year. Property provisions have been made in respect of the vacated lease premises and represent the future liabilities associated with the property to the end of the lease, net of anticipated income from subletting. In the current economic environment we cannot be certain that this provision will be sufficient to cover the total future liabilities associated with the property and the requirement for provision will be reassessed annually. The total liability for future rent and rates on the vacated lease property, excluding any potential benefit from subletting, is £1.4 million over an aggregate period of 6.5 years.

The Group held a contractual dispute provision of £0.3 million at 31 December 2012 in respect of an ongoing dispute with a distributor regarding contractual obligations. This dispute has been resolved during 2013 and therefore the provision has been fully released.

IMPAIRMENT OF TRADE RECEIVABLES

The carrying amount of receivables at year end was £11.0 million (2012 £9.2 million), against which there was an impairment provision of £0.8 million (2012 £0.5 million) (note 15). 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 £11.1 million (2012 £9.5 million) after a provision for excess and obsolete inventory of £5.0 million (2012 £4.8 million) (note 14). During the year £0.9 million of the provision was utilised following the scrapping and sale of obsolete inventory. Inventory write-downs of £0.7 million were written back to the income statement on the sale of products against which provisions had previously been made. Such products have an estimated net realisable value that was below their cost hence the requirement for the provision.

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 23.

5 SEGMENTAL REPORTING

The two markets in each of the regions are Broadcast and Defence & Security. As the regions manage and control the markets directly, costs are shared across markets in certain regions which means that any allocation of costs to markets would be arbitrary. The focus of management is to ensure that the appropriate material margins are being achieved in each market as a sub-analysis of the regional performance (note 2)

The segment information provided to the Executive Management Board for the reportable continuing segments for the year ended 31 December 2013 is as follows

Segmental reporting by geographic location	UK £000	US £000	Inter- segmental transactions £000	Central £000	Total £000
Year ended 31 December 2013					
Income statement — continuing business					
Broadcast	30,931	17,188	—	—	48,119
Defence and Security	5,241	6,519	—	—	11,760
Inter-segmental	6,112	839	(6,951)	—	—
Total revenue	42,284	24,546	(6,951)	—	59,879
Adjusted operating profit/(loss)	6,408	407	—	(2,479)	4,336
Amortisation and impairment of acquired intangibles	(572)	(848)	—	—	(1,420)
Non-recurring items	330	(42)	—	(126)	162
Finance costs	(2)	—	—	(2)	(4)
Finance income	7	—	—	12	19
Profit/(loss) before taxation	6,171	(483)	—	(2,595)	3,093
Taxation	95	580	—	(291)	384
Profit/(loss) for the year being profit attributable to owners of the parent	6,266	97	—	(2,886)	3,477
Segment assets					
Non-current assets	23,412	10,894	—	1,157	35,463
Current assets	13,078	11,424	—	2,204	26,706
Deferred tax assets (note 22)	1,467	—	—	(470)	997
Total assets	37,957	22,318	—	2,891	63,166
Total liabilities	7,378	3,577	—	2,609	13,564
Total net assets	30,579	18,741	—	282	49,602
Other segment items — continuing business					
Capital expenditure	367	104	—	2	473
Capitalised development expenditure	1,850	2,603	—	—	4,453
Depreciation	411	293	—	86	790
Amortisation of intangibles	1,296	2,315	—	—	3,611

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 SEGMENTAL REPORTING (CONTINUED)

Inter-segmental revenues represent the transfer of goods between US and UK subsidiaries at agreed transfer prices

Central costs represent corporate expenses

Segment assets include property, plant and equipment, goodwill, other 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. Segment 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 US subsidiary recognised revenue of £0.1 million in relation to construction contracts in 2013 (2012: £0.8 million). There were no construction contracts outstanding at the year end

Segmental reporting by geographic location	Inter-segmental				Total
	UK £000	US £000	transactions £000	Central £000	£000
Year ended 31 December 2012					
Income statement – continuing business					
Broadcast	29,277	17,845	-	-	47,072
Defence and Security	3,390	6,741	-	-	10,131
Inter-segmental	5,227	686	(5,913)	-	-
Total revenue	37,844	25,272	(5,913)	-	57,203
Adjusted operating profit/(loss)	4,942	397	-	(2,249)	3,090
Amortisation of acquired intangibles	(352)	(1,237)	-	-	(1,589)
Non-recurring items	(330)	-	-	1,036	706
Finance costs	(2)	-	-	(2)	(4)
Finance income	14	-	-	15	29
Profit/(loss) before taxation	4,272	(840)	-	(1,200)	2,232
Taxation	55	(561)	-	394	(112)
Profit/(loss) for the year being profit attributable to owners of the parent	4,327	(1,401)	-	(806)	2,120
Segment assets					
Non-current assets	19,762	11,076	-	533	31,371
Current assets	12,905	11,311	-	3,662	27,878
Net deferred tax assets	-	-	-	511	511
Total assets	32,667	22,387	-	4,706	59,760
Total liabilities	8,166	3,702	-	515	12,383
Total net assets	24,501	18,685	-	4,191	47,377
Other segment items – continuing business					
Capital expenditure	156	223	-	-	379
Capitalised development expenditure	1,141	1,618	-	-	2,759
Depreciation	453	375	-	87	915
Impairment of intangibles	325	-	-	-	325
Amortisation of intangibles	1,421	2,732	-	-	4,153

5 SEGMENTAL REPORTING (CONTINUED)

GEOGRAPHIC EXTERNAL REVENUE ANALYSIS

The revenue analysis in the table below is based on the geographical location of the customer for each business unit. 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 segments identified above

	2013			2012		
	Broadcast £000	Defence & Security £000	Total £000	Broadcast £000	Defence & Security £000	Total £000
By market:						
UK	3,154	2,538	5,692	3,934	2,754	6,688
Rest of Europe	8,445	1,111	9,556	8,325	598	8,923
Americas	18,324	6,421	24,745	20,358	6,385	26,743
Middle East & Africa	12,055	1,564	13,619	8,085	87	8,172
Asia/Pacific	6,141	126	6,267	6,370	307	6,677
	48,119	11,760	59,879	47,072	10,131	57,203

6 OPERATING PROFIT

The following items have been included in arriving at the operating profit for the continuing business

	2013 £000	2012 £000
Depreciation of property, plant and equipment (note 13)	790	915
Amortisation of acquired intangibles (note 12)	1,420	1,589
Operating lease rentals	319	415
Loss on sale of property, plant and equipment	3	75
Repairs and maintenance expenditure on property, plant and equipment	118	162
Exchange (gains)/losses (credited)/charged to profit and loss	(65)	288
Research and development expenditure		
— Expensed in the year	3,942	5,053
— Capitalised expenditure (note 12)	4,453	2,759
— Amortisation and impairment of capitalised development costs (note 12)	2,189	2,889

OTHER EXPENSES

Other expenses comprise

	2013 £000	2012 £000
Amortisation and impairment of acquired intangibles	1,420	1,589
Non-recurring items	(162)	(706)
	1,258	883

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 OPERATING PROFIT (CONTINUED) NON-RECURRING ITEMS

The following items of unusual nature, size or incidence have been charged in arriving at the operating profit for the period and are described as non-recurring

	2013 £000	2012 £000
Rationalisation and redundancy costs	—	3
Provision (release)/charge against contractual issues	(330)	330
Adjustments to deferred consideration	—	(1,039)
Acquisition and business set-up costs	168	—
	(162)	(706)

The Group has incurred rationalisation and redundancy costs of £nil in the year (2012 £3,000)

The Group has in the year released the provision that was in place relating to a contractual dispute (2012 £330,000)

There were £nil adjustments to deferred consideration during 2013 (2012 £1,039,000)

The Group has incurred £93,000 costs relating to the acquisition of Amplifier Technology (note 27) and £75,000 in respect of operations in Brazil during the year (2012 £nil)

SERVICES PROVIDED BY THE GROUP'S AUDITORS AND NETWORK FIRMS

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

	2013 £000	2012 £000
Analysis of fees payable to PricewaterhouseCoopers LLP		
Audit of the parent company and consolidated financial statements	59	47
Audit of the Company's subsidiaries	41	40
Audit related assurance services	10	10
Taxation compliance services	110	97
Taxation advisory services	22	21
Services relating to corporate finance transactions	21	15
Other non-audit services	20	—
	10	9
	183	142

A description of the work of the Audit Committee is set out in the corporate governance statement on page 44 and includes an explanation of how auditors' objectivity and independence is safeguarded when non-audit services are provided by the auditors

7 DIRECTORS AND EMPLOYEES

Staff costs during the year for the continuing business were as follows

	2013 £000	2012 £000
Wages and salaries	13,026	13,777
Social security costs	1,256	1,144
Other pension costs — defined contribution plans (note 26)	365	332
Share based payments (note 23)	361	188
	15,008	15,441

The monthly average number of employees employed by the Group during the year was as follows

	2013 Number	2012 Number
Average monthly number of employees	47	40
Broadcast Sales and Marketing	7	8
Defence & Security Sales and Marketing	12	21
Services	52	48
Technology	97	98
Logistics	36	36
Central	251	251

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 average number of employees includes directors with service contracts. The total number of employees at 31 December 2013 was 271 (2012: 244).

Key management compensation for the continuing business

	2013 £000	2012 £000
Short-term employee benefits — including salaries, social security costs and non-monetary benefits	1,897	1,729
Post employment benefits — defined contribution pension plans	71	62
Termination benefits	—	271
Share based payments (note 23)	361	188
	2,329	2,250

The analysis of key management compensation above includes executive directors. Key management is defined as the senior management teams in each of the business units of the Group. Details of directors' emoluments are included in the remuneration report on pages 46 to 59.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 FINANCE INCOME — NET

	2013 £000	2012 £000
Interest payable on bank borrowing	4	2
Finance lease liabilities	—	2
Finance costs	4	4
Finance income	(19)	(29)
Finance income — net	(15)	(25)

Finance income is derived from cash held on deposit

9 INCOME TAX EXPENSE

a) Analysis of the tax charge in year

	2013 £000	2012 £000
Current tax		
UK corporation tax	(8)	26
Foreign tax — current year	95	—
Foreign tax — prior year adjustment	(66)	163
Total current tax	21	189
Deferred tax		
UK corporation tax	(144)	(474)
Foreign tax	(261)	397
Foreign tax — prior year adjustment	—	—
Total deferred tax	(405)	(77)
Total taxation	(384)	112

b) Factors affecting tax charge for year
The charge for the year can be reconciled to the profit in the income statement as follows

	2013 £000	2012 £000
Profit before tax on continuing operations	3,093	2,232
Tax at the UK corporation tax rate of 23.25% (2012: 24.5%)	720	547
Adjustment in respect of prior years	(43)	143
Permanent differences	45	(37)
Enhanced R&D tax relief	(407)	(216)
Deferred consideration not taxable	—	(183)
Current year losses not recognised	200	897
Additional losses now recognised	(960)	(325)
Brought forward losses utilised against current year profit	—	(518)
Effect of changes in UK tax rate	208	6
Effects of different tax rates of subsidiaries operating in other jurisdictions	(147)	(202)
Total taxation	(384)	112

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Company's profits for this accounting period are taxed at an effective rate of 23.25%

10 DIVIDENDS AND RETURNS TO SHAREHOLDERS

	2013 £000	2012 £000
Final dividend paid of 1.25 pence per share (2012: 1.25 pence per share)	1,413	1,413

The directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 1.25 pence per share which will absorb an estimated £1.5 million of shareholders' funds. It will be paid on 18 July 2014 to shareholders who are on the register of members on 27 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

II EARNINGS PER 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

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

	2013			2012		
	Earnings £000	Weighted average number of shares 000s	Earnings per share pence	Earnings £000	Weighted average number of shares 000s	Earnings per share pence
Basic earnings per share						
Profit attributable to ordinary shareholders from continuing activities	3,477	113,070	3 1	2,120	113,063	1 9
Basic earnings per share	3,477	113,070	3 1	2,120	113,063	1 9
Diluted earnings per share						
Profit attributable to ordinary shareholders	3,477	113,348	3 1	2,120	113,796	1 9
Diluted earnings per share	3,477	113,348	3 1	2,120	113,796	1 9

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 of acquired intangibles and non-recurring costs and their related tax effects.

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

	2013		2012	
	£000	Pence	£000	Pence
Reported earnings per share	3,477	3 1	2,120	1 9
Amortisation of acquired intangibles after tax	1,336	1 2	1,508	1 3
Non-recurring costs after tax	(124)	(0 1)	(788)	(0 7)
Adjusted and adjusted diluted earnings per share	4,689	4 2	2,840	2 5

12 INTANGIBLE ASSETS

	Goodwill £000	Acquired customer relationships £000	Acquired intellectual property £000	Acquired brands £000	Capitalised development costs £000	Total £000
Cost						
At 1 January 2012	36,115	12,159	3,720	1,731	18,959	72,684
Additions	—	—	—	—	2,759	2,759
Additions from acquisition of business	—	—	—	—	—	—
Reductions	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
Exchange adjustment	(440)	(314)	—	(29)	(564)	(1,347)
At 1 January 2013	35,675	11,845	3,720	1,702	21,154	74,096
Additions	—	—	—	—	4,453	4,453
Additions from acquisition of business	1,573	810	1,369	—	—	3,752
Reductions	—	—	—	—	—	—
Disposals	—	—	—	—	(7,585)	(7,585)
Exchange adjustment	(221)	(151)	—	(15)	(52)	(439)
At 31 December 2013	37,027	12,504	5,089	1,687	17,970	74,227
Accumulated amortisation						
At 1 January 2012	15,733	8,819	3,720	296	13,240	41,808
Charge for the period — continuing business	—	1,129	—	171	2,564	3,864
Impairment charge	—	—	—	—	325	325
Accelerated amortisation	—	289	—	—	—	289
Additions from acquisition of business	—	—	—	—	—	—
Disposals	—	—	—	—	—	—
Exchange adjustment	(193)	(248)	—	(11)	(414)	(866)
At 1 January 2013	15,540	9,989	3,720	456	15,715	45,420
Charge for the period — continuing business	—	1,094	152	174	2,189	3,609
Impairment charge	—	—	—	—	—	—
Accelerated amortisation	—	—	—	—	—	—
Additions from acquisition of business	—	—	—	—	—	—
Disposals	—	—	—	—	(7,585)	(7,585)
Exchange adjustment	(97)	(175)	—	(10)	82	(200)
At 31 December 2013	15,443	10,908	3,872	620	10,401	41,244
Net book value						
At 31 December 2013	21,584	1,596	1,217	1,067	7,569	33,033
At 31 December 2012	20,135	1,856	—	1,246	5,439	28,676
At 1 January 2012	20,382	3,340	—	1,435	5,719	30,876

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12 INTANGIBLE ASSETS (CONTINUED)

Additions in the year relate to capitalised development costs and acquired intellectual property

The estimated useful life for the intellectual property and customer relationships acquired with the business of Amplifier Technology 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 remaining net book value of brands and customer relationships were acquired with the businesses of Gigawave, Amplifier Technology and PMR and are associated with the broadcast and surveillance markets. The estimated useful lives had 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 amortisation of development costs is included in research and development expenses in the Consolidated Income Statement. Within development costs there are £8.7 million (2012: £10.7 million) of fully written down assets that are still in use

The amortisation of customer relationships, brands and intellectual property are all charged to other expenses in the Consolidated Income Statement and are referred to as the amortisation of acquired intangibles

IMPAIRMENT TEST FOR CASH-GENERATING UNITS CONTAINING GOODWILL

Historic goodwill acquired in a business combination was allocated, at acquisition, to the cash-generating units (CGUs) that were expected to benefit from that business combination, being the markets that the Group serves, namely Broadcast and Surveillance

In accordance with the requirements of IAS 36 "Impairment of assets", goodwill is required to be tested for impairment on an annual basis, with reference to the value of the cash-generating units in question. The goodwill relating to the Surveillance market was fully written down in 2010. The Group acquired Amplifier Technology in 2013 which is a separate cash-generating unit and therefore impairment reviews have been undertaken in respect of both the Broadcast market and Amplifier Technology. The carrying value of goodwill at 31 December 2013 is £21.6 million (2012: £20.1 million)

The carrying value of both the Broadcast and Amplifier Technology cash-generating units (including goodwill) has been assessed with reference to value in use over a projected period of four years with a terminal value. This reflects projected cash flows based on actual operating results and approved budget, strategic plans and management projections

The key assumptions on which the value in use calculations are based relate to business performance over the next four years, long term growth rates beyond 2016 and the discount rate applied. Growth rates for 2017 and beyond are assumed to be 3% for the Broadcast market and 1% for Amplifier Technology, which is considered to be at or below long term market trends for the underlying business

The cash flow projections have been discounted to present value using the Group's pre-tax weighted average cost of capital, which has been calculated on a consistent basis using the capital asset pricing model to determine cost of equity, as the Group has no debt. This has resulted in a pre-tax discount rate of 9.1% (2012: 9.3%), which has been used for the purpose of the impairment test. The value in use was found to be higher than the carrying value, hence no impairment is necessary. However, the directors consider that current market conditions have led to the discount rate deviating from the long term average rate that might be considered appropriate for businesses of a similar nature and scale as the Group. With this in mind, the impairment test calculations have been re-run using a higher pre-tax discount rate of 12%, which may be considered to be more appropriate for similar companies and no impairment was identified

In addition, further sensitivity testing was performed, taking into account the following reasonably possible scenarios:

- reductions in cash flow generation of 20%
- reductions in growth rates beyond 2013 to 1%

Taking these factors into account, using the higher discount rate, the value in use remains in excess of the carrying value of both the Broadcast and Amplifier Technology cash-generating units demonstrating there is adequate headroom and limited risk of impairment resulting from reasonably possible reductions in the forecast cash flows

13. 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 1 January 2012	938	1,518	9,624	12,080
Additions	—	56	323	379
Disposals	—	(103)	(1,252)	(1,355)
Exchange adjustment	(21)	(25)	(175)	(221)
At 1 January 2013	917	1,446	8,520	10,883
Additions	—	8	465	473
Additions from acquisition of business	—	—	124	124
Disposals	—	—	(537)	(537)
Exchange adjustment	(10)	(13)	(71)	(94)
At 31 December 2013	907	1,441	8,501	10,849
Accumulated depreciation				
At 1 January 2012	192	965	7,363	8,520
Charge for the period — continuing business	27	151	737	915
Disposals	—	(63)	(1,007)	(1,070)
Exchange adjustment	(3)	(19)	(155)	(177)
At 1 January 2013	216	1,034	6,938	8,188
Charge for the period — continuing business	33	115	642	790
Disposals	—	—	(470)	(470)
Exchange adjustment	(4)	(14)	(71)	(89)
At 31 December 2013	245	1,135	7,039	8,419
Net book value				
At 31 December 2013	662	306	1,462	2,430
At 31 December 2012	701	412	1,582	2,695
At 1 January 2012	746	553	2,261	3,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 INVENTORIES

	2013 £000	2012 £000
Raw materials and consumables	3,862	4,442
Work in progress	3,254	928
Finished goods and goods for resale	3,978	4,163
	11,094	9,533

The cost of inventories recognised as an expense and included in "cost of sale" amounted to £31.6 million (2012: £31.7 million)

During the year the Group consumed £20.6 million (2012: £28.4 million) of inventories and credited £0.7 million (2012: credited £2.0 million) to the income statement in respect of inventory write-downs. Inventory write-downs were written back on the sale of products against which provisions had previously been made. Such products had a net realisable value that was below their cost, hence the requirement for the provision

15 TRADE AND OTHER RECEIVABLES

Current	2013 £000	2012 £000
Trade receivables	11,002	9,161
Less provision for impairment	(752)	(512)
Trade receivables — net	10,250	8,649
Amounts recoverable on contracts	50	184
Other receivables	858	505
Prepayments and accrued income	749	876
	11,907	10,214

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customers' base being large and unrelated.

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 31 December 2013 trade receivables of £6.6 million (2012: £3.7 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), 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:

	2013 £000	2012 £000
Up to three months	4,228	2,617
Three to six months	1,937	460
Over six months	425	657
	6,590	3,734

At 31 December 2013 trade receivables of £0.5 million (2012: £0.5 million) were impaired and provided for in whole or in part. The provision of £0.8 million (2012: £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 some specific customers in the US, for which the debts have been provided in full, have filed for relief from their creditors under Chapter 11 in the United States. The ageing of these receivables is as follows:

	2013 £000	2012 £000
Over six months	484	495
	484	495

The gross amounts of the Group's trade receivables are denominated in the following currencies:

	2013 £000	2012 £000
Pounds sterling	5,968	3,614
US dollars	5,032	5,313
Euros	2	234
	11,002	9,161

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

	2013 £000	2012 £000
At 1 January	512	720
Provision for receivable impairment	283	70
Receivables written off during the year as uncollectible	(41)	(188)
Receivables previously provided that were recovered in full or part	—	(79)
Exchange adjustment	(2)	(11)
At 31 December	752	512

The creation and release of provision for impaired receivables have been included in "sales and marketing expenses" 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16 CASH AND CASH EQUIVALENTS

	2013 £000	2012 £000
Cash and bank balances	3,705	8,131
Cash and cash equivalents at 31 December	3,705	8,131

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)	2013 £000	2012 £000
AA-	16	—
A	2,735	6,285
A-	939	—
BBB+	—	1,846
BBB	15	—
Total	3,705	8,131

Reconciliation of decrease in cash and cash equivalents to movement in net cash

	2013	2012
	Net cash and cash equivalents £000	Net cash and cash equivalents £000
At 1 January	8,131	10,184
Cash flow for period before financing and acquisition of subsidiary	(1,010)	(545)
Purchase of subsidiary	(2,093)	—
Cash acquired from subsidiary	62	—
Repayment of borrowings	—	(37)
Dividend paid to shareholders	(1,413)	(1,413)
Exchange rate adjustments	28	(58)
Cash and cash equivalents at 31 December	3,705	8,131

17 TRADE AND OTHER PAYABLES

	2013 £000	2012 £000
Payments received on account	785	1,193
Trade payables	6,643	6,664
Accruals and deferred income	2,942	2,608
Other taxes and social security costs	192	17
Deferred consideration for acquisitions	2,000	411
Other payables	286	—
	12,848	10,893

On 28 August 2013 the Group acquired the entire issued share capital of Amplifier Technology Limited ("Amplifier Technology") for a total maximum consideration of £4.0 million cash which includes a deferred consideration earn-out of £2.0 million to be paid if Amplifier Technology reaches an EBITDA of £3.0 million for the year ending 30 June 2014. In order that any deferred consideration is paid, Amplifier Technology must reach a minimum EBITDA of £1.0 million.

Both the Pacific Microwave Research and Gigawave Limited deferred consideration commitments were fully settled in the year; therefore, no further payments are due.

The total of the deferred consideration payments made during the year was £0.4 million (2012: £1.3 million).

18 CURRENT TAX ASSETS AND LIABILITIES

	2013 £000	2012 £000
Current tax liabilities	—	29
Foreign corporation tax	12	41
Current tax assets	—	—
Foreign corporation tax	—	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19 FINANCIAL LIABILITIES — BORROWINGS

BANK BORROWING FACILITIES

The facilities expiring within one year comprise the Group bonding and ancillary facility that are subject to review during 2014 in the normal course of business. At 31 December 2013 the Group had a gross bank overdraft facility of £2.0 million, net limit of £1.0 million. Interest on the overdraft facility is charged at 2.25 per cent over base rate.

The bank facilities 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.

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.

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:

	2013 £000	2012 £000
Bank overdraft	2.75%	2.75%

The Group held net cash at 31 December 2013 of £3.7 million and the Group was not utilising any available overdraft facility.

20 FINANCIAL INSTRUMENTS

Numerical financial instrument disclosures are set out below. Additional disclosures are set out in the accounting policies (note 2).

FINANCIAL INSTRUMENTS BY CATEGORY

	2013 Loans and receivables £000	2012 Loans and receivables £000
Assets as per statement of financial position at 31 December		
Trade and other receivables excluding prepayments	11,156	9,338
Cash and cash equivalents	3,705	8,131
Total	14,863	17,469

There are no financial assets that are pledged as collateral for liabilities or contingent liabilities.

	2013 Other financial liabilities at amortised cost £000	2012 Other financial liabilities at amortised cost £000
Liabilities as per statement of financial position at 31 December		
Trade and other payables excluding payments received on account and social security liabilities	11,871	10,876
Total	11,871	10,876

21 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Warranty Provisions £000	Property Provisions £000	Rationalisation Provisions £000	Contractual Disputes Provisions £000	Total £000
At 1 January 2013	331	754	5	330	1,420
Additional provision in the year	44	—	—	—	44
Utilisation of provision	(108)	(395)	(5)	—	(508)
On acquisition of subsidiary	78	—	—	—	78
Unused provision reversed during the year	—	—	—	(330)	(330)
At 31 December 2013	345	359	—	—	704

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

	2013 £000	2012 £000
Current	638	838
Non-current	66	582
	704	1,420

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 £0.1 million (2012: £0.2 million) all provisions are denominated in sterling. The warranty provision is reassessed annually based on the warranty claim experience of the previous 12 months relative to the aggregate outstanding warranty period at the year end.

The Group had a vacant leasehold property at 31 December 2012, during the year this property has been sublet. Property provisions have been made in respect of the vacated lease premises and represent the future liabilities associated with the property to the end of the lease, net of anticipated income from subsidised subletting. In the current economic environment we cannot be certain that this provision will be sufficient to cover the total future liabilities associated with the property and the requirement for provision will be reassessed annually. The total liability for future rent and rates on the vacated lease premises, excluding any potential benefit from subletting, is £1.4 million over an aggregate period of 6.5 years.

The Group has in the year released the provision that was in place relating to a contractual dispute (2012: £330,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 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 more likely than not to be 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.

From 1 April 2014 the corporation tax rate will be 21 per cent and from 1 April 2015 it will be 20 per cent. These rates were substantively enacted on 2 July 2013 and hence deferred tax assets and liabilities are calculated at 20 per cent.

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax liabilities					
At 1 January 2013	1,264	1,505	(667)	(1,402)	700
Acquired during the period	—	162	—	—	162
Charge/(credit) to profit or loss	418	(122)	(778)	90	(402)
Reclassification to deferred tax assets	—	—	1,399	1,286	2,685
Exchange adjustment	(30)	(24)	56	26	8
At 31 December 2013	1,632	1,521	—	—	3,153

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax assets					
At 1 January 2013	355	—	794	62	1,211
Acquired during the period	—	—	251	—	251
(Charge)/credit to profit or loss	(328)	—	296	35	3
Reclassification from deferred tax liabilities	—	—	1,399	1,286	2,685
At 31 December 2013	27	—	2,740	1,383	4,150

22 DEFERRED TAXATION (CONTINUED)

	Accelerated tax depreciation £000	Intangible assets £000	Losses £000	Other £000	Total £000
Deferred tax liabilities					
At 1 January 2012	—	—	—	—	—
Charge/(credit) to profit or loss	91	(183)	—	334	242
Reclassification to deferred tax assets	1 225	1,733	(697)	(1,805)	456
Exchange adjustment	(52)	(45)	30	69	2
At 31 December 2012	1,264	1,505	(667)	(1,402)	700
Deferred tax assets					
At 1 January 2012	(865)	(1,733)	905	2,125	432
(Charge)/credit to profit or loss	(5)	—	586	(258)	323
Reclassification from deferred tax liabilities	1,225	1,733	(697)	(1,805)	456
Exchange adjustment	—	—	—	—	—
At 31 December 2012	355	—	794	62	1,211
The movement on net deferred tax assets in the year was					
Net deferred tax asset at 1 January				2013 £000	2012 £000
Credited in the year — continuing business				511	432
Acquisition of a business				405	77
Exchange adjustment				89	—
				(8)	2
Net deferred tax asset at 31 December				997	511
Certain deferred tax assets have not been recognised where they are not probable of recovery					
Losses				2013 £000	2012 £000
Unutilised ACT				6,253	5,946
				584	584
				6,837	6,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 ORDINARY SHARES

Ordinary shares of 2.5 pence each at 31 December		Number '000s	2013 £000	Number '000s	2012 £000
Authorised		200,000	5,000	200,000	5,000
Allotted and fully paid					
At 1 January		113,902	2,848	113,902	2,848
Repurchase of own shares		—	—	—	—
At 31 December		113,902	2,848	113,902	2,848

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 19.0 pence to 86.3 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	2013 Number '000s	2012 Number '000s
7 April 2004	34.5p	07/04/07 – 06/04/14	50	58
14 April 2005	27.3p	14/04/08 – 13/04/15	—	500
13 April 2006	53.5p	13/04/09 – 12/04/16	124	159
27 April 2007	86.3p	27/04/10 – 26/04/17	50	50
8 June 2011	19.0p	08/06/14 – 07/06/21	300	300
29 March 2012	29.0p	29/03/15 – 28/03/22	600	650
			1,124	1,717

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

	2013		2012	
	Number	Weighted	Number	Weighted
	'000s	average	'000s	average
		exercise price		exercise price
Outstanding at beginning of year	1,717	30.9p	1,103	31.9p
Forfeited during the period	(585)	29.0p	(66)	30.3p
Lapsed during the period	—	—	(20)	27.5p
Exercised during the period	(8)	34.5p	—	—
Issued during the period	—	—	700	29.0p
Outstanding at the end of the year	1,124	31.8p	1,717	30.9p
Exercisable at the end of the year	224	56.6p	767	37.1p

8,000 options were exercised in 2013 (2012: nil). The options outstanding at 31 December 2013 had a weighted average exercise price of 31.8 pence (2012: 30.9 pence) and a weighted average remaining contractual life of 6.8 years (2012: 6.1 years).

No executive options were granted during 2013. The fair value of the executive options granted during 2012 that vest in 2015 was £112,000, based on the Black-Scholes pricing model.

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.

23 ORDINARY SHARES (CONTINUED)

Awards under the LTP scheme are subject to performance criteria, the scales relating to which will be determined annually by the Remuneration Committee. Details of the performance criteria are disclosed in the Remuneration Report.

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

Date of grant	Share price at award date	Vesting date	2013 Number '000s	2013 Number '000s
13 April 2010	24.3p	13 April 2013	—	596
28 March 2012	29.5p	28 March 2015	2,500	2,500
15 December 2012	26.0p	15 December 2015	404	404
12 November 2013	48.5p	12 November 2016	3,900	—
			6,804	3,500

	2013
Date of grant	12 November
Option type	Executive
Share price at grant date	48 5p
Shares under option	3,900,000
Vesting period (years)	3.00

A reconciliation of LTIP option movements over the year is shown below:

	2013	2012
	Weighted average exercise price	Weighted average exercise price
Outstanding at beginning of year	Number '000s	Number '000s
Lapsed during the year	28 2p	1,917
	(596)	(1,371)
Granted	24 3p	26 2p
	3,900	2,954
	48 5p	29 0p
Outstanding at the end of the year	39 8p	28 2p
	6,804	3,500

There were no LTIP options that were exercisable at the end of the year (2012 nil)

The weighted average contractual life remaining on the LTP options outstanding at 31 December 2013 is 8.86 years (2012: 8.27 years).

c) Share options — value of employee services

The Group recognised total expenses of £361,000 (2012 £188,000) related to equity-settled share based payment transactions in the year

24 CASH FLOW FROM OPERATIONS

Reconciliation of profit/(loss) before taxation to net cash flows from operations

	2013 £000	2012 £000
Profit for the year	3,093	2,232
Depreciation of property, plant and equipment	790	915
Loss on disposal of property, plant and equipment	3	75
Acquisition related costs	93	—
Amortisation and impairment of development costs	2,189	2,600
Amortisation of acquired intangibles	1,420	1,589
Share based payment expense	361	188
Finance income from continuing operations	(19)	(29)
Finance costs from continuing operations	4	4
Increase in inventories	(1,478)	(1,185)
Increase in trade and other receivables	(1,676)	(678)
Increase/(decrease) in trade and other payables	366	(1,381)
Decrease in provisions	(793)	(412)
Net cash from operating activities	4,352	3,918

25 CONTINGENT LIABILITIES AND COMMITMENTS

The Group has contingent liabilities of approximately £0.3 million in respect of performance bonds, advance payment guarantees, terminable indemnities, documentary credits and bills of exchange at 31 December 2013 (2012: £0.3 million)

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

	Land and buildings £000	2013 Other £000	Land and buildings £000	2012 Other £000
Not later than one year	1,034	18	1,128	23
Later than one year and not later than five years	3,811	33	3,092	49
Later than five years	2,049	—	1,375	—
	6,894	51	5,595	72

The Group leases a number of office and factory premises under operating leases of periods between five and ten years. None of these leases contain contingent rentals. Other leases comprise leases for office equipment. During the year £0.04 million (2012: £0.4 million) of operating lease payments, net of £0.1 million of rental income recognised from subleases, were recognised in the consolidated income statement.

Share options granted between 5 April 1999 and 5 April 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 31 December 2013, no accrual was required in respect of this liability (2012: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 PENSIONS

DEFINED CONTRIBUTION PLANS

The Group currently operates a Group Personal Pension Plan and funds are invested with Standard 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 (£1,545) per employee. The total Group pension charge for the year was £0.4 million (2012: £0.3 million).

The Group has no unfunded pension liabilities.

27 BUSINESS COMBINATIONS

On 28 August 2013 the Group acquired the entire issued share capital of Amplifier Technology Limited ("Amplifier Technology") for a total maximum consideration of £4.0 million cash which includes a maximum earn-out of £2.0 million to be paid if Amplifier Technology reaches an EBITDA of £3.0 million for the year ending 30 June 2014. In order that any earn-out is paid, Amplifier Technology must reach a minimum EBITDA of £1.0 million. Based in Yate, Bristol, Amplifier Technology was privately owned by a number of individual shareholders and employed 26 people. Amplifier Technology is a leading RF design and manufacturer of amplifiers and jammers for the defence and surveillance market. Its products complement Vislink's current range and will benefit from Vislink's global distribution reach.

The following table summarises the consideration paid for Amplifier Technology and a preliminary valuation of the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

Recognised amounts of identifiable assets acquired and liabilities assumed.	Fair value £000
Cash and cash equivalents	62
Property, plant and equipment	124
Intellectual property	1,369
Acquired intangibles — customer relationships & brands	810
Inventories	251
Trade and other receivables	151
Trade and other payables	(352)
Deferred tax asset	89
Provisions for liabilities and charges	(78)
Total identifiable net assets	2,427
Goodwill	1,573
Total consideration	4,000

Deferred tax of £0.2 million has been provided in respect of the fair value of acquired identifiable intangible assets of £0.8 million

Consideration	£000
Cash — initial consideration	2,000
Deferred consideration	2,000
Total consideration	4,000

Acquisition-related costs of £0.2 million are included in other expenses in the Group income statement and are considered to be non-recurring (note 6). Thus the total initial cash outflow associated with the acquisition was £2.2 million.

Amplifier Technology contributed £0.6 million to Group revenue and a loss of £4,000 to the Group operating profit in the period.

28 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.

Key management includes directors (executive and non-executive), members of the senior management, the Company Secretary and the Head of Internal Audit. The compensation paid or payable to key management for employee services is disclosed in note 7.

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.

29. SUBSEQUENT EVENTS

Pebble Beach Systems was acquired in March 2014 for a total consideration of £14.9 million comprising £12.9 million in cash and £2.0 million represented by the issue of new Vislink Ordinary shares. The cash consideration was funded out of existing Group resources and a new £10.0 million debt facility. The facility has a three-year tenor and is split into a £3.0 million amortising term loan and a £7.0 million flexible revolving credit facility. Included within the net assets of Pebble Beach Systems was £5.9 million of cash retained within the business on acquisition.

30. PRINCIPAL SUBSIDIARY COMPANIES

The following subsidiaries are included in the Group's consolidated results. A full list of subsidiaries can be obtained from the Company Secretary at the registered office of Vislink plc.

	Proportion of ordinary shares held by the Group	Principal activity	Country of incorporation and operation	Registered office
Continental Microwave Limited*	100%	Broadcast transmission systems integration and project management	UK	Hungerford England
Amplifier Technology Limited*	100%	Design and manufacture of amplifiers	UK	Hungerford England
Vislink International Limited* (Incorporating the business of Advent Communications, Link Research and Gigawave)	100%	Design and manufacture of wireless camera systems, satellite uplink and downlink equipment	UK	Hungerford England
Vislink, Inc. (Incorporating the businesses of Microwave Radio Communications, Pacific Microwave Research and Western Technical Services)	100%	Design and manufacture of microwave radio transmission equipment	USA	Delaware USA
Vislink Holdings Limited*	100%	Management holding company	UK	Hungerford England
Vislink Holdings, Inc.	100%	Management holding company	USA	Delaware USA

* Owned directly by the parent company Vislink plc

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VISLINK PLC

REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

OUR OPINION

In our opinion the financial statements, defined below

- give a true and fair view of the state of the parent company's affairs as at 31 December 2013,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

This opinion is to be read in the context of what we say in the remainder of this report

WHAT WE HAVE AUDITED

The parent company financial statements (the "financial statements"), which are prepared by Vislink plc, comprise

- the Company balance sheet as at 31 December 2013,
- the reconciliation of movements in shareholders' funds for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts 2013 (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

WHAT AN AUDIT OF FINANCIAL STATEMENTS INVOLVES

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed,
- the reasonableness of significant accounting estimates made by the directors, and
- the overall presentation of the financial statements.

In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion

- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF ACCOUNTING RECORDS AND INFORMATION AND EXPLANATIONS RECEIVED

Under the Companies Act 2006 we are required to report to you if, in our opinion

- we have not received all the information and explanations we require for our audit, or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns

We have no exceptions to report arising from this responsibility

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

OUR RESPONSIBILITIES AND THOSE OF THE DIRECTORS

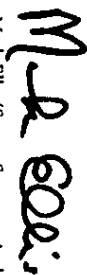
As explained more fully in the Statement of Directors' Responsibilities set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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

OTHER MATTER

We have reported separately on the Group financial statements of Vislink plc for the year ended 31 December 2013


Mark Ellis (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors, Bristol
26 March 2014

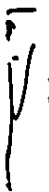
COMPANY FINANCIAL STATEMENTS — BALANCE SHEET

AS AT 31 DECEMBER 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Tangible assets	F	131	207
Investments	G	13,639	11,339
Intangible fixed assets	H	—	—
		13,770	11,546
Current assets			
Debtors	I	17,290	18,572
Cash at bank and in hand		2,051	3,444
		19,341	22,016
Creditors — amounts falling due within one year	J	8,384	6,594
Net current assets		10,957	15,422
Net assets		24,727	26,968
Capital and reserves			
Called up share capital	L	2,848	2,848
Share premium account	M	4,900	4,900
Capital redemption reserve	M	617	617
Merger reserve	M	2,670	2,670
Profit and loss account	M	13,692	15,933
Total shareholders' funds		24,727	26,968

Company registration number 4082188

The financial statements on pages 100 to 107 were approved by the Board of directors on 26 March 2014 and were signed on its behalf by:

 
John Hawkins Ian Daves
DIRECTORS

	Notes	2013 €000	2012 €000
Opening shareholders' funds		26,968	28,304
Loss for the financial year	B	(1,189)	(111)
Share options — value of employee services	E	361	188
Dividends paid	D	(1,413)	(1,413)
Movement in the year		(2,241)	(1,336)
Closing shareholders' funds		24,727	26,968

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 DECEMBER 2013

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A ACCOUNTING POLICIES

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared on a going concern basis 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is calculated in order to write off the cost of tangible fixed assets over their estimated useful lives by equal annual instalments using the following rates:

Plant and computer equipment	10% – 33%
------------------------------	-----------

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible timing 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 timing 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 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. Deferred tax is measured on an undiscounted basis.

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 transactions at the exchange rates ruling at the dates of the transactions. All differences on exchange are taken to the profit and loss account.

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 profit and loss account 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.

B LOSS FOR THE YEAR

As permitted by section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account. Vialink plc reported a loss for the financial year of £1.2 million (2012: loss of £0.1 million).

C SERVICES PROVIDED BY THE COMPANY'S AUDITORS

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

	2013 £000	2012 £000
Analysis of fees payable to PricewaterhouseCoopers LLP		
Fees payable to the Company's auditors for the audit of the company's financial statements	59	47
Fees payable to the Company's auditors for other services	10	10
Audit related assurance services		
Taxation compliance services	69	57
Taxation advisory services	12	11
Services relating to corporate finance transactions	21	15
Other non-audit services	20	—
	10	9
	132	92

A description of the work of the Audit Committee is set out in the corporate governance statement on page 43 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors

D DIVIDENDS

	2013 £000	2012 £000
Final dividend paid of 1.25p per share (2012 1.25p per share)	1,413	1,413

In addition the directors are proposing a final dividend in respect of the financial year ended 31 December 2013 of 1.25 pence per share which will absorb an estimated £1.5 million of shareholders' funds. It will be paid on 18 July 2014 to shareholders who are on the register of members on 27 June 2014

E SHARE BASED PAYMENTS

Details of share based payments are shown in note 23 to the consolidated Group financial statements

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

F TANGIBLE FIXED ASSETS

	Plant and computer equipment £000
Cost	
At 1 January 2013	444
Additions	1
At 31 December 2013	445
Accumulated depreciation	
At 1 January 2013	237
Charge for the year	77
At 31 December 2013	314
Net book value	
At 31 December 2013	131
At 31 December 2012	207

G INVESTMENTS

	Investments in subsidiaries unlisted shares £000
Cost	
At 1 January 2013	19,245
Additions	2,300
At 31 December 2013	21,545
Provision for impairment	
At 1 January and 31 December 2013	7,906
Net book value	
At 31 December 2013	13,639
At 31 December 2012	11,339

The addition in the year represents the £4.0 million investment in Amplifier Technology less the £1.7 million of intellectual property acquired, shown in note 27 to the consolidated financial statements

The directors believe that the carrying amount of the investments is supported by the value of their underlying net assets

H INTANGIBLE FIXED ASSETS

	Intellectual property £'000	
Cost		
At 1 January 2013	—	
Additions	1,700	
Disposals	(1,700)	
At 31 December 2013	—	

The disposal represents the intellectual property transferred at book value to Vialink International Limited

I DEBTORS

	2013 £'000	2012 £'000
Amounts owed by Group undertakings	17,034	18,194
Deferred taxation (note K)	33	28
Corporation tax	103	202
Other debtors	40	40
Prepayments and accrued income	80	108
	17,290	18,572

Deferred tax assets have been recognised in respect of all tax losses and 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 temporary differences associated with capital allowances.

Amounts owed by Group undertakings includes loans of £17.0 million (2012: £18.2 million) that bear interest at 2.75 per cent, and which are repayable on demand.

J CREDITORS — AMOUNTS FALLING DUE WITHIN ONE YEAR

	2013 £'000	2012 £'000
Trade creditors	61	113
Amounts owed to Group undertakings	5,730	5,916
Taxation and social security costs	192	17
Deferred consideration	2,000	250
Accruals and deferred income	401	298
	8,384	6,594

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

K DEFERRED TAXATION

Deferred tax assets comprise

	2013 £000	2012 £000
Depreciation in excess of capital allowances	33	28
Total deferred tax	33	28
At start of year	28	
Deferred tax credit in profit and loss account for year	5	
At end of year	33	

L SHARE CAPITAL

	Number '000	2013 £000	Number '000	2012 £000
Authorised ordinary shares of 2.5 pence each at 31 December	200,000	5,000	200,000	5,000
Allotted and fully paid				
At 1 January and 31 December	113,902	2,848	113,902	2,848

POTENTIAL ISSUE OF SHARES

Details of the potential issue of shares are shown in note 23 to the consolidated Group financial statements

M RESERVES

	Share premium account £000	Capital redemption reserve £000	Merger reserve £000	Profit and loss account £000
At 1 January 2013	4,900	617	2,670	15,933
Loss for the financial year	—	—	—	(1,189)
Value of employee services	—	—	—	361
Dividends paid	—	—	—	(1,413)
At 31 December 2013	4,900	617	2,670	13,692

At 31 December 2013 the trustee of the Employees Share Ownership Plan (ESOP) held 832,000 shares (2012: 840,000) with a market value of £0.2 million (2012: £0.2 million). The net book value of these shares was £0.2 million (2012: £0.2 million) and was deducted from the profit and loss account.

N CONTINGENT LIABILITIES AND COMMITMENTS

The Company is party to a cross guarantee to secure bank borrowings and facilities for credit cards, bonds and guarantees to certain members of the Group. At 31 December 2013 no accrual has been made in respect of this liability (2012 £nil)

The Company has no capital expenditure contracted for but not provided at 31 December 2013 (2012 £nil)

Share options granted between 5 April 1999 and 5 April 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 31 December 2013 an accrual of £nil has been made in respect of this liability (2012 £nil)

O RELATED PARTY TRANSACTIONS

The Company is exempt from disclosing related party transactions with entities that are part of the Vislink plc Group or investors 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 28 to the consolidated financial statements

P COMPANY PRINCIPAL SUBSIDIARIES

The principal subsidiaries of the Company are listed in note 30 to the consolidated financial statements

ANALYSIS OF SHAREHOLDERS

AS AT 31 DECEMBER 2013

Holding size range	Number of shareholders	Percentage of total shareholders	Number of shares (000)	Percentage of issued share capital
1-1,000	3,734	56.2	1,680	1.5
1,001-5,000	2,136	32.1	4,920	4.3
5,001-10,000	345	5.2	2,582	2.3
10,001-100,000	330	5.0	10,170	8.9
Over 100,000	101	1.5	94,550	83.0
	6,646	100.0	113,902	100.0

WARNING TO SHAREHOLDERS BOILER ROOM SCAMS

Over the last few years, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based "brokers" who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as "boiler rooms". These "brokers" can be very persistent and extremely persuasive.

The directors have been made aware that approaches have been made to Vislink shareholders. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

More detailed information on this or similar activity can be found on the FCA website <http://www.fca.org.uk/> or by calling the FCA Consumer Helpline on 0800 111 6768.

SHAREHOLDER INFORMATION

BOARD OF DIRECTORS

John Hawkins
Executive Chairman

Ian Davies
Group Finance Director

Robin Howe
Senior Independent Non-executive Director
Remuneration Committee Chairman

Oliver Ellingham
Independent Non-executive Director
Audit Committee Chairman

John Varney
Independent Non-executive Director

SECRETARY
Ian Davies

REGISTERED OFFICE

Marlborough House
Charnham Lane
Hungerford
Berkshire
RG17 0EY

COMPANY REGISTRATION NUMBER

4082188

AUDITORS

PricewaterhouseCoopers LLP
31 Great George Street
Bristol
BS1 5QD

BANKERS

Santander Corporate Banking
Solent Corporate Banking Centre
1 Dorset Street
Southampton
Hampshire
SO15 2DP

LEGAL ADVISERS

Pinsent Masons LLP
3 Colmore Circus
Birmingham
B4 6BH

REGISTRARS

Computershare Investor Services PLC
The Pavilions
Bridgewater Road
Bristol
BS99 6ZZ

NOMINATED ADVISER AND BROKER

N+I Singer Advisory LLP
One Bartholomew Lane
London
EC2N 2AX

SHAREHOLDER QUERIES

All queries regarding shareholdings, dividends, lost share certificates or changes of address should be communicated in writing to Visalink plc, c/o Computershare Investor Services PLC, The Pavilions, Bridgewater Road, Bristol, BS99 6ZZ stating the registered shareholder's name and address

Telephone 0870 703 6270

Shareholders may also check their shareholding, dividend payments or update their personal details via the Investor Services section of the Registrars' 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

WEBSITE

For further up-to-date shareholder information please visit www.visalink.com/investors/shareholder information

NEWS ALERTS

To receive the latest news announcements and press releases by email please visit www.visalink.com and follow the link to the investor/shareholder information page to register your details

UNSOLICITED MAIL

The Company is required by law to make its share register available on request to the public and organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit the receipt of such mail should write to the Mailing Preference Service, DMA House, 70 Margaret Street, London, W1W 8SS or register online at www.mpsonline.org.uk

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